



# **Agriculture and Horticulture Development Board**

## **Annual Report and Accounts 2015/16**



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Presented to Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, pursuant to Article 13 of The Agriculture and Horticulture Development Board Order 2008 (S.I. 2008, No. 576)

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The Agriculture and Horticulture Development Board (AHDB) is funded from levies paid by farmers, growers and others in the supply chain. Because the levy is statutory, AHDB is classified as a Non-Departmental Public Body (NDPB) and comes under the sponsorship of the Department for Environment, Food and Rural Affairs (Defra).

**Eighth Annual Report to the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers, Welsh Ministers and Northern Ireland Ministers, and Statement of Accounts for the year ended 31 March 2016**

**Auditor:** Comptroller and Auditor General, National Audit Office  
157-197 Buckingham Palace Road, London SW1W 9SP

# AHDB Board and statutory committees at 31 March 2016

AHDB is managed by a Board whose members are appointed by UK Ministers. The Board normally consists of ten members: the Chair, three independent members, and six who are also chairs of the sector boards.

## AHDB Board

### Chair:

Sir Peter Kendall

### Independent members:

Professor Ian Crute CBE

Will Lifford

George Lyon

### Specialist members and Sector board chairs:

Fiona Fell, agriculture specialist, Chair of AHDB Potato Sector Board

Gwyn Jones, dairy specialist, Chair of AHDB Dairy Sector Board

Gary Taylor MBE, horticulture specialist, Chair of AHDB Horticulture Sector Board

Paul Temple, cereals and oilseeds specialist, Chair of AHDB Cereals & Oilseeds Sector Board

Adam Quinney, beef and lamb specialist, Chair of AHDB Beef & Lamb Sector Board

Meryl Ward MBE, pig specialist, Chair of AHDB Pork Sector Board

*Stuart Roberts, beef and lamb specialist and chair of AHDB Beef & Lamb Sector Board resigned on 24 August 2015*

Biographical details of Board members are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)

A register of AHDB Board member interests is maintained and can be obtained by writing to: Corporate Administration, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL

## Statutory committees

### AHDB Audit and Risk Assurance Committee

Will Lifford (Chair) – AHDB independent Board member

Professor Ian Crute CBE – AHDB independent Board member

Philip Huggon – independent member of the AHDB Potato Sector Board

Gwyn Jones – AHDB Board member (*from 1 March 2016*)

David Neal-Smith – independent member of the AHDB Cereals & Oilseeds Sector Board

Gary Taylor MBE – AHDB Board member

Meryl Ward MBE – AHDB Board member

*Audit and Risk Assurance Committee terms of reference are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

### AHDB Remuneration and Nominations Committee

George Lyon (Chair) – AHDB independent Board member

Fiona Fell – AHDB Board member

Sir Peter Kendall – AHDB Board chair

Paul Temple – AHDB Board member

Adam Quinney – AHDB Board member (*from 1 March 2016*)

*Remuneration and Nominations Committee terms of reference are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

# Chair's foreword

## Great opportunities for UK agriculture



It has been an incredibly tough year with seriously depressed prices in almost every sector and a global commodity downturn, which is proving difficult to predict going forward. Even an optimist would find it tricky to put a positive spin on the current state of our industry. Farmers and growers are battenning down the hatches and looking at every possible strategy to

see out this challenging period and prepare for the years ahead.

Getting the balance right between the here and now and the future direction for the industry is never easy. However, it is vital that the AHDB Board and our sector boards continue to look five to ten years ahead to assess both the challenges and great opportunities that are facing the sectors we serve.

The conundrum is how do we articulate those exciting long-term opportunities while many businesses are focused on simply day-to-day survival? Managing volatile markets as well as survival strategies will be a key part of much of our Sector Boards' work. But it is vital that the longer-term agenda, to be the best at what we do, remains at the heart of our planning.

Despite the current difficulties in our markets, I remain extremely optimistic about the future of our agricultural and horticultural sectors because the growth potential both at home and abroad remains significant and real. For example:

- UK population will grow by 14% (9 million) compared to 3% in the EU, by 2040
- World population growth will mean 1.8 billion more consumers in the world by 2040
- Income growth will lead to 1.2 billion more middle class consumers around the world by 2040.

These fundamental factors will drive increasing demand for the quality products we produce and I want AHDB to be brave enough to lead our industry and levy payers in planning and developing the tools to maximise those opportunities. This is doubly important because our near neighbours in Europe will, and already are, targeting our lucrative market as well as those further afield.

It has been clear over the past year that the UK Government has backed our industry in several key ways - investment in the Agri-tech strategy, five year tax averaging, continuing the battle against TB and leading numerous export missions to open up markets for our products overseas.

With our Government making these commitments, I think it is imperative that as farmers we demonstrate belief and confidence in our own future by using the levies wisely. The AHDB's transformation programme will ensure the industry

does just that by having our own market development team working across sectors, joining up R&D projects where possible and maximising knowledge exchange so that innovation is unlocked on farm and rolled out more widely. The AHDB Board must make sure that levy income is used in the most cost-effective way to deliver the clear strategic objectives set by sector boards. That is why we have restructured (see *the performance report on page 6*), so all parts of AHDB work more closely to deliver better services and greater value to our levy payers and the wider industry.

AHDB is determined to make a bigger difference for levy payers through smarter working, a focus on real outcomes for the farm and supply chain, and helping UK agriculture maximise the exciting longer-term opportunities that exist.

In the short-term, however, many of our primary producers have really suffered at the bottom of a volatile price cycle. This has been particularly noticeable for our dairy farmers. When better times come, as they did for potatoes in 2015/16 compared to 2014/15, we should remember this period of uncertainty and be better prepared for future downturns. This will undoubtedly include building improved supply chain relationships and contracts, doing work on futures markets and exploring profit/tax averaging, etc. This will be an area of focus for us all during the year ahead.

Another area requiring attention is the scope we have for greater coordination and partnership across the UK industry. In other countries, such as Ireland and Denmark, I have seen evidence of real collaboration between the industry, researchers, government, the supply trade and farmers, which leads to new ways of working together, greater success and positive outcomes for all. A joined-up industry with improved mutual understanding should be able to achieve more. AHDB has a role to play in leading greater coordination.

AHDB and the industry as a whole will need to be robust and agile in taking advantage of the opportunities and managing the pressures that lie ahead. These include the usual unpredictability of weather and disease, as well as an incredibly competitive global market. The political environment is also just as volatile with the Russian import ban and threats to active ingredients all still to be resolved.

It is our goal at AHDB to be the best at what we do to ensure UK agriculture survives and thrives in these ever changing environments.

I remain confident we can succeed and this report sets out the crucial role of the AHDB in helping the industry achieve this ambition.

**Sir Peter Kendall**  
**Chair**  
**Agriculture and Horticulture Development Board**

# Performance report

## From the Chief Executive and Accounting Officer



### Overview

I joined as Chief Executive and Accounting Officer in early February 2015 and my first full year managing AHDB has been focused on driving a step change in our operations to deliver more impact in what we do with the £59 million of levies we raise.

In the last 12 months, we have started and largely completed the physical elements of a major organisational restructure and, over the coming year, we will be working to embed the new ways of working and the cultural changes needed. The new structure brings our sectors closer together as one cohesive organisation focused on outcomes, efficiency and best practice. We have also undertaken a comprehensive levy-payer listening exercise and reshaped how we will do our strategic planning in the future. I am pleased to report that we have done all this while maintaining delivery commitments to levy payers.

By 31 March 2016, I believe we were in a better shape to support our levy payers into the future than we were at the beginning of the financial year.

This has only been possible with the vision and support of the AHDB Board and the tremendous work put in by the senior managers and all the staff.

The focus has remained on our levy payers who are right at the heart of what we do and whom we recognise have faced extreme hardship in the last 12 months with depressed prices and volatile markets. This report summarises our performance over the 12 months to March 2016.

### AHDB purpose and strategic priorities

Our purpose is *to equip levy payers with independent, evidence-based information and tools to grow, become more competitive and sustainable.*

There are five core strategic priorities identified by the AHDB Board which our 2015/16 business plans were structured to deliver:

1. To help levy payers to improve productivity, cost management and resource use efficiency (adaptation to and mitigation of climate change, managing soils, water and market volatility)
2. To help levy payers to prevent and manage disease
3. To develop markets (export development, promoting quality products to differentiate against imports, market information and analysis)
4. To help levy payers to understand and adapt to the regulatory and policy environment
5. To help levy payers to address labour market issues and skills development.

### Key activities

In addressing these priorities, our work focused on five key activity streams which generated an enormous amount of valuable evidence-based technical, business and market information for our levy payers.

- Extensive **research and development** (R&D) programmes secured scientifically robust and commercially useful outcomes for our levy payers
- Efficient **farm-level and supply chain knowledge exchange** programmes based on evidence, both from third-party science and our own R&D, aimed to improve efficiency, productivity and sustainability
- Unbiased, high-quality **market information** helped business decision-making and improved supply chain transparency
- **Export market access and development** work, in partnership with the UK Government, UKTI, and industry helped to balance domestic supply / demand and to underpin farmgate prices
- **Domestic trade marketing and consumer promotions** assisted the economic viability of the industry by encouraging product innovation and better quality production standards in the supply chain to meet modern day consumer demands, and by encouraging consumption of Red Tractor assured produce in Britain
- Awareness of food and where it comes from was communicated to **school children** and we supported the industry to develop and attract workers with the **skills** needed to operate effectively
- We also ensured that proper account was taken of Government priorities for agriculture and the agri-food industry, where appropriate.

### Key issues and risks

Not surprisingly, the risk environment for AHDB increased during the year. The principal risks and uncertainties concerned the scale of our internal restructuring which could have adversely impacted on delivery of services to levy payers and on staff retention. I am pleased to report that with proactive management, under a dedicated Chief Change Officer and with good leadership throughout AHDB, these risks were well contained.

We also faced significant reputation risk with the Government's more challenging scrutiny around our planned promotional campaigns and expenditure, under the Cabinet Office spending control regime. This resulted in a delay in approval and implementation of our planned beef and lamb campaign activity and the resignation of Board Member Stuart Roberts, who chaired the Beef & Lamb sector board. The lessons learned were built into the process which has subsequently run more smoothly with early approvals achieved for planned 2016/17 campaigns.

The Board reviewed AHDB's risk appetite during the year, moving it from low for everything, to a graduated appetite from low to high as most appropriate for our various core activities. This better reflects the need for the organisation

to feel empowered to deliver bold innovative services for the agriculture and horticulture industries (see the *Governance Statement on page 14 for more detail on risk*).

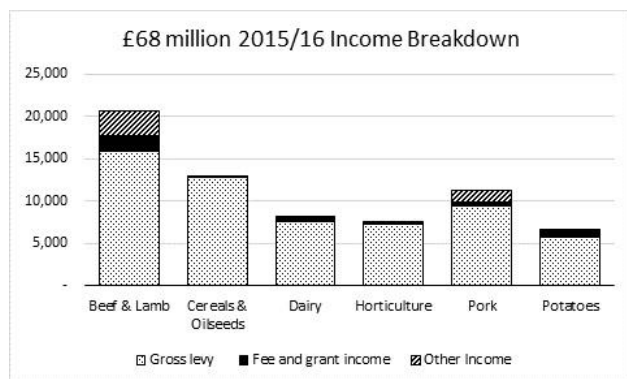
The AHDB Board's Audit and Risk Assurance Committee (membership listed on page 4) is satisfied that the general level of management control is sufficient to ensure that the focus of the organisation is on maximising good value from levy income raised in all six sectors.

## Summary of performance

As I said in my introduction, over this financial year we implemented a major organisational restructure, we undertook a comprehensive levy-payer listening exercise and also reshaped how we will do our strategic planning in the future. Importantly, we did all this while maintaining our delivery commitments to our levy payers.

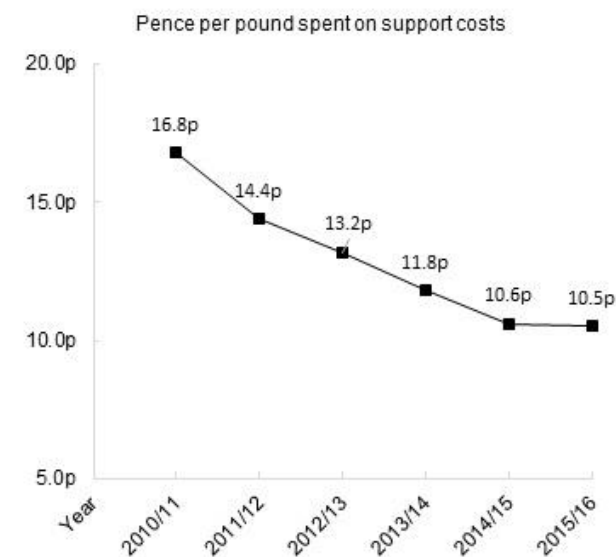
### Financial performance

Our total income for 2015/16 (levy/grant/commercial) was £67.6 million. Our budget for the year aimed to deliver a small retained surplus and we closed the year with a retained operating surplus of £0.4 million.



The amount of funds spent on direct levy-payer-facing activities increased by £3.4 million over the previous year's £55.5 million record level to a new high of £58.9 million. Our other expenditure, including levy collection costs, was £8 million, illustrating our performance in driving value for money for levy payers within our operations.

On average, 10.5 pence in every pound of income was spent on support costs in the year ending 31 March 2016



compared to 10.6 pence for the previous year and 16.8 pence for the year ending 31 March 2011. This better our target of 12%, the equivalent of 12p in the pound.

Reducing the running costs of the levy boards was a prime driver for the formation of AHDB from the merger of five former levy boards in 2008. We can, once again, report that in 2015/16, we continued to deliver annual savings of more than £3.8 million in running costs when compared to the combined support costs of the former levy boards in the last year, pre-merger (2007/08).

### Restructuring performance

During 2015/16, the Board and the management team agreed and then delivered an extensive review and restructure of AHDB to improve value and relevance for levy payers through improved operational effectiveness.

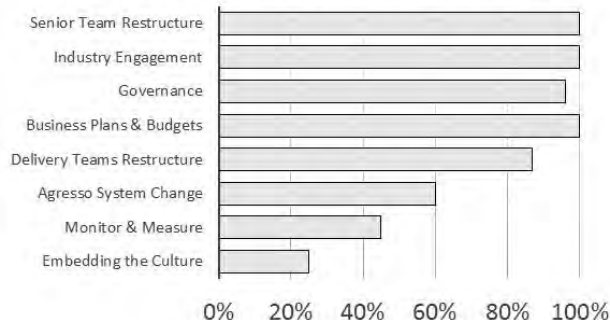
AHDB had been created to deliver greater efficiency across five former levy boards. This had been partially achieved but, at the start of 2015/16, the organisation was still operating as six semi-autonomous divisions with shared support services.

We recognised the opportunity to remove duplication and be better at sharing our own best practice across our operations. We could also achieve more impact through greater focus – doing less and doing it more effectively. And we could work harder at measuring our activities to demonstrate to ourselves and levy payers what delivers the most positive outcomes.

Overall we wanted AHDB to be more ambitious, more confident and to drive itself to be the best.

Working with the senior managers in the business we made tremendous progress over the 12 months to 31 March 2016 in designing and delivering our change programme.

### Change Programme Progress at 31/03/16



The key change programme milestones achieved in the reporting period were:

- New Functional Directorates:** A new structural model was agreed and implemented consisting of five core directorates – two business partner directorates in Finance and Human Resources and three delivery directorates in Strategy, Technical, and Communications & Market Development. This ensures all staff doing similar work come together to develop pools of expertise and share best practice so that standards are raised. This new approach replaced the old sector divisional model where each division had its own R&D team, communications team, etc.



- **New Leadership Team:** Chief Officers to run the five new core directorates were recruited from both internal and external talent. This team of five, together with myself as the CEO, became the new AHDB Leadership Team. We have also been supported by a dedicated Acting Chief Change Officer during the year to drive through the detail of the change programme. Two of our five new chief officers joined the organisation with experiences beyond agriculture, including the retail sector and the NHS, which has brought invaluable fresh insights to AHDB.



- **Rebranded under one AHDB:** In June 2015 we unveiled a new AHDB family of brands so we looked and felt like one organisation. DairyCo became AHDB Dairy, HGCA became AHDB Cereals & Oilseeds, etc. This more unified and simplified identity has been widely recognised by levy payers, according to feedback from our first organisation-wide levy-payer satisfaction survey.
- **Staff teams realigned with no redundancies:** All our people were fully briefed and formally consulted throughout the change process. Most have been affected by adjustments to existing roles, new roles and/or changes in line management. This process was in its final stage by the year end with a phased switch to new line management during April 2016.
- **New HR strategy:** I am a strong believer in the payback you get from properly nurturing people through being a good employer with firm but fair employment policies and practices. This is very important for AHDB, which is only as good as the talent we employ. We have put in place a new HR strategy for the whole organisation to deliver more structured training and development and to recognise and reward excellence. (see the staff report on page 24).
- **New budget processes put in place:** The internal restructure has necessitated a new functional budgeting process, as opposed to a sector-based process. We took a zero-based approach and have built functional budgets for the first time with more detail and cross-sector information than ever before. This will facilitate better information flows going forward.
- **Investment test developed:** We devised an Investment Test to help us make better objective decisions on funding activities over £50k in value. Business cases will be scored against four criteria by a panel, including the Chief Strategy Officer, which will recommend that the activity is either supported, rejected or developed further and resubmitted. This was launched just after the year end and will be used by our teams and sector boards.
- **Improving monitoring and measurement:** We have steadily improved the measurement and evaluation of our own work over recent years, particularly around our marketing activity, but on an ad hoc and silo basis. In early 2016, we set up a working group within our Strategy directorate to identify common best practice

criteria and systems that will enable the whole organisation to consistently evaluate its work and provide clear evidence of our achievements and progress to both sector boards and levy payers.

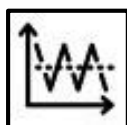
- **Listened to industry over future priorities:** From November to January we embarked on a major activity review project to engage and listen to levy payers. The purpose was both to inform them about the AHDB changes and how the levy was being spent and, most importantly, to listen to their views on industry priorities, what they want from AHDB and how they see their businesses evolving in the future. We went out on the road and held 15 open levy-payer meetings around Britain with more than 300 attendees and also collected 670 survey forms. Volatility and low farmgate price came up as the most significant challenges to business in all sectors. And the take home messages for AHDB were:
  - Better coordinate R&D to meet levy-payer needs
  - Help producers identify opportunities to reduce fixed costs
  - Help producers cope better with global market volatility
  - Better target communication activities
  - Demonstrate the ‘value’ of AHDB work to levy payers
  - Do more to develop the brand reputation of British food and farming at home and abroad.

This listening initiative was held at the same time as our formal industry consultation on our Corporate Plan and the feedback from both exercises fed into finalising strategies and plans for 2016 to 2019. For example, the AHDB Dairy sector board adjusted strategic plans to allocate £3.5 million over the next three years towards dairy market development programmes.

- **First ever cross-AHDB levy-payer survey:** Over the winter, we carried out our first cross-AHDB levy-payer satisfaction survey, rather than sector-specific surveys conducted in different ways. This produced a huge wealth of data enabling us to compare and contrast perceptions between sectors and identify areas for investigation and possible sharing of best practice. It also cost less to undertake than six separate surveys.

### Levy-payer delivery performance

The 2015/16 year saw a huge programme of AHDB work and a significant number of projects undertaken to meet our priorities – all aimed at building a more competitive and sustainable industry which learns, adapts, acquires skills, innovates and adopts new technologies. Examples include:



**Volatility Forum:** In January 2016, AHDB embarked on leading an ambitious new initiative to tackle volatility in agricultural commodities markets. Experts from across industry have been gathered together as part of a Volatility Forum to seek practical solutions for businesses affected by market uncertainty across supply chains. The Forum will maintain a long-term focus on volatility and will prioritise areas of work to help levy-payer businesses mitigate the issues faced.



**Red meat levies:** AHDB, Quality Meat Scotland (QMS) and Hybu Cig Cymru (HCC) collectively worked on a potential new mechanism for the distribution of red meat levies. A joint proposal was submitted to

Ministers in December 2015. This takes account of the structural changes in the pig, sheep and cattle industries over the last decade and better reflects the scale of the industry in each of the countries, where animals spent their lives and where value has been added.



**Strategic Potato Farms:** AHDB 'SPot Farms', launched in 2015, are an exciting new knowledge exchange concept for potato growers. They are getting tremendously positive feedback as an excellent way to demonstrate, in a practical and commercial environment, the benefits of potato R&D. Two Spot farms now operate in England (Staffordshire and West Suffolk) and, with joint-funding from Scottish Government, a third was announced in early 2016 to be located in Perthshire.



**Monitor Farms:** The huge success of the AHDB Cereals & Oilseeds Monitor Farm concept for knowledge exchange has meant the GB network has been significantly expanded from 17 to 26 during the year to improve geographical spread. In addition, the recruitment of nine whole farm Monitor Farms was announced for Scotland as a collaboration between AHDB and Quality Meat Scotland with funding from Scottish Government and the EU. The Farms bring together groups of like-minded farmers, who wish to develop or expand their enterprises, in an environment which encourages them to share critical performance information.



**Calf to calving initiative:** Based on 12 farms stretching from Aberdeen to Penzance, this AHDB Dairy initiative focuses on the technical and financial performance of heifer rearing. Groups of heifer calves are being followed and their progress and development recorded, on each farm from birth, until they join the milking herd. Early indications from this two-year initiative suggest valuable outcomes will be gained.



**Beef exports add value:** Value-added cuts of beef, rather than carcasses, accounted for 86 per cent (86,000 tonnes) of exports in 2015, compared to 75 per cent (84,448) in 2014 as part of a successful strategy to add more value to the carcass and increase returns throughout the supply chain. Full-year export figures revealed that exports of beef offal last year were up 8.1 per cent in volume on 2014, with a 26 per cent increase to non-EU markets.



**Malting barley exports:** With China indicating an interest in purchasing UK barley, trade could only take place when a protocol on phyto-sanitary controls was in place. This could only be established after a visit of Chinese inspectors to see UK controls and assurance schemes first-hand. After five years of work, the successful inspection visit took place in summer 2015 and a protocol was subsequently agreed. Potential exports could be worth £20 million per annum.



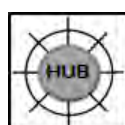
**Pork promotional campaign:** 2015/16 saw a major investment in a double burst of Pulled Pork promotion worth £2.7 million. This follows the success of the previous year's campaign which gave fresh pork sales a £7.8 million boost and saw shoulder joints flying off the shelves as an extra 206,000 households purchased pork shoulder.



**Supporting crop protection:** AHDB secured the approval of over 90 new Extension of Authorisation for Minor Use (EAMUs) to address the continued challenge of having an effective range of crop protection products available to the horticulture industry.



**Pig disease control:** A unique collaboration with the Government has resulted in the pig industry being better prepared to face Porcine Epidemic Diarrhoea (PED) should it arrive on our shores. From December 2015, PED became a notifiable disease in England, and pig keepers and vets are legally required to inform the Animal and Plant Health Agency (APHA) of any suspicion of the disease. APHA is then legally permitted to inform AHDB Pork as the appropriate organisation, in confidence, of suspect and confirmed cases. AHDB Pork then provides biosecurity guidance to the pig unit concerned. It will also carry out tracing and alert at-risk contacts as necessary.



**Bovine TB Hub:** AHDB led an industry-wide group which delivered the nationwide [TB Hub](#). This is a central go-to point for information and advice providing practical support for beef and dairy farmers threatened by this devastating disease. The hub was developed by AHDB with input from Defra, the Animal and Plant Health Agency, the National Farmers' Union, the British Cattle Veterinary Association and Landex. It includes advice and links on everything from biosecurity to trading rules.



**A first for clubroot testing:** Protocols for clubroot testing were made available by AHDB Horticulture earlier in the year. The first of the laboratories that showed an interest in delivering commercial testing for this disease started to offer this service to growers from March 2016.



**TB genetic index:** TB Advantage is a new genetic index published by AHDB Dairy, to help dairy farmers breed cows which have an improved resistance to bovine tuberculosis. It follows extensive research, with support from Defra and the Welsh Government. Initially, only available for the Holstein breed, work is underway to see if the index can be extended to other dairy and beef breeds.



**Agritech Centres:** AHDB has taken a lead role in partnering with industry to successfully launch the Agri-tech Crop Health and Protection (CHaP) Innovation Centre and the Centre for Innovation and Excellence in Livestock (CIEL) through consortium building, establishing robust governance and programme planning. These Centres bring together the best expertise, knowledge and insight from leading research organisations and industries in the sector.



**£1 million soils call:** A new £1 million research call marked the start of an ambitious five-year partnership initiative to devise a programme of research on soil health across crop and livestock sectors. It will complement research commissioned as part of AHDB's earlier £1.5 million call for soil and water research partnerships which focused on management of rotations, soil structure and water. The latest call will greatly improve knowledge of soil biology, including how it can be measured and managed in agricultural systems.



**Dairy research – Discover, Innovate and Grow:** 300 dairy farmers and industry specialists came to hear more than 40 scientific briefings on output from AHDB Dairy’s five-year research partnerships.

Reducing protein content in dairy rations, the latest on selective dry cow therapy, new opportunities to improve profitability through genetics and better integration of data were just a few of the topics covered in the wide-ranging two-day R&D conference.



**Manipulating light for horticulture:** Access to light is fundamental to the production of all crops and a horticulture workshop in January 2016 informed growers and technical representatives about the latest lighting developments emerging from AHDB-funded research as well as from around the world. It not only highlighted the latest in light sources such as LEDs, but also showcased new technology, including coatings and claddings for structures, that alter spectral composition.

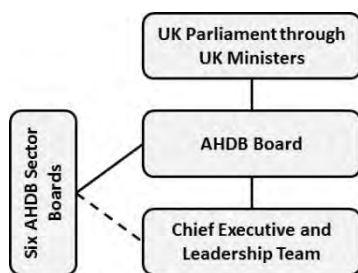


**e.Grain passport:** An 18-month AHDB-funded pilot project in the milling wheat and malting barley supply chains to move the current paper grain passport system online proved a success. The scheme could enhance farm and haulier assurance, speed up the passport process and, by cutting out the costs associated with the current paper passport, a return of £3 for every £1 spent on implementing the system could be achieved across the whole supply chain over ten years. It is now out for consultation for the industry to decide on.

## Performance analysis

We measure the delivery of our published strategies and our corporate progress through the scrutiny of our Boards and via seven key performance indicators (KPIs):

**Board scrutiny:** We are structured with six advisory committees, known as sector boards, which help the AHDB Board and staff to shape all our strategic work programmes and to challenge and scrutinise delivery.



The sector boards also monitor that a levy raised from an industry sector has been spent to the benefit of that sector. This particular aspect is a requirement under the Statutory Instrument and is seen as very important by levy payers and farming unions. Our financial management processes and reports provide evidence that this is being delivered.

These sector boards are predominantly made up of levy payers, providing an important level of direct accountability to the levy payer for AHDB.

We ensure there is a regular turnover of sector board members. The six industry specialists on the main AHDB Board act as the Chairs for the six sector boards. *(A list of sector board members can be found on page 58).*

During the past year, the main AHDB Board held six meetings. In addition, the six sector boards held a total of 33 meetings between them.

**Key performance indicators:** The corporate KPIs we report against were those published in our Corporate Plan 2015 to 2018.

AHDB Performance Indicator	Progress after 12 months
<b>Meeting needs:</b> Benchmark and measure the overall satisfaction of levy payers with support services provided <i>68% satisfied (2014/15 surveys)</i>	37% satisfied (2015/16 survey) <b>Note:</b> A single AHDB survey format started in 2015/16. This sets a new baseline and is not directly comparable to prior years
<b>Knowledge transfer:</b> Benchmark and then measure annually, the proportion of businesses engaging with AHDB that claim that we have had a positive influence on their enterprise <i>40% of levy payers claim that AHDB has had a positive influence on their enterprise (2014/15 surveys)</i>	60% of levy payers claim to have made changes to farming methods or practices as a result of AHDB tools and services (2015/16 survey) <b>Note:</b> A single AHDB survey format started in 2015/16. This sets a new baseline and is not directly comparable to prior years
<b>Climate change mitigation and adaptation:</b> Measure progress with Greenhouse Gas Action Plan (GHGAP) through the reports by the Committee on Climate Change (CCC) on industry’s actions to adapt and deliver reductions in GHG emissions	GHGAP Phase 2 (2012- 2015) is the principal mechanism for delivering the farming industry’s commitment to a reduction in annual emissions from agriculture in England. The MIN-NO project showed emissions due to nitrogen fertiliser use on UK arable land are less than half the current IPCC default. Delivery of the Defra Smart Inventory for effective measurement of emissions from agriculture is due in 2016
<b>Export development:</b> Measure the increase in value of exports of British beef, sheep meat, pig meat, offals and other related livestock products, seed potatoes, raw cereals & oilseed from £2.7 billion in December 2012 towards a target of 10% growth by December 2015	Over the three-year period December 2012 to December 2015 overall value of these exports fell by 14% to £2.3 billion. This is despite an overall volume increase of 87m tonnes (2%), and reflects that many prices were at the low end of their cycles in 2015.
<b>Market intelligence:</b> Measure the increase in circulation of the combined Market Intelligence publications from circa 31,000 per month (Nov 2013) towards a target of 35,000 by March 2017 <i>34,913 as at March 2015</i>	The combined circulation was up to 36,006 as at 31 March 2016
<b>Skills:</b> We will drive the AgriSkills strategy – <i>Professionalism in Agriculture</i> – to deliver the aims and objectives in its action plan by 31 March 2017 – progress recorded at quarterly meetings of the AgriSkills Forum Management Group	AHDB published an internal skills strategy in 2015/16 which supports Agriskills and commits AHDB to improving the skills landscape by reducing duplication and improving collaborative working
<b>Operational efficiency:</b> We will measure the AHDB support costs as a percentage of income and reduce and then maintain this at 12% <i>10.6% at 31 March 2015</i>	Support costs were down to 10.5% of income at 31 March 2016

**Levy Ballot process:** The ultimate test of levy-payer satisfaction with our performance is provided under the Statutory Instrument under which AHDB operates. It allows levy payers to request a ballot on the continuance of a

particular levy. If 5% of levy payers in any sector write to AHDB, within a 90-day period, a ballot will be held for that levy and the results sent to Ministers for a decision. AHDB received no requests for a ballot during the past year.

**Sustainable development performance:** Making levy-payer businesses more competitive and sustainable is AHDB's purpose and at the heart of the solutions we deliver for our levy payers. As a relatively new organisation, which has been in transition for its first few years, particularly in location and working environment, it has not been an area for which internal objectives and targets have historically been set. Our first sustainability strategy was drafted during 2015/16 for finalisation and implemented during 2016/17. We started collecting baseline data in 2014 and moved into our permanent headquarters in October the same year.

We act responsibly as an employer and as an organisation through such mechanisms as encouraging car sharing, waste recycling and our purchasing from sustainable sources, where possible.

AHDB's carbon footprint, measured in tonnes of CO<sub>2</sub>, (see table), shows that travel accounts for more than half of the emissions. Although this reflects the nature of AHDB's business, it remains a priority area for reduction. AHDB's company car policy restricts the choice of car CO<sub>2</sub> emissions to a maximum of 125. Staff are also encouraged to seek alternatives to long-distance driving where possible, particularly by utilising digital conferencing, webinar and video facilities which were upgraded in 2015/16. The uptake of these technologies has contributed to a 1.1% year-on-year reduction in the number of miles travelled. The uptake of hybrid technology company cars, although still small, increased from 3 to 9 vehicles over the year.

Greenhouse Gas Emissions	Year ended 31 March 2016		Year ended 31 March 2015	
	Measure	Tonnes CO <sub>2</sub>	Measure	Tonnes CO <sub>2</sub>
<b>Scope 1: Direct Emissions</b>				
<b>Bulk Fuels:</b>				
Vehicles (miles)	1,469,161	438	1,439,677	436
Heating oil (litres)	4,000	11	10,521	29
Gas (kWh)	51,639	10	86,653	16
<b>Scope 2: Energy Indirect</b>				
Electricity (kWh)	662,178	304	687,496	337
<b>Scope 3: Other Indirect Emissions:</b>				
Rail travel (miles)	225,035	15	234,520	18
Air travel (miles)	322,575	66	378,220	64
Travel by non-AHDB-owned transport (miles)	872,341	260	869,444	263
Waste management (tonnes)	27	3	51	7
<b>Total</b>		<b>1,107</b>		<b>1,170</b>
<b>Tonnes/£m income</b>		<b>16.4</b>		<b>17.5</b>

On water, our new offices are equipped with water meters, so base data has been collected for 2015/16. This shows our use of our water in the period was 1,044 cubic metres.

On waste management, although there are no Council-run waste recycling collections at our main office site, we recycle waste paper and cardboard, plastic bottles and printer cartridges. 19.2 tonnes (2014/15: 25 tonnes) of our waste was recycled and 7.2 tonnes (2014/15: 26 tonnes) went to landfill. Total spend on waste management in the year was £22k (2014/15: £22k).

On biodiversity, AHDB continues to actively encourage the conservation and enhancement of on-farm biodiversity as a positive business benefit within a number of the areas of our research and knowledge transfer work. For example, through our part in the Campaign for the Farmed Environment partnership which includes our Industry Environmental Roadmaps for the dairy, pig, beef and lamb sectors. As far as our own real estate is concerned, we lease our main offices and the responsibility for the natural environment of Stoneleigh Park rests with our landlord.

## Summary

Overall, it has been an immensely busy and productive year in terms of building an organisation better fit for the future. With many parts of the industry under immense price pressures, it is only right that scrutiny and challenge have been directed at AHDB on the value we are delivering from the levies we raise.

I am confident that we are now better positioned to respond to these challenges and help the industry move forward. The restructure we have implemented, and intention to have greater focus on activity that makes a real difference for levy payers, should help improve understanding and appreciation of AHDB as a statutory levy board.

We have a vision for AHDB to be ambitious for agriculture, enabling producers/growers to be more sustainable and compete with the very best in the world. To do this, we aim to become the centre of excellence for British agriculture and horticulture – a go to place for knowledge and insight, driving growth at home and overseas and enabling producers to make the most of market opportunities and be the best they can be.

My goal is for the organisation to be first class in every aspect of its core services, to have a positive reputation because it delivers unequivocal added value for our levy payers. This will require ongoing investment, time, energy and focus in our people, processes and systems.

**Jane King**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**

**1 July 2016**

# Accountability report

## Corporate Governance Report

### Board's report

#### Introduction

AHDB is an executive Non-Departmental Public Body (NDPB) sponsored by Defra. As such its Board is made up of members appointed by Ministers, rather than directors. It was created on 1 April 2008, when the functions, responsibilities, assets and liabilities of five independent predecessor levy bodies were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which defines AHDB's statutory purposes as:

- Increasing efficiency or productivity in the industry
- Improving marketing in the industry
- Improving or developing services that the industry provides or could provide to the community
- Improving the ways in which the industry contributes to sustainable development.

AHDB provides the agriculture and horticulture sectors with cost-effective, relevant services, which support the sectors' long-term sustainability.

The composition of the Board of AHDB is reported on page 4. Details of the Accounting Officer, who is the Chief Executive Officer of AHDB, are reported on page 15.

Any interests held by any AHDB Board members in other relevant organisations are disclosed in Note 14 of the financial statements.

*AHDB's Corporate Governance is described and reviewed in the Governance Statement on pages 14 to 18.*

#### Funding

AHDB is funded by statutory levies paid by farmers, growers and others in the supply chain. Levies raised from each commodity sector are ring-fenced to ensure they can be used only to the benefit of the sector from which they were raised.

#### Principal risks and uncertainties

The principal risks and uncertainties that continue to face AHDB's operational capability concern a potential inability to conduct levy-payer services in the event of a major business disaster; maintaining income levels to deliver effective services in the event of a major disease (animal and/or crop) outbreak or catastrophic natural disaster; a levy payer ballot leading to a Ministerial decision to withdraw one or more statutory levies; or the possibility of a ministerial decision, to discontinue the existence of statutory levy boards. These risks and the impact, should any of them be realised, are mitigated through our risk management processes to an acceptable level and we operate to a Reserves Policy, approved by the AHDB Board annually, to ensure the organisation maintains sufficient

cash funds to enable it to meet its obligations in the event of any of the above circumstances arising.

The main trends and factors likely to affect the development or performance of AHDB are those which impact on our levy-payer businesses and threaten their ability to remain economically viable – these continue to be the impact of extreme weather on businesses, commodity price volatility, the pressure on parts of the agricultural sector around reducing greenhouse gas emissions, CAP Reform, issues surrounding food security and the need to protect soils, water, other natural resources and biodiversity. Our challenge is to help our levy-payer businesses to address these issues while becoming more competitive and sustainable.

#### Financial results

Levy payers' accumulated funds increased by £146k in the year while AHDB's overall results show net comprehensive expenditure of £3.6 million (2014/15: income of £254k). Included in the comprehensive income is a reduction in the value of the MLC Pension scheme asset of £3.8 million, and an increase in the value of the HGCA pension scheme asset of £31k. Levy income increased by £1.3 million compared with the previous year, with all sectors other than potatoes reporting increases. Support expenditure reduced by £0.4 million to £7.6 million, its lowest level since AHDB was formed. In addition, expenditure invested in levy-payer facing activity increased by £3.4 million, to £58.9 million.

The cash balance at the end of the year was £21.6 million which is a reasonably consistent level at the end of March. Cash at bank is a fundamental component of our Reserves Policy, which is designed to fund a fluctuating working capital cycle as well as maintain a base fund to protect AHDB's ability to continue to provide levy-payer services should industry circumstances lead to an unexpected short-term reduction in our income. Due to normal income and expenditure cycles, the cash balance is higher at the end of March than at most times of the year. Cash is usually at its lowest in the summer months.

#### Pension schemes

AHDB, in accordance with the Government Financial Reporting Manual for the year ended 31 March 2016, accounts for its pension scheme obligations under the full accounting requirements of IAS 19 (revised): 'Accounting for Retirement Benefits in Financial Statements of Employers'. There are legacy pension schemes from the Meat & Livestock Commission (MLC) and HGCA with recognition of pension assets of £3.8 million and £114k, respectively, in the AHDB Statement of Financial Position. These assets and liabilities are owned by MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

#### Fixed assets

During 2014/2015, AHDB moved into its new leasehold premises on Stoneleigh Park. AHDB funded the £1.8 million fit-out of the building, to be depreciated over the 15-year life of the lease. The cost incurred in 2015/2016 of £58k was capitalised. AHDB owns one freehold property, revalued at

March 2014 and depreciated to account for wear and tear until its next revaluation in 2017. Details of the movements in Property, Plant and Equipment during the year are set out in Notes 6 and 7 to the accounts and the Statement of changes in reserves.

#### **Payment policy**

It is the policy of AHDB to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced. As at 31 March 2016, the amount owing to trade creditors equates to 22 days' purchases outstanding (2015: 25 days).

#### **Contractors**

AHDB utilises the services of specialist individual contractors to provide specific services where the resource is not available in-house and where it would not be commercially or operationally viable to provide the resource internally. During 2015/16, the cost of services provided by such contractors was £163k (2014/15: £318k).

#### **Environmental issues**

Having completed its move into one head office building at Stoneleigh Park during 2014/15, AHDB has undertaken a review with its internal auditors, KPMG, of its sustainability arrangements. A sustainability strategy was drafted during 2015/16, with the purpose of increasing the awareness of sustainability issues across the business, and to introduce measures and opportunities for staff throughout the organisation to help reduce AHDB's carbon footprint. Further information is supplied in the Sustainability Report on page 11.

#### **Auditor**

The external auditor of AHDB and MLCSL is the Comptroller and Auditor General. Services are limited to the statutory audit and no fees were paid in respect of non-audit services.

#### **Personal data related incidents**

No personal data related incidents requiring formal reporting to the information commissioner's office occurred during the year.

#### **Authorisation for issue**

The Accounting Officer authorised these statements for issue on the date of the C&AG's audit certificate.

## Statement of the Board's and Accounting Officer's responsibilities

Under the Agriculture and Horticulture Development Board Order 2008, the Secretary of State, with the consent of HM Treasury, has directed AHDB to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of AHDB and of its income and expenditure, changes in reserves and cash flows for the financial year.

In preparing the accounts, AHDB and its Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and, in particular, to:

- Observe the Accounts Direction issued by Ministers, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements
- Take personal responsibility for the annual report and accounts and the judgements for determining that it is fair, balanced and understandable
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Environment, Food and Rural Affairs has designated the Chief Executive as the Accounting Officer of AHDB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding AHDB's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum and Managing Public Money, issued by HM Treasury.

### Disclosure of audit information to the Comptroller and Auditor General

So far as the Accounting Officer is aware, there is no relevant audit information of which AHDB's auditor is unaware. The Accounting Officer has taken all steps she ought to have taken to make herself aware of any relevant audit information and to establish that AHDB's auditor is aware of that information.

## Governance statement 2015/16

As Accounting Officer, I have responsibility for maintaining a sound process of governance and system of internal control that supports the achievement of AHDB's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, issued by HM Treasury.

AHDB is a Non-Departmental Public Body established under the Agriculture and Horticulture Development Board Order 2008. AHDB levy income is covered by HM Treasury rules for the governance of public money. The Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. As AHDB's Accounting Officer I am accountable to Ministers and devolved governments on the appropriate use of levy funds and corporate governance standards applicable to public bodies. A Management Statement and Financial Memorandum sets out the broad framework within which AHDB and Defra are required to operate in their relationship.

### The purpose of governance

The process of governance, which incorporates the system of internal control, is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. It is a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of AHDB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The process of governance and system of internal control continued to be embedded throughout the organisation during the year ended 31 March 2016 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### Leadership

Leadership over the governance and risk management process is provided by the AHDB Board, Sector Boards, the Audit and Risk Assurance Committee (ARAC) and the Leadership and Senior Teams. During the financial year ended 31 March 2016, Jane King, as Chief Executive, acted as sponsor of AHDB's corporate governance and risk management programme, with the Chief Finance Officer (CFO), and the Acting Chief Change Officer operating as key programme managers. There is a risk management policy in place which details how the organisation manages governance and risk across the organisation and this is outlined in the sections below.

### The risk and control framework

The key components of AHDB's governance and control framework are discussed in overview below:

## **Risk management policy**

AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework and covers AHDB's approach to risk management, roles and responsibilities and key aspects of the risk management process. The risk management policy and procedures are actively embedded throughout the organisation, through a formal monthly review process (led by the Risk Management Committee) and by cascading risk management across the organisation by holding formal training sessions for sector and corporate management teams. In order to help embed the risk management culture throughout the business, a team of "risk champions" has been appointed during the financial year, drawing on staff representing all functions across the organisation. The risk policy is reviewed by the Board annually and is available to all staff via the intranet. Risk management is integral throughout the organisation, with risk management included in project management and ongoing activities.

## **Risk appetite**

AHDB's risk appetite is defined in a formal Statement on Risk Appetite included in the Risk Management policy. Due to the level of change undertaken in the organisation's structure during the financial year and its intention to make a step change in effectiveness, AHDB's Board reviewed the organisation's risk appetite during 2015/16. The risk appetite provides guidance to management on the level of risk considered appropriate and recognises that an aversion to risk must not prevent it from taking opportunities which will aid successful and innovative development in line with its Corporate Plan. The Board and Leadership team recognise the need for the organisation to feel empowered to deliver bold innovative services for the agriculture and horticulture industries, supported by robust risk management and internal control environments.

The Board agreed that a revised approach will be taken to risk appetite to enable the organisation to operate in a less risk averse environment where practical. The new approach requires a low risk appetite to be applied to matters impacting on health and safety or other legal and regulatory matters. A medium risk appetite will be applied where the risk to the business would be reputational, in matters where AHDB could deliver a significant positive impact on industry development. Where the risk area is a financial one, or impacts on management effort, a higher risk appetite will be applied where there is a correspondingly high potential return on investment, in terms of delivering positive tangible benefits to the industry. The change in risk appetite is being implemented by providing training for the senior team and risk champions, as well as for other decision makers throughout the organisation.

## **Risk environment**

AHDB has an established comprehensive corporate risk register, which identifies headline and sub-risks and scores these on a pre- and post-control basis by likelihood and impact, noting any key preventative and remedial controls in place. It can be viewed on a sector or functional basis and staff at all levels are encouraged to raise issues that may constitute being included on the register. There is a lower level of materiality applied to risks that are specific only to a part of the business, whether sector or function specific.

The risk environment has increased during the year in respect of factors internal and external to the business. The

most significant external factor has been government's increasing level of scrutiny and requirement for us to demonstrate clear benefits of some of AHDB's areas of expenditure which raised the risk of planned activities, particularly in market development, not being delivered in full. This also created greater risk to AHDB's reputation with its levy payers, both in respect of a lack of clarity over where control over the use of levy-payers' money resides, as well as uncertainty of the capability for AHDB to deliver planned activities on time. These risks were managed actively through the year by the Executive and the Board, and actions taken in order to mitigate them, and monitored through the risk management process. The requirement to provide more stringent justification of financial return is congruent with management's actions in developing tools to evaluate the returns on investment of proposed activities. AHDB also recognised and actively monitored risks relating to devolution and the possible redistribution of red meat levies. These are considered to represent low risks to AHDB in the short term at least, but remain under review and on the corporate risk register.

The Board and Leadership team recognised that, while considering that the internal restructuring of the organisation was essential to take it forward, as reported in the Performance Report on page 6, the exercise also presented risks to the delivery of services and reputation due to the scale of the programme. A Change Management team was formed, led by an Interim Chief Change Officer, with other additional resources provided to HR to manage the process. A dedicated project Risk Register was set up and monitored throughout the duration of the change programme. A key risk identified, managed and monitored was that the delivery of services for levy payers during a period of significant internal change should not be adversely affected. This was mitigated by ensuring activities were reviewed against targets and expected outcomes during the year. Management also recognised that any such major restructuring exercise creates a risk of losing key staff members due to the inevitable uncertainty brought about by change. A programme of regular briefings from the CEO to all staff was set up, and a staff forum was formed to enable staff to provide their input to the process through that mechanism. A further key part of the restructure and change programme has been to increase the levels of engagement with levy payers and other stakeholders. A series of open meetings, held in venues covering all the principal areas of the levy payer community, were held to hear their views regarding AHDB's effectiveness, and to hear more directly what levy payers are looking for AHDB to deliver for them.

Risks are evaluated and scored according to their likelihood and their impact, and mitigating controls and other actions which may reduce the risk are considered. Risks are then categorised as Red/Amber/Green according to the Net Risk score.

## **Anti-fraud policy**

AHDB is committed to ensuring that the risk of fraud in all its forms is minimised. An important part of this approach is its anti-fraud policy, which informs staff of AHDB's approach to the serious issue of fraud and incorporates a fraud response plan. AHDB's CFO is a member of the Defra Network Counter-Fraud Forum.

## **Whistle-blowing policy**

AHDB is committed to the highest standards of openness and accountability, and concerns about malpractice are



taken very seriously. A disclosure to AHDB, based on an honest and reasonable suspicion that malpractice has occurred, is occurring or is likely to occur, will be protected.

Employees who raise concerns reasonably and responsibly will not be penalised. To enable such concerns to be raised, AHDB has a Whistle-blowing policy in place. Concerns may be raised with internal management, or an Independent AHDB Board member, or the Comptroller and Auditor General. If the employee is not satisfied, at the conclusion of the process, that their concern has been dealt with appropriately, the policy enables them to report the matter to Defra. No concerns were raised through the formal Whistle-blowing policy during the financial year and AHDB considers the arrangements to be effective and appropriate.

### **Standing Instructions (SI)**

AHDB's Standing Instructions define the operating procedures for the organisation and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. These are reviewed by the ARAC at least every other year and they have been revised during the 2015/16 financial year to take into account the internal restructuring that has taken place.

### **Corporate Plan**

AHDB produces an updated annual plan each year. The plan sits at the apex of the organisation's planning hierarchy. Top-line outcomes, strategies and performance indicators are presented following extensive preparation of detailed sector plans which sit behind the AHDB Plan. A risk management component is also included, which ensures that key risks are identified at the planning phase and an appropriate control environment constructed to proactively manage these.

AHDB is undergoing a process of change at present, which is explained in the 2015/16 plan. We have undertaken a listening exercise with the industry – the "Activity Review" which will be used to refine the 2015/16 plan but, more importantly, inform the development of the organisation during 2016/17. The outcome of this review has been shared with the AHDB board and sector boards and is being used to support the development of a future planning framework for AHDB and our sectors.

### **Procurement policy and protocol**

Under the leadership of the Procurement Controller, the procurement function is integrated with the rest of the organisation in applying best practice. The function progressed a number of key projects during the year, in particular replacing the many framework arrangements for marketing activities which had been set up shortly after AHDB was established. The function has also overseen an increase in the use of the government's procurement arrangements, known as the Crown Commercial Service, where it may provide greater value for money. An audit of Procurement in AHDB was carried out by KPMG during the year and identified a number of areas for improvement. This has been covered in more depth under the section on Internal Audit in this Governance Statement, on page 14.

The other principal objective of the Procurement function is to ensure AHDB complies with EU procurement regulations to enable it to demonstrate that goods and services are procured and awarded in a fair and transparent manner and in such a way as to provide optimum value for levy payers. Its processes have to be able to withstand public scrutiny

and have been sufficiently robust to ensure no formal challenges were raised during the financial year.

### **Information security framework**

AHDB has controls in place to provide reasonable assurance that information in its widest sense is handled accurately and securely. These controls underpin the requirement that all information used for operational purposes and financial reporting purposes needs to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other parts of Government.

Each Chief Officer has been nominated as an Information Asset Owner (IAO) and is responsible for proper data handling within their area of responsibility. Each division, both functional and corporate, holds an Information Asset Register which is reviewed by the Director of Corporate Affairs. The Asset Register has been reviewed and refreshed during 2015/16 to enhance its completeness and to further embed the principles of information security across the organisation.

All staff within AHDB are required to participate annually in a Data Handling e-learning package developed on behalf of the Cabinet Office. All databases are reviewed periodically for data risk and, for last year, AHDB has had no data-related incidents to report.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the process of governance. My review of the effectiveness is informed by the work of the internal auditors and the senior team of Chief Officers and Directors within AHDB who have responsibility for the development and maintenance of the governance processes and internal control framework, as well as comments made by the external auditor in its management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the ARAC, and a plan to ensure continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance and we have an established Risk Management Group and have implemented processes to maintain and review the effectiveness of the system of internal control.

### **AHDB Board**

The AHDB Board normally consists of 10 members: the chairman, three independent members and six who are also chairs of the sector boards. The members are appointed by Ministers and are listed on page 4.

In keeping with the corporate governance code for central government, the Board operates with the support of two sub-committees, ARAC, and Remuneration and Nominations. The committees are managed against an agreed set of terms of reference. Attendance of the Board members at the Board and Committee meetings held during the year were:

	Board		ARAC		Remuneration	
	Available	Attended	Available	Attended	Available	Attended
Peter Kendall	7	7	N/A		2	2
Ian Crute	7	7	4	4	N/A	
Fiona Fell	7	7	N/A		2	2
Gwyn Jones	7	7	N/A		2	1
Will Lifford	7	6	4	4	N/A	
George Lyon	7	7	N/A		2	1
Adam Quinney	3	3	N/A		N/A	
Stuart Roberts	3	3	1	1	N/A	
Gary Taylor	7	7	4	3	N/A	
Paul Temple	7	7	N/A		2	1
Meryl Ward	7	7	4	3	N/A	
Phil Huggon	N/A		4	4	N/A	
David Neal-Smith	N/A		4	4	N/A	

Phil Huggon and David Neal-Smith are Independent members of the AHDB Potatoes and AHDB Cereals and Oilseeds sector boards, respectively. As noted on page 4, Stuart Roberts resigned from the Board on 24 August 2015, and was replaced on 23 November 2015 by Adam Quinney

In order to maintain sector focus, AHDB operates with six sector boards representing the commodity sectors covered by its statutory remit. The sector boards are made up of members, representing their specific sectors, appointed by AHDB, including at least one independent member per sector. The primary function of the sector board is to act in the very best interests of the sector at all times. Each board has functions delegated from the AHDB Board giving it the duty to develop the most appropriate strategies to meet the challenges of the sector, with reference to the overall AHDB purpose; to ensure the relevant levy rate is recommended in order to provide adequate funding for the required work; monitor strategy implementation and approve remedies where performance deviates from plan.

Internal auditors carried out a number of audits of internal control systems during the year, based on a plan agreed by the ARAC. Follow up audits to review implementation of recommendations from audits carried out in earlier years provided further assurance that risks material to the achievement of AHDB's corporate objectives and measures are adequately managed and controlled.

The AHDB Board, which met seven times last year, has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within AHDB. This included determining the level of risk that is acceptable in specific areas of activity. The Board achieves this by applying the criteria described in the section 'Risk Appetite' covered earlier in the Governance Report.

There are a number of standing items on which the Board receives written reports for information, discussion or on which to make decisions. These include health and safety; management accounts and CFO's report covering performance, liquidity and risks; activity, risk and opportunity updates from each sector and corporate function; latest minutes of sub-committees; Chair and Chief Executive reports; reports on pension issues and summary Risk Register. During 2015/16, the Board has also received regular reports and presentations to form the basis for discussions to agree key aspects of the change management, in particular in relation to the restructuring of the organisation into functions, and the review of activities undertaken by the organisation. In addition, reports are circulated to the Board as appropriate, covering current industry issues to enable the Board to determine priorities for AHDB and ensure it develops its strategy to deliver services in line with the industry's needs. During 2015/16, this included updates regarding the Agri-tech strategy.

The Accounting Officer and CFO attend all Board meetings, with other members of the Executive team and senior staff attending for appropriate Agenda items and to discuss papers relating to their areas of expertise. The Board regularly reviews the type and quality of information it receives, including the regular reports, in order to engender a culture of continuous improvement. The Board considers the quality of data it receives as being acceptable for the purpose of enabling it to make its decisions to discharge its duties. Where further information is required, it is provided either at the next meeting or is circulated to enable decisions to be finalised sooner, if required.

The effectiveness of the Board is assessed by holding annual individual appraisals of each Board member with the Chair. The Board also assesses its own effectiveness by individually completing evaluations following each Board meeting. These are reviewed and followed up by the Chair. The process for assessing Board effectiveness includes completion of a Board Effectiveness review document (based on a National Audit Office (NAO) template) by all Board members. The results of the 2015/16 exercise have been reviewed and a number of areas identified by the Board for improvement, including most notably a need to improve its engagement with stakeholders, and also a requirement to ensure it allows sufficient focus on core business. The Board considers that it has complied with the Corporate Governance Code in so far as it applies to externally funded Arm's Length Bodies (ALBs).

Membership of the Board has been stable throughout the year other than for the unexpected resignation of Stuart Roberts, the Sector Chair for AHDB Beef and Lamb, in August 2015. This has followed a period of major change on the Board in the previous two years and has been a significant factor in providing a stable platform at the top of the organisation to enable the CEO and senior executives to lead the restructure that has been implemented during the year.

#### **Audit and Risk Assurance Committee**

Membership of the ARAC is detailed on page 4. Meeting attendance is covered in the table above.

The broad thrust of AHDB's ARAC Terms of Reference is that the ARAC supports the Accounting Officer with a constructive and challenging approach. The remit of the ARAC includes advising the Accounting Officer on strategic processes for risk control, governance and the Governance Statement, as well as considering the planned activity and results of both internal and external audit.

The ARAC has supervised the development of stronger Board governance on behalf of levy payers, ensuring processes are in place to hold the executive to account through greater transparency of reporting, internal audit of key operating systems as well as risk and governance priorities.

The ARAC is satisfied that the general level of management control is sufficient to assure levy payers that the focus of the AHDB organisation is in ensuring good value for the monies raised by the levies in all six sectors. The ARAC noted concerns raised by KPMG following its audit of the Procurement function as covered in the section "Internal Audit". In reviewing the effectiveness of AHDB's internal control, the ARAC has undertaken the following key activities:

**Internal control:** Gained assurance that significant internal control recommendations made by internal and external auditors have been implemented by management.

**Financial reporting:** Gained an understanding of the current areas of greatest financial risk and how the executive is managing these effectively. Discussed significant risks and exposures with management and the internal and external auditors, and monitored management's plans to minimise such risks.

**Internal audit:** Reviewed the activities and organisational structure of the internal audit function and ensured no unjustified restrictions or limitations are made. Ensured that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis and that management responded to recommendations made by the internal auditors.

**External audit:** Reviewed the external auditors' proposed audit scope and approach, and ensured no unjustified restrictions or limitations had been placed on the scope. Considered the independence of the external auditor. Ensured that significant findings and recommendations made by the external auditors are received and discussed on a timely basis and that management responded to recommendations made by the external auditors.

#### **Remuneration and Nominations Committee**

Membership of the Remuneration and Nominations Committee is detailed on page 4, and attendance is recorded in the table on page 17. The Committee is chaired by an Independent Non-executive Director from AHDB and includes three sector chairs from the Board, and the AHDB Chairman. During 2015/16, the Committee has had to continue to implement stringent government expectations on pay. The Remuneration and Nominations Committee meets at least twice a year, to:

- Review the half-year KPI results, approve the implementation of government guidelines on pay and track progress of Chief Executive and Senior Management appraisals
- Assess the annual performance of the Chief Executive and Leadership Team
- Determine the strategic direction of compensation and benefits across the organisation, providing the AHDB Board with assurances of performance and reward
- Oversee the recruitment process for sector board members.

During 2015/16, the Committee continued to recruit to the sector boards against the ongoing phased programme of rotation. There were six vacancies to be filled, covering all sector boards other than red meat sector boards. The vacancies were advertised in national newspapers and specific industry journals and 65 application packs were sent out, 21 interviews were held and all of the six posts were successfully appointed.

#### **The AHDB Senior Team**

Senior Team members, as Chief Officers and Directors, are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department actively addresses the risks and escalates those risks up to the senior team for their attention as appropriate. They are responsible for ensuring delivery of the strategies set by the

Board, in addition to supervising the day-to-day management operations within AHDB.

#### **Internal audit**

AHDB's internal audit function is outsourced to KPMG, as part of its contractual arrangement with Defra. AHDB is allocated 75 days per year of KPMG's internal audit resource. The function operates to standards defined in the Government Internal Audit Standards. The internal audit function has a central role in assessing the robustness of the implementation of the risk management strategy and management of internal controls across AHDB. It provides information on the various strengths and weaknesses of the approach and advises on where improvements are necessary and desirable for the good governance of AHDB. KPMG's agreed work plan is derived from AHDB's assessment and evaluation of risks and is formed with reference to the risk register in its annual review of Risk in December. KPMG's annual internal audit report for 2015/16 gave the second highest rating of "Moderate Assurance" for AHDB, the same as for 2014/15. Ratings range from "Substantial" to "No" assurance.

The internal audit strategy for AHDB is set annually and approved by the ARAC. The strategy takes into account that a proportion of the 75 days' allocation is used to follow up recommendations made in previous years' audits.

During 2015/16, some of the days' allocation was used to review the hypothecation methodology to be adopted when full functional working is in place. Other areas covered by internal audits included Procurement, Levy income, IS document storage and access, and Project Management. A "Substantial" assurance rating was applied to the Levy income audit. The Procurement audit was given a "Limited" assurance rating and the ARAC discussed the findings of that audit with senior management involved in Procurement. The issues raised by KPMG included a lack of audit trail and contractual evidence for some items of expenditure. The majority of the items were procured under previous framework agreements, or under approved exemptions, and these have now been replaced by new arrangements. In addition, the Procurement policy has been revised and training in procurement is being provided to all relevant staff to ensure best practice is implemented and adhered to. The ARAC and KPMG were encouraged by the actions already in the process of being put in place in order to address the issues highlighted in the report and it was agreed that a follow-up audit of Procurement in AHDB should be carried out during 2016/17 as a priority. In total, there were two "High" priority recommendations made by KPMG from the internal audits carried out during the year, both arising from the Procurement audit. Management undertook to implement the required actions and some of these were in progress before the end of the financial year. The audits also identified a number of areas of good practice that were already in place. AHDB has considered the overall management of internal control and governance throughout the year and can confirm that there are no issues requiring specific disclosure beyond those explained above.

#### **Significant internal control issues**

No significant internal control issues were brought forward from 2014/15 and no new ones were raised in 2015/16.

# Remuneration and staff report

## Membership of the Remuneration and Nominations Committee

Membership of the Remuneration and Nominations Committee consists of five AHDB Board members appointed by the Board. The Chairman of the Committee throughout the year was George Lyon, an independent AHDB Board member. The other members of the Committee as at 31 March 2016 were Fiona Fell, Sir Peter Kendall, Adam Quinney and Paul Temple. Membership is reviewed periodically or on termination of a member's appointment.

## Policy on the remuneration of the Board, Chief Executive and senior staff

The remuneration of Board members is determined by Defra Ministers. There are no pension arrangements or performance-related emoluments in place for any Board members.

The Remuneration and Nominations Committee's function in relation to its responsibilities regarding remuneration is as follows (*a summary of the activity of the Committee regarding Nominations is included in the Governance Statement on page 14*):

- Advise Defra on the number of days' commitment required from AHDB Board members
- Set the remuneration for the sector board members
- Advise the Board, in consultation with Defra, on the performance objectives and remuneration terms linked to these objectives for the AHDB Chief Executive
- Advise the Board on the total remuneration packages for the senior managers in the AHDB Group, including pay, benefits and pension arrangements. The definition of senior managers is AHDB Chief Executive, Chief Officers and Directors
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

In detail, the Remuneration and Nominations Committee is specifically charged with determining AHDB's policy on the remuneration of those covered by the scope of this Committee to ensure that these packages are appropriate to attract, retain and motivate senior staff of appropriate calibre in line with the needs of AHDB and the industry.

In this context, the Remuneration and Nominations Committee will give full consideration to the best practice provisions for remuneration policy, contracts and compensation.

See tables on the following pages for full details of the remuneration of the Board, Chief Executive and senior executive staff.

## Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chairman of the Board's recommendation concerning the salary and incentive scheme for the Chief Executive on an annual basis. Specifically, bonus payments made to senior staff and the Chief Executive were and continue to be,

based on assessment of individual performance against written and agreed targets.

## Proportion of remuneration which is subject to performance conditions

None of the remuneration of any AHDB Board member is subject to performance conditions.

The amount of senior executives' remuneration which is subject to performance conditions, where agreed, is restricted under government pay guidelines to a maximum of 10% of salary.

## Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of any Board member for any of the reasons specified in the Statutory Instrument 2008 No. 576 (Schedule 2, paragraph 2(3)).

Board members may resign by notice given in writing to the Secretary of State or other Ministers, if appropriate. No notice period is required and no termination payments apply.

Senior AHDB staff are appointed on permanent contracts. All their notice periods are six months to reflect the business needs of the organisation and any termination payments made would be on contractual terms only.

*(Details of AHDB Board members and statutory committees are shown on page 4. Sector board members are shown on page 58).*

## Contracts of employment for senior executive staff

Set out below are details of the contracts of employment for AHDB's senior executive staff as at 31 March 2016.

	Contract start date	Contract expiry date	Contract notice	Unexpired
Jane King: Chief Executive Officer	01-Feb-15	Indefinite	6 months	Not applicable
Ken Boyns: Acting Chief Change Officer	07-Sep-15	Indefinite	6 months	Not applicable
Rebecca Geraghty: Chief HR Officer	07-Sep-15	Indefinite	6 months	Not applicable
Chris Goodwin: Chief Financial Officer	28-Feb-11	Indefinite	6 months	Not applicable
Tom Hind: Chief Strategy Officer	05-Oct-15	Indefinite	6 months	Not applicable
Richard Laverick: Chief Technical Officer	05-Oct-15	Indefinite	6 months	Not applicable
Christine Watts: Chief Communications and Market Development Officer	14-Jan-16	Indefinite	6 months	Not applicable

The contract start date is the date at which the employee took up their current position.

Chris Goodwin has advised that he is resigning from his position as Chief Financial Officer and will leave AHDB on 30 September 2016.

## Remuneration of senior executive staff (audited)

Set out below are details of the remuneration of AHDB's senior executive staff during the year to 31 March 2016. Benefits include the provision of a company car, private health cover and, where applicable, other miscellaneous allowances and holiday buy-back arrangements. No other non-cash benefits were provided.

	Basic salary (Bands of £5,000)		Bonus (Bands of £5,000)		Benefits in kind (Nearest £100)		Pension benefit (Nearest £000)		Total (Bands of £5,000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Jane King (commenced 1 Feb 2015, equivalent annual salary in 2014/15: £125-£130k)	125-130	20-25	-	-	10,000	1,700	13,000	2,000	150-155	25-30
Tom Taylor (Note 1)	-	140-145	-	5-10	-	8,100	-	14,000	-	175-180
Ken Boyns (Acting Chief Change Officer from 5 September 2015; equivalent annual salary: £90-£95k)	85-90	80-85	5-10	Waived	9,200	9,000	11,000	10,000	110-115	100-105
Rebecca Geraghty (Chief HR Officer from 1 August 2015; Basic annual salary £70-£75k)	70-75	65-70	Waived	Waived	5,600	6,100	37,000	13,000	115-120	85-90
Chris Goodwin	100-105	95-100	5-10	0-5	10,900	10,700	10,000	10,000	125-130	125-130
Tom Hind (commenced 5 October 2015. Basic annual salary £100-£105k)	50-55	-	-	-	2,600	-	-	-	50-55	-
Richard Laverick (commenced in role 5 October 2015. Basic annual salary £75k-£80k)	35-40	-	-	-	3,500	-	3,000	-	40-45	-
Christine Watts (commenced in role 14 January 2016. Basic annual salary £105k-£110k)	20-25	-	-	-	1,400	-	2,300	-	25-30	-
Nick Allen (Note 2) Equivalent annual salary £75-£80k	30-35	75-80	5-10	5-10	4,100	8,900	7,000	15,000	45-50	105-110
Guy Attenborough (Note 2) Equivalent annual salary £75-£80k	30-35	75-80	5-10	5-10	4,400	9,600	4,000	25,000	45-50	110-115
Rob Clayton (Note 2) Equivalent annual salary £65-£70k	25-30	65-70	5-10	0-5	2,400	5,100	3,000	7,000	35-40	80-85
Anna Farrell (Note 2) Commenced in role 1 Dec 2014, equivalent annual salary £70k - £75k	30-35	20-25	0-5	-	2,200	1,600	2,000	2,000	35-40	25-30
Bill Parker (Note 2) Equivalent annual salary £65-£70k	25-30	65-70	0-5	0-5	2,600	8,000	3,000	7,000	35-40	85-90
Duncan Pullar (Note 2) Equivalent annual salary £70-£75k	30-35	70-75	0-5	0-5	2,400	5,000	5,000	10,000	40-45	90-95
Mick Sloyan (Note 2) Equivalent annual salary £90-£95k	35-40	90-95	5-10	5-10	4,400	10,200	8,000	19,000	60-65	125-130
Ian Crute (Note 3)	-	30-35	-	5-10	-	4,400	-	-	-	40-45

Note 1: Tom Taylor left AHDB on 30 November 2014. He was paid for the remaining three months of his contract, included in the above figures.

Note 2: As explained in the Performance Report on page 7, the senior executive staff were restructured with effect from 7 September 2015. As a result of the restructure, some members of the previous Senior Executive Team, whilst employed in the new structure, ceased to be part of the group of senior executives whose remuneration is required to be reported after that date, hence the disclosures above for those individuals cover the period up to 6 September 2015.

Note 3: Ian Crute reduced his working commitments in a phased manner through the prior year and left AHDB's Senior Executive Team on 30 September 2014. His full-time equivalent salary was £100k-£105k. He joined the AHDB Board as an Independent Board member on 1 October 2014.

## Pension Scheme particulars of senior executive staff (audited)

Set out below are the Pension Scheme particulars of AHDB's senior executive staff during the year to 31 March 2016.

	Pension Scheme details	Employees contribution rate	Employers contribution rate
Jane King: Chief Executive	AHDB Group Personal Pension Plan	10.0%	10.0%
Ken Boyns: Director of Market Intelligence/Acting Chief Change Officer from 1 September 2015	AHDB Group Personal Pension Plan	5.0%	12.5%
Rebecca Geraghty: Director of Cereals and Oilseeds Sector/Chief HR Officer from 1 August 2015	HGCA Defined Benefit Scheme	6.5%	17.2%
Chris Goodwin: Chief Financial Officer	AHDB Group Personal Pension Plan	10.0%	10.0%
Tom Hind: Chief Strategy Officer from 5 October 2015	AHDB Group Personal Pension Plan	1.0%	1.0%
Richard Laverick: Chief Technical Officer from 5 October 2015	AHDB Group Personal Pension Plan	5.0%	10.0%
Christine Watts: Chief Communications and Market Development Officer from 14 January 2016	AHDB Group Personal Pension Plan	5.0%	10.0%
Nick Allen: Director of AHDB Beef and Lamb Sector until 6 September 2015	MLC Defined Benefit Scheme	9.5%	15.0%
Guy Attenborough: Director of Communications and Legal Services	MLC Defined Benefit Scheme	9.5%	15.0%
Rob Clayton: Director of AHDB Potatoes Sector	AHDB Group Personal Pension Plan	5.0%	10.0%
Anna Farrell: Director of Levy Payer Communications	MLC Defined Contribution Scheme	5.0%	7.0%
Bill Parker: Director of AHDB Horticulture Sector until 7 September 2015	AHDB Group Personal Pension Plan	5.0%	10.0%
Duncan Pullar: Director of AHDB Dairy Sector until 30 September 2015	MLC Defined Benefit Scheme	9.5%	15.0%
Mick Sloyan: Director of AHDB Pork Sector	MLC Defined Benefit Scheme	9.5%	15.0%

## Pension entitlement of senior executive staff: defined benefit schemes (audited)

Set out below are details of the pension benefits accrued at and earned by each of AHDB's senior executive staff who were members of a defined benefit scheme during the year to 31 March 2016.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement as at 31-Mar-16	Real terms inc in year	Annual entitlement as at 31-Mar-15	As at 31-Mar-16	Real terms inc in year	As at 31-Mar-15
	£'000	£'000	£'000	£'000	£'000	£'000
Rebecca Geraghty	15-20	0-2.5	15-20	397	37	351
Nick Allen (benefits to 6 September 2015)	20-25	0-2.5	20-25	397	7	374
Guy Attenborough (benefits to 6 September 2015)	15-20	0-2.5	15-20	304	4	286
Duncan Pullar (benefits to 6 September 2015)	20-25	0-2.5	20-25	318	5	298
Mick Sloyan (benefits to 6 September 2015)	55-60	0-2.5	50-55	1,158	8	1,089

**Note:** As explained in the Performance Report on page 7, the senior executive staff were restructured with effect from 7 September 2015. As a result of the restructure, some members of the previous Senior Executive Team, ceased to be in the group of senior executives whose remuneration is required to be reported after that date, hence the disclosures above for those individuals cover the period up to 6 September 2015.

### Total accrued pension

The accrued annual pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the additional pension earned during the year excludes any increase for inflation.

### Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Pension entitlement of senior executive staff: defined contribution schemes (audited)

Set out below are details of the employer's contributions made on behalf of AHDB's senior executive staff who were members of a defined contribution scheme during the year to 31 March 2016.

	Employer's contributions	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Jane King: Chief Executive (commenced 1 February 2015)	13	2
Tom Taylor: Chief Executive (left 30 November 2014)	-	10
Ken Boyns: Director of Market Intelligence/Acting Chief Change Officer	11	10
Chris Goodwin: Chief Financial Officer	10	10
Tom Hind: Chief Strategy Officer (commenced 5 October 2015)	-	-
Richard Laverick: Chief Technical Officer (commenced in role 5 October 2015)	3	-
Christine Watts: Chief Communications and Market Development Officer (commenced 14 January 2016)	2	-
Rob Clayton: Director of AHDB Potatoes Sector (Note 1)	3	7
Anna Farrell: Head of Levy payer communications (Note 1)	3	2
Bill Parker: Director of AHDB Horticulture Sector (Note 1)	3	7

Note 1: As explained in the Performance Report on page 6, the senior executive staff were restructured with effect from 7 September 2015. As a result of the restructure, some members of the previous Senior Executive Team up to that date ceased to be in the group of senior executives whose remuneration is required to be reported after that date, hence the disclosures above for those individuals cover the period up to 6 September 2015.

## Fair Pay report (audited)

In accordance with the requirements of the Hutton Fair Pay Review, AHDB is required to disclose the relationship between the remuneration of the highest paid executive of AHDB and the median remuneration of AHDB's workforce.

The annualised banded remuneration, excluding pension benefit, of the highest paid executive employed by AHDB during the financial year 2015/2016 was £135k-£140k (2014/15: £175k-£180k). The range of remuneration for 2015/16 commenced at £15k-£20k (2014/15: £10k-£15k). The median remuneration of the workforce was £35,508, a ratio of 3.9 times (2014/15: £34,603, 5.1 times). The annualised banded remuneration of the highest paid executive employed as at 31 March 2015 (who replaced the highest paid executive as Chief Executive on 1 February 2015) was £140k-£145k, a ratio of 4.1 times.

In 2015/16 and 2014/15, no employees received remuneration higher than the annualised amount paid to the Chief Executive. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Emoluments of AHDB Board members (audited)

Set out below are details of the emoluments of AHDB's Board members during the year ended 31 March 2016. No other cash or non-cash benefits were provided to AHDB Board members.

	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Peter Kendall: Chair of AHDB	50-55	50-55
Neil Bragg: Chair of AHDB Horticulture Sector Board (term ended 30 September 2014)	-	20-25
Lorraine Clinton: Independent Board member of AHDB (term ended 30 September 2014)	-	10-15
John Cross: Chair of AHDB Beef and Lamb Sector Board (term ended 31 March 2015)	-	45-50
Ian Crute: Independent Board member of AHDB (appointed 1 October 2014)	10-15	5-10
Fiona Fell: Chair of AHDB Potato Sector Board	30-35	30-35
Stewart Houston: Chair of AHDB Pork Sector Board (term ended 31 March 2015)	-	45-50
Gwyn Jones: Chair of AHDB Dairy Sector Board (appointed 1 October 2014)	30-35	15-20
Tim Kelly: Independent Board member of AHDB (term ended 31 March 2015)	-	15-20
Will Lifford: Independent Board member of AHDB	10-15	10-15
George Lyon: Independent Board member of AHDB (appointed 1 April 2015)	10-15	-
Adam Quinney: Chair of AHDB Beef and Lamb Sector Board (appointed 23 November 2015)	10-15	-
Stuart Roberts: Chair of AHDB Beef and Lamb Sector Board (appointed 1 April 2015; resigned 24 August 2015)	10-15	-
Gary Taylor: Chair of AHDB Horticulture Sector Board (appointed 1 October 2014)	40-45	5-10
Paul Temple: AHDB Chair of Cereals & Oilseeds Sector Board (appointed 1 April 2015)	30-35	-
Jonathan Tipples: Chair of AHDB Cereals and Oilseeds Sector Board (term ended 31 March 2015)	-	45-50
Meryl Ward: Chair of AHDB Pork Sector Board (appointed 1 April 2015)	30-35	-

The emoluments of AHDB's Board members during the year ended 31 March 2016 were paid on the basis that a certain number of planned days were worked. Gary Taylor worked and was paid for additional days for part of the year ended 2015/16 to compensate for the year to 31 March 2015, during which he worked and was paid for fewer days due to ongoing commitments in his previous role.

Set out below are the details of Board members' terms of office (not subject to audit):

	Contract start date	Contract end date
Peter Kendall: Chair of AHDB	01-Apr-14	31-Mar-17
Ian Crute: Independent Board member of AHDB	01-Oct-14	30-Sep-17
Fiona Fell: Chair of AHDB Potatoes Sector Board	01-Apr-14	31-Mar-17
Gwyn Jones: Chair of AHDB Dairy Sector Board	01-Oct-14	30-Sep-16
Will Lifford: Independent Board member of AHDB	01-Apr-13	31-Mar-16
George Lyon: Independent Board member of AHDB	01-Apr-15	31-Mar-18
Adam Quinney: Chair of AHDB Beef & Lamb Sector Board	23-Nov-15	22-Nov-18
Gary Taylor: Chair of AHDB Horticulture Sector Board	01-Oct-14	30-Sep-16
Paul Temple: Chair of AHDB Cereals & Oilseeds Sector Board	01-Apr-15	31-Mar-18
Meryl Ward: Chair of AHDB Pork Sector Board	01-Apr-15	31-Mar-17

Ministers appointed Will Lifford for a second three-year term as an Independent Board member from 1 April 2016.



## Staff report (audited)

AHDB is supported by a dedicated team of permanent staff.

**Staff costs and average numbers:** For the year ended 31 March 2016, we employed a total of 392 permanent staff on levy activity (376 in previous year) and 109 staff in our commercial operations (111 in previous year). A further seven were employed under other contractual arrangements on levy activities, and one on commercial operations (eleven and one respectively in the previous year).

Our staff turnover ran at 14.1%, up by 0.1% on the previous year. Total staff costs for 2015/16 were £22.3 million (2014/15: £21.3 million). Further breakdown of staff costs is included in Note 3 on page 41.

**Staff composition:** The gender split of the average full-time equivalent staff employed across the whole of AHDB in 2015/16 was 260 (52% male and 241 (48%) female (2014/15: 53% male, 47% female). For staff working on levy activities, the split was 163 (42%) male and 229 (58%) female (2014/15: 42% male, 58% female). Out of the 7 members of the Leadership Team at 31 March 2016, 4 were male and 3 were female (2014/15: 10 male, 2 female).

**Sickness absence data:** Absence due to sickness is monitored across the AHDB group and, in the year ended 31 March 2016, days lost through sickness equated to 5.7 days per full-time equivalent employee or 2.2% of total attendance (2015: 5.1 days, 1.97%).

**Staff policies:** The Leadership Team meets regularly and is charged with disseminating policy to staff through a system of divisional team briefings and departmental meetings. AHDB has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur. We monitor the ethnic, gender and age composition of the existing workforce and of applicants for jobs (including promotion) and the number of people with disabilities within these groups, and will consider and take any appropriate action to address any problems which may be identified as a result of the monitoring process.

**Annual staff survey feedback:** Our fourth annual AHDB staff survey was voluntarily completed by 340 (83%) staff in November 2015, in the middle of the organisational restructure programme. The overall results were poorer than those in 2014 with 83% of scores lower, reflecting the uncertainty felt by many staff during the change period. Despite the timing: 80% of staff saw AHDB as a good employer (down 5%); and 70% said they were involved in working on cross sector initiatives (up 3%). Only 24% of staff felt there was consistency of implementation of policies across divisions. This is a key area where the new functional structure will benefit the workforce as well as the levy-payer.

**Human resources (HR) strategy:** During 2015/16 we developed a new HR strategy to support AHDB's purpose and corporate priorities. The components within the proposed HR strategic work streams are aligned to:

- i. Delivering high quality HR support to enable managers to maximize employee **performance and engagement**
- ii. Developing and maintaining transparent and **consistently applied HR policies and procedures**
- iii. Designing and **embedding a talent management framework** for recruitment, succession planning, talent management, leadership and employee development
- iv. Developing a transparent and equitable **reward structure**
- v. Developing and maximising the use of **IT systems**.

Through the new strategy, HR will help drive a change in culture, to bring six distinct AHDB sectors together towards a more performance driven and learning organisation. An organisation that will be more outcome focused, whilst building a reputation as the place to go with the underlying goal of becoming an employer of choice.

**Consultants and off-payroll arrangements:** AHDB did not use any external consultants during 2015/16 and made no reportable off payroll payments.

## Compensation and exit packages agreed for the year to 31 March 2016 (audited)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	For the year ended 31 March 2016	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2015	For the year ended 31 March 2016	For the year ended 31 March 2015
< £10,000	-	6	-	-	-	6
£10,000 - £25,000	1	-	-	-	1	-
£25,000 - £50,000	-	1	-	-	-	1
£50,000 - £75,000	-	2	-	-	-	2
£75,000 - £150,000	1	1	-	-	1	1
Total number of exit packages	2	10	-	-	2	10
<b>Total cost</b>	<b>£125,760</b>	<b>£263,039</b>	<b>£0</b>	<b>£0</b>	<b>£125,760</b>	<b>£263,039</b>

Any exit packages were in accordance with relevant pension scheme rules and contractual entitlements. None of the exit packages related to senior executives in the years ended 31 March 2015 or 2016.

**Jane King**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**

**1 July 2016**

# Parliamentary Accountability and Audit Report

## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly

I certify that I have audited the financial statements of the Agriculture and Horticulture Development Board for the year ended 31 March 2016 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated and AHDB Statements of Financial Position, the Consolidated and AHDB Statements of Movements in Reserves, the Consolidated and AHDB Cash Flow Statements; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

### Respective responsibilities of the Board and Chief Executive, and auditor

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Agriculture and Horticulture Development Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agriculture and Horticulture Development Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and Agriculture and Horticulture Development Board's affairs as at 31 March 2016 and of the group's surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report and Staff Report and the Parliamentary Accountability disclosures to be audited has been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
**National Audit Office**  
**157-197 Buckingham Palace Road**  
**Victoria**  
**London**  
**SW1W 9SP**

**12 July 2016**

# Financial statements 2015/16

## Consolidated statement of comprehensive net expenditure for the year ended 31 March 2016

	Note	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
<b>Income</b>			
Gross levy	2	58,696	57,435
Non-levy sources	2	8,875	9,311
<b>Total income</b>		<b>67,571</b>	<b>66,746</b>
<b>Operating expenditure</b>			
<b>Levy collection</b>			
Staff costs	2, 3	(427)	(439)
Other costs	2, 4	(1,022)	(948)
<b>Core strategic activities</b>			
Staff costs	2, 3	(20,882)	(20,081)
Other costs	2, 4	(44,752)	(42,663)
Current pension service cost	16d	(1,181)	(1,074)
<b>Total operating expenditure</b>		<b>(68,264)</b>	<b>(65,205)</b>
<b>(Deficit)/Surplus on ordinary activities before interest and taxation</b>		<b>(693)</b>	<b>1,541</b>
Interest receivable		78	21
Other finance income relating to pension schemes	16d	204	554
<b>(Deficit)/Surplus on ordinary activities before taxation</b>		<b>(411)</b>	<b>2,116</b>
Taxation	5	(2)	-
<b>(Deficit)/Surplus for the financial year</b>		<b>(413)</b>	<b>2,116</b>
<b>Other comprehensive income</b>			
(Deficit)/Surplus for the financial year		(413)	2,116
Net (loss) on revaluation of pension assets and liabilities	16d	(3,210)	(1,862)
<b>Total comprehensive (expenditure)/income</b>		<b>(3,623)</b>	<b>254</b>

All the organisation's activities are in respect of continuing operations.

**Note 1:**

These accounts incorporate movements in pension scheme assets and liabilities which do not form part of the reserves available for levy-payer delivery activities. Those pension scheme assets recognised in AHDB's accounts reduced by £3.8 million in 2015/16 (reduction in 2014/15: £1.8 million). Excluding this reduction in pension scheme assets, a surplus of £146k was recorded from levy and commercial operations in the year. Further information regarding pensions is shown in Note 16 to the accounts.

**Note 2:**

AHDB does not produce a separate parent statement of comprehensive income and net expenditure. The above statement reports the consolidated performance of the group including subsidiaries as they are all wholly owned.

The notes on pages 33 to 57 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position as at 31 March 2016

	Note	As at 31-Mar-16		As at 31-Mar-15	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	6	2,485		2,617	
Pension asset	16e	3,914		7,683	
<b>Total non-current assets</b>			<b>6,399</b>		10,300
<b>Current assets</b>					
Inventories		9		8	
Trade and other receivables	9	10,085		10,463	
Cash at bank and in hand	10	21,562		20,050	
<b>Total current assets</b>			<b>31,656</b>		30,521
<b>Total assets</b>			<b>38,055</b>		40,821
<b>Current liabilities</b>					
Trade and other payables	11	(12,150)		(11,293)	
<b>Total current liabilities</b>			<b>(12,150)</b>		(11,293)
<b>Net assets</b>			<b>25,905</b>		29,528
<b>Reserves</b>					
Accumulated funds			21,904		21,758
Total pension reserve			3,914		7,683
Revaluation reserve			87		87
<b>Total reserves</b>			<b>25,905</b>		29,528

The financial statements on pages 26 to 57 were approved by the AHDB Board and signed on its behalf by:

**Peter Kendall**  
Chair

**Jane King**  
Chief Executive and Accounting Officer

1 July 2016

## AHDB statement of financial position as at 31 March 2016

	Note	As at 31-Mar-16		As at 31-Mar-15	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	7	1,855		1,977	
Investments	8	630		640	
Pension asset	16e	3,914		7,683	
<b>Total non-current assets</b>			<b>6,399</b>		<b>10,300</b>
<b>Current assets</b>					
Trade and other receivables	9	9,656		9,911	
Cash at bank and in hand	10	20,455		18,973	
<b>Total current assets</b>			<b>30,111</b>		<b>28,884</b>
<b>Total assets</b>			<b>36,510</b>		<b>39,184</b>
<b>Current liabilities</b>					
Trade and other payables	11	(11,628)		(10,722)	
<b>Total current liabilities</b>			<b>(11,628)</b>		<b>(10,722)</b>
<b>Net assets</b>			<b>24,882</b>		<b>28,462</b>
<b>Reserves</b>					
Accumulated funds			20,968		20,779
Total pension reserve			3,914		7,683
<b>Total reserves</b>			<b>24,882</b>		<b>28,462</b>

The financial statements on pages 26 to 57 were approved by the AHDB Board and signed on its behalf by:

Peter Kendall  
Chair

Jane King  
Chief Executive and Accounting Officer

1 July 2016

## Consolidated statement of movement in reserves for the year ended 31 March 2016

	Note	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2014		19,639	9,548	87	29,274
Surplus for the year	2b	2,116	-	-	2,116
Pension loss	16d	-	(1,862)	-	(1,862)
Other comprehensive income		-	(1,862)	-	(1,862)
Transfers from pensions reserve		3	(3)	-	-
<b>Balance as at 31 March 2015</b>		<b>21,758</b>	<b>7,683</b>	<b>87</b>	<b>29,528</b>
Deficit for the year	2a	(413)	-	-	(413)
Pension loss	16d	-	(3,210)	-	(3,210)
Other comprehensive income		-	(3,210)	-	(3,210)
Transfers from pensions reserve		559	(559)	-	-
<b>Balance as at 31 March 2016</b>		<b>21,904</b>	<b>3,914</b>	<b>87</b>	<b>25,905</b>

Reserves are allocated to the reporting segments as listed below:

AHDB Beef & Lamb		4,533	2,533	-	7,066
AHDB Cereals & Oilseeds		4,454	114	-	4,568
AHDB Dairy		2,692	-	-	2,692
AHDB Horticulture		3,716	-	-	3,716
AHDB Pork		4,777	1,267	-	6,044
AHDB Potatoes		1,732	-	87	1,819
<b>Total</b>		<b>21,904</b>	<b>3,914</b>	<b>87</b>	<b>25,905</b>

Explanatory notes:

### Pension reserve

All assets and liabilities in relation to the MLC and HGCA Pension Schemes, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are separately ring-fenced from AHDB's normal operating activities and relate to the red meat (ie AHDB Beef & Lamb, and AHDB Pork) and AHDB Cereals & Oilseeds sectors respectively only, having no financial impact on any other sector within AHDB.

The consolidated Accumulated reserves of AHDB Beef & Lamb and AHDB Pork include a two-thirds and one-third share of the closing reserves of those of MLC SL, the commercial red meat subsidiary which is wholly owned by AHDB.

## AHDB statement of movement in reserves for the year ended 31 March 2016

	Accumulated reserve £'000	Pension reserve £'000	Total reserves £'000
Balance at 1 April 2014	18,706	9,548	28,254
Surplus for the year	2,070	-	2,070
Pension loss	-	(1,862)	(1,862)
Other comprehensive income	-	(1,862)	(1,862)
Transfers from pensions reserve	3	(3)	-
<b>Balance as at 31 March 2015</b>	<b>20,779</b>	<b>7,683</b>	<b>28,462</b>
Deficit for the year	(370)	-	(370)
Pension loss	-	(3,210)	(3,210)
Other comprehensive income	-	(3,210)	(3,210)
Transfers from pensions reserve	559	(559)	-
<b>Balance as at 31 March 2016</b>	<b>20,968</b>	<b>3,914</b>	<b>24,882</b>

Reserves are allocated to the reporting segments as detailed below:

AHDB Beef & Lamb	3,850	2,533	6,383
AHDB Cereals & Oilseeds	4,454	114	4,568
AHDB Dairy	2,694	-	2,694
AHDB Horticulture	3,717	-	3,717
AHDB Pork	4,439	1,267	5,706
AHDB Potatoes	1,814	-	1,814
<b>Total</b>	<b>20,968</b>	<b>3,914</b>	<b>24,882</b>

## Consolidated cash flow statement for the year ended 31 March 2016

	Note	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
<b>Cash flows from operating activities</b>			
(Deficit)/surplus on ordinary activities before taxation	2a	(411)	2,116
<b>Adjustments for:</b>			
Interest receivable		(78)	(21)
Depreciation and amortisation	6	207	138
Current pension service cost	16d	1,181	1,074
Other finance income	16d	(204)	(554)
(Increase)/decrease in inventories		(1)	8
(Increase)/decrease in trade and other receivables	9	378	(359)
Increase/(decrease) in trade and other payables	11	857	900
(Decrease) in provisions		-	(352)
Tax paid		(2)	-
Defined benefit scheme pension contributions paid	16e	(418)	(517)
<b>Cash flows from operating activities</b>		<b>1,509</b>	<b>2,433</b>
<b>Cash flows from investing activities</b>			
Interest received		78	21
Payments to acquire property, plant and equipment	6	(75)	(1,586)
<b>Cash flows from investing activities</b>		<b>3</b>	<b>(1,565)</b>
<b>Increase in cash and cash equivalents</b>		<b>1,512</b>	<b>868</b>
Balance at 1 April		20,050	19,182
Net change in cash and cash equivalents		1,512	868
<b>Balance at 31 March</b>	10	<b>21,562</b>	<b>20,050</b>



## AHDB cash flow statement

for the year ended 31 March 2016

	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
<b>Cash flows from operating activities</b>		
(Deficit)/surplus on ordinary activities before taxation	(370)	2,070
<b>Adjustments for:</b>		
Interest receivable	(72)	(19)
Depreciation and amortisation	197	128
Depreciation of asset held in investment	10	10
Current pension service cost	1,181	1,074
Other finance income	(204)	(554)
(Increase)/decrease in trade and other receivables	255	(404)
Increase/(decrease) in trade and other payables	906	866
(Decrease) in provisions	-	(352)
Defined benefit scheme pension contributions paid	(418)	(517)
<b>Cash flows from operating activities</b>	<b>1,485</b>	<b>2,301</b>
<b>Cash flows from investing activities</b>		
Interest received	72	19
Payments to acquire property, plant and equipment	(75)	(1,586)
<b>Cash flows from investing activities</b>	<b>(3)</b>	<b>(1,567)</b>
<b>Increase in cash and cash equivalents</b>	<b>1,482</b>	<b>734</b>
Balance at 1 April	18,973	18,239
Net change in cash and cash equivalents	1,482	734
<b>Balance at 31 March</b>	<b>20,455</b>	<b>18,973</b>

# Notes to the financial statements

## 1. Principal accounting policies

The accounts are prepared in accordance with the Agriculture and Horticulture Development Board Order 2008 and the accounts direction issued by the Secretary of State for Environment, Food and Rural Affairs. The accounts direction requires compliance with HM Treasury's Financial Reporting Manual (FRoM) and any other guidance issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDPB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NDPB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Amendments to the FRoM currently known, issued and to be implemented in future years, have been considered and are not expected to impact on AHDB's financial statements for the year ended 31 March 2017.

### Going concern

AHDB's management has no reason to question its going concern status. There is no indication that this position will change in the next year as a result of any Cabinet Office review of the status of all Non-Departmental Public Bodies. Following the Government's last Arm's Length Bodies Review and the debate with industry in March 2011 as to AHDB's future status, the organisation has 'retained' status with the Cabinet Office until the next Arm's Length Body review. AHDB is satisfied that its level of Reserves is adequate and appropriate to meet its ongoing obligations.

### Accounting convention

The consolidated accounts have been prepared on a going concern basis, under the historical cost convention, modified to account for the revaluation of tangible fixed assets in line with IAS 16 'Property, plant and equipment'.

### Consolidation

The consolidated financial statements incorporate the financial statements of AHDB and its subsidiaries. Where necessary, adjustments are made to bring the accounting policies under UK generally accepted accounting principles (UK GAAP) as used in the individual financial statements of the subsidiaries, into line with those used by AHDB in its consolidated financial statements. In accordance with IFRS, inter-company transactions are eliminated. There is further information regarding the consolidation and investments of the group in Note 8.

### Segmental Reporting

In addition to presenting the consolidated financial results and financial position in the financial statements, a breakdown of those results and balances by business segment is provided in line with IFRS 8, 'Segmental Reporting'. The presentation of segmental information is based on the external and regulatory environments in which AHDB operates, being the statutory obligation to report and account for levies on a sector basis. The business segments are AHDB Beef & Lamb, AHDB Cereals & Oilseeds, AHDB Dairy, AHDB Horticulture, AHDB Pork and AHDB Potatoes. The segmental reporting disclosures can be found in Note 2.

### Research and development expenditure

Research and development expenditure is charged as it is incurred, on an accruals basis and is not capitalised in the statement of financial position. The terms of the statutory instrument which established AHDB, prevent AHDB from restricting access of other parties to future benefits of the research activities it undertakes. As a result, the research and development expenditure does not meet the requirements for capitalisation under IAS 38 'Intangible Assets'.

### Leases

Operating lease rentals are charged to the income and expenditure account in equal annual instalments over the lease term.

AHDB does not operate any finance leases.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment include assets purchased directly by AHDB and assets for which the legal title transferred to AHDB under the Agriculture and Horticulture Development Board Order 2008.

Expenditure on property, plant and equipment of £1,000 is capitalised when it is probable that the asset will generate future economic benefits. On initial recognition, assets are valued at cost and any costs attributable to bringing them into working condition. All property, plant and equipment are reviewed annually for impairment and are carried at fair value. Land and buildings are stated at their fair value, based on a periodic professional valuation. All non-property assets are deemed to be short-life or low value assets and are valued on the basis of depreciated replacement cost as an approximation of fair value. Assets held for resale by way of freehold property have been valued in the consolidated accounts under IFRS 5, at the lower of carrying value and estimated net realisable value.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:

- Freehold buildings: 10 to 50 years
- Leasehold improvements: Life of lease
- Plant and machinery: 3 to 10 years
- Fixtures and fittings: 1 to 10 years
- Motor vehicles: 2.5 to 5 years
- IT – Computer hardware and software: 1 to 5 years.

Freehold land is not depreciated.

Intangible assets are amortised over their expected useful lives: 1 to 5 years.

### Inventories

Inventories are valued at current cost. Cost comprises the cost of direct materials and those costs that have been incurred in bringing the inventories to their present condition.

### Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for impairment of trade receivables is established when there is observable evidence that AHDB will not be able to collect all amounts due according to the original terms. The main factor considered is the financial status of the debtor with regard to the likelihood of their having sufficient resources to make payments that become due.

### Provisions

A provision is recognised where there is a legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

All foreign exchange differences are taken to the statement of comprehensive income in the year in which they arise.

### Financial instruments

AHDB does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Pensions

AHDB operates both defined benefit and defined contribution schemes for the benefit of employees.

#### a) Defined benefit schemes

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each reporting date. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. The actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset and liability are shown gross in the notes to the financial statements.

Past service costs are recognised immediately to the extent that benefits are already vested. Otherwise, such costs are amortised on a straight-line basis over the period until the benefits vest.

Settlements are recognised when a transaction is entered into that eliminates all further legal or constructive obligations for benefits under a scheme.

Curtailments are recognised when a commitment is made to a material reduction in the number of employees covered by a scheme.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost.

The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within interest income and expense, respectively.

More detailed information can be found in Note 16 to the accounts.

#### b) Defined contribution schemes

The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by AHDB for the accounting period in respect of these schemes.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Levy income

AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain and cereals and oilseeds sector in the UK. Levy income is based on the latest available estimates of sector-specific levy quantities, as billable within the provisions of Schedule 3 of the AHDB Order 2008. (The levy rates in operation during 2015/16 can be found on page 57).

The value of levies recognised in the financial statements is a combination of actual levies invoiced during the year and an accrual for any non-invoiced levy income for the same period.

A calculation to ascertain the hypothetical levy gap has not been carried out as it is not deemed to be material.

#### a) Red meat levies (deployed by AHDB Beef & Lamb and AHDB Pork)

Red meat levies consist of two parts: the producer levy and the slaughterer/exporter levy. The producer element is collected and held on trust for AHDB by slaughterers and exporters who pay the levy direct to AHDB. Levy is calculated on the number of animals slaughtered or exported and these details are notified to AHDB through the completion of regular returns. Upon receipt of the return, AHDB calculates the levy due and issues an invoice for payment.

#### b) Cereals and oilseeds levies (deployed by AHDB Cereals & Oilseeds)

The cereal levy is based on weight and has two elements, a grower levy and a buyer levy. A buyer of cereals must deduct the grower levy element from the price paid and hold it on trust for AHDB. Five per cent of the combined grower and buyer levy is then taken as commission by the buyer and the remainder paid to AHDB. For oilseeds, there is only a grower levy and so a buyer must deduct all the levy from the price paid to the grower and hold it on trust, which must then be paid to AHDB.

Levy is also payable on cereals that are processed, with differential rates applying dependent on whether the cereals are processed into feeding stuffs or non-feeding stuffs. Any person who is liable to pay levy has 28 days from the dates specified in the legislation to submit a return for cereals and oilseeds to AHDB. Payment of the levy to AHDB is then required within 21 days from the end of the 28-day return period.

Cereal grower, buyer and processor levies are invoiced quarterly in arrears and oilseed grower levy biannually in arrears. At the year end, an estimate is made for levy income relating to the period 1 January to 31 March and is accounted for as accrued income. This is derived using the latest market intelligence and analysis of historical trends.

#### c) Milk levies (deployed by AHDB Dairy)

A person who buys milk from a producer pays a levy to AHDB which the buyer deducts from the price paid to the producer. Levy is also payable by those producers who sell their milk direct to the public from their holding, as defined in the Order. Milk levy is based on volume. Milk buyers notify AHDB at the end of every month the amount of milk bought in that month. Direct sellers of milk are required by 14 May each year to notify AHDB of the amount of milk produced on that holding for the previous year ending 1 April. The levy due from both buyers and direct sellers is payable on invoice.

#### d) Horticulture levies (deployed by Horticulture)

Levy is payable on vegetables grown in the open (except potatoes where there are separate arrangements), fruit, flowers and bulbs, hardy and nursery stock, protected crops and herbs. There is a threshold above which levy becomes payable, such that if a horticultural grower's adjusted sales figure, made during the accounting year of the grower that ended in any year ending 31 March, is £60,000 or more, levy will be due. With the exception of mushrooms, the levy is calculated as a percentage of the adjusted sales figure. Levy due is payable on invoice. Any person liable to pay horticultural levy completes the appropriate form and returns it to AHDB on, or by, 30 June each year. The basis of levy on mushrooms is based on litres of mushroom spawn or compost containing mushroom spawn used or sold. Levy becomes due if, in any year ending 31 March, a person buys more than 700 litres of mushroom spawn or compost containing mushroom spawn. The levy is payable on invoice.

#### e) Potato levies (deployed by AHDB Potatoes)

Potato buyers, as well as potato growers, are required to pay levy. The levy on potato growers is based on area planted, with a minimum threshold at which levy becomes payable of three hectares. Buyers of potatoes are levied on weight, with a minimum threshold at which levy becomes payable of 1,000 tonnes bought in any year ending 30 June. Each year, growers must submit a return by 1 June giving details of the area planted, or intended to be planted that calendar year and the identity of the fields planted. The levy due is paid to AHDB by 1 December following. Buyers liable to pay levy, submit monthly returns to AHDB by the 28th day of each month giving the tonnage bought in the previous month. Levy is payable on invoice.

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2016

Accounting standards require entities to report their performance by segment, which AHDB complies with by analysing its income and expenditure by its six sectors.

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
<b>Income</b>							
Gross levy	15,889	12,856	7,554	7,237	9,473	5,687	58,696
<i>Non-levy sources:</i>							
Fee and grant income	1,572	126	713	355	441	656	3,863
EU grant income	370	-	-	-	-	306	676
Commercial services income	2,891	-	-	-	1,445	-	4,336
<i>Sub-total non-levy sources</i>	4,833	126	713	355	1,886	962	8,875
<b>Total income</b>	<b>20,722</b>	<b>12,982</b>	<b>8,267</b>	<b>7,592</b>	<b>11,359</b>	<b>6,649</b>	<b>67,571</b>
<b>Operating expenditure</b>							
Levy collection	(293)	(549)	(32)	(114)	(172)	(289)	(1,449)
<i>Core strategic activities:</i>							
Research and development and knowledge transfer	(3,006)	(5,242)	(4,925)	(6,659)	(2,797)	(2,820)	(25,449)
Trade Development	(5,518)	(823)	(309)	-	(4,402)	(1,496)	(12,548)
Export Development	(4,005)	(331)	(10)	(10)	(578)	(104)	(5,038)
Supply chain integration	(743)	(805)	-	-	-	(114)	(1,662)
Market Intelligence	(1,695)	(1,043)	(639)	(15)	(813)	(497)	(4,702)
Communications	(636)	(1,559)	(830)	(1,116)	(608)	(438)	(5,187)
Support	(1,396)	(1,524)	(1,158)	(737)	(915)	(936)	(6,666)
Commercial services	(2,921)	-	-	-	(1,461)	-	(4,382)
<i>Sub-total core strategic activities:</i>	(19,920)	(11,327)	(7,871)	(8,537)	(11,574)	(6,405)	(65,634)
Current pension service cost	(733)	(81)	-	-	(367)	-	(1,181)
<b>Total operating expenditure</b>	<b>(20,946)</b>	<b>(11,957)</b>	<b>(7,903)</b>	<b>(8,651)</b>	<b>(12,113)</b>	<b>(6,694)</b>	<b>(68,264)</b>

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2016 (continued)

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
<b>(Deficit)/Surplus on ordinary activities before interest and taxation</b>	(224)	1,025	364	(1,059)	(754)	(45)	(693)
Interest receivable	12	8	20	10	19	9	78
Other finance income	133	4	-	-	67	-	204
<b>(Deficit)/Surplus on ordinary activities before taxation</b>	(79)	1,037	384	(1,049)	(668)	(36)	(411)
Taxation	(1)	-	-	-	(1)	-	(2)
<b>(Deficit)/Surplus for the financial year</b>	(80)	1,037	384	(1,049)	(669)	(36)	(413)
Net gain/(loss) on revaluation of pension assets and liabilities	(2,133)	(10)	-	-	(1,067)	-	(3,210)
<b>Total comprehensive income/(expenditure)</b>	(2,213)	1,027	384	(1,049)	(1,736)	(36)	(3,623)

#### AHDB parent figures

AHDB does not produce a separate parent statement of comprehensive income. Its results are included in the group results above, consolidated with its subsidiaries as detailed in Note 8. Assets and liabilities are not separately reported by sector.

#### Commercial trading subsidiary

The income and expenditure of the trading subsidiary, MLCSL, is included above in the AHDB Pork and AHDB Beef & Lamb results as Commercial Services income and expenditure.

#### Pension assets and liabilities

The above includes the movements on pension scheme assets and liabilities which are not part of AHDB's available reserves. Excluding those movements, the net trading performance is:

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
Total comprehensive income/(expenditure)	(2,213)	1,027	384	(1,049)	(1,736)	(36)	(3,623)
Movement on Pension asset/liability	2,533	(31)	-	-	1,267	-	3,769
<b>Underlying surplus/(deficit) for the financial year</b>	320	996	384	(1,049)	(469)	(36)	146

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2015

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
<b>Income</b>							
Gross levy	15,773	12,507	7,373	6,872	9,023	5,887	57,435
<i>Non-levy sources:</i>							
Fee and grant income	2,094	348	603	556	502	678	4,781
Commercial services income	3,020	-	-	-	1,510	-	4,530
<i>Sub-total non-levy sources</i>	5,114	348	603	556	2,012	678	9,311
<b>Total income</b>	<b>20,887</b>	<b>12,855</b>	<b>7,976</b>	<b>7,428</b>	<b>11,035</b>	<b>6,565</b>	<b>66,746</b>
<b>Operating expenditure</b>							
Levy collection	(281)	(531)	(34)	(102)	(168)	(271)	(1,387)
<i>Core strategic activities:</i>							
Research and development and knowledge transfer	(3,633)	(5,324)	(4,884)	(5,148)	(2,599)	(2,872)	(24,460)
Trade Development	(5,388)	(871)	(426)	-	(3,001)	(1,260)	(10,946)
Export Development	(3,468)	(351)	-	-	(482)	(133)	(4,434)
Supply chain integration	(881)	(859)	-	-	-	(193)	(1,933)
Market Intelligence	(1,690)	(941)	(666)	(51)	(736)	(451)	(4,535)
Communications	(600)	(1,478)	(938)	(1,348)	(572)	(397)	(5,333)
Support	(1,057)	(1,739)	(1,223)	(751)	(877)	(971)	(6,618)
Commercial services	(2,990)	-	-	-	(1,495)	-	(4,485)
<i>Sub-total core strategic activities:</i>	(19,707)	(11,563)	(8,137)	(7,298)	(9,762)	(6,277)	(62,744)
Current pension service cost	(667)	(74)	-	-	(333)	-	(1,074)
<b>Total operating expenditure</b>	<b>(20,655)</b>	<b>(12,168)</b>	<b>(8,171)</b>	<b>(7,400)</b>	<b>(10,263)</b>	<b>(6,548)</b>	<b>(65,205)</b>



## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2015 (continued)

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
<b>Surplus/(Deficit) on ordinary activities before interest and taxation</b>	232	687	(195)	28	772	17	1,541
Interest receivable	4	2	5	3	5	2	21
Other finance income	333	54	-	-	167	-	554
<b>Surplus/(Deficit) on ordinary activities before taxation</b>	569	743	(190)	31	944	19	2,116
Taxation	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the financial year</b>	569	743	(190)	31	944	19	2,116
Net gain/(loss) on revaluation of pension assets and liabilities	(1,333)	138	-	-	(667)	-	(1,862)
<b>Total comprehensive income/(expenditure)</b>	(764)	881	(190)	31	277	19	254

#### AHDB parent figures

AHDB does not produce a separate parent statement of comprehensive income. Its results are included in the group results above, consolidated with its subsidiaries as detailed in Note 8. Assets and liabilities are not separately reported by division.

#### Pension assets and liabilities

The above includes the movements on pension scheme assets and liabilities which are not part of AHDB's available reserves. Excluding those movements, the net trading performance is:

	AHDB Beef & Lamb £'000	AHDB Cereals & Oilseeds £'000	AHDB Dairy £'000	AHDB Horticulture £'000	AHDB Pork £'000	AHDB Potatoes £'000	AHDB Group total £'000
Total comprehensive income/(expenditure)	(764)	881	(190)	31	277	19	254
Movement on Pension asset/liability	1,402	(235)	-	-	699	-	1,866
<b>Underlying surplus/(deficit) for the financial year</b>	638	646	(190)	31	976	19	2,120

## Notes to the financial statements

### 3. Staff numbers and related costs

	For the year ended 31 March 2016			For the year ended 31 March 2015		
	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff
<b>Numbers employed</b>						
The average full-time equivalent numbers employed by AHDB during the year were:						
Commercial activities	109	1	110	111	1	112
Total levy-dependent activities	392	7	399	376	11	387
<b>Total</b>	<b>501</b>	<b>8</b>	<b>509</b>	<b>487</b>	<b>12</b>	<b>499</b>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries	18,164	192	18,356	17,411	319	17,730
Social security costs	1,853	-	1,853	1,779	-	1,779
Defined benefit scheme current service costs (Note 16d)	1,181	-	1,181	1,074	-	1,074
Defined contribution scheme costs	1,100	-	1,100	1,011	-	1,011
<b>Total staff costs</b>	<b>22,298</b>	<b>192</b>	<b>22,490</b>	<b>21,275</b>	<b>319</b>	<b>21,594</b>

### 4. Income and expenditure on ordinary activities of the group before interest and taxation

	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
<b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b>		
Rentals under operating leases:		
- Leasehold property rents	460	558
- Vehicle leases	709	740
- Hire of equipment	64	113
Research and development and knowledge transfer expenditure	25,449	24,460
Exchange (gains)/losses	(10)	0
Auditors remuneration and expenses	98	100
<b>Non-cash items:</b>		
Depreciation and amortisation	207	138
Impairment of receivables	296	(104)

## Notes to the financial statements

### 5. Taxation

	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
<b>Current tax</b>		
UK corporation tax on commercial profits for the period	-	-
UK corporation tax on interest income for the period	15	5
Under-provision in respect of prior years	1	-
Over-provision in respect of prior years	(14)	(5)
<b>Current tax charge for the year</b>	<b>2</b>	<b>-</b>

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Surplus/(Deficit) on ordinary activities before taxation	(411)	1,252
Surplus/(Deficit) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	(82)	263
<b>Effects of:</b>		
Income not chargeable for taxation purposes	12,647	13,065
Expenditure not deductible for taxation purposes	(12,729)	(12,802)
Standard rate of corporation tax in the UK of 20% (2015: 21%) on interest receivable	15	5
Under-provision in respect of prior years	1	-
Over-provision in respect of prior years	(14)	(5)
<b>Current tax charge for the year</b>	<b>2</b>	<b>-</b>

# Notes to the financial statements

## 6. Property, plant and equipment

Group	Land £'000	Buildings £'000	Leasehold improvements £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>								
As at 1 April 2014	140	510	242	824	1,071	304	4	3,095
Additions	-	-	1,531	43	12	-	-	1,586
Disposals	-	-	-	(679)	(163)	(49)	-	(891)
<b>As at 31 March 2015</b>	<b>140</b>	<b>510</b>	<b>1,773</b>	<b>188</b>	<b>920</b>	<b>255</b>	<b>4</b>	<b>3,790</b>
As at 1 April 2015	140	510	1,773	188	920	255	4	3,790
Additions	-	-	58	17	-	-	-	75
Disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>140</b>	<b>510</b>	<b>1,831</b>	<b>205</b>	<b>920</b>	<b>255</b>	<b>4</b>	<b>3,865</b>
<b>Depreciation</b>								
As at 1 April 2014	-	-	-	(777)	(1,018)	(129)	(2)	(1,926)
Charge for year	-	(10)	(62)	(19)	(18)	(28)	(1)	(138)
Relating to disposals	-	-	-	679	163	49	-	891
<b>As at 31 March 2015</b>	<b>-</b>	<b>(10)</b>	<b>(62)</b>	<b>(117)</b>	<b>(873)</b>	<b>(108)</b>	<b>(3)</b>	<b>(1,173)</b>
As at 1 April 2015	-	(10)	(62)	(117)	(873)	(108)	(3)	(1,173)
Charge for year	-	(10)	(126)	(25)	(17)	(28)	(1)	(207)
Relating to disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>-</b>	<b>(20)</b>	<b>(188)</b>	<b>(142)</b>	<b>(890)</b>	<b>(136)</b>	<b>(4)</b>	<b>(1,380)</b>
<b>Net book value as at 31 March 2016</b>	<b>140</b>	<b>490</b>	<b>1,643</b>	<b>63</b>	<b>30</b>	<b>119</b>	<b>-</b>	<b>2,485</b>
Net book value as at 31 March 2015	140	500	1,711	71	47	147	1	2,617

Freehold property at Sutton Bridge was valued at 31 March 2014 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £650k which has been depreciated to allow for wear and tear since the valuation date.

The £1,831k of Leasehold improvements, the majority of which was incurred in 2014/15, are costs associated with the new AHDB headquarters at Stoneleigh Park, built by AHDB's landlord, LaSalle Investment Management. The premises are leased by AHDB which means that all its Stoneleigh-based staff are located in a single building for the first time since AHDB was formed in 2008. The capital expenditure relates to the fitting out of the premises which was AHDB's responsibility. The decision for AHDB to be responsible for the fitting out of the premises (rather than a third party and the costs being added back into the annual rental) was taken in order to optimise the use of levy-payer funds by ensuring best value for money was obtained for the project as a whole.

# Notes to the financial statements

## 7. Property, plant and equipment

AHDB	Land £'000	Buildings £'000	Leasehold improvements £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>								
As at 1 April 2014	-	-	241	824	220	301	4	1,590
Additions	-	-	1,532	43	12	-	-	1,587
Disposals	-	-	-	(679)	(29)	(46)	-	(754)
<b>As at 31 March 2015</b>	-	-	<b>1,773</b>	<b>188</b>	<b>203</b>	<b>255</b>	<b>4</b>	<b>2,423</b>
As at 1 April 2015	-	-	1,773	188	203	255	4	2,423
Additions	-	-	58	17	-	-	-	75
Disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	-	-	<b>1,831</b>	<b>205</b>	<b>203</b>	<b>255</b>	<b>4</b>	<b>2,498</b>
<b>Depreciation</b>								
As at 1 April 2014	-	-	-	(777)	(167)	(126)	(2)	(1,072)
Charge for year	-	-	(62)	(19)	(18)	(28)	(1)	(128)
Relating to disposals	-	-	-	679	29	46	-	754
<b>As at 31 March 2015</b>	-	-	<b>(62)</b>	<b>(117)</b>	<b>(156)</b>	<b>(108)</b>	<b>(3)</b>	<b>(446)</b>
As at 1 April 2015	-	-	(62)	(117)	(156)	(108)	(3)	(446)
Charge for year	-	-	(126)	(25)	(17)	(28)	(1)	(197)
Relating to disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2016</b>	-	-	<b>(188)</b>	<b>(142)</b>	<b>(173)</b>	<b>(136)</b>	<b>(4)</b>	<b>(643)</b>
<b>Net book value as at 31 March 2016</b>	-	-	<b>1,643</b>	<b>63</b>	<b>30</b>	<b>119</b>	-	<b>1,855</b>
Net book value as at 31 March 2015	-	-	1,711	71	47	147	1	1,977

# Notes to the financial statements

## 8. Investments

### Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the potato industry's research and development facility, Sutton Bridge Experimental Unit, which is based at Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for AHDB Potatoes in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB Group consolidated statement of financial position. SBEU had a deficit of £10k for the year ended 31 March 2016 (2015: £10k). This relates to depreciation charged on buildings. Its net assets were £630k as at 31 March 2016 (31 March 2015: £640k). The property was last professionally revalued at £650k, as at 31 March 2014, based on its existing use.

	<b>Group As at 31-Mar-16 £'000</b>	<b>AHDB As at 31-Mar-16 £'000</b>	<b>Group As at 31-Mar-15 £'000</b>	<b>AHDB As at 31-Mar-15 £'000</b>
AHDB investment in SBEU	-	630	-	640

### Other subsidiary undertakings

#### Meat & Livestock Commercial Services Limited

Meat & Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides data, advice, logistics and inspection services to the red meat industry and is based at Stoneleigh. The principal activity of the company is to provide independent carcass classification services into the red meat supply chain, to the benefit of both farmers and processors. This is underlined by a consistency in the high proportion of beef, lamb and pig carcasses classified by the MLCSL Authentication team. MLCSL's financial results for the years have been consolidated as part of the financial results for the AHDB Beef & Lamb and AHDB Pork sectors, respectively, in the analysis of income and expenditure by segment in Note 2 and its assets and liabilities form a part of the statement of financial position. MLCSL had a retained deficit of £43k for the year ended 31 March 2016 (2015: £48k) and its net assets were £1.02 million as at 31 March 2016 (31 March 2015: £1.07 million).

This subsidiary undertaking is registered in England and Wales.

## Notes to the financial statements

### 9. Trade and other receivables

	Group As at 31-Mar-16 £'000	AHDB As at 31-Mar-16 £'000	Group As at 31-Mar-15 £'000	AHDB As at 31-Mar-15 £'000
<b>Amounts falling due within one year</b>				
Levy income receivable	2,741	2,741	2,929	2,929
Receivables for fee and other income	671	244	638	174
Provision for bad and doubtful debts	(363)	(363)	(74)	(74)
Prepayments and accrued income	6,320	6,309	5,821	5,790
Amounts owed by subsidiary undertakings	-	17	-	28
Balances with central government bodies	716	708	1,149	1,064
<b>Total amounts falling due within one year</b>	<b>10,085</b>	<b>9,656</b>	<b>10,463</b>	<b>9,911</b>

	Group As at 31-Mar-16 £'000	AHDB As at 31-Mar-16 £'000	Group As at 31-Mar-15 £'000	AHDB As at 31-Mar-15 £'000
<b>Receivables past due</b>				
Up to 3 months past due	1,084	1,018	1,135	1,054
3 to 6 months past due	317	317	244	244
Over 6 months past due	266	266	131	130
	<b>1,667</b>	<b>1,601</b>	<b>1,510</b>	<b>1,428</b>

### 10. Cash and cash equivalents

	Group 2015-16 £'000	AHDB 2015-16 £'000	Group 2014-15 £'000	AHDB 2014-15 £'000
Balance at 1 April	20,050	18,973	19,182	18,239
Net change in cash and cash equivalents	1,512	1,482	868	734
<b>Balance at 31 March</b>	<b>21,562</b>	<b>20,455</b>	<b>20,050</b>	<b>18,973</b>
Balances at 31 March were:				
Short term investment	15,000	15,000	9,000	9,000
Commercial banks and cash in hand	6,562	5,455	11,050	9,973
<b>Balance at 31 March</b>	<b>21,562</b>	<b>20,455</b>	<b>20,050</b>	<b>18,973</b>

The short-term investment represents three separate funds of £3 million, placed on term deposits to mature 28 April (12-month term), 11 July (10 months) and 27 October 2016 (12 months). A further £6 million is held in a 35-day notice account.

# Notes to the financial statements

## 11. Trade and other payables

	Group As at 31-Mar-16 £'000	AHDB As at 31-Mar-16 £'000	Group As at 31-Mar-15 £'000	AHDB As at 31-Mar-15 £'000
<b>Amounts falling due within one year</b>				
Trade payables	2,418	2,410	2,536	2,524
Accruals and deferred income	7,719	7,642	6,439	6,151
Other payables	348	287	486	449
Corporation tax	1	-	-	-
VAT	802	622	914	717
Other taxation and social security	539	476	508	438
Defra underwrite for redundancy*	132	-	149	-
Pig Industry Development Scheme Fund	76	76	76	76
Other Defra Bodies	115	115	185	367
<b>Total amounts falling due within one year</b>	<b>12,150</b>	<b>11,628</b>	<b>11,293</b>	<b>10,722</b>
<b>Intra-government balances</b>				
Balances with central government bodies	1,589	1,213	1,756	1,522

\* The Defra underwrite for redundancy was set up to underwrite potential future redundancy costs and is held as part of AHDB's own cash resources, although it is completely ring-fenced in a separate bank account. All interest earned on the Defra fund is credited against the redundancy underwrite fund and not taken to the income and expenditure account, as we are deemed to hold the funds on trust for Defra. As the interest is simply reinvested and put to no further use, it is deemed not to be subject to UK corporation tax.

These monies were originally transferred to MLC during the 1994/95 financial year. On 1 April 2008, the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB. The potential liability remaining in relation to the fund as at 31 March 2016 was £132k.



## Notes to the financial statements

### 12. Financial commitments

	Group As at 31-Mar-16 £'000	AHDB As at 31-Mar-16 £'000	Group As at 31-Mar-15 £'000	AHDB As at 31-Mar-15 £'000
<b>Capital expenditure commitments</b>				
Contracted for	51	51	82	82
<b>Approved research projects</b>				
Within one year	9,355	9,355	10,014	10,014
Thereafter	16,160	16,160	9,751	9,751
	<b>25,515</b>	<b>25,515</b>	<b>19,765</b>	<b>19,765</b>
<b>Operating leases</b>				
As at 31 March AHDB was committed to future minimum lease payments under non-cancellable operating leases for each of the following periods:-				
<b>Property</b>				
Within one year	502	502	454	454
Between two and five years	1,159	1,159	1,416	1,416
Over five years	-	-	-	-
	<b>1,661</b>	<b>1,661</b>	<b>1,870</b>	<b>1,870</b>
<b>Vehicles</b>				
Within one year	577	514	508	463
Between two and five years	807	748	631	596
	<b>1,384</b>	<b>1,262</b>	<b>1,139</b>	<b>1,059</b>
<b>Equipment</b>				
Within one year	27	27	24	24
Between two and five years	14	14	56	56
	<b>41</b>	<b>41</b>	<b>80</b>	<b>80</b>

Approved research projects represent expenditure with third parties which has been contracted, as distinct from projects at the stage of having been approved and budgeted. These accounts are prepared on a going concern basis, it is assumed that future income will be available to meet these commitments.

# Notes to the financial statements

## 13. Financial instruments

Because of the nature of its activities and the way in which AHDB is financed, it is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which IFRS 7 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing AHDB in undertaking its activities or for trading. The fair values of all its financial assets and liabilities are approximate to their amortised costs as follows:

	Group As at 31-Mar-16 £'000	Group As at 31-Mar-16 £'000	Group As at 31-Mar-15 £'000	Group As at 31-Mar-15 £'000
	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	Loans and receivables	Other financial liabilities
<b>Trade receivables</b>				
Levy receivable	2,378		2,855	
Receivables for fees	671		638	
Accrued income (less prepayments)	4,981		4,776	
Intra-government balances	716		1,149	
<b>Cash and equivalents</b>	<b>21,562</b>		20,050	
<b>Trade and other payables</b>				
Trade payables		2,418		2,536
Accruals		7,719		6,439
Pig Industry Development Scheme Fund		76		76
Intra-government balances		247		334
Other		348		486
<b>Total</b>	<b>30,308</b>	<b>10,808</b>	29,468	9,871

### Credit and liquidity risk

AHDB is exposed to the usual credit risk and cash flow risk associated with invoicing on credit and manages this through credit control procedures. In the current difficult economic climate, procedures in credit control have been tightened and involvement with sector staff and boards has been increased to help monitor liquidity risks within the industry. The nature of its financial instruments means that it is not subject to price risk or liquidity risk.

### Interest rate risk

AHDB is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate. Where possible, funds are placed on fixed term deposit in order to optimise return. The opportunity to do so is restricted by the fluctuations in our cash flow cycle and our practice of placing funds only with institutions holding a credit rating matching/exceeding that of our regular corporate bankers, currently Barclays Bank Plc.

### Foreign currency risk

AHDB's exposure to foreign currency risk is not currently significant.

### Market and price risk

AHDB's level of income is affected in some sectors by general economic and market conditions. These are monitored and analysed by Market Intelligence to provide guidance as to future commodity trends. AHDB uses this guidance to inform its future cash projections and assist with decision-making regarding the timing of incurring variable costs.

# Notes to the financial statements

## 14. Related party transactions

AHDB is a Non-Departmental Public Body (NDPB) funded by statutory levies and sponsored by the Department for Environment, Food and Rural Affairs (Defra). Defra is a Government department which is regarded as a related party. Defra is the sponsoring department of the other Arm's Length Bodies listed below and by virtue of their relationship with Defra are also regarded as related parties.

The main government bodies AHDB had transactions with during the year were Defra and other Defra bodies, HMRC and the Health and Safety Executive.

Ian Crute is a Trustee director of East Malling Research (EMR), with whom AHDB had transactions of £636k (2014/15: £533k) during the financial year, and a balance of £194k was owing to EMR at 31 March 2016. Gary Taylor is Chair of the Board of the Horticulture Innovation Partnership (HIP) during the year. AHDB had transactions with HIP of £47k (2014/15: £24k) during the year and no balance was due at 31 March 2016. Paul Temple was a Board member at the National Non Food Crop Centre (NNFC) until 30 September 2015, with whom AHDB had transactions of £8k during the year, and no balance was due as at 31 March 2016. All the above transactions were on an Arm's Length basis. No other AHDB Board members, sector board members, senior executive staff or other related parties have undertaken any material transactions with AHDB. Statutory levies were paid by a number of AHDB Board members on an Arm's Length basis and are outside the scope of IFRS 24.

There are no company directorships or other significant interests that AHDB considers may conflict with management responsibilities.

Transactions with senior members of staff can be found in the Remuneration report on page 19.

## 15. Contingent liabilities

There were no contingent liabilities at 31 March 2016.

# Notes to the financial statements

## 16. Pensions

### 16a. Information about the Schemes

#### Introduction

AHDB operates a number of approved retirement benefit arrangements in the UK, encompassing both Defined Benefit (DB) schemes and Defined Contribution (DC) schemes.

The DB schemes expose the organisation to the usual risks involved in ensuring the schemes are adequately funded to meet their future obligations. These risks are mitigated as far as possible by ensuring employees make contributions at a reasonable rate, and by adopting asset-liability matching strategies, where possible. AHDB does not consider there to be any significant entity or plan-specific risks, or any significant concentrations of risk.

#### MLC Pension Scheme

AHDB operates a contributory Pension Scheme providing defined benefits to legacy MLC members based on final pensionable salary. The assets of the Scheme are held separately from those of AHDB, being invested with insurance and investment companies. The Scheme has provision for pensions in payment to be increased by 5% per annum or the percentage shown in the Pension Increases Order, if lower. If the percentage shown in the Order exceeds 5% per annum there is provision in the Scheme Rules for pensions in payment to be increased beyond 5% per annum by the Trustees with AHDB's consent. Contributions to the Scheme are charged to AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations using the projected unit method. The employer's contributions to the scheme in 2016/17 are estimated to be £0.3 million.

As part of the AHDB transitional arrangements from its predecessor bodies, any employees joining the organisation after April 2008 have not been eligible to join the MLC DB scheme so it has been closed to new entrants since that date.

A substantial part of the scheme's assets are represented by buy-in policies with insurance providers (Aviva and Just Retirement) to cover the future liabilities of the scheme in relation to the in-payment pension obligations at that time. This was achieved in order to reduce the scheme's, and the employer's, risk exposure to future downturns in asset performance and improvements in longevity. Under the terms of the buy-in, the annuity policy is in the name of the Trustee and, as such, is considered a qualifying investment of the scheme. Due to market conditions, the policy attracts an income related to RPI, while the pension payments from the scheme have guaranteed increases at CPI. While CPI remains lower than RPI, a small surplus will be generated and added to the total scheme assets for the benefit of the scheme as a whole. As shown in note 16c below, at 31 March 2016, 71.9% of the scheme's total assets were represented by the buy-in policies. The assets of the policies have been valued for AHDB's accounting purposes using an IAS 19 discount rate which ensures the assets are valued on a basis consistent with that used to value the future liabilities they are in place to settle.

The first policy was first acquired in June 2011 to guarantee the obligations of pensions in payment at that date, and of those pensioners' dependants in future. A further tranche of liabilities was added to the policy in July 2013, to cover pensions that have come into payment since June 2011, again including pensions falling due in future to those pensioners' dependants. This policy is held with Aviva. In March 2016, a further policy was acquired to cover pensions that have come into payment since July 2013. Following a competitive process, this latest policy was taken out with Just Retirement. The valuation method used to value the assets placed on the buy-in policies with Aviva and Just Retirement are consistent with that used last year. It has been calculated as the present value of the future expected policy income stream using the same assumptions as used to calculate the Defined Benefit Obligation, except that the policy income in excess of Guaranteed Minimum Pensions is assumed to increase in line with RPI up to 5% pa rather than CPI up to 5%pa. These assumptions have been selected because the incomes from the policies match the corresponding pension payments from the scheme in all other aspects. By using these assumptions, in future years the asset value on the buy-in policy will move in line with the corresponding liabilities while still allowing for the expected higher future income stream if RPI is assumed to be higher than CPI. It is recognised that an alternative, risk-related discount rate could have been used to value the assets in the Aviva and Just Retirement insurance policies which, at 31 March, would have shown a higher asset value and thus a higher scheme surplus. The amount recognised in the statement of financial position would remain unchanged due to the restrictions under IAS 19 regarding the amount of surplus disclosed by the employer. This valuation method was not selected as it would lead to more volatile asset valuations in future years and is not consistent with the valuation of the corresponding obligations.

#### HGCA Pension Scheme

The scheme provides benefits to legacy HGCA members based on final salary. Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed as at 31 March 2013 and indicated a funding deficit of £0.6 million. The recovery plan agreed between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit, specified contributions of £75k pa, payable monthly, for the period up to the next triennial actuarial review of the scheme. The employer's normal contributions to the scheme in 2016/17 are estimated at £43k.

# Notes to the financial statements

## 16. Pensions (continued)

### 16b. Principal assumptions

The adoption of CPI rather than RPI as the basis for calculating future pension payment increases has been used as one of the principal assumptions to calculate the different scheme liabilities, from 1 April 2011 onwards. This is in accordance with IAS 19 and as required by HM Treasury. The accounting treatment was adopted by all central Government entities where RPI has been used for inflation indexing for many years.

The principal assumptions used to calculate the different Scheme liabilities include:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-16 % pa	31-Mar-15 % pa	31-Mar-16 % pa	31-Mar-15 % pa
Price inflation	2.0	2.0	2.0	2.0
Rate of increase in pay	3.0	3.0	3.0	3.0
Rate of increase of pensions in payment*	2.1	2.1	2.1	2.1
Rate of increase for deferred pensioners*	2.0	2.0	2.0	2.0
Discount rate	3.3	3.2	3.3	3.2

\* In excess of any Guaranteed Minimum Pension (GMP) element

Under the mortality tables and projections adopted, the assumed future life expectancies are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-16 years	31-Mar-15 years	31-Mar-16 years	31-Mar-15 years
Male currently aged 65	22.9	23.0	23.0	22.9
Female currently aged 65	25.1	25.5	25.2	25.5
Male currently aged 50	24.5	24.7	24.5	24.6
Female currently aged 50	26.8	27.3	26.9	27.2

The sensitivity of the value placed on the schemes' liabilities is reviewed as part of the process in setting the assumptions. To determine the sensitivity of the defined benefit obligation to changes in the key assumptions, an approximate basis change based on the split of obligations between activities, deferrals, pensioners and dependants, and the estimated duration of each set of liabilities, was carried out. There have been no changes in the approach used to determine the sensitivity of the defined benefit obligation to changes in the key assumptions since the previous year. Examples of changes in the value of scheme liabilities, in the event of any given assumption changing in isolation, are noted below.

The effect of a decrease in the assumed Discount Rate of 0.5% would increase liabilities by 7.4% in the MLC scheme, and by 9.8% in the HGCA scheme.

The mortality rate, which determines the above future life expectancies, is based on a long-term trend increase in mortality of 1.5% pa. If the rate of increase were assumed at 1.75% pa, liabilities would increase by 1.1%.

If the RPI price inflation measure applied of 3.0% were to be increased by 0.25%, liabilities would increase by 2.4% in the MLC scheme, and by 4.7% in the HGCA scheme.

If the assumption of growth in salaries, currently assumed to be 3.0%, were to be increased to 3.5%, liabilities would increase by 0.2%.

## Notes to the financial statements

### 16. Pensions (continued)

#### 16c. Assets

The major categories of assets as a proportion of the fair value of total plan assets are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-16 % pa	31-Mar-15 % pa	31-Mar-16 % pa	31-Mar-15 % pa
Equities	28.0	34.8	37.2	38.1
Gilts	-	-	61.9	60.8
Annuities	-	-	0.8	0.8
Cash	0.1	0.1	0.1	0.3
Other - Insurance policy	71.9	65.1	-	-

#### 16d. Components of defined benefit cost for the 12 months ended 31 March 2016

Analysis of amounts charged to statement of comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Current service cost	(600)	(600)	(63)	(48)	(663)	(648)
Administration costs	(500)	(400)	(18)	(26)	(518)	(426)
Net interest on net defined benefit liability/(asset)	200	500	4	54	204	554
<b>Total income/(expense) recognised in profit and loss</b>	<b>(900)</b>	<b>(500)</b>	<b>(77)</b>	<b>(20)</b>	<b>(977)</b>	<b>(520)</b>

## Notes to the financial statements

### 16. Pensions (continued)

#### 16d. Total amount recognised in other comprehensive income

Analysis of the amounts charged to other comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Actuarial gains and (losses) on assets	(14,300)	14,600	(543)	4,445	(14,843)	19,045
Experience gains and (losses) on liabilities	2,500	3,600	207	158	2,707	3,758
Gains (losses) from changes to assumptions	6,600	(20,700)	511	(2,361)	7,111	(23,061)
Change in irrecoverable surplus	2,000	500	(185)	(2,104)	1,815	(1,604)
<b>Total amount (charged)/credited in other comprehensive income</b>	<b>(3,200)</b>	<b>(2,000)</b>	<b>(10)</b>	<b>138</b>	<b>(3,210)</b>	<b>(1,862)</b>

#### 16e. Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets and liabilities recognised in the Statement of Financial Position

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	As at 31-Mar-16 £'000	As at 31-Mar-15 £'000	As at 31-Mar-16 £'000	As at 31-Mar-15 £'000	As at 31-Mar-16 £'000	As at 31-Mar-15 £'000
Present value of defined benefit obligation	(195,500)	(207,900)	(19,340)	(20,156)	(214,840)	(228,056)
Fair value of plan assets	199,300	217,400	23,211	23,700	222,511	241,100
Surplus/(deficit) on Scheme	3,800	9,500	3,871	3,544	7,671	13,044
Irrecoverable surplus (effect of asset ceiling)	-	(1,900)	(3,757)	(3,461)	(3,757)	(5,361)
<b>Net asset/(liability) recognised in Statement of Financial Position</b>	<b>3,800</b>	<b>7,600</b>	<b>114</b>	<b>83</b>	<b>3,914</b>	<b>7,683</b>

## Notes to the financial statements

### 16. Pensions (continued)

#### 16e. Reconciliation to the statement of financial position

Analysis of the movement in surplus/(deficit) during the year:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Surplus/(deficit) in the Scheme at start of year	7,600	9,700	83	(152)	7,683	9,548
Contributions paid	300	400	118	117	418	517
Current service cost	(600)	(600)	(63)	(48)	(663)	(648)
Net interest on net defined benefit (asset)/liability	200	500	4	54	204	554
Administration costs	(500)	(400)	(18)	(26)	(518)	(426)
Actuarial (loss)/gain	(3,200)	(2,000)	(10)	138	(3,210)	(1,862)
Surplus/(deficit) in the Scheme at end of year	3,800	7,600	114	83	3,914	7,683

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2016 of £118k (2015: £117k) include the additional Scheme augmentation component of £75k (2015: £75k) referred to in 16a.

#### 16f. Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Change in scheme liabilities:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Balance at 1 April	(207,900)	(192,500)	(20,156)	(17,708)	(228,056)	(210,208)
Current service cost	(600)	(600)	(63)	(48)	(663)	(648)
Interest cost	(6,500)	(8,000)	(632)	(750)	(7,132)	(8,750)
Contributions by plan participants	(200)	(200)	(16)	(16)	(216)	(216)
Actuarial gains/(losses) on experience	2,500	3,600	207	158	2,707	3,758
Actuarial gains/(losses) on demographic assumptions	2,700	-	150	-	2,850	-
Actuarial gains/(losses) on financial assumptions	3,900	(20,700)	361	(2,361)	4,261	(23,061)
Benefits paid	10,600	10,500	809	569	11,409	11,069
Scheme liabilities at end of year	(195,500)	(207,900)	(19,340)	(20,156)	(214,840)	(228,056)



## Notes to the financial statements

### 16. Pensions (continued)

#### 16f. Reconciliation of opening and closing balances of the fair value of plan assets

Change in scheme assets:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000	For the year ended 31-Mar-16 £'000	For the year ended 31-Mar-15 £'000
Balance at 1 April	217,400	204,500	23,700	18,913	241,100	223,413
Expected return on plan assets	6,800	8,600	747	804	7,547	9,404
Return on scheme assets greater/(less) than discount rate	(14,300)	14,600	(543)	4,445	(14,843)	19,045
Contributions by the employer	300	400	118	117	418	517
Contributions by the plan participants	200	200	16	16	216	216
Administration costs	(500)	(400)	(18)	(26)	(518)	(426)
Benefits paid	(10,600)	(10,500)	(809)	(569)	(11,409)	(11,069)
Fair value of assets at end of year	199,300	217,400	23,211	23,700	222,511	241,100

The actual return of plan assets in the MLC Pension Scheme was a loss of £7.5 million (2014/15: gain of £23.2 million). The actual return of plan assets in the HGCA Pension Scheme was a £204k gain (2014/15: £5.2m).

#### 16g. Maturity profile of Defined Benefit Obligation

The expected cash outlay required to meet defined benefit obligations as they arise over the next 10 years, are:

	MLC £000	HGCA £000
Expected benefit payments made during 2016/17	9,900	578
Expected benefit payments made during 2017/18	9,900	640
Expected benefit payments made during 2018/19	9,800	604
Expected benefit payments made during 2019/20	9,900	614
Expected benefit payments made during 2020/21	10,000	675
Expected benefit payments 2021/22 to 2024/25	50,600	3,899

# Notes to the financial statements

## 16. Pensions (continued)

### 16h. Defined Contribution Schemes

#### MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 34 members as at 31 March 2016 (31 March 2015: 36 members). The current employee and employer contribution rates are 5% and 7%, respectively. The cost to AHDB of operating the Scheme during the year ended 31 March 2016 was £93k (2014-15: £93k) and the value of outstanding contributions as at 31 March 2016 was £8k (31 March 2015: £8k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 16i. Group Personal Pension Plans

#### AHDB Pension Scheme

The AHDB Pension Scheme is a Group Personal Pension Plan, whereby AHDB has selected a pension scheme and provider that it believes to be suitable for its employees and had a total of 409 members as at 31 March 2016 (31 March 2015: 389 members). The normal current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10%, respectively. The Scheme is provided by Legal and General. The cost to AHDB of operating the Scheme during the year ended 31 March 2016 was £1,008k (2015: £918k) and the value of outstanding contributions as at 31 March 2016 was £87k (31 March 2015: £79k).

## 17. Events after the reporting date

The vote delivered on 23 June for the UK to exit the European Union does not have any immediate impact on the nature of work undertaken by AHDB. It will be taken into account in the strategic planning for 2017/18 and beyond and could influence some priorities and activity, particularly around AHDB's role in export market access and development.

There were no other events after the reporting date that require disclosure or adjustment to the financial statements. The Accounting Officer authorised these statements for issue on the date of the C&AG's audit certificate.

## Annex - Unaudited information

### Levy rates in operation during 2015/16

SECTOR	Standard Levy rate 2015/16	SECTOR	Standard Levy rate 2015/16
<b>Pigs (England)</b>	£ per head	<b>Cereals and oilseeds (UK)</b>	Pence per tonne
Producer	0.85	Cereal grower	46.00
Slaughterer/exporter of live pigs	0.20	Cereal buyer	3.80
<b>Beef and Lamb (England)</b>	£ per head	Cereal processor (human and industrial)	9.50
<b>Cattle (excluding calves)</b>		Cereal processor (feed)	4.60
Producer	4.05	Oilseeds	75.00
Slaughterer/exporter of live cattle	1.35	<b>Horticulture (GB)</b>	% sales turnover
<b>Calves</b>		Horticulture products	0.50
Producer	0.08	<b>Mushroom spawn</b>	Pence per litre
Slaughterer/exporter of live calves	0.08	- Agaricus	8.0
<b>Sheep</b>		- Non-agaricus	2.0
Producer	0.60	<b>Potatoes (GB)</b>	
Slaughterer/exporter of live sheep	0.20	Potato growers	£42.62 per hectare
<b>Milk (GB)</b>	Pence per litre	Purchasers of potatoes	£0.1858 per tonne
Buyers and direct sellers of milk	0.060		

Note: higher rates apply for overdue payment.

# AHDB Sector boards at 31 March 2016

## AHDB Pork Sector Board

**Meryl Ward MBE**, (Chair)  
**Alastair Butler**, pig producer, Suffolk  
**Richard Hooper**, pig producer, Shropshire  
**William de Klein**, processor  
**Barry Lock**, processor  
**Rob Mercer**, pig producer, Staffordshire  
**Andrew Saunders**, processor  
**Robert Shepherd**, pig producer, Hampshire  
**Ian Smith**, pig producer, Bedfordshire  
**Simon Watchhorn**, pig producer  
**Iain Wylie**, independent member

## AHDB Dairy Sector Board

**Gwyn Jones**, (Chair)  
**Jim Baird**, dairy farmer, Lanark  
**David Cotton**, dairy farmer, Somerset  
**Keith Davis**, dairy farmer, Gloucestershire  
**Timothy Gue**, dairy farmer, West Sussex  
**Chris James**, dairy farmer, Pembrokeshire  
**Peter Miller**, independent member (died 24 May 2015)  
**Peter Nicholson**, processor  
**Janette Prince**, dairy farmer, Staffordshire  
**Thomas Rawson**, dairy farmer, Lincolnshire  
**Richard John Soffe**, independent member

## AHDB Beef & Lamb Sector Board

**Adam Quinney**, (Chair)  
**Philip Abbott**, producer, Tamworth  
**Mark Allan**, processor  
**Peter Baber**, producer, Exeter  
**Howard Bates**, sheep farmer, Romney Marsh  
**Stephen Conisbee**, producer, Surrey  
**James Evans**, producer, Shropshire  
**Gill Fine**, independent member  
**Andy Foot**, mixed arable and beef farmer, Dorset  
**Ed Green**, producer, Somerset  
**Rizvan Khalid**, processor  
**Duncan Nelless**, producer, Northumberland  
**Richard Phelps**, processor  
**Rosalind Turner**, sheep farmer, Leicestershire  
**Paul Westaway**, beef farmer, Gloucestershire

*Stuart Roberts resigned as an AHDB Board member and the AHDB Beef & Lamb Chair on 24 August 2015.*

## AHDB Horticulture Sector Board

**Gary Taylor**, (Chair)  
**Martin Emmett**, bulbs and outdoor flowers consultant, West Sussex  
**Martin Evans**, independent member  
**Roma Gwynn**, independent member  
**Robert James**, grower  
**Nigel Kitney**, tree fruit grower, Herefordshire  
**Mike Mann**, protected ornamentals grower, Cornwall  
**Alison Spaul**, independent member and vice chair  
**Neville Stein**, independent member  
**Lynden Stowe**, independent member  
**Louise Sutherland**, grower

## AHDB Cereals & Oilseeds Sector Board

**Paul Temple**, (Chair)  
**Ian Backhouse**, arable and livestock farmer, East Yorkshire  
**Jane Biss**, processor  
**Robert King**, independent member  
**Howard Leland**, processor  
**Robert Lasseter**, cereals and pig farmer, Dorset  
**George Lawrie**, cereals farmer, specialising in spring barley, Scotland  
**Andrew Moir**, cereals farmer, Scotland  
**David Neal-Smith**, independent member  
**Andrew Osmod**, grower  
**James Price**, arable farmer, Oxford  
**Ben Schadla-Hall**, trade

## AHDB Potatoes Sector Board

**Fiona Fell**, (Chair)  
**Anthony Carroll**, grower, Northumberland  
**Dave Chelley**, processor, Lincolnshire  
**Reuben Collins**, grower, Cornwall  
**James Daw**, grower, Staffordshire  
**Zoe Henderson**, independent member  
**Dan Hewitt**, processing, Norfolk  
**Philip Huggon**, independent member  
**Bruce Kerr**, grower, Suffolk  
**Alistair Melrose**, seed grower, Angus  
**Alistair Redpath**, seed merchant, Perthshire  
**Mark Taylor**, fresh supply, Cambridgeshire  
**William Quan**, grower, Herefordshire

# AHDB

AGRICULTURE & HORTICULTURE  
DEVELOPMENT BOARD

**Registered office:**

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