

# Agriculture and Horticulture Development Board

## Annual Report and Accounts 2017/18

*Inspiring farmers, growers and industry  
to succeed in a rapidly changing world*



# **Agriculture and Horticulture Development Board Annual Report and Accounts 2017/18**

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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# Contents

|   |    |
|---|----|
| <b>AHDB Board and statutory committees at 31 March 2018</b> | 4  |
| <b>Chair's foreword</b> – Greater impact and relevance      | 5  |
| <b>Performance report</b>                                   |    |
| Overview  | 6  |
| – AHDB purpose and strategic priorities                     | 6  |
| Performance   | 7  |
| – Key activities  | 7  |
| – Key issues and risks                                      | 8  |
| – Financial performance                                     | 8  |
| – Corruption and bribery                                    | 9  |
| – Human rights and social matters                           | 9  |
| – Sustainable development performance                       | 9  |
| Performance analysis  | 10 |
| – Key performance indicators                                | 10 |
| – Levy ballot process                                       | 11 |
| – Board scrutiny  | 11 |
| Summary and look ahead                                      | 12 |
| <b>Accountability report</b>                                |    |
| Corporate Governance Report                                 | 13 |
| – Board's Report  | 13 |
| – Statement of the Accounting Officer's responsibilities    | 14 |
| – Governance Statement 2017/18                              | 14 |
| Remuneration and staff report                               | 19 |
| Parliamentary Accountability and Audit report               | 26 |
| <b>Financial statements 2017/18</b>                         |    |
| Consolidated statement of comprehensive net expenditure     | 29 |
| Consolidated statement of financial position                | 30 |
| AHDB statement of financial position                        | 31 |
| Consolidated cash flow statement                            | 32 |
| AHDB cash flow statement                                    | 33 |
| Consolidated statement of movement in reserves              | 34 |
| AHDB statement of movement in reserves                      | 35 |
| Notes to the financial statements                           | 36 |
| <b>Annex - Levy rates in operation during 2017/18</b>       | 60 |
| <b>AHDB Sector Boards at 31 March 2018</b>                  | 61 |

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)

**Ninth 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 2018**

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

# AHDB Board and statutory committees at 31 March 2018

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:

Sophie Churchill OBE, Chair of AHDB Potato Sector Board

Gwyn Jones, Chair of AHDB Dairy Sector Board

Gary Taylor MBE, Chair of AHDB Horticulture Sector Board

Paul Temple, Chair of AHDB Cereals & Oilseeds Sector Board

Adam Quinney, Chair of AHDB Beef & Lamb Sector Board

Mike Sheldon, Chair of AHDB Pork Sector Board

*Professor Ian Crute completed his term in office on 31 March 2018 and Janet Swadling was appointed by Ministers as the new independent member from 31 May 2018. Gary Taylor stepped down on 31 March 2018 due to other commitments and a recruitment process to appoint a replacement is underway.*

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

Sophie Churchill OBE – AHDB 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

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

Gary Taylor 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

Sir Peter Kendall – AHDB Board chair

Mike Sheldon – AHDB Board member

Paul Temple – AHDB Board member

Adam Quinney – AHDB Board member

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

# Chair's foreword

## Greater impact and relevance

In this foreword last year, I said Brexit will create new opportunities both at home and abroad, but also throw up some serious challenges for UK food and farming businesses. We have come a long way since then - particularly with the UK Government securing an Implementation Period, delivering much-needed time for our sector. But despite this there still remain areas of uncertainty at this time.



Cushioned by a devaluation of sterling, many farmers saw incomes rise and too many chose to put on hold the need to plan for the challenges and opportunities that lie ahead. So the Board prioritised AHDB to emphasise that change was coming and that the farming industry needs to respond.

Encouraging levy payers to focus on the factors they can influence themselves, has to be the right way forward. And AHDB has been playing a vital role in helping farmers and growers get fit for the future. Our challenge is to actually make change happen on farm.

It's been clearly signalled that domestic policy will move from what the Secretary of State called subsidies for inefficiency, to public money for public goods. He said: 'But vital as investment in our environment is, it is not the only public good I think we should invest in - I believe we should also invest in technology and skills alongside infrastructure, public access and rural resilience'. The first three and probably the last items are all fundamental to AHDB's work and key to farming being smarter, more sustainable and competitive.

Governments across all parts of the UK are preparing the ground to implement new agricultural policies once we leave the EU - these are likely to place much more onus on the industry to deliver public goods and grow productivity.

AHDB already does an enormous amount to help levy payer businesses to improve competitiveness and sustainability. Work around water efficiency, nutrient management and soils, showcased on many of our demonstration farms, is at the very heart of sustainable production.

Critically, we must also reflect on how we ensure that our productivity work is not seen as contrary to this strengthened focus on sustainability. Greater efficiency with which the industry uses resources like energy and water has a positive impact on the environment. Good environmental stewardship of our soils, water and air underpins productivity, and profitable productive farming and growing has sustainability at its heart.

The BEIS Industrial Strategy white paper is focused on productivity growth. Before Christmas, I received an

invitation to sit on the Sector Council and I am taking a particular lead on what measures our industry and Government take so that UK agriculture and horticulture increases its productivity sustainably.

We must be prepared to challenge industry thinking if we are to help the industry not just rise to the challenges of Brexit but build a thriving sector ready for after the Brexit transition period.

It is a very personal challenge, when we say to a farmer 'you're not as good as you think you are', and that 'our neighbours across the channel have better productivity and that we all, collectively, need to up our game'. Getting the balance right is difficult, but equally challenging is ensuring that AHDB has the credibility and ability to guide and steer farmers, growers and processors through the changes we need to make.

AHDB has been through a period of change as we reprioritise and refocus our levy-funded work to deliver greater impact and relevance for the industry. I am conscious we still need to do more to demonstrate our progress to levy payers.

The challenges to UK food and farming are such that a body that prioritises key areas of R&D, coordinates effective knowledge exchange and both identifies the key skills required and sign posts solutions, is a must for UK farming. I think we are now at a vital juncture for AHDB and the Board is fully behind the work Jane King and her team are doing in transforming AHDB to deliver a really top notch service to UK farmers, growers and processors.

I'm acutely aware that Board Members and staff across AHDB have worked incredibly hard over the past year. I also thank the two Board Members who leave at the end of March - Ian Crute and Garry Taylor - for their unstinting support.

As the UK develops its own agricultural policy outside the EU, I know the pace of change is only going to quicken and the volume of work grow. As an organisation, AHDB must help the Industry adapt and be flexible in our work streams at such a critical time.

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

**26 June 2018**

# Performance report

## From the Chief Executive and Accounting Officer

### Overview

Welcome to AHDB's annual report for 2017/18. We are entering a defining time as the country prepares to leave the EU. Our industry needs to embrace another agricultural revolution to make the most of the opportunities, to thrive in a very different environment.



AHDB's role is to inspire farmers, growers and the industry to meet the challenges and succeed post-Brexit in a rapidly changing world. We have already grasped the massive responsibility to help the industry prepare for change by encouraging farmers and growers not to sleepwalk into the future. It is our view that the industry can and should get fit for the new world and be able to make the most of it.

We have made good progress on transforming into a more efficient 'One AHDB', and this is crucial to helping the industry embrace change. This transformation is still work in progress, as we strive to deliver a more impactful and focused service to UK farmers, growers and processors.

I am very grateful for the vision and support of Peter Kendall and the AHDB Board, my Leadership team and AHDB colleagues, without whom the progress achieved so far would not be possible.

In the past year, our fresh approach has started to bear fruit. We have been working smarter, sharing best practice and driving efficiency, with levy payers at the heart of everything we do. Key examples include:

- A major focus on the analysis of Brexit on the agriculture industry. Our Horizon reports, live streamed Brexit 360 initiatives, and modelling scenarios have continued to provide insightful analysis to help industry and Government understand the key issues and potential implications of Brexit on food and farming. We reached over 1,000 farmers through regional Brexit workshops, which helped them make sense of the issues. Our experts have also provided written or verbal evidence to a number of Brexit-related inquiries across the UK
- We have made significant inroads towards building the biggest network of host farms to drive business improvement and technical advancement. Our big ambition is to motivate a real step change in farmer-to-farmer/grower-to-grower learning on farm. We now have demonstration farms for the first time in all six of our sectors and across England, Wales, Scotland and Northern Ireland – 47 farm businesses nationally with ambitions to grow to over 60 in 2018/19
- In dairy, we have made a bold move to focus all our knowledge exchange work on optimal dairy systems. This is about focusing producer attention on their type

of production systems and the key performance indicators they use to measure their success. It is heartening to see the dairy sector interested with this initiative, which is all about building a stronger, more sustainable future for dairy farming.

- Our £6.5 million export development programme gained an added edge of urgency with Brexit. Working with UK Government departments, we have had several breakthroughs getting closer to achieving access for beef to China; securing new certification to export lamb to Saudi Arabia and securing additional certification to export more pork to China.
- We have also broadened export activity for other sectors such as dairy and potatoes. Our role in export development was recognised when we were invited to join the Prime Minister Theresa May and International Trade Secretary Liam Fox on a business delegation to China. As CEO, I am now one of only two agri-food members appointed to the newly created UK/China CEO Council. The Council has been set up to forge stronger trade links between the two nations.

Our view is that a culture of continuous improvement is essential for the industry to succeed in the future. We have extraordinary resources and expertise within AHDB which will be fully utilised, but we must collaborate and partner with others in order to have more impact. We have already begun to work with other stakeholders to see how we can mobilise the wealth of our combined expertise to help farmers and growers better. For example, we believe a more coordinated approach is needed across the UK in knowledge exchange, in research and skills. By pulling together, we believe we can accelerate the up-take of new ideas and innovation on farm.

AHDB is committed to delivering the highest standard of support for levy payers. This report summarises our performance in the 12 months to 31 March 2018.

### AHDB purpose and strategic priorities

2017/18 was the first year of our three-year strategy, '*Inspiring Success*', to deliver our ambitious vision for a world-class food and farming industry inspired by, and competing with the best.

Our purpose is to *inspire our farmers, growers and industry to succeed in a rapidly changing world.*

AHDB strategic priorities are:

1. Inspiring British farming and growing to be more competitive and resilient
2. Accelerating innovation and productivity growth through coordinated research and development, and knowledge exchange
3. Helping the industry understand and deliver what consumers will trust and buy
4. Delivering thought leadership and horizon scanning

## Performance

### Key activities

Our work is focused on areas where we are best placed to add the most value.

#### Delivering strategic priority 1 – Inspiring British farming and growing to be more competitive and resilient

During 2017/18, we achieved this, by:

- Rolling out FarmBench, our new whole farm benchmarking service, to enable farmers in Cereals, Potatoes, Beef and Lamb sectors to make informed decisions by comparing performance data with other enterprises. Data from 2,108 enterprises on 481 farms was uploaded onto FarmBench by 31 March 2018
- Adding 21 new monitor and strategic farms to our Farm Excellence Platform of demonstration farms, including the first in Northern Ireland. Holding 91 on-farm meetings attended by 3,456 farmers. Publishing the first AHDB Inspiring Farm Excellence Directory, featuring 46 case studies and encouraging cross-sector farmer-to-farmer learning
- Developing Optimal Dairy Systems to deliver a more competitive industry by identifying the production systems that will enable British farmers to compete, while still satisfying both domestic and international market demand.

#### Delivering strategic priority 2 – Accelerating innovation and productivity growth through coordinated research and development, and knowledge exchange

During 2017/18, we achieved this, by:

- Delivering the GREATsoils (Growing Resilient, Efficient and Thriving soils) programme, funded by AHDB Horticulture, to inspire and support growers to assess and manage the health of their soils
- Providing access to innovation through developing interactive tools and resources, highlighting farmer case studies and providing best practice guidance and information, including the RB209 nutrient management guide for crops
- Producing the Cereals & Oilseeds Recommended Lists, providing information on yield and quality performance, agronomic features and market options for recommended varieties, to assist growers with variety selection
- Delivering applied research on high-priority disease, pest and weed problems through our four-year horticulture project SCEPTRE+. This is designed to speed up the process of testing and bringing new products to market, so growers are better equipped to control pest, weed and disease in their businesses
- Continuing to collect data on feed intake to generate breeding tools for feed efficiency via our Beef Feed Efficiency programme. This now works with four farms across England, Scotland and Wales, with funding from Defra and the Scottish Government, and with over 1,600 progeny now evaluated through the units
- Following the success of the pork sector online portal for reporting antibiotic use on farm, AHDB is now developing a pilot e-Medicine book for cattle, to cover both dairy and beef sectors

- Retaining close involvement with Chlorpropham (CIPC) Stewardship to maintain this vital potato sprout suppressant for industry within an integrated crop management approach.

#### Delivering strategic priority 3 – Helping the industry understand and deliver what consumers will trust and buy

During 2017/18, we achieved this, by:

- Collaborating with France and Ireland to secure an EU grant for a €10 million lamb promotion campaign to help tackle the decline in consumption. AHDB's contribution is a €1 million investment
- Delivering the pork midweek meals TV-led promotion campaign demonstrating how pork can be a delicious addition to the midweek meal repertoire and challenging the myth that all pork cuts are high in fat. The campaign bursts in October 2017 and January/February 2018, delivered £13.2m of incremental revenue within total pork, with over £3.7m coming from campaign cuts. For every £ spent, the campaign bought in £1.81 of retail sales for campaign cuts. Including the overall effect on total pork this improved to £6.43
- Continued delivery of the EU Fresh Potatoes Campaign which, since the start of the campaign in 2015, has seen a 2.9% increase in the frequency of purchase and an increase of 2.4% in volume sales
- Delivering the 'Be Scrumptious' dairy promotion campaign in partnership with Dairy UK to remind people to value dairy for its taste and as part of their lifestyle
- Running the 'Raise the Steaks' promotion campaign aimed to inspire younger consumers to swap BBQ staples such as drumsticks, and cook with beef and lamb steaks instead. This delivered 118 pieces of media coverage, 664k views of influencer video content and 100k+ visitors to campaign-linked web pages
- Delivering Muslim consumer marketing activity that targeted millennial followers of Islam through mainstream digital channels to promote lamb as a tasty and relevant meal choice
- Developing export markets where our work contributed to a 5% growth in export value across our product sectors in 2017 and contributed to the opening of a number of new third-country markets.

#### Delivering strategic priority 4 – Delivering thought leadership and horizon scanning

During 2017/18, we achieved this, by:

- Producing six Horizon reports analysing potential impacts of Brexit to help inform decision-making by industry and Government. It brings the total number of Brexit Horizon reports published since the referendum to 19. This work included modelling analysis on the impact on farm incomes by sector, based on three potential Brexit scenarios
- Running 17 Brexit roadshows in conjunction with the NFU in England to deliver our 'fit for the future' message and urge farmers not to sleepwalk into Brexit; four in Wales with Hybu Cig Cymru (HCC); two in Scotland with Quality Meat Scotland (QMS) and Scotland's Rural College (SRUC)

- Delivering our key 'fit for the future' message to industry via 122 speaking platforms by board members and staff at conferences, seminars, trade shows and parliamentary events throughout the UK
- Supplying written and/or verbal evidence to nine Parliamentary Select Committee inquiries into Brexit and its potential implications for the agricultural sector
- Putting the productivity growth issue back into the spotlight, including publishing a report, a presentation at the Oxford Farming Conference and contribution to the Government's Industrial Strategy.

(net of commercial and support services) was £53.6 million (2016/17 £51.1 million) and we closed the year with an underlying surplus of £3.3 million (before pension asset/liability movements, please see page 53, note 15) (2016/17 £4.1 million).

Income in 2017/18 was at its highest level ever due to higher income from all sources.

As well as income increasing, operating expenditure (net of commercial services and support) has also increased and is close to its previous peak, seen in 2015/16.

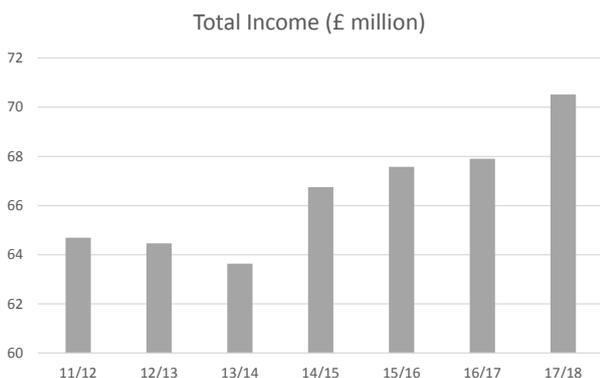
### Key issues and risks

Our risk management policy is a key element of our internal control and corporate governance framework. During the year ending 31 March 2018, we actively managed risks to the delivery of our strategy and to AHDB. These included:

- **Brexit:** This is an area of uncertainty for the industry as well as for AHDB as an organisation at this time.
- **Information Management and Cyber Security:** Attacks such as spearphishing and ransomware increased and, to date, have been successfully managed by our Information Services Team and staff.
- **Internal Restructuring – Staff Management:** Following the major restructure in 2015/16, we continued to actively manage and mitigate the consequential risks to the delivery of services.
- **Project Management:** With our strategic focus on larger, more impactful and ambitious projects to benefit our levy payers, during 2017/18, we invested in a Project Management Office to support the planning and management of our most crucial projects.
- **Meat & Livestock Commercial Services Ltd. (MLCSL):** In March 2018 we announced AHDB was in advanced negotiations with a preferred bidder to sell our commercial subsidiary MLCSL (see Note 8 on page 48 for more details).

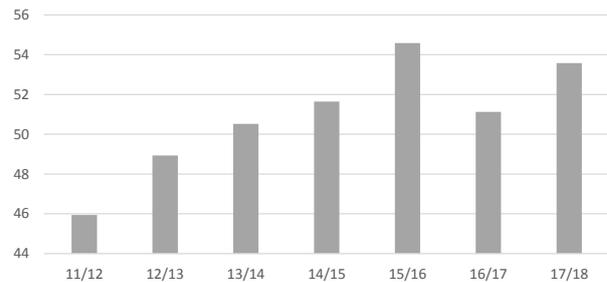
We monitor and manage the uncertainty and risks that might impact on the delivery of our strategy before they impact on our key performance indicators (KPIs). However, if KPIs are not showing the change we expect, we seek to understand why and to manage those risks more effectively in the future. Detail on AHDB's risk appetite and further information on the risks mentioned here and progress on other internal governance matters can be found on page 16.

### Financial performance



Our total income for 2017/18 (levy/grant/commercial) was £70.5 million (2016/17 £67.9 million); operating expenditure

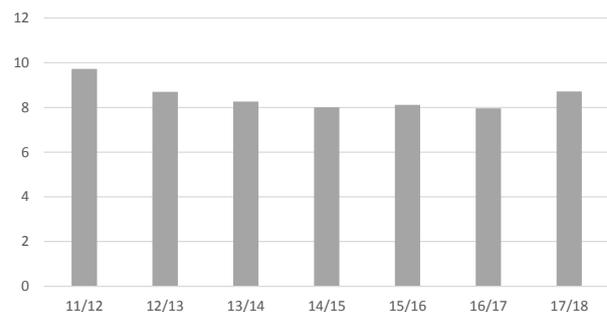
Operating Expenditure (net of commercial services and support) (£ million)



Decisions taken by our sector boards led to increased expenditure on Knowledge Exchange by £1.5 million to £9.2 million and on Export Development by £0.2m to £6.5 million in 2017/18. We plan to continue the investment in these areas in future years.

AHDB continues to undergo change in the way we operate. This means we are adding new services, investing more in some services, changing the way we undertake work, eg bringing some work in-house, and ending some low value activities, eg National Chip Week. We are constantly looking to increase our efficiency and effectiveness in creating maximum value for levy payers' investment.

Support Services (£ million)



Our greater investment in farm-level knowledge exchange work, such as expanding our monitor and strategic farm network to achieve 60 farms by next year and developing the new FarmBench service to enable more informed decision-making, has required a corresponding investment in central support to underpin these type of expanding operations in KE and other areas. The graph, above, shows the fluctuations in support costs over the last seven years. The investments in front line services is also an investment in people and this comes through in our increased staff costs for the year (see page 24).

Our sector boards, associated staff costs and historic sector specific costs account for circa 4% income. This is included in support services. A breakdown of how the levy from each sector is spent can be found in Note 2a on page 40.

Our three-year strategy commits us to be able to demonstrate the return on investment for levy spent on industry activities by the end of the strategy cycle. We are putting in place a comprehensive training and support programme to enable evaluation to be made of all our levy-payer-facing activities. This will enable AHDB to provide clearer evidence of our impact.

**Corruption and bribery:** AHDB is committed to ensuring that the risk of fraud, corruption and bribery in all its forms is minimised. Our anti-fraud policy informs staff of our approach to this serious area and incorporates a fraud response plan. Our financial systems and checks also contribute to minimising risk in this area.

**Human rights and social matters:** Our people are essential to delivering our work for levy payers and, as a responsible employer, we are committed to equal opportunities, equality and diversity in the workplace. During 2017/18, we introduced a number of new initiatives, including a Succession Planning and Talent Management strategy and a new Engagement, Inclusion and Wellbeing strategy. The services we deliver to levy payers are designed to promote a successful agricultural and horticultural sector, which supports successful rural communities (see the Staff report on page 19).

### Sustainable development performance

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

**Strategy for sustainability:** AHDB's Environmental and Sustainability Strategy was produced in March 2017 to help reduce AHDB's carbon footprint. A Green Forum of staff members has now been established to help drive and review progress on the strategy, as well as to act as a champion in raising awareness around the organisation. It met for the first time in April 2018. The strategy sets out the following key aims, to:

- Use energy and fuels efficiently to reduce our carbon emissions through adoption of new technologies
- Reduce the amount of waste generated by our activities by increasing awareness of our output
- Conserve water by reducing demand at our premises
- Promote, as far as is practicable, responsible sourcing and the purchase of materials and services that through their use, sourcing or manufacture have the least harmful effect on the environment
- Seek to reduce the need to travel, but where travel is unavoidable use efficient modes of transport sourced through AHDB travel and fleet booking systems

**Greenhouse gas emissions:** 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, reflecting the nature of our business. After considering industry advice regarding new World Harmonised Light Vehicles Test Procedures (WLTP), AHDB's company car policy has increased its limits on car CO<sub>2</sub> emissions from 125g/km or less to 160g/km or less.

During 2017/18, we undertook a survey to gauge staff interest in Ultra Low Emission Vehicles which showed 65% of staff surveyed would consider ultra-low emission vehicles as their next car. This encouraged us to install vehicle charge points at our stores building, replace the facilities

vehicle with an electric van and complete feasibility studies for installation of charge points at HQ. The number of hybrid technology company cars remained at nine vehicles over the year, representing 8% of the fleet. Staff continue to be encouraged to seek alternatives to long-distance driving and to make more use of webinars, digital conferencing and video facilities.

**Finite resource consumption:** On water, our HQ used 1,128 cubic metres during 2017/18, up marginally on the 1,100 cubic metres used in 2016/17. During the year, we completed a piece of work through the Farm Energy Centre to performance benchmark our HQ building and stores consumption, allowing for achievable targets to be set.

On energy, we started trials during 2017/18 on the business benefits of a phased introduction of LED fittings to replace standard lighting in the Stoneleigh Park HQ building.

|  | Year ended 31 March 2018 |                        | Year ended 31 March 2017 |                        |
|--|--------------------------|------------------------|--------------------------|------------------------|
|  | Measure                  | Tonnes CO <sub>2</sub> | Measure                  | Tonnes CO <sub>2</sub> |
| <b>Greenhouse Gas Emissions</b>            |                          |                        |                          |                        |
| <b>Scope 1: Direct Emissions</b>           |                          |                        |                          |                        |
| <b>Bulk Fuels:</b>                         |                          |                        |                          |                        |
| Vehicles (miles)                           | 1,369,522                | 399                    | 1,496,557                | 447                    |
| Heating oil (litres)                       | 6,002                    | 16                     | 4,002                    | 11                     |
| Gas (kWh)                                  | 12,261                   | 2                      | 3,830                    | 1                      |
| <b>Scope 2: Energy Indirect</b>            |                          |                        |                          |                        |
| Electricity (kWh)                          | 929,164                  | 324                    | 832,677                  | 341                    |
| <b>Scope 3: Other Indirect Emissions:</b>  |                          |                        |                          |                        |
| Rail travel (miles)                        | 227,213                  | 17                     | 271,545                  | 20                     |
| Air travel (miles)                         | 450,269                  | 79                     | 418,906                  | 71                     |
| Travel by non-AHDB-owned transport (miles) | 903,590                  | 263                    | 867,853                  | 259                    |
| Waste management (tonnes)                  | 40                       | 7                      | 29                       | 5                      |
| <b>Total</b>                               |                          | <b>1,108</b>           |                          | <b>1,155</b>           |
| <b>Tonnes/£m income</b>                    |                          | <b>15.7</b>            |                          | <b>17.0</b>            |

**Waste minimisation and management:** Although there are still no Council-run waste recycling collections at our main office site, we recycle waste paper, cardboard, plastic bottles and printer cartridges. During 2017/18, we recycled 11.8 tonnes (2016/17: 10.6 tonnes restated) of our waste with a further 28.2 tonnes (2016/17: 18.0 tonnes restated) going to landfill. The increase in landfill waste can be attributed to office moves and clearout activity at HQ and Stores. Total AHDB spend on waste management in the year was £18k (2016/17: £20k).

**Sustainable procurement:** We have built the requirement for sustainability into the AHDB procurement strategy. We use the Government's Energy Performance Contract for our energy (gas and electricity). Our paper comes from sustainable sources and we lease our vehicle fleet and are encouraging staff to move towards hybrid fleet vehicles.

**Sustainable Construction:** AHDB has undertaken no material construction or refurbishment during 2017/18.

**Climate Change Adaptation:** We continue to encourage the conservation and enhancement of on-farm biodiversity, soils and water as a positive business benefit within areas of our research and knowledge transfer work. We lease our main offices and the responsibility for the natural environment of Stoneleigh Park rests with our landlord.

## Performance analysis

Our farmers, growers and processors quite rightly expect to see a return on their levy investment. During 2017/18, AHDB has worked on improving how we demonstrate good value for money through greater focus on appraising and evaluating our work, measuring performance and impact.

AHDB now examines all proposed levy-payer-facing activities costing over £50,000 through a standard 'Investment Test' to ensure they fit with our strategy and can demonstrate value for money. By July 2019, all existing activity meeting the threshold will also have been appraised through the Investment Test process.

To assess the impact of our work, we have also put in place a more rigorous bottom-up programme of evaluation of all our levy-payer-facing activities.

### Key performance indicators

AHDB has a set of corporate key performance indicators outlined in our Strategy 2017-2020. These track the progress of both the industry and AHDB's performance against headline measures.

#### 1. Improvements in productivity and competitiveness that come as a result of our activities

Tracking industry progress in key areas such as productivity, profitability and output enable us to see industry changes as a result of our activities. These measures may change as a result of factors outside our direct control, for instance weather and exchange rates. So, while they do not necessarily measure the impact and effectiveness of AHDB in isolation, they provide a useful indicator of progress.

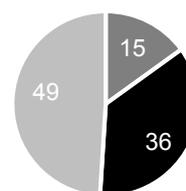
| Measure   | 2011             | 2015             | 2016             | % Change 2011 - 2016 |
|---|------------------|------------------|------------------|----------------------|
| Agriculture GVA (Gross value added)   | £8,671 million   | £8,561 million   | £8,196 million   | -5%                  |
| Net trade balance for food and agricultural products                                    | -£19,631 million | -£21,612 million | -£22,515 million | -15%                 |
| UK total factor productivity (2010 = 100)   | 103.4            | 105              | 102.6            | -1%                  |
| Total income from farming (TIFF)  | £5,336 million   | £3,993 million   | £3,682 million   | -31%                 |
| Agricultural income within TIFF   | £27,450          | £20,665          | £19,198          | -30%                 |
| Total value of all UK exports in food, drink and agri-products                          | £19,211 million  | £18,460 million  | £20,069 million  | 4%                   |
| Value of UK exports for unprocessed products directly supported by AHDB export activity | £2,808 million   | £2,340 million   | £2,608 million   | -7%                  |

#### 2. A higher return on investment for levy raised and an ability to demonstrate it

**Measure:** Formal appraisal of all levy-payer-facing spend over £50,000 takes place before spend is committed

**Target:** All levy-payer-facing spend appraised by July 2019

Business cases appraised by Investment Test



■ 2016 ■ 2017 ■ Remaining before July 2019

**Performance:** All new levy-payer-facing activity since April 2016 and approximately one-third of ongoing activity had been appraised by the Investment Test at 31 March 2018. There are 49 ongoing activity business cases remaining to be appraised before July 2019.

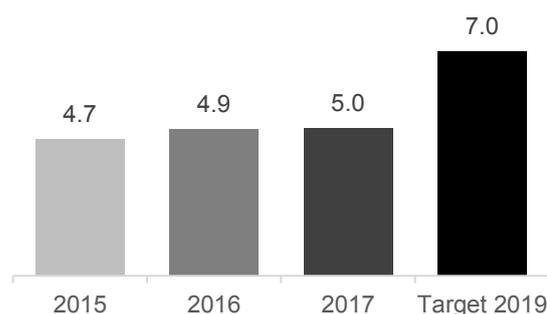
**Measure:** Formal evaluation processes are embedded across the organisation

**Target:** An annual evaluation summary report and triennial performance report produced

**Performance:** To be reported on in 2018/19.

**Measure:** Levy payers are confident that levy investment delivers good value

**Target:** Average rating of 7 out of 10 by 2019

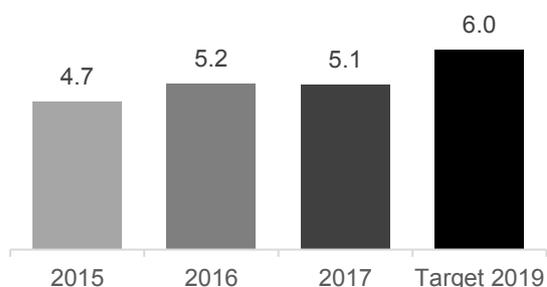


Source: AHDB Levy Payer Satisfaction Survey 2015-17

**Performance:** In 2017, levy payers rated AHDB at a mean score of 5 out of 10 in providing good value in return for levy. This remains similar to previous years.

**Measure:** Levy payer satisfaction with AHDB

**Target:** Average rating of 6 out of 10 by 2019



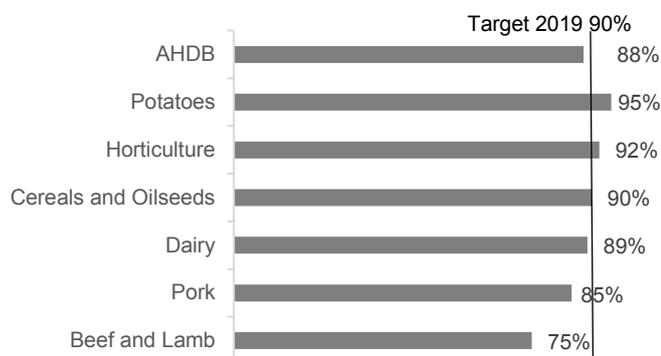
Source: AHDB Levy Payer Satisfaction Survey 2015-17

**Performance:** In 2017, levy payers rated their satisfaction with AHDB in meeting their business needs at a mean score of 5.1 out of 10. This remains similar to 2016, but a slight increase of 0.4 on 2015.

### 3. Recognition by the industry of AHDB as the knowledge house for the food and farming industry

**Measure:** Awareness of AHDB by sector

**Target:** 90% awareness of AHDB by 2019

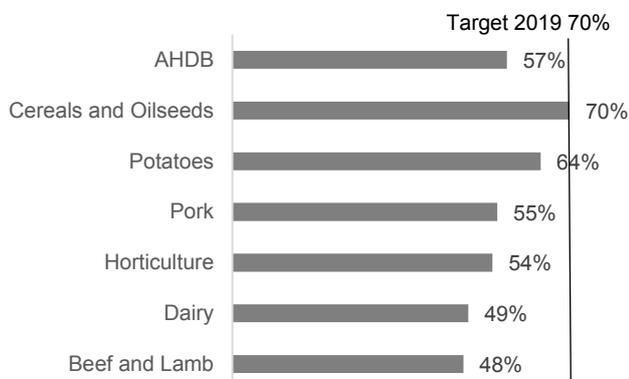


Source: AHDB Levy Payer Satisfaction Survey 2017

**Performance:** Awareness of AHDB in 2017 met or exceeded our 2019 target of 90% in the Potatoes, Horticulture and Cereals and Oilseeds sectors. Awareness among Dairy and Pork levy payers was near to the target at 89% and 85%, respectively. Awareness among Beef and Lamb levy payers was lower at 75%. Awareness of AHDB reached 88%.

**Measure:** Percentage of all levy payers claiming to have made changes to farming or production methods and practices as a result of AHDB tools or services

**Target:** 70% making changes by 2019



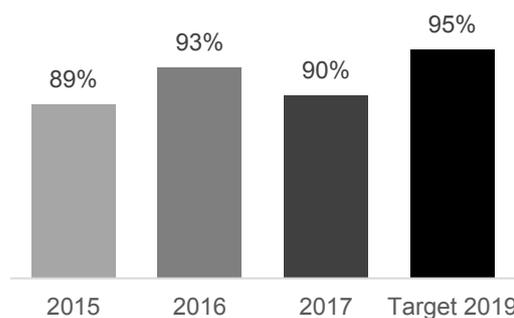
Source: AHDB Levy Payer Satisfaction Survey 2017

**Performance:** Levy payers making any changes to farming or production methods and practices as a result of AHDB tools or services reached 57% for AHDB overall in 2017. Cereals and Oilseeds is the only sector to have already reached the 2019 target of 70%. With fewer Beef and Lamb and Dairy levy payers making changes at 48% and 49% respectively.

### 4. A stronger appetite for AHDB services and information among leading producers

**Measure:** Awareness of AHDB among top performing levy payers

**Target:** 95% awareness of AHDB by top performing levy payers by 2019

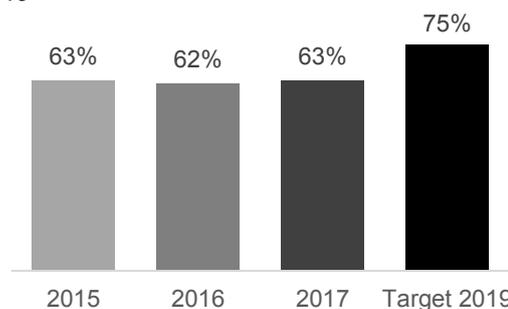


Source: AHDB Levy Payer Satisfaction Survey 2015-17

**Performance:** In 2017, there was a 90% awareness of AHDB among top performing levy payers, classed as innovators or early adopters, two percentage points greater than awareness among all AHDB levy payers. This is a slight decrease on 2016, requiring a five percentage point movement to reach our 2019 target of 95%.

**Measure:** Percentage of the top performing levy payers claiming to have made changes to farming or production methods and practices as a result of AHDB tools or services

**Target:** 75% of top performing levy payers making changes by 2019



Source: AHDB Levy Payer Satisfaction Survey 2015-17

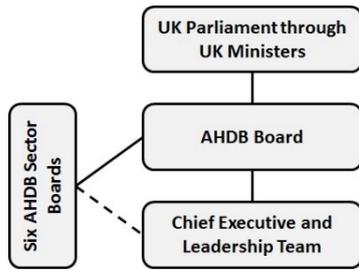
**Performance:** Changes to farming or production methods and practices as a result of AHDB tools or services were seen in 63% of top performing levy payers in 2017. This remains similar to previous years.

### Levy ballot process

An 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 ballot requests during 2017/18.

### 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. This supplements the scrutiny provided by the Audit and Risk Assurance Committee – please see the Governance Statement for more information on page 14.



The sector boards also monitor that the 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 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 61).*

During the past year, the main AHDB Board held six meetings. In addition, the six sector boards held 30 meetings between them (28 meetings in 2016/17).

## Summary and look ahead

Our main Board is advised by six Sector Boards and their various subcommittees and panels. This structure is both a great strength and a challenge for AHDB. It delivers direct levy-payer insight and influence into strategy setting and prioritisation, but we need to consider how we can reduce bureaucracy and be more agile as we strive to inject pace in everything we do.

AHDB is a complex organisation that is taking time to rejuvenate. We are making good progress, but there is always more to do and I am confident that, with the quality and commitment of our workforce, we will achieve our full potential.

I have no doubt that AHDB is essential for the future competitiveness of UK farming. We prioritise key areas of R&D, coordinate effective knowledge exchange, identify the key skills required and sign post solutions. Building greater trust and understanding between AHDB and levy payers and the wider stakeholder community will play an important part in our future success.

As the policy landscape shifts, we also need to communicate much more about the enormous amount of environmental benefit that arises from the work we already do. Work around water efficiency, nutrient management, air quality and soils, showcased on many of our demonstration farms, is at the very heart of both productivity and sustainability.

We are entering a defining time where there will be significant changes to the farming and horticulture industries. AHDB has made a strong start to helping the industry prepare for Brexit and the changes that are coming – laying the foundations to ensure it is fit for the future and ready to seize opportunities. We recognise that our change programme is still bedding in and we need to demonstrate clear value for money.

I look forward to working with the industry in the year ahead to make sure that our full potential is realised.

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

**26 June 2018**

# 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. Our strategy to deliver these services is described in the Performance report on page 6.

The composition of the Board of AHDB is reported on page 4. Details of the Accounting Officer, who is the Chief Executive of AHDB, are reported on page 20.

Any interests held by AHDB Board members in other relevant organisations are disclosed in Note 16 of the financial statements.

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

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 only benefit the sector from which they were raised.

#### Financial results

The underlying surplus for the year was £3.3 million (2016/17: £4.1million), while AHDB's overall results show a total comprehensive surplus of £5.3 million (2016/17: expenditure of £5.1 million). This is because the comprehensive surplus includes a positive movement in the MLC pension scheme assets/liabilities of £2.0 million. The underlying surplus was less than in 2016/17 as spending on core strategic activities increased by £3.4 million, to £65.4 million (£2016/17: £62.0m), but this was offset in part by the £2.6 million increase in total income compared with the previous year. The expansion of Knowledge Exchange activities was slightly slower than originally planned – leading to a slower rate of spending increase.

The cash balance at the end of the year was £27.1 million. 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 circumstances lead to an unexpected short-term reduction in our income. Cash is usually at its lowest in the summer months. We plan to reduce reserves over the next three years to the Board approved target level.

#### Pension schemes

In accordance with the Government Financial Reporting Manual for the year ended 31 March 2018, AHDB 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 and Livestock Commission (MLC) and HGCA, with recognition of pension liabilities of £3.2 million and £158k, respectively, in the AHDB Statement of Financial Position. These assets and liabilities belong to the pension schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

#### Payment policy

AHDB's policy is 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 2018, trade payables creditors equated to 19 days' purchases outstanding (2017: 16 days).

#### Contractors

AHDB uses 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 2017/18, the cost of services provided by such contractors was £92k (2016/17: £46k).

#### Environmental issues

Performance benchmarking has been completed for AHDB's HQ and stores buildings allowing for achievable targets to be established. The AHDB Green Forum is established with terms set. Forum members will review strategy progress and associated activities, as well as acting as champions raising awareness around the organisation.

#### Auditor

The external auditor of AHDB and its wholly owned subsidiary, Meat & Livestock Commercial Services Limited (MLCSL), is the Comptroller and Auditor General (C&AG). 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 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 appointed 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 the 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.

The Accounting Officer confirms that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

## Governance statement 2017/18

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 and 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. During 2017/18, a Framework Document replaced the Management Statement and Financial Memorandum and updated the arrangements within which AHDB and Defra are required to operate in their relationship.

As Accounting Officer, I am responsible 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 assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

### Governance framework – AHDB Board and committees

The AHDB Board normally consists of 10 members: the chairman, three independent members and six specialist members who are also chairs of the sector boards (see below). 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 subcommittees, an Audit and Risk Assurance Committee (ARAC), and a Remuneration and Nominations Committee.

In order to maintain sector focus, AHDB also operates with six advisory committees, known as sector boards, representing the commodity sectors covered by its statutory remit. The sector boards are made up of members appointed by AHDB to provide expertise on their specific sector and include at least one independent member per sector. Each board has functions delegated from the AHDB Board, giving it the duty:

- a. To develop the most appropriate strategies to meet the challenges of their sector, within the framework of the AHDB Corporate Strategy.
- b. To ensure the relevant levy rate is recommended to provide adequate funding for the required work.
- c. To monitor strategy implementation and approve remedies where performance deviates from plan.

The AHDB Board splits its time between corporate governance matters, monitoring performance and planning for the future. Key topics the board has considered during 2017/18, are:

- Measuring the performance of AHDB
- Communications strategy
- Post-Brexit future of AHDB
- The role of AHDB in livestock data recording and utilisation
- Red meat levies
- Livestock Information Programme
- Antimicrobial resistance
- The performance of the technical directorate
- Refinement of the AHDB strategy

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    | 6         | 6        | N/A       | N/A      | 3            | 2        |
| Ian Crute        | 6         | 6        | 4         | 4        | N/A          | N/A      |
| Sophie Churchill | 6         | 6        | 4         | 4        | N/A          | N/A      |
| Gwyn Jones       | 6         | 6        | 4         | 2        | N/A          | N/A      |
| Will Lifford     | 6         | 6        | 4         | 4        | N/A          | N/A      |
| George Lyon      | 6         | 6        | N/A       | N/A      | 3            | 3        |
| Adam Quinney     | 6         | 6        | N/A       | N/A      | 3            | 3        |
| Gary Taylor      | 6         | 6        | 4         | 4        | N/A          | N/A      |
| Paul Temple      | 6         | 6        | N/A       | N/A      | 3            | 2        |
| Mike Sheldon     | 6         | 6        | N/A       | N/A      | 2            | 2        |
| Phil Huggon      | N/A       | N/A      | 4         | 4        | N/A          | N/A      |
| David Neal-Smith | N/A       | N/A      | 4         | 4        | N/A          | N/A      |

Please note: Phil Huggon and David Neal-Smith are members of ARAC only.

Membership of the Board changed in April 2017, with Mike Sheldon and Sophie Churchill OBE joining the Board. There were no other changes during the 2017/18 year. Professor Ian Crute CBE completed his term in office on 31 March 2018 and Gary Taylor MBE stepped down on 31 March 2018 due to other commitments. Ian Crute was replaced by Janet Swadling from 31 May 2018 until 31 March 2021. A recruitment process is underway to replace Gary Taylor. The CEO/Accounting Officer and Leadership Team attended all Board meetings.

### The AHDB Executive Leadership Team

The AHDB Leadership Team (listed on page 20) are the executives who are responsible for ensuring delivery of the strategy set by the Board, and supervising the day-to-day management operations within AHDB. The team meets weekly to monitor and review both the performance of the organisation and manage specific operational matters.

### Board performance and effectiveness

The effectiveness of the Board is assessed by the Chair conducting individual appraisals of each Board member on an annual basis. The Board also assesses its own effectiveness by individually completing evaluations following each Board meeting. These are reviewed and followed up by the Board. The process for assessing Board effectiveness includes annual completion by all Board members of a Board effectiveness review document (based on a National Audit Office (NAO) template). The results of the 2017/18 exercise are due to be reviewed in early 2018/19 and any areas for development will be identified by the Board.

Conflicts of interest have been declared and monitored throughout the year. The only conflict that has needed to be managed related to an MLC Pension Scheme matter, where Ian Crute, as a director of the pension trustee company, withdrew from the meeting and took no part in decision-making.

### Audit and Risk Assurance Committee (ARAC)

Membership of the ARAC is detailed on page 4. Meeting attendance is covered in the table on page 15.

The broad thrust of the ARAC Terms of Reference is supporting the Accounting Officer with a constructive and challenging approach. The remit of the ARAC includes advising the Accounting Officer on strategic processes for risk assessment, management and control, governance and the Governance statement. It also considers the

planned activity and results of both internal and external audit.

The ARAC has supervised the development of strong Board governance on behalf of levy payers. This has been achieved by ensuring processes are in place that enable the executive to be held to account. Such processes include informative and transparent reporting, internal audit of key operating systems, as well as risk assessments and governance priorities. In addition, both the ARAC and Remuneration and Nominations Committee considered the appropriateness and functions of the AHDB governance/committee structure (please see below for more information).

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 ensured that it received enough information through the year to assure itself that sufficient progress was made on procurement following the audit of AHDB procurement in 2015/16.

In reviewing the effectiveness of AHDB's internal control, the ARAC undertook the following key activities:

**Internal control:** Assurance was obtained that key internal control recommendations made by internal and external auditors have been implemented by management.

**Financial reporting:** An understanding of the current areas of greatest financial risk and how the executive is managing these effectively was obtained. Significant risks and exposures were discussed with management, and the internal and external auditors. Management's plans to minimise such risks, including developing the accuracy of financial forecasting following the introduction of the revised staff structure, were monitored.

**Internal audit:** The activities and organisational structure of the internal audit function were reviewed and assurance was provided that no unjustified restrictions or limitations were imposed. ARAC ensured that significant findings and recommendations made by the internal auditors were received and discussed on a timely basis and that management responded appropriately. ARAC oversaw the retendering and appointment of internal auditors to commence from 1 April 2018.

**External audit:** The external auditor's proposed audit scope and approach were reviewed and assurance was provided that no unjustified restrictions or limitations had been placed on the scope. ARAC considered the independence of the external auditor, ensured that significant findings and recommendations were received and discussed on a timely basis and that management responded appropriately to recommendations.

### 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 15. The Committee is chaired by an independent Board member of AHDB and includes three sector chairs from the Board, plus the AHDB Chair. The Remuneration and Nominations Committee meets at least twice a year, to:

- Approve the implementation of government guidelines on pay

- 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 on performance and reward
- Oversee the recruitment process for sector board members
- Appropriate policies and procedures including Anti-Fraud Policy, Procurement, Standing Instructions (SI), etc
  - Training for staff including: Procurement and Information Management
  - Financial systems and controls

During 2017/18, the Committee also considered the new gender pay reporting requirements and continued a review of the committee structure within AHDB – which, at March 2017 comprised 41 boards/committees/subgroups. This review, combined with an internal audit review of Governance, resulted in proposals for further revision and development of the committee structure by retaining the value-adding elements while reducing potential bureaucracy and cost. The proposed changes are due to be trialled in 2018/19.

During 2017/18, AHDB continued to recruit to the sector boards against the ongoing phased programme of rotation. There were 11 vacancies to be filled, covering all sector boards other than Horticulture.

### **Quality of management information**

There has been significant development in the format and quality of information the Board received during 2017/18. New operational reports are produced regarding the status of projects and activities, and the format of financial information has been updated. This provides the Board with greater visibility of performance across the organisation. This follows work to improve evaluation, which is part of a development process expected to continue for two more years. The Board considers the quality of management information it receives as being acceptable for the purpose of enabling it to make its decisions to discharge its duties.

### **Corporate governance 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 Chief Officers 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 by the Board and the ARAC on the implications of the result of my review of the effectiveness of the system of internal control. AHDB embraces the principles and requirements of good corporate governance. We have continued to develop processes to maintain and develop the effectiveness of the system of governance and internal control. These include:

- A three-year Corporate Strategy
- An Investment Test – ensuring new activities are in line with the Corporate Strategy and are planned to deliver value for money before commissioning
- An annual process of activity planning and detailed budgeting – agreed across the matrix structure with budgets and key activity approved by sector boards, including cost allocations across sectors (hypothecation)
- Clear reporting against objectives
- Risk Management policy and systems

The process of governance and system of internal control continued to be embedded throughout the organisation during the year ended 31 March 2018 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

The Board considers it has complied with the Corporate Governance Code in so far as it applies to externally funded arm's-length bodies.

No significant internal control issues were brought forward from 2016/17 and no new ones were raised in 2017/18.

### **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. During the financial year, there was one concern raised under the Whistle-blowing policy which was investigated. There was nothing in the public interest to report. The whistle-blowing policy is due to be updated following review by the ARAC during 2018/19.

### **Risk management**

During the year ended 31 March 2018, I, as Chief Executive, acted as sponsor of AHDB's corporate governance and risk management programme, with the Chief Finance and Operations Officer, and the Chief HR Officer operating as key managers. There is a risk management policy in place that details how the organisation manages risk across the organisation. AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework. Senior Team members, as Chief Officers and Directors, are responsible for ensuring that risks to the delivery of our strategy and to AHDB have been properly identified and assessed across their work areas. They are responsible for escalating those risks up to the Leadership Team for their attention, as appropriate.

### **Risk appetite**

AHDB's risk appetite is defined in a formal Statement on Risk Appetite included in the risk management policy. 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 that will aid successful and innovative development in line with its strategic 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 requires a low risk appetite to be applied to matters impacting on health and safety or other legal and regulatory matters.

## Specific risks

The primary risks that were identified and managed during the past year, were:

### Brexit

In terms of the specific risk environment, Brexit creates some degree of uncertainty, both for our industry and for AHDB as an organisation. The key risks that AHDB has assessed in relation to Brexit, are:

- The potential impact of tighter restrictions on EU migrants in terms of our workforce
- Managing the possible loss of EU grant income
- The potential for changes to AHDB's remit brought about as a consequence of changes to agriculture policy across the UK (including devolved administrations)
- The impact on our farming levy payers that may result from specific Brexit scenarios

While AHDB's primary focus in relation to Brexit is to help prepare our farmers, growers and industry for change, we continue to assess possible risks and opportunities that may emerge as the Brexit 'landing zone' becomes clearer.

### Data and information management/cyber security

As with many organisations, we face ever-increasing cyber risks, with the number of attempts of spearphishing and ransomware attacks increasing over recent years. Our Information Services Team has been successfully managing these risks and has ensured staff are aware and alert to the issues. A plan to improve the way we address cyber security has been agreed and will be implemented in 2018/19.

Each Chief Officer is responsible for proper data handling within their area of responsibility. The organisation holds an Information Asset Register that is managed by the Director of Corporate Affairs. Information management has had increased focus during 2017/18 with the forthcoming introduction of the General Data Protection Regulations (GDPR) in May 2018. Additional resources have been made available for this activity in order to meet the new requirements.

All staff within AHDB are required to participate annually in data handling e-learning. In 2017/18, this was delayed in order to run a GDPR training module, scheduled for April 2018. Databases are reviewed periodically for data risk and, for last year, AHDB has had no material data-related incidents to report.

### Internal restructuring – staff management

The Board and Leadership Team recognised that, due to its scale, the internal restructuring which was essential to take the organisation forward, also presented risks to the delivery of services and reputation. The new matrix environment and working culture continues to develop, and managing the risks related to those changes will continue into 2018/19 as we seek to capture all the benefits of the new structure. There has been an increased focus on staff management and the development of a more consistent culture. Any change of this nature will be challenging for some staff and we are monitoring our turnover levels to ensure they remain within an acceptable range.

## Support of levy payers

The organisation's reputation is important in terms of being able to maintain the support of levy payers and influence them. The more ambitious and bolder vision we are communicating to levy payers will raise expectations and this brings with it a greater risk of being seen by some to be controversial. The clarity and effectiveness of our communications is an important risk for the organisation to manage.

In addition, the greater ambition requires a more stringent justification of financial return and this is congruent with management's actions in developing tools to evaluate the returns on investment of proposed activities and, hence, the evaluation and monitoring of activities. We are managing this risk with a programme of activity to further develop our evaluation approaches both before committing to expenditure (Investment Test) and post-expenditure outcome evaluation.

## Project management

AHDB has recognised that, with a focus on larger, more ambitious projects and activities to deliver benefit to levy payers, there is a need to enhance the sophistication of our project management approach. Therefore, we have invested in a Project Management Office to provide support to the management of our most crucial projects, and provide training to others managing smaller projects across the organisation. This commenced operation in the second half of 2017/18 and is expected to make a significant impact during 2018/19.

## Meat & Livestock Commercial Services Ltd. (MLCSL)

In March 2018 we announced AHDB was in advanced negotiations with a preferred bidder to sell our commercial subsidiary MLCSL in order to secure the sustainable future of carcass classification. (see Note 8 on page 48 for more details).

## VAT status

The VAT status of AHDB levies is currently under review by HMRC. If the VAT status of the levies was changed then AHDB would no longer be able to reclaim input VAT on supplies for levy-funded services effectively leading to an significant increased cost of purchased goods and services. HMRC has confirmed there will be no retrospective change.

## Internal audit and assurances

During 2017/18, AHDB's internal audit function was outsourced to KPMG, as part of a contractual arrangement with Defra. 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 and advises on where improvements are necessary and desirable for the good governance of AHDB. The internal audit plan for AHDB is set annually and approved by the ARAC. KPMG's annual internal audit report for 2017/18 gave the second highest rating of "Moderate Assurance" for AHDB, the same as for 2016/17. Ratings range from "Substantial" to "No" assurance.

During 2017/18, the internal audit areas covered, were:

- Internal communications, substantial assurance

- Financial management, substantial assurance
- Procurement, substantial assurance
- Succession planning/talent management, moderate assurance
- Research & development, moderate assurance
- Readiness review of GDPR plans

The procurement audit evaluated progress since the 2015/16 report into this area, which resulted in a “Limited” assurance rating at that time. The new audit gave a rating of substantial assurance, confirming that significant progress had been made.

There were no “high” priority recommendations made by KPMG from the internal audits carried out during the year. Management undertook to implement the required actions and some were in progress before the end of the financial year. AHDB has considered the overall management of internal control and governance throughout the year and can confirm there are no issues requiring specific disclosure beyond those explained above.

Internal audit arrangements for 2018/19 are for RSM Tenon to supply a full internal audit service after winning a tender process.

#### **Other assurances**

During 2017/18, two areas of operation were accredited to ISO9001 for their quality management systems. The ISO 9001 standard pulls together policies, processes and procedures that safeguard the quality, efficiency and consistency of our systems. The accreditation applies to the primary data provision in our Market Intelligence division and the services provided at our Sutton Bridge research facility.

## 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 2017 were Mike Sheldon, 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 and Chief Officers
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general and have oversight of AHDB's salary structure
- Provide oversight to the board on the pension schemes

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 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 gives 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 Leadership Team.

### Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chair of the Board's recommendation concerning the salary for the Chief Executive on an annual basis.

### 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. No members of the Leadership Team were eligible for performance-related pay in 2017/18.

### 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 61).*

## Contracts of employment for the Leadership Team

Set out below are details of the contracts of employment for AHDB's Leadership Team as at 31 March 2018.

|  | Contract start date | Contract expiry date | Contract notice period | Unexpired term |
|--|---------------------|----------------------|------------------------|----------------|
| Jane King: Chief Executive Officer                                   | 01-Feb-15           | Indefinite           | 6 months               | Not applicable |
| Ken Boyns: Chief Finance and Operations Officer                      | 01-Jul-16           | Indefinite           | 6 months               | Not applicable |
| Rebecca Geraghty: Chief HR Officer                                   | 01-Aug-15           | 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.

## Remuneration of the Leadership Team (audited)

Set out below are details of the remuneration of AHDB's Leadership Team during the year to 31 March 2018. 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<br>(Bands of £5,000) |         | Benefits in kind<br>(Nearest £100) |         | Pension benefit<br>(Nearest £000) |         | Total<br>(Bands of £5,000) |         |
|---|-----------------------------------|---------|------------------------------------|---------|-----------------------------------|---------|----------------------------|---------|
|   | 2017-18                           | 2016-17 | 2017-18                            | 2016-17 | 2017-18                           | 2016-17 | 2017-18                    | 2016-17 |
| Jane King: Chief Executive Officer  | <b>130-135</b>                    | 130-135 | <b>10,100</b>                      | 10,100  | <b>13,000</b>                     | 13,000  | <b>155-160</b>             | 150-155 |
| Ken Boyns (Chief Finance and Operations officer from 1 July 2016: Basic annual salary in 2016/17 £90k-£95k) | <b>90-95</b>                      | 90-95   | <b>7,200</b>                       | 8,200   | <b>12,000</b>                     | 11,000  | <b>110-115</b>             | 110-115 |
| Rebecca Geraghty: Chief HR Officer  | <b>75-80</b>                      | 75-80   | <b>6,800</b>                       | 6,300   | <b>21,000</b>                     | 34,000  | <b>100-105</b>             | 115-120 |
| Tom Hind: Chief Strategy Officer  | <b>105-110</b>                    | 100-105 | <b>5,000</b>                       | 4,600   | <b>11,000</b>                     | 10,000  | <b>120-125</b>             | 115-120 |
| Richard Laverick: Chief Technical Officer   | <b>80-85</b>                      | 80-85   | <b>7,200</b>                       | 7,200   | <b>8,000</b>                      | 8,000   | <b>100-105</b>             | 95-100  |
| Christine Watts: Chief Communications and Marketing Officer   | <b>110-115</b>                    | 105-110 | <b>6,600</b>                       | 6,600   | <b>11,000</b>                     | 11,000  | <b>125-130</b>             | 125-130 |

## Pension Scheme particulars of the Leadership Team (audited)

Set out below are the Pension Scheme particulars of AHDB's Leadership Team during the year to 31 March 2018.

|  | Pension Scheme details           | Employees contribution rate | Employers contribution rate |
|--|----------------------------------|-----------------------------|-----------------------------|
| Jane King: Chief Executive   | AHDB Group Personal Pension Plan | 10.0%                       | 10.0%                       |
| Ken Boyns: Chief Finance and Operations officer from 1 July 2016           | AHDB Group Personal Pension Plan | 5.0%                        | 12.5%                       |
| Rebecca Geraghty: Director of Cereals and Oilseeds Sector/Chief HR Officer | HGCA Defined Benefit Scheme      | 6.5%                        | 29.6%                       |
| Tom Hind: Chief Strategy Officer   | AHDB Group Personal Pension Plan | 5.0%                        | 10.0%                       |
| Richard Laverick: Chief Technical Officer                                  | AHDB Group Personal Pension Plan | 15.0%                       | 10.0%                       |
| Christine Watts: Chief Communications and Market Development Officer       | AHDB Group Personal Pension Plan | 5.0%                        | 10.0%                       |

## Pension entitlement of the Leadership Team: defined benefit schemes (audited)

Set out below are details of the pension benefits accrued at and earned by each of AHDB's Leadership Team who were members of a defined benefit scheme during the year to 31 March 2018.

|  | Total accrued pension                    |                              |  | Cash equivalent transfer value |                              |                       |
|--|--|------------------------------|--|--------------------------------|------------------------------|-----------------------|
|  | Annual entitlement as at 31-Mar-18 £'000 | Real terms inc in year £'000 | Annual entitlement as at 31-Mar-17 £'000 | As at 31-Mar-18 £'000          | Real terms inc in year £'000 | As at 31-Mar-17 £'000 |
|  | Rebecca Geraghty                         | 20-25                        | 0-2.5                                    | 20-25                          | 558                          | -15                   |

Please note CETV for 31 March 2017 is restated due to change of basis of calculation.

### 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 the Leadership Team: defined contribution schemes (audited)

Set out below are details of the employer's contributions made on behalf of AHDB's Leadership Team who were members of a defined contribution scheme during the year to 31 March 2018.

|  | Employer's contributions              |                                       |
|--|---------------------------------------|---------------------------------------|
|  | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
| Jane King: Chief Executive   | 13                                    | 13                                    |
| Ken Boyns: Chief Finance and Operations Officer (commenced role 1 July 2016) | 12                                    | 11                                    |
| Tom Hind: Chief Strategy Officer   | 11                                    | 10                                    |
| Richard Laverick: Chief Technical Officer                                    | 8                                     | 8                                     |
| Christine Watts: Chief Communications and Market Development Officer         | 11                                    | 11                                    |

## 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 at 31 March 2018 was £140–£145k (2016/17: £140k–£145k). The range of remuneration for 2017/18 commenced at £15k–£20k (2016/17: £15k–£20k). The median remuneration of the workforce was £36,265, a ratio of 3.9 times (2016/17: £35,956, 4.0 times).

In 2017/18 and 2016/17, 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 2018. No other cash or non-cash benefits were provided to AHDB Board Members.

|   | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|---|---|---|
| Peter Kendall: Chair of AHDB (Reappointed 1 April 2017)                               | 50-55                                       | 50-55                                       |
| Ian Crute: Independent Board member of AHDB (Term ended 31 March 2018)                | 10-15                                       | 10-15                                       |
| Sophie Churchill: Chair of AHDB Potatoes Sector Board (Appointed 10 April 2017)       | 30-35                                       | -   |
| Gwyn Jones: Chair of AHDB Dairy Sector Board (Reappointed 1 October 2016)             | 30-35                                       | 30-35                                       |
| Will Lifford: Independent Board member of AHDB (Reappointed 1 April 2016)             | 10-15                                       | 10-15                                       |
| George Lyon: Independent Board member of AHDB (Reappointed 1 April 2018)              | 10-15                                       | 10-15                                       |
| Adam Quinney: Chair of AHDB Beef and Lamb Sector Board (Appointed 23 November 2015)   | 30-35                                       | 30-35                                       |
| Gary Taylor: Chair of AHDB Horticulture Sector Board (Stepped down 31 March 2018)     | 30-35                                       | 30-35                                       |
| Paul Temple: AHDB Chair of Cereals & Oilseeds Sector Board (Reappointed 1 April 2018) | 30-35                                       | 30-35                                       |
| Mike Sheldon: Chair of AHDB Pork Sector Board (Appointed 10 April 2017)               | 30-35                                       | -   |

The emoluments of AHDB's Board Members during the year ended 31 March 2018 were paid on the basis that a certain number of planned days were worked. George Lyon was appointed as Chair of MLCSL as of 1 March 2016 and was paid an additional £5-£10k during 2017/18 (2016/17: £5-£10k) for this role.

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

|  | Contract<br>start date | Contract<br>end date |
|--|------------------------|----------------------|
| Peter Kendall: Chair of AHDB                                 | 01-Apr-14              | 31-Mar-20            |
| Ian Crute: Independent Board member of AHDB                  | 01-Oct-14              | 31-Mar-18            |
| Sophie Churchill: Chair of AHDB Potatoes Sector Board        | 10-Apr-17              | 09-Apr-20            |
| Gwyn Jones: Chair of AHDB Dairy Sector Board                 | 01-Oct-14              | 30-Sep-19            |
| Will Lifford: Independent Board member of AHDB               | 01-Apr-13              | 31-Mar-19            |
| George Lyon: Independent Board member of AHDB                | 01-Apr-15              | 31-Mar-21            |
| Adam Quinney: Chair of AHDB Beef and Lamb Sector Board       | 23-Nov-15              | 22-Nov-18            |
| Gary Taylor: Chair of AHDB Horticulture Sector Board         | 01-Oct-14              | 30-Sep-18            |
| Paul Temple: Chair of AHDB Cereals and Oilseeds Sector Board | 01-Apr-15              | 31-Mar-21            |
| Mike Sheldon: Chair of AHDB Pork Sector Board                | 10-Apr-17              | 09-Apr-20            |

Ministers appointed Paul Temple and George Lyon for second terms as Board members from 1 April 2018 to 31 March 2021. Ian Crute and Gary Taylor left the Board on 31 March 2018. Peter Kendall was appointed for a second three-year term from 1 April 2017.

## Staff report

AHDB is supported by a dedicated team of permanent staff.

**Staff costs and average numbers (audited):** For the year ended 31 March 2018, we employed a total of 429 permanent staff on levy activity (409 in previous year) and 103 staff in our commercial operations (104 in previous year). A further five were employed under other contractual arrangements on levy activities and none on commercial operations (six and one, respectively, in the previous year).

Headcount has increased during 2017/18 for several reasons. These include the expansion of our digital/creative teams to deliver services such as Farmbench and greater social media activity. In addition, we are also investing in Knowledge Exchange teams in order to provide more services to farmers.

Our staff turnover ran at 13.4%, down by 0.6% on the previous year. Total staff costs for 2017/18 were £24.9 million (2016/17: £23.7 million). Further breakdown of staff costs is included in Note 3 on page 44.

**Staff composition:** The gender split of the average full-time equivalent staff employed across the whole of AHDB in 2017/18 was 258 (49%) male and 274 (51%) female (2016/17: 51% male, 49% female). For staff working on levy activities, the split was 168 (39%) male and 261 (61%) female (2016/17: 41% male, 59% female). Out of the six members of the Leadership Team at 31 March 2018, three were male and three were female (31/3/17: three male, three female).

**Sickness absence data:** Absence due to sickness is monitored across the AHDB group (inc. MLC SL) and, in the year ended 31 March 2018, days lost through sickness equated to 7.2 days per full-time equivalent employee or 3.2% of total attendance (2017: 5.8 days, 2.6%). This increase is believed to be primarily due to improved reporting methods, which will be improved further in 2018/19.

**Annual staff survey:** Having run the existing staff survey for five years, the AHDB Board requested that it be reviewed to enable external benchmarking to take place and allow for more regular pulse surveys throughout the year. HR carried out an external benchmarking exercise and AHDB is moving to the Gallup Q12 survey in April 2018. This will mean taking a more radical approach by focusing on measurement of engagement with a shorter set of questions that are well researched in their correlation to business performance. The new survey is designed around 12 questions which are grouped into a hierarchy of needs at work. An engagement index is produced, which should enable AHDB to better compare our employee engagement with other companies. Ultimately, we want to become an employer of choice.

**Human resources (HR) strategy:** During 2017/18, we have implemented our HR strategy to support AHDB's purpose and corporate priorities. The components within the HR strategic work streams are aligned to:

- i. Delivering high-quality HR support to enable managers to maximise 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**

In particular, during 2017/18, we introduced a new online Performance and Development Review (PDR) Process. Through the new strategy, AHDB will help drive a change in culture towards a more performance driven and learning organisation that will be more outcome focused. This new process involved performance management training for all managers and the process was reviewed by our internal auditors KPMG.

A new Succession Planning and Talent Management strategy has been approved by the AHDB Board for implementation in 2018/19. This strategy sets out a number of key principles, details key roles identified for succession, describes in full the process we will use for identifying succession and talent pools, describes roles and responsibilities and sets out the investment that will be needed. This strategy was audited by our internal auditors KPMG.

In 2017/18, we reviewed the end-to-end recruitment process and introduced a new Recruitment & Selection workshop for all hiring managers. The aim is to enable managers to further develop their skills, knowledge and understanding, ensuring that AHDB has a consistent approach to recruiting talent that results in the right person being recruited into the right role to help achieve AHDB's strategy. The training covers: the legislation impacting on recruitment and selection, unconscious bias, designing an effective job advertisement, shortlisting, competency-based interviewing and hands-on practice in conducting a professional recruitment interview.

Our Learning and Development Manager has completed the Inspiring Excellence Management Development Programme for all managers and a new programme for Aspiring Managers has commenced.

A new Engagement, Inclusion and Wellbeing Strategy was approved by the Leadership Team and this will continue to be implemented during 2018/19. A new Occupational Health provider and Employee Assistance Programme were procured for AHDB employees.

**Gender Pay Gap:** AHDB has a long-term commitment to diversity, inclusion and gender balance and we are actively tackling the issue of gender pay as part of this. As at April 2017, AHDB's mean gender pay gap was 22.9% and the median gender pay gap was 27.3%. There is still a lot of work for us to do but we have made progress in reducing the gender pay gap over the past 12 months. This is the result of a number of initiatives that will come together to form part of a new AHDB Gender Pay Action Plan being led by our Chief HR Officer.

Our current situation reflects the fact that AHDB has a number of legacy staff – many of whom are either in senior roles or are technical experts in their specialist fields – who were part of the restructure of the levy boards in 2008. Our legacy staff, many of whom have a long length of service with the organisation, came from levy boards operating different pay structures, with different terms and conditions, and this is reflected in our gender pay statistics.

It is AHDB's ambition to be a first-class employer. Parity of pay across similar roles in AHDB for similar levels of

knowledge and expertise is a principle AHDB strongly supports, irrespective of gender. Since 2015, the Leadership Team has been reconfigured and there is an improved gender balance with a 50:50 split between males and females at the top of the organisation. This amounts to a significant step change from the previous leadership structure. In addition, the AHDB Board has committed to a target of closing the overall mean and median gender pay gap to less than 10% across all staff by April 2022.

**Consultants and off-payroll arrangements:** AHDB spent £37k on external consultants during 2017/18 (2016/17: £12k) and made no reportable off payroll payments.

#### **Additional Information (not audited)**

**Staff policies:** The Leadership Team meets regularly and is charged with disseminating policy to staff through a system of divisional team briefings, departmental meetings and the employee forum.

We are committed to ensuring equal opportunities for all and to encourage diversity in the workplace. We seek to establish a work environment free from any form of discrimination, harassment and victimisation. Acts of harassment or discrimination will not be tolerated. We are committed to appointing, training, developing, promoting and rewarding employees fairly and objectively on the basis of their skills, aptitudes and abilities. We seek to develop an environment where individuals can thrive and differences are valued.

We avoid unlawful discrimination in all aspects of employment, including recruitment, promotion, opportunities for training, pay and benefits, discipline and selection for redundancy. Job Specifications will be limited to those requirements that are necessary for the effective performance of the job. Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability. Disability and personal or home commitments will not normally form the basis of employment decisions. AHDB cannot lawfully discriminate in the selection of employees for recruitment or promotion, but we may use appropriate lawful methods, including lawful positive action, to address the underrepresentation of any group that we identify in a particular type of job.

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. We consider and take any appropriate action to identify training and career development opportunities as well as address any problems that may be identified as a result of the monitoring process and as part of our Talent Management Strategy. Any staff member who became disabled while already employed by AHDB would be supported on a case-by-case basis.

Valuing diversity means we recognise that we all have complex identities made up of many strands. These can include, but are not limited to protected characteristics, socioeconomic status, and background. This means we embrace and celebrate our differences in a positive environment, and are committed to engage with the needs

of our diverse employees and users to enable us, both individually and corporately, to achieve our aims.

It is our intention to manage AHDB in a manner that results in secure employment for our employees, however, the strategic direction, pattern or volume of our work, skills and capabilities required or methods of working may change and requirements for employees may reduce. Where we are proposing to make redundancies we will enter into consultation with all affected employees on an individual basis and, where appropriate, also with recognised trade unions and/or employee representatives. On an ongoing basis, we have an employee forum with elected representatives with whom we discuss new and amended policies, matters raised by staff and internal communications.

AHDB recognises and accepts its responsibility for the health, safety and welfare at work of all employees (whether on AHDB premises or on AHDB business elsewhere), in accordance with the Health & Safety at Work Act 1974 and all relevant health, safety and environmental codes of practice and legislation currently in force. We attach the greatest importance to the health, safety and welfare of all our employees and others who may be affected by our work activities. In doing so, we believe that our obligations and responsibilities are best met through integrating health and safety into AHDB's mainstream business processes and objectives. AHDB's Health & Safety statistics are reported monthly to the Leadership Team and bimonthly to the AHDB Board, and the employee Health & Safety Committee has a Board member attend meetings.

## Compensation and exit packages agreed for the year to 31 March 2018 (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 2018  | For the year ended 31 March 2017 | For the year ended 31 March 2018  | For the year ended 31 March 2017 | For the year ended 31 March 2018           | For the year ended 31 March 2017 |
| < £10,000                     | 3                                 | -                                | -                                 | 2                                | 3  | 2                                |
| £10,000 - £25,000             | 4                                 | -                                | -                                 | -                                | 4  | -                                |
| £25,000 - £50,000             | 2                                 | -                                | -                                 | -                                | 2  | -                                |
| £50,000 - £75,000             | -                                 | -                                | -                                 | -                                | -  | -                                |
| £75,000 - £150,000            | -                                 | -                                | -                                 | -                                | -  | -                                |
| Total number of exit packages | 9                                 | -                                | -                                 | 2                                | 9  | 2                                |
| <b>Total cost</b>             | <b>£142,618</b>                   | £0                               | £0                                | £13,324                          | <b>£142,618</b>                            | £13,324                          |

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 2018 or 2017.

## Parliamentary accountability and audit report (audited)

Regularity of expenditure – AHDB has considered all of its activities during the year and confirms they are in accordance with the legislation authorising them.

AHDB incurred no losses totalling more than £300,000 in the year or gifts or special payments totalling more than £300,000 in the year.

Contingent liabilities, Note 14 to the Accounts details our contingent liabilities. There are no remote contingent liabilities.

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

26 June 2018

# 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

## Opinion on financial statements

I certify that I have audited the financial statements of the Agriculture and Horticulture Development Board for the year ended 31 March 2018 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 Movement in Reserves, the Consolidated and AHDB's Cash Flow Statements and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Agriculture and Horticulture Development Board's affairs as at 31 March 2018 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 the Secretary of State directions issued thereunder

## Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Agriculture and Horticulture Development Board in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Accounting Officer'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.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report, on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the groups and the Agriculture and Horticulture Development Board's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the Agriculture and Horticulture Development Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for

the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

### **Other Information**

The Board and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006;
- in the light of the knowledge and understanding of the group and the Agriculture and Horticulture Development Board and its environment obtained in the course of the audit. I have not identified any material

misstatements in the Performance Report or the Accountability Report, 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 parts of the Accountability 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**

**28 June 2018**

# Financial statements 2017/18

## Consolidated statement of comprehensive net expenditure for the year ended 31 March 2018

|  | Note | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|--|------|---|---|
| <b>Income</b>  |      |   |   |
| Gross levy   | 2    | 60,307                                      | 59,181                                      |
| Non-levy sources   | 2    | 10,210                                      | 8,720                                       |
| <b>Total income</b>  |      | <b>70,517</b>                               | <b>67,901</b>                               |
| <b>Operating expenditure</b>                                       |      |   |   |
| <b>Levy collection</b>   |      |   |   |
| Staff costs  | 2, 3 | (522)                                       | (425)                                       |
| Other costs  | 2, 4 | (908)                                       | (1,013)                                     |
| <b>Core strategic activities</b>                                   |      |   |   |
| Staff costs  | 2, 3 | (23,251)                                    | (22,101)                                    |
| Other costs  | 2, 4 | (42,146)                                    | (39,930)                                    |
| Current pension service cost                                       | 15d  | (1,105)                                     | (1,178)                                     |
| <b>Total operating expenditure</b>                                 |      | <b>(67,932)</b>                             | <b>(64,647)</b>                             |
| <b>Surplus on ordinary activities before interest and taxation</b> |      | <b>2,585</b>                                | <b>3,254</b>                                |
| Interest receivable  |      | 89  | 100   |
| Other finance income/(expenditure) relating to pension schemes     | 15d  | (200)                                       | 105   |
| <b>Surplus on ordinary activities before taxation</b>              |      | <b>2,474</b>                                | <b>3,459</b>                                |
| Taxation   | 5    | (16)  | (11)  |
| <b>Surplus for the financial year</b>                              |      | <b>2,458</b>                                | <b>3,448</b>                                |
| <b>Other comprehensive income</b>                                  |      |   |   |
| Surplus for the financial year                                     |      | 2,458                                       | 3,448                                       |
| Net gain on revaluation of property, plant and equipment           | 8    | -   | 116   |
| Net gain/(loss) on revaluation of pension assets and liabilities   | 15d  | 2,868                                       | (8,616)                                     |
| <b>Total comprehensive income/(expenditure)</b>                    |      | <b>5,326</b>                                | <b>(5,052)</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 liabilities recognised in AHDB's accounts reduced by £2.0 million in 2017/18 (liabilities increased in 2016/17: £9.3 million). Excluding pension scheme asset movements, and revaluation of property, a surplus of £3.3 million (2016/17: £4.1 million) was recorded from levy and commercial operations in the year. Further information regarding pensions is shown in Note 15 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 36 to 59 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position as at 31 March 2018

|   | Note | As at 31-Mar-18 |                 | As at 31-Mar-17 |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | £'000           | £'000           | £'000           | £'000           |
| <b>Non-current assets</b>                         |      |                 |                 |                 |                 |
| Property, plant and equipment                     | 6    | 2,803           |                 | 2,944           |                 |
| <b>Total non-current assets</b>                   |      |                 | <b>2,803</b>    |                 | <b>2,944</b>    |
| <b>Current assets</b>                             |      |                 |                 |                 |                 |
| Inventories                                       |      | 12              |                 | 10              |                 |
| Trade and other receivables                       | 9    | 12,024          |                 | 9,149           |                 |
| Cash at bank and in hand                          | 10   | 27,100          |                 | 26,047          |                 |
| <b>Total current assets</b>                       |      |                 | <b>39,136</b>   |                 | <b>35,206</b>   |
| <b>Total assets</b>                               |      |                 | <b>41,939</b>   |                 | <b>38,150</b>   |
| <b>Current liabilities</b>                        |      |                 |                 |                 |                 |
| Trade and other payables                          | 11   | (12,402)        |                 | (11,939)        |                 |
| <b>Total current liabilities</b>                  |      |                 | <b>(12,402)</b> |                 | <b>(11,939)</b> |
| <b>Non-current assets plus net current assets</b> |      |                 | <b>29,537</b>   |                 | <b>26,211</b>   |
| <b>Non-current liabilities</b>                    |      |                 |                 |                 |                 |
| Pension liability                                 | 15e  | (3,358)         |                 | (5,358)         |                 |
| <b>Total non-current liabilities</b>              |      |                 | <b>(3,358)</b>  |                 | <b>(5,358)</b>  |
| <b>Net assets</b>                                 |      |                 | <b>26,179</b>   |                 | <b>20,853</b>   |
| <b>Reserves</b>                                   |      |                 |                 |                 |                 |
| Accumulated funds                                 |      |                 | 29,334          |                 | 26,008          |
| Total pension reserve                             |      |                 | (3,358)         |                 | (5,358)         |
| Revaluation reserve                               |      |                 | 203             |                 | 203             |
| <b>Total reserves</b>                             |      |                 | <b>26,179</b>   |                 | <b>20,853</b>   |

The financial statements on pages 29 to 59 were approved by the AHDB Board and signed on its behalf by:

Peter Kendall  
Chair

Jane King  
Chief Executive and Accounting Officer

26 June 2018

## AHDB statement of financial position as at 31 March 2018

|   | Note | As at 31-Mar-18 |                 | As at 31-Mar-17 |                 |
|---|------|-----------------|-----------------|-----------------|-----------------|
|   |      | £'000           | £'000           | £'000           | £'000           |
| <b>Non-current assets</b>                         |      |                 |                 |                 |                 |
| Property, plant and equipment                     | 7    | 2,081           |                 | 2,209           |                 |
| Investments                                       | 8    | 724             |                 | 735             |                 |
| <b>Total non-current assets</b>                   |      |                 | <b>2,805</b>    |                 | <b>2,944</b>    |
| <b>Current assets</b>                             |      |                 |                 |                 |                 |
| Trade and other receivables                       | 9    | 11,441          |                 | 8,632           |                 |
| Cash at bank and in hand                          | 10   | 26,018          |                 | 25,017          |                 |
| <b>Total current assets</b>                       |      |                 | <b>37,459</b>   |                 | <b>33,649</b>   |
| <b>Total assets</b>                               |      |                 | <b>40,264</b>   |                 | <b>36,593</b>   |
| <b>Current liabilities</b>                        |      |                 |                 |                 |                 |
| Trade and other payables                          | 11   | (11,801)        |                 | (11,349)        |                 |
| <b>Total current liabilities</b>                  |      |                 | <b>(11,801)</b> |                 | <b>(11,349)</b> |
| <b>Non-current assets plus net current assets</b> |      |                 | <b>28,463</b>   |                 | <b>25,244</b>   |
| <b>Non-current liabilities</b>                    |      |                 |                 |                 |                 |
| Pension liability                                 | 15e  | (3,358)         |                 | (5,358)         |                 |
| <b>Total non-current liabilities</b>              |      |                 | <b>(3,358)</b>  |                 | <b>(5,358)</b>  |
| <b>Net assets</b>                                 |      |                 | <b>25,105</b>   |                 | <b>19,886</b>   |
| <b>Reserves</b>                                   |      |                 |                 |                 |                 |
| Accumulated funds                                 |      |                 | 28,463          |                 | 25,244          |
| Total pension reserve                             |      |                 | (3,358)         |                 | (5,358)         |
| <b>Total reserves</b>                             |      |                 | <b>25,105</b>   |                 | <b>19,886</b>   |

The financial statements on pages 29 to 59 were approved by the AHDB Board and signed on its behalf by:

Peter Kendall  
Chair

Jane King  
Chief Executive and Accounting Officer

26 June 2018

## Consolidated cash flow statement for the year ended 31 March 2018

|  | Note | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|--|------|---|---|
| <b>Cash flows from operating activities</b>        |      |   |   |
| Surplus on ordinary activities before taxation     | 2a   | 2,474                                       | 3,459                                       |
| <b>Adjustments for:</b>                            |      |   |   |
| Interest receivable                                |      | (89)  | (100)                                       |
| Depreciation and amortisation                      | 6    | 257   | 253   |
| Current pension service cost                       | 15d  | 1,105                                       | 1,178                                       |
| Other finance (income)/expenditure                 | 15d  | 200   | (105)                                       |
| (Increase) in inventories                          |      | (2)   | (1)   |
| (Increase)/decrease in trade and other receivables | 9    | (2,875)                                     | 936   |
| Increase/(decrease) in trade and other payables    | 11   | 463   | (211)                                       |
| Tax paid   |      | (16)  | (11)  |
| Defined benefit scheme pension contributions paid  | 15e  | (437)                                       | (417)                                       |
| <b>Cash flows from operating activities</b>        |      | <b>1,080</b>                                | <b>4,981</b>                                |
| <b>Cash flows from investing activities</b>        |      |   |   |
| Interest received                                  |      | 89  | 100   |
| Payments to acquire property, plant and equipment  | 6    | (116)                                       | (596)                                       |
| <b>Cash flows from investing activities</b>        |      | <b>(27)</b>                                 | <b>(496)</b>                                |
|  |      |   |   |
| <b>Increase in cash and cash equivalents</b>       |      | <b>1,053</b>                                | <b>4,485</b>                                |
| Balance at 1 April                                 |      | 26,047                                      | 21,562                                      |
| Net change in cash and cash equivalents            |      | 1,053                                       | 4,485                                       |
| <b>Balance at 31 March</b>                         | 10   | <b>27,100</b>                               | <b>26,047</b>                               |

## AHDB cash flow statement

for the year ended 31 March 2018

|  | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>        |   |   |
| Surplus on ordinary activities before taxation     | 2,366                                       | 3,527                                       |
| <b>Adjustments for:</b>                            |   |   |
| Interest receivable                                | (82)  | (94)  |
| Depreciation and amortisation                      | 244   | 242   |
| Depreciation of asset held in investment           | 12  | -   |
| Current pension service cost                       | 1,105                                       | 1,178                                       |
| Other finance (income)/expenditure                 | 200   | (105)                                       |
| (Increase)/decrease in trade and other receivables | (2,809)                                     | 1,024                                       |
| Increase/(decrease) in trade and other payables    | 452   | (279)                                       |
| Tax paid   | (16)  | (12)  |
| Defined benefit scheme pension contributions paid  | (437)                                       | (417)                                       |
| <b>Cash flows from operating activities</b>        | <b>1,035</b>                                | <b>5,064</b>                                |
| <b>Cash flows from investing activities</b>        |   |   |
| Interest received                                  | 82  | 94  |
| Payments to acquire property, plant and equipment  | (116)                                       | (596)                                       |
| <b>Cash flows from investing activities</b>        | <b>(34)</b>                                 | <b>(502)</b>                                |
|  |   |   |
| <b>Increase in cash and cash equivalents</b>       | <b>1,001</b>                                | <b>4,562</b>                                |
| Balance at 1 April                                 | 25,017                                      | 20,455                                      |
| Net change in cash and cash equivalents            | 1,001                                       | 4,562                                       |
| <b>Balance at 31 March</b>                         | <b>26,018</b>                               | <b>25,017</b>                               |

## Consolidated statement of movement in reserves for the year ended 31 March 2018

|                                    | Note | Accumulated<br>reserve<br>£'000 | Pension<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>reserves<br>£'000 |
|------------------------------------|------|---------------------------------|-----------------------------|---------------------------------|----------------------------|
| Balance at 1 April 2016            |      | 21,904                          | 3,914                       | 87                              | 25,905                     |
| Surplus for the year               | 2b   | 3,448                           | -                           | -                               | 3,448                      |
| Pension (loss)/gain                | 15d  | -                               | (8,616)                     | -                               | (8,616)                    |
| Net gain on revaluation            | 8    | -                               | -                           | 116                             | 116                        |
| Other comprehensive income         |      | -                               | (8,616)                     | 116                             | (8,500)                    |
| Transfers from pensions reserve    |      | 656                             | (656)                       | -                               | -                          |
| <b>Balance as at 31 March 2017</b> |      | <b>26,008</b>                   | <b>(5,358)</b>              | <b>203</b>                      | <b>20,853</b>              |
| Surplus for the year               | 2a   | 2,458                           | -                           | -                               | 2,458                      |
| Pension (loss)/gain                | 15d  | -                               | 2,868                       | -                               | 2,868                      |
| Net gain on revaluation            | 8    | -                               | -                           | -                               | -                          |
| Other comprehensive income         |      | -                               | 2,868                       | -                               | 2,868                      |
| Transfers from pensions reserve    |      | 868                             | (868)                       | -                               | -                          |
| <b>Balance as at 31 March 2018</b> |      | <b>29,334</b>                   | <b>(3,358)</b>              | <b>203</b>                      | <b>26,179</b>              |

Reserves are allocated to the reporting segments as listed below:

|                         |  |               |                |            |               |
|-------------------------|--|---------------|----------------|------------|---------------|
| AHDB Beef & Lamb        |  | 7,085         | (2,133)        | -          | 4,952         |
| AHDB Cereals & Oilseeds |  | 6,624         | (158)          | -          | 6,466         |
| AHDB Dairy              |  | 3,740         | -              | -          | 3,740         |
| AHDB Horticulture       |  | 4,640         | -              | -          | 4,640         |
| AHDB Pork               |  | 4,768         | (1,067)        | -          | 3,701         |
| AHDB Potatoes           |  | 2,477         | -              | 203        | 2,680         |
| <b>Total</b>            |  | <b>29,334</b> | <b>(3,358)</b> | <b>203</b> | <b>26,179</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 2018

|                                    | Accumulated<br>reserve<br>£'000 | Pension<br>reserve<br>£'000 | Total<br>reserves<br>£'000 |
|------------------------------------|---------------------------------|-----------------------------|----------------------------|
| Balance at 1 April 2016            | 20,968                          | 3,914                       | 24,882                     |
| Surplus for the year               | 3,620                           | -                           | 3,620                      |
| Pension loss                       | -                               | (8,616)                     | (8,616)                    |
| Other comprehensive income         | -                               | (8,616)                     | (8,616)                    |
| Transfers from pensions reserve    | 656                             | (656)                       | -                          |
| <b>Balance as at 31 March 2017</b> | <b>25,244</b>                   | <b>(5,358)</b>              | <b>19,886</b>              |
| Surplus for the year               | 2,351                           | -                           | 2,351                      |
| Pension (loss)/gain                | -                               | 2,868                       | 2,868                      |
| Other comprehensive income         | -                               | 2,868                       | 2,868                      |
| Transfers from pensions reserve    | 868                             | (868)                       | -                          |
| <b>Balance as at 31 March 2018</b> | <b>28,463</b>                   | <b>(3,358)</b>              | <b>25,105</b>              |

Reserves are allocated to the reporting segments as detailed below:

|                         |               |                |               |
|-------------------------|---------------|----------------|---------------|
| AHDB Beef & Lamb        | 6,368         | (2,133)        | 4,235         |
| AHDB Cereals & Oilseeds | 6,625         | (158)          | 6,467         |
| AHDB Dairy              | 3,740         | -              | 3,740         |
| AHDB Horticulture       | 4,641         | -              | 4,641         |
| AHDB Pork               | 4,414         | (1,067)        | 3,347         |
| AHDB Potatoes           | 2,675         | -              | 2,675         |
| <b>Total</b>            | <b>28,463</b> | <b>(3,358)</b> | <b>25,105</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 that 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.

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, require disclosures in respect of new IFRSs, amendments and interpretations that are, or will be, applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance are outlined below. AHDB has not adopted any new IFRS standards early.

IFRS 9 – Financial Instruments. This is effective from 1 January 2018.

IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018.

IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases.

AHDB will apply the standards upon formal adoption in the FRoM. For IFRS 9 and IFRS 15, it is not anticipated that material adjustments to the financial statements will be required following the introduction of these standards. IFRS 16 is expected to have a considerable impact in financial reporting terms.

### Going concern

AHDB's management has no reason to question its going concern status. Views on the future role of AHDB may be sought by Defra from the industry during 2018/19 but we do not believe there is any reason to question the going concern status at the time of writing. AHDB is satisfied that its level of reserves is adequate to meet its ongoing obligations.

MLCSL remains a going concern due to its financial performance and level of reserves. If a sale does take place, it is intended that it will be a sale of the company.

### 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.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Research & development expenditure

Research & 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 that established AHDB, prevent AHDB from restricting access of other parties to future benefits of the research activities it undertakes. As a result, the research & 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 instalments over the lease term.

AHDB does not operate any finance leases.

### 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. The amount recognised is the best estimate of the expenditure that would be required to settle the obligation at the balance sheet date.

### 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.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Financial instruments

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

### 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 15 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.

### Levy income

AHDB raises statutory levies from the meat and livestock (cattle, sheep and pigs) sectors 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 2017/18 can be found on page 60).

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 directly 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, then pay it to AHDB.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

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 levy (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 directly 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 and can be paid by four equal direct debit payments in July, September, December and March.

### 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 and can be paid by three equal direct debit payments in December, February and May.

## Income recognition

All income is recorded on a gross basis in the consolidated statement of comprehensive net expenditure, except where AHDB is acting as an agent in making payments to third parties. In such instances, income and expenditure are offset and therefore, not recorded in the financial statements. In year-ended 31 March 2018, AHDB acted as an EU grant agent on the EuroDairy and EU Pigs projects.

Non levy income is comprised of several sources including, grant income, MLC SL commercial income, and other small amounts of levy work related income. Non levy income is recognised at the point the work is completed/obligation fulfilled and either an invoice has been raised, or in line with the contract.

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2018

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<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| <b>Income</b>                                      |                                 |  |                        |                               |                       |                           |                                 |
| Gross levy   | 16,706                          | 12,712                                 | 7,675                  | 7,878                         | 9,189                 | 6,147                     | 60,307                          |
| <i>Non-levy sources:</i>                           |                                 |  |                        |                               |                       |                           |                                 |
| Fee and grant income                               | 1,412                           | 172                                    | 1,356                  | 607                           | 420                   | 639                       | 4,606                           |
| EU grant income                                    | 509                             | -                                      | 2                      | -                             | 2                     | 448                       | 961                             |
| Commercial services income                         | 3,095                           | -                                      | -                      | -                             | 1,548                 | -                         | 4,643                           |
| <i>Sub-total non-levy sources</i>                  | 5,016                           | 172                                    | 1,358                  | 607                           | 1,970                 | 1,087                     | 10,210                          |
| <b>Total income</b>                                | <b>21,722</b>                   | <b>12,884</b>                          | <b>9,033</b>           | <b>8,485</b>                  | <b>11,159</b>         | <b>7,234</b>              | <b>70,517</b>                   |
| <b>Operating expenditure</b>                       |                                 |  |                        |                               |                       |                           |                                 |
| Levy collection                                    | (316)                           | (553)                                  | (39)                   | (179)                         | (140)                 | (202)                     | (1,429)                         |
| <i>Core strategic activities:</i>                  |                                 |  |                        |                               |                       |                           |                                 |
| Research and development and<br>knowledge exchange | (3,883)                         | (6,404)                                | (4,033)                | (6,216)                       | (2,454)               | (2,642)                   | (25,632)                        |
| Trade Development                                  | (3,046)                         | (303)                                  | (1,556)                | (64)                          | (4,132)               | (1,442)                   | (10,543)                        |
| Export Development                                 | (4,613)                         | (305)                                  | (333)                  | (22)                          | (834)                 | (367)                     | (6,474)                         |
| Supply chain integration                           | (339)                           | (98)                                   | -                      | -                             | (10)                  | (12)                      | (459)                           |
| Market Intelligence                                | (1,104)                         | (803)                                  | (733)                  | (112)                         | (662)                 | (601)                     | (4,015)                         |
| Levy Payer Communications                          | (1,078)                         | (1,232)                                | (801)                  | (690)                         | (698)                 | (504)                     | (5,003)                         |
| Digital & Creative                                 | (354)                           | (252)                                  | (191)                  | (191)                         | (325)                 | (135)                     | (1,448)                         |
| Support and other expenditure                      | (1,678)                         | (1,456)                                | (1,108)                | (943)                         | (1,118)               | (984)                     | (7,287)                         |
| Commercial services                                | (3,025)                         | -                                      | -                      | -                             | (1,512)               | -                         | (4,537)                         |
| <i>Sub-total core strategic activities:</i>        | (19,120)                        | (10,853)                               | (8,755)                | (8,238)                       | (11,745)              | (6,687)                   | (65,398)                        |
| Current pension service cost                       | (667)                           | (105)                                  | -                      | -                             | (333)                 | -                         | (1,105)                         |
| <b>Total operating expenditure</b>                 | <b>(20,103)</b>                 | <b>(11,511)</b>                        | <b>(8,794)</b>         | <b>(8,417)</b>                | <b>(12,218)</b>       | <b>(6,889)</b>            | <b>(67,932)</b>                 |

Support and other expenditure includes the cost of central functions, such as Finance, HR, and Information Systems; the cost of the AHDB and Sector Boards, bad debt provisions, non-operating expenditure, as well as some final salary pension scheme adjustments.

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2018 (continued)

|  | AHDB<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| <b>Surplus/(deficit) on ordinary activities before interest and taxation</b> | 1,619                           | 1,373                                  | 239                    | 68                            | (1,059)               | 345                       | 2,585                           |
| Interest receivable  | 19                              | 16                                     | 11                     | 19                            | 18                    | 6                         | 89                              |
| Other finance income/(expenditure)   | (133)                           | -                                      | -                      | -                             | (67)                  | -                         | (200)                           |
| <b>Surplus/(deficit) on ordinary activities before taxation</b>              | 1,505                           | 1,389                                  | 250                    | 87                            | (1,108)               | 351                       | 2,474                           |
| Taxation   | (3)                             | (3)                                    | (2)                    | (4)                           | (3)                   | (1)                       | (16)                            |
| <b>Surplus/(deficit) for the financial year</b>                              | 1,502                           | 1,386                                  | 248                    | 83                            | (1,111)               | 350                       | 2,458                           |
| Net gain on revaluation of property, plant and equipment                     | -                               | -                                      | -                      | -                             | -                     | -                         | -                               |
| Net gain/(loss) on revaluation of pension assets and liabilities             | 2,000                           | (132)                                  | -                      | -                             | 1,000                 | -                         | 2,868                           |
| <b>Total comprehensive income/(expenditure)</b>                              | 3,502                           | 1,254                                  | 248                    | 83                            | (111)                 | 350                       | 5,326                           |

#### 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 Beef & Lamb and AHDB Pork 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<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| Total comprehensive income/(expenditure)                   | 3,502                           | 1,254                                  | 248                    | 83                            | (111)                 | 350                       | 5,326                           |
| Movement on Pension asset/liability                        | (1,400)                         | 100                                    | -                      | -                             | (700)                 | -                         | (2,000)                         |
| <b>Underlying surplus/(deficit) for the financial year</b> | 2,102                           | 1,354                                  | 248                    | 83                            | (811)                 | 350                       | 3,326                           |

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2017

|  | AHDB<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| <b>Income</b>                                      |                                 |  |                        |                               |                       |                           |                                 |
| Gross levy   | 16,305                          | 12,361                                 | 7,188                  | 8,396                         | 9,121                 | 5,810                     | 59,181                          |
| <i>Non-levy sources:</i>                           |                                 |  |                        |                               |                       |                           |                                 |
| Fee and grant income                               | 1,449                           | 153                                    | 475                    | 363                           | 400                   | 631                       | 3,471                           |
| EU grant income                                    | 441                             | -                                      | 13                     | -                             | 0                     | 480                       | 934                             |
| Commercial services income                         | 2,877                           | -                                      | -                      | -                             | 1,438                 | -                         | 4,315                           |
| <i>Sub-total non-levy sources</i>                  | 4,767                           | 153                                    | 488                    | 363                           | 1,838                 | 1,111                     | 8,720                           |
| <b>Total income</b>                                | <b>21,072</b>                   | <b>12,514</b>                          | <b>7,676</b>           | <b>8,759</b>                  | <b>10,959</b>         | <b>6,921</b>              | <b>67,901</b>                   |
| <b>Operating expenditure</b>                       |                                 |  |                        |                               |                       |                           |                                 |
| Levy collection                                    | (317)                           | (533)                                  | (32)                   | (113)                         | (166)                 | (277)                     | (1,438)                         |
| <i>Core strategic activities:</i>                  |                                 |  |                        |                               |                       |                           |                                 |
| Research and development<br>and knowledge exchange | (3,482)                         | (6,282)                                | (3,843)                | (6,199)                       | (2,491)               | (2,709)                   | (25,006)                        |
| Trade Development                                  | (5,059)                         | (304)                                  | (494)                  | (38)                          | (2,755)               | (1,455)                   | (10,105)                        |
| Export Development                                 | (4,703)                         | (298)                                  | (181)                  | (10)                          | (817)                 | (239)                     | (6,248)                         |
| Supply chain integration                           | (319)                           | (48)                                   | -                      | -                             | -                     | (26)                      | (393)                           |
| Market Intelligence                                | (1,323)                         | (1,032)                                | (569)                  | (68)                          | (716)                 | (596)                     | (4,304)                         |
| Levy Payer Communications                          | (443)                           | (1,215)                                | (616)                  | (608)                         | (527)                 | (377)                     | (3,786)                         |
| Digital & Creative                                 | (391)                           | (453)                                  | (160)                  | (71)                          | (157)                 | (53)                      | (1,285)                         |
| Support and other expenditure                      | (1,479)                         | (1,426)                                | (1,005)                | (824)                         | (988)                 | (803)                     | (6,525)                         |
| Commercial services                                | (2,920)                         | -                                      | -                      | -                             | (1,459)               | -                         | (4,379)                         |
| <i>Sub-total core strategic<br/>activities:</i>    | (20,119)                        | (11,058)                               | (6,868)                | (7,818)                       | (9,910)               | (6,258)                   | (62,031)                        |
| Current pension service cost                       | (733)                           | (78)                                   | -                      | -                             | (367)                 | -                         | (1,178)                         |
| <b>Total operating expenditure</b>                 | <b>(21,169)</b>                 | <b>(11,669)</b>                        | <b>(6,900)</b>         | <b>(7,931)</b>                | <b>(10,443)</b>       | <b>(6,535)</b>            | <b>(64,647)</b>                 |

Support and other expenditure includes the cost of central functions, such as Finance, HR, and Information Systems; the cost of the AHDB and Sector Boards, bad debt provisions, non-operating expenditure as well as some final salary pension scheme adjustments.

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2017 (continued)

|  | AHDB<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| <b>Surplus/(deficit) on ordinary activities before interest and taxation</b> | (97)                            | 845                                    | 776                    | 828                           | 516                   | 386                       | 3,254                           |
| Interest receivable  | 13                              | 10                                     | 27                     | 14                            | 24                    | 12                        | 100                             |
| Other finance income   | 67                              | 5                                      | -                      | -                             | 33                    | -                         | 105                             |
| <b>Surplus/(deficit) on ordinary activities before taxation</b>              | (17)                            | 860                                    | 803                    | 842                           | 573                   | 398                       | 3,459                           |
| Taxation   | 0                               | (1)                                    | (3)                    | (2)                           | (3)                   | (2)                       | (11)                            |
| <b>Surplus/(Deficit) for the financial year</b>                              | (17)                            | 859                                    | 800                    | 840                           | 570                   | 396                       | 3,448                           |
| Net gain on revaluation of property, plant and equipment                     | -                               | -                                      | -                      | -                             | -                     | 116                       | 116                             |
| Net gain/(loss) on revaluation of pension assets and liabilities             | (5,600)                         | (216)                                  | -                      | -                             | (2,800)               | -                         | (8,616)                         |
| <b>Total comprehensive income/(expenditure)</b>                              | (5,617)                         | 643                                    | 800                    | 840                           | (2,230)               | 512                       | (5,052)                         |

#### 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<br>Beef &<br>Lamb<br>£'000 | AHDB<br>Cereals &<br>Oilseeds<br>£'000 | AHDB<br>Dairy<br>£'000 | AHDB<br>Horticulture<br>£'000 | AHDB<br>Pork<br>£'000 | AHDB<br>Potatoes<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------------|--|------------------------|-------------------------------|-----------------------|---------------------------|---------------------------------|
| Total comprehensive income/(expenditure)         | (5,617)                         | 643                                    | 800                    | 840                           | (2,230)               | 512                       | (5,052)                         |
| Revaluation on property, plant and equipment     | -                               | -                                      | -                      | -                             | -                     | (116)                     | (116)                           |
| Movement on Pension Asset/Liability              | 6,066                           | 172                                    | -                      | -                             | 3,033                 | -                         | 9,271                           |
| <b>Underlying surplus for the financial year</b> | 449                             | 815                                    | 800                    | 840                           | 803                   | 396                       | 4,103                           |

## Notes to the financial statements

### 3. Staff numbers and related costs

|   | For the year ended 31 March 2018                |   |               | For the year ended 31 March 2017                |   |               |
|---|---|---|---------------|---|---|---------------|
|   | 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   | 103   | -   | 103           | 104   | 1   | 105           |
| Total levy-dependent activities   | 429   | 5   | 434           | 409   | 6   | 415           |
| <b>Total</b>  | <b>532</b>                                      | <b>5</b>                                      | <b>537</b>    | <b>513</b>                                      | <b>7</b>                                      | <b>520</b>    |
| <b>Staff costs</b>  | <b>£'000</b>                                    | <b>£'000</b>                                  | <b>£'000</b>  | <b>£'000</b>                                    | <b>£'000</b>                                  | <b>£'000</b>  |
| Salaries - Commercial activities  | 2,959   | 2   | 2,961         | 2,846   | 12  | 2,858         |
| Social security costs - Commercial activities                                   | 294   | -   | 294           | 280   | -   | 280           |
| Salaries - levy-dependent activities  | 17,041  | 169   | 17,210        | 16,256  | 146   | 16,402        |
| Social security costs - levy-dependent activities                               | 1,975   | -   | 1,975         | 1,768   | -   | 1,768         |
| Defined benefit scheme current service costs (Note 15d)                         | 1,105   | -   | 1,105         | 1,178   | -   | 1,178         |
| Defined contribution scheme costs   | 1,333   | -   | 1,333         | 1,218   | -   | 1,218         |
| <b>Total staff costs</b>  | <b>24,707</b>                                   | <b>171</b>                                    | <b>24,878</b> | <b>23,546</b>                                   | <b>158</b>                                    | <b>23,704</b> |

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

|   | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| <b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b> |                                       |                                       |
| Rentals under operating leases:   |                                       |                                       |
| - Leasehold property rents  | 442                                   | 425                                   |
| - Vehicle leases  | 700                                   | 726                                   |
| - Hire of equipment   | 90                                    | 65                                    |
| Research and development and knowledge exchange expenditure   | 25,632                                | 25,006                                |
| Exchange (gains)/losses   | -                                     | -                                     |
| Auditors remuneration and expenses  | 100                                   | 101                                   |
| <b>Non-cash items:</b>  |                                       |                                       |
| Depreciation and amortisation   | 257                                   | 253                                   |
| Impairment of receivables   | 249                                   | 291                                   |

## Notes to the financial statements

### 5. Taxation

|   | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|---|---|---|
| <b>Current tax</b>                                      |   |   |
| UK corporation tax on commercial profits for the period | -   | -   |
| UK corporation tax on interest income for the period    | 16  | 12  |
| Over-provision in respect of prior years                | -   | (1)   |
| <b>Current tax charge for the year</b>                  | <b>16</b>                                   | <b>11</b>                                   |

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 20%). The differences are explained below:

|  | For the year<br>ended<br>31-Mar-18<br>£'000 | For the year<br>ended<br>31-Mar-17<br>£'000 |
|--|---|---|
| Surplus on ordinary activities before taxation   | 2,474                                       | 3,459                                       |
| Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%) | 470   | 692   |
| <b>Effects of:</b>   |   |   |
| Income not chargeable for taxation purposes  | 13,175                                      | 12,718                                      |
| Expenditure not deductible for taxation purposes   | (12,705)                                    | (12,026)                                    |
| Standard rate of corporation tax in the UK of 19% (2017: 20%) on interest receivable                       | 16  | 12  |
| Over-provision in respect of prior years   | -   | (1)   |
| <b>Current tax charge for the year</b>   | <b>16</b>                                   | <b>11</b>                                   |

# Notes to the financial statements

## 6. Property, plant and equipment

| Group                                     | Land<br>£'000 | Buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | IT<br>equipment<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures<br>and fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---|---------------|--------------------|------------------------------------|--------------------------|---------------------------------|-----------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b>                  |               |                    |                                    |                          |                                 |                                   |                            |                |
| As at 1 April 2016                        | 140           | 510                | 1,831                              | 205                      | 920                             | 255                               | 4                          | 3,865          |
| Additions                                 | -             | -                  | 33                                 | 65                       | 498                             | -                                 | -                          | 596            |
| Disposals                                 | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| Revaluation                               | 25            | 60                 | -                                  | -                        | -                               | -                                 | -                          | 85             |
| <b>As at 31 March 2017</b>                | <b>165</b>    | <b>570</b>         | <b>1,864</b>                       | <b>270</b>               | <b>1,418</b>                    | <b>255</b>                        | <b>4</b>                   | <b>4,546</b>   |
| As at 1 April 2017                        | 165           | 570                | 1,864                              | 270                      | 1,418                           | 255                               | 4                          | 4,546          |
| Additions                                 | -             | 51                 | -                                  | 31                       | 34                              | -                                 | -                          | 116            |
| Disposals                                 | -             | -                  | -                                  | (11)                     | (222)                           | (24)                              | -                          | (257)          |
| Revaluation                               | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| <b>As at 31 March 2018</b>                | <b>165</b>    | <b>621</b>         | <b>1,864</b>                       | <b>290</b>               | <b>1,230</b>                    | <b>231</b>                        | <b>4</b>                   | <b>4,405</b>   |
| <b>Depreciation</b>                       |               |                    |                                    |                          |                                 |                                   |                            |                |
| As at 1 April 2016                        | -             | (20)               | (188)                              | (142)                    | (890)                           | (136)                             | (4)                        | (1,380)        |
| Charge for year                           | -             | (11)               | (122)                              | (58)                     | (35)                            | (27)                              | -                          | (253)          |
| Relating to disposals                     | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| Revaluation                               | -             | 31                 | -                                  | -                        | -                               | -                                 | -                          | 31             |
| <b>As at 31 March 2017</b>                | <b>-</b>      | <b>-</b>           | <b>(310)</b>                       | <b>(200)</b>             | <b>(925)</b>                    | <b>(163)</b>                      | <b>(4)</b>                 | <b>(1,602)</b> |
| As at 1 April 2017                        | -             | -                  | (310)                              | (200)                    | (925)                           | (163)                             | (4)                        | (1,602)        |
| Charge for year                           | -             | (13)               | (124)                              | (40)                     | (55)                            | (25)                              | -                          | (257)          |
| Relating to disposals                     | -             | -                  | -                                  | 11                       | 222                             | 24                                | -                          | 257            |
| Revaluation                               | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| <b>As at 31 March 2018</b>                | <b>-</b>      | <b>(13)</b>        | <b>(434)</b>                       | <b>(229)</b>             | <b>(758)</b>                    | <b>(164)</b>                      | <b>(4)</b>                 | <b>(1,602)</b> |
| <b>Net book value as at 31 March 2018</b> | <b>165</b>    | <b>608</b>         | <b>1,430</b>                       | <b>61</b>                | <b>472</b>                      | <b>67</b>                         | <b>-</b>                   | <b>2,803</b>   |
| Net book value as at 31 March 2017        | 165           | 570                | 1,554                              | 70                       | 493                             | 92                                | -                          | 2,944          |

Freehold property at Sutton Bridge was valued at 31 March 2017 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 £735k, which will be depreciated to allow for wear and tear from the valuation date.

# Notes to the financial statements

## 7. Property, plant and equipment

| AHDB                                      | Land<br>£'000 | Buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | IT<br>equipment<br>£'000 | Plant and<br>machinery<br>£'000 | fixtures<br>and fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---|---------------|--------------------|------------------------------------|--------------------------|---------------------------------|-----------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b>                  |               |                    |                                    |                          |                                 |                                   |                            |                |
| As at 1 April 2016                        | -             | -                  | 1,831                              | 205                      | 203                             | 255                               | 4                          | 2,498          |
| Additions                                 | -             | -                  | 33                                 | 65                       | 498                             | -                                 | -                          | 596            |
| Disposals                                 | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| <b>As at 31 March 2017</b>                | <b>-</b>      | <b>-</b>           | <b>1,864</b>                       | <b>270</b>               | <b>701</b>                      | <b>255</b>                        | <b>4</b>                   | <b>3,094</b>   |
| As at 1 April 2017                        | -             | -                  | 1,864                              | 270                      | 701                             | 255                               | 4                          | 3,094          |
| Additions                                 | -             | 51                 | -                                  | 31                       | 34                              | -                                 | -                          | 116            |
| Disposals                                 | -             | -                  | -                                  | (11)                     | (12)                            | (24)                              | -                          | (47)           |
| <b>As at 31 March 2018</b>                | <b>-</b>      | <b>51</b>          | <b>1,864</b>                       | <b>290</b>               | <b>723</b>                      | <b>231</b>                        | <b>4</b>                   | <b>3,163</b>   |
| <b>Depreciation</b>                       |               |                    |                                    |                          |                                 |                                   |                            |                |
| As at 1 April 2016                        | -             | -                  | (188)                              | (142)                    | (173)                           | (136)                             | (4)                        | (643)          |
| Charge for year                           | -             | -                  | (122)                              | (58)                     | (35)                            | (27)                              | -                          | (242)          |
| Relating to disposals                     | -             | -                  | -                                  | -                        | -                               | -                                 | -                          | -              |
| <b>As at 31 March 2017</b>                | <b>-</b>      | <b>-</b>           | <b>(310)</b>                       | <b>(200)</b>             | <b>(208)</b>                    | <b>(163)</b>                      | <b>(4)</b>                 | <b>(885)</b>   |
| As at 1 April 2017                        | -             | -                  | (310)                              | (200)                    | (208)                           | (163)                             | (4)                        | (885)          |
| Charge for year                           | -             | -                  | (124)                              | (40)                     | (55)                            | (25)                              | -                          | (244)          |
| Relating to disposals                     | -             | -                  | -                                  | 11                       | 12                              | 24                                | -                          | 47             |
| <b>As at 31 March 2018</b>                | <b>-</b>      | <b>-</b>           | <b>(434)</b>                       | <b>(229)</b>             | <b>(251)</b>                    | <b>(164)</b>                      | <b>(4)</b>                 | <b>(1,082)</b> |
| <b>Net book value as at 31 March 2018</b> | <b>-</b>      | <b>51</b>          | <b>1,430</b>                       | <b>61</b>                | <b>472</b>                      | <b>67</b>                         | <b>-</b>                   | <b>2,081</b>   |
| Net book value as at 31 March 2017        | -             | -                  | 1,554                              | 70                       | 493                             | 92                                | -                          | 2,209          |

# 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 R&D facility, Sutton Bridge Experimental Unit, which is based at Spalding. SBEU's financial results for the year 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 £11k for the year ended 31 March 2018 (2017: £105k surplus). This property was last professionally revalued at £735k as at 31 March 2017, based on its existing use.

|                         | <b>Group<br/>As at<br/>31-Mar-18<br/>£'000</b> | <b>AHDB<br/>As at<br/>31-Mar-18<br/>£'000</b> | <b>Group<br/>As at<br/>31-Mar-17<br/>£'000</b> | <b>AHDB<br/>As at<br/>31-Mar-17<br/>£'000</b> |
|-------------------------|--|---|--|---|
| AHDB investment in SBEU | -  | 724   | -  | 735   |

### 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. MLCSL's financial results for the year 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 has a retained surplus of £109k for the year ended 31 March 2018 (2017: deficit £57k) and its net assets were £1.08 million as at 31 March 2018 (31 March 2017: £0.97 million).

As at 31 March 2018, AHDB was in negotiations to sell the majority of the operations of MLCSL to Hall Mark Meat Hygiene Ltd. This transaction is subject to a number of factors, including union and Pension Trustee discussions, and due diligence. The proposed transaction has been made public to the industry. The sale is subject to final approval from the AHDB Board to ensure that the proposed deal achieves the objectives set out by the Board to safeguard the future of independent carcass classification. If the AHDB Board approve the final deal, then it will need to be approved by Defra against value for money tests and management of risks before it can proceed. This is expected to take place in late summer/autumn 2018.

This subsidiary undertaking is registered in England and Wales.

## Notes to the financial statements

### 9. Trade and other receivables

|  | Group<br>As at<br>31-Mar-18<br>£'000 | AHDB<br>As at<br>31-Mar-18<br>£'000 | Group<br>As at<br>31-Mar-17<br>£'000 | AHDB<br>As at<br>31-Mar-17<br>£'000 |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Amounts falling due within one year</b>       |                                      |                                     |                                      |                                     |
| Levy income receivable                           | 3,620                                | 3,620                               | 3,175                                | 3,175                               |
| Receivables for fee and other income             | 1,734                                | 1,132                               | 731                                  | 193                                 |
| Provision for bad and doubtful debts             | (572)                                | (572)                               | (407)                                | (387)                               |
| Prepayments and accrued income                   | 7,040                                | 6,996                               | 5,118                                | 5,086                               |
| Amounts owed by subsidiary undertakings          | -                                    | 84                                  | -                                    | 33                                  |
| Balances with central government bodies          | 202                                  | 181                                 | 532                                  | 532                                 |
| <b>Total amounts falling due within one year</b> | <b>12,024</b>                        | <b>11,441</b>                       | <b>9,149</b>                         | <b>8,632</b>                        |

|                             | Group<br>As at<br>31-Mar-18<br>£'000 | AHDB<br>As at<br>31-Mar-18<br>£'000 | Group<br>As at<br>31-Mar-17<br>£'000 | AHDB<br>As at<br>31-Mar-17<br>£'000 |
|-----------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Receivables past due</b> |                                      |                                     |                                      |                                     |
| Up to 3 months past due     | 1,527                                | 1,321                               | 1,169                                | 1,063                               |
| 3 to 6 months past due      | 694                                  | 694                                 | 165                                  | 165                                 |
| Over 6 months past due      | 684                                  | 686                                 | 521                                  | 498                                 |
|                             | <b>2,905</b>                         | <b>2,701</b>                        | <b>1,855</b>                         | <b>1,726</b>                        |

### 10. Cash and cash equivalents

|   | Group<br>2017-18<br>£'000 | AHDB<br>2017-18<br>£'000 | Group<br>2016-17<br>£'000 | AHDB<br>2016-17<br>£'000 |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
| Balance at 1 April                      | 26,047                    | 25,017                   | 21,562                    | 20,455                   |
| Net change in cash and cash equivalents | 1,053                     | 1,001                    | 4,485                     | 4,562                    |
| <b>Balance at 31 March</b>              | <b>27,100</b>             | <b>26,018</b>            | <b>26,047</b>             | <b>25,017</b>            |
| Balances at 31 March were:              |                           |                          |                           |                          |
| Short term investment                   | 12,000                    | 12,000                   | 12,000                    | 12,000                   |
| Commercial banks and cash in hand       | 15,100                    | 14,018                   | 14,047                    | 13,017                   |
| <b>Balance at 31 March</b>              | <b>27,100</b>             | <b>26,018</b>            | <b>26,047</b>             | <b>25,017</b>            |

The short-term investment represents three separate funds of £3 million, placed on term deposits to mature on 18 April (11-month term), 18 July (11 months) and 18 October 2018 (11 months). A further £3 million is held in a 32-day notice account.

## Notes to the financial statements

### 11. Trade and other payables

|  | Group<br>As at<br>31-Mar-18<br>£'000 | AHDB<br>As at<br>31-Mar-18<br>£'000 | Group<br>As at<br>31-Mar-17<br>£'000 | AHDB<br>As at<br>31-Mar-17<br>£'000 |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Amounts falling due within one year</b>       |                                      |                                     |                                      |                                     |
| Trade payables                                   | 2,206                                | 2,206                               | 1,747                                | 1,744                               |
| Accruals and deferred income                     | 7,812                                | 7,667                               | 7,613                                | 7,476                               |
| Other payables                                   | 344                                  | 311                                 | 400                                  | 342                                 |
| Corporation tax                                  | 16                                   | 16                                  | 12                                   | 12                                  |
| VAT  | 1,111                                | 916                                 | 1,273                                | 1,078                               |
| Other taxation and social security               | 627                                  | 557                                 | 574                                  | 509                                 |
| Defra underwrite for redundancy*                 | 79                                   | -                                   | 132                                  | -                                   |
| Pig Industry Development Scheme Fund             | 76                                   | 76                                  | 76                                   | 76                                  |
| Other Defra Bodies                               | 131                                  | 52                                  | 112                                  | 112                                 |
| <b>Total amounts falling due within one year</b> | <b>12,402</b>                        | <b>11,801</b>                       | <b>11,939</b>                        | <b>11,349</b>                       |
| <b>Intra-government balances</b>                 |                                      |                                     |                                      |                                     |
| Balances with central government bodies          | 1,964                                | 1,541                               | 2,103                                | 1,711                               |

\* 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 and are recorded as a payable as they are held in trust for Defra. These monies were originally transferred to the Meat and Livestock Commission (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 2018 was £79k.

# Notes to the financial statements

## 12. Financial commitments

|   | Group<br>As at<br>31-Mar-18<br>£'000 | AHDB<br>As at<br>31-Mar-18<br>£'000 | Group<br>As at<br>31-Mar-17<br>£'000 | AHDB<br>As at<br>31-Mar-17<br>£'000 |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Capital expenditure commitments</b>  |                                      |                                     |                                      |                                     |
| Contracted for  | 17                                   | 17                                  | 35                                   | 35                                  |
| <b>Approved research projects</b>   |                                      |                                     |                                      |                                     |
| Within one year   | 10,033                               | 10,033                              | 10,198                               | 10,198                              |
| Thereafter  | 14,757                               | 14,757                              | 14,596                               | 14,596                              |
|   | <b>24,790</b>                        | <b>24,790</b>                       | <b>24,794</b>                        | <b>24,794</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   | 545                                  | 545                                 | 552                                  | 552                                 |
| Between two and five years  | 472                                  | 472                                 | 840                                  | 840                                 |
| Over five years   | -                                    | -                                   | 10                                   | 10                                  |
|   | <b>1,017</b>                         | <b>1,017</b>                        | <b>1,402</b>                         | <b>1,402</b>                        |
| <b>Vehicles</b>   |                                      |                                     |                                      |                                     |
| Within one year   | 491                                  | 446                                 | 560                                  | 500                                 |
| Between two and five years  | 603                                  | 555                                 | 723                                  | 646                                 |
|   | <b>1,094</b>                         | <b>1,001</b>                        | <b>1,283</b>                         | <b>1,146</b>                        |
| <b>Equipment</b>  |                                      |                                     |                                      |                                     |
| Within one year   | 4                                    | 4                                   | 13                                   | 13                                  |
| Between two and five years  | 6                                    | 6                                   | 1                                    | 1                                   |
|   | <b>10</b>                            | <b>10</b>                           | <b>14</b>                            | <b>14</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<br>As at<br>31-Mar-18<br>£'000 | Group<br>As at<br>31-Mar-18<br>£'000   | Group<br>As at<br>31-Mar-17<br>£'000 | Group<br>As at<br>31-Mar-17<br>£'000 |
|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|
|                                      | <b>Loans and<br/>receivables</b>     | <b>Other financial<br/>liabilities</b> | Loans and<br>receivables             | Other financial<br>liabilities       |
| <b>Trade receivables</b>             |                                      |  |                                      |                                      |
| Levy receivable                      | 3,620                                |  | 2,788                                |                                      |
| Receivables for fees                 | 1,734                                |  | 710                                  |                                      |
| Accrued income (less prepayments)    | 5,560                                |  | 4,093                                |                                      |
| Intra-government balances            | 202                                  |  | 532                                  |                                      |
| <b>Cash and equivalents</b>          | <b>27,100</b>                        |  | <b>26,047</b>                        |                                      |
| <b>Trade and other payables</b>      |                                      |  |                                      |                                      |
| Trade payables                       |                                      | 2,206                                  |                                      | 1,747                                |
| Accruals                             |                                      | 7,812                                  |                                      | 7,613                                |
| Pig Industry Development Scheme Fund |                                      | 76                                     |                                      | 76                                   |
| Intra-government balances            |                                      | 210                                    |                                      | 244                                  |
| Other                                |                                      | 344                                    |                                      | 400                                  |
| <b>Total</b>                         | <b>38,216</b>                        | <b>10,648</b>                          | <b>34,170</b>                        | <b>10,080</b>                        |

### 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. The nature of its financial instruments means 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 AHDB 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. Contingent liabilities

There were no contingent liabilities at 31 March 2018 of a significant nature to require reporting.

## 15. Pensions

### 15a. 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. This Scheme is closed to new entrants. 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 2018/19 are estimated to be £0.3 million.

A substantial part of the Scheme's assets are represented by buy-in policies with insurance providers (Aviva and Just Retirement – now known as Just) 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 15c page 55, at 31 March 2018, 70.3% 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 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 had 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 from Just to cover pensions that have come into payment since July 2013. The valuation method used to value the assets placed on the buy-in policies with Aviva and Just is 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. During March 2017, as part of the Trustees' de-risking strategy, a total of £10 million of assets were disinvested from equity securities and moved into a diversified growth fund.

#### HGCA Pension Scheme

The Scheme provides benefits to legacy HGCA members based on final salary. This scheme is closed to new entrants. Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed as at 31 March 2016 and indicated a funding deficit of £0.7 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 2018/19 are estimated at £49k.

# Notes to the financial statements

## 15. Pensions (continued)

### 15b. 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-18<br>% pa  | 31-Mar-17<br>% pa | 31-Mar-18<br>% pa   | 31-Mar-17<br>% pa |
| Price inflation                           | <b>2.4</b>         | 2.4               | <b>2.4</b>          | 2.4               |
| Rate of increase in pay                   | <b>2.4</b>         | 3.4               | <b>2.4</b>          | 3.4               |
| Rate of increase of pensions in payment*  | <b>2.4</b>         | 2.4               | <b>2.4</b>          | 2.4               |
| Rate of increase for deferred pensioners* | <b>2.4</b>         | 2.4               | <b>2.4</b>          | 2.4               |
| Discount rate                             | <b>2.4</b>         | 2.4               | <b>2.4</b>          | 2.4               |

\* 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-18<br>years | 31-Mar-17<br>years | 31-Mar-18<br>years  | 31-Mar-17<br>years |
| Male currently aged 65   | <b>23.1</b>        | 23.0               | <b>23.1</b>         | 23.1               |
| Female currently aged 65 | <b>25.4</b>        | 25.3               | <b>25.4</b>         | 25.3               |
| Male currently aged 50   | <b>24.7</b>        | 24.6               | <b>24.8</b>         | 24.7               |
| Female currently aged 50 | <b>27.1</b>        | 27.0               | <b>27.1</b>         | 27.0               |

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 7.7% in the MLC Scheme, and by 10.5% in the HGCA Scheme.

The mortality rate, which determines the above future life expectancies, is based on a long-term trend improvement of 1.5% pa. If the rate of improvement were assumed at 1.75% pa, liabilities would increase by 1.6% for MLC and 1.2% for HGCA.

If the RPI price inflation measure applied of 3.4% were to be increased by 0.25%, liabilities would increase by 2.5% in the MLC Scheme, and by 4.7% in the HGCA Scheme.

If the assumption of growth in salaries, currently assumed to be 2.4%, were to be increased to 3.4%, liabilities would increase by 0.5% for MLC and by 0.7% for HGCA.

## Notes to the financial statements

### 15. Pensions (continued)

#### 15c. 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-18<br>% pa  | 31-Mar-17<br>% pa | 31-Mar-18<br>% pa   | 31-Mar-17<br>% pa |
| Equities                 | 29.6               | 29.3              | 40.2                | 33.2              |
| Gilts                    | -                  | -                 | 49.2                | 65.6              |
| Annuities                | -                  | -                 | 0.8                 | 0.8               |
| Cash                     | 0.1                | 0.1               | 9.8                 | 0.4               |
| Other - Insurance policy | 70.3               | 70.6              | -                   | -                 |

#### 15d. Components of defined benefit cost for the 12 months ended 31 March 2018

Analysis of amounts charged to statement of comprehensive income:

|   | MLC Pension Scheme                       |  | HGCA Pension Scheme                      |  | Total Pension Schemes                    |  |
|---|--|--|--|--|--|--|
|   | For the year ended<br>31-Mar-18<br>£'000 | For the year ended<br>31-Mar-17<br>£'000 | For the year ended<br>31-Mar-18<br>£'000 | For the year ended<br>31-Mar-17<br>£'000 | For the year ended<br>31-Mar-18<br>£'000 | For the year ended<br>31-Mar-17<br>£'000 |
| Current service cost  | (600)                                    | (400)                                    | (82)                                     | (57)                                     | (682)                                    | (457)                                    |
| Administration costs  | (400)                                    | (700)                                    | (23)                                     | (21)                                     | (423)                                    | (721)                                    |
| Net interest on net defined benefit liability/(asset)       | (200)                                    | 100                                      | -  | 5  | (200)                                    | 105                                      |
| <b>Total income/(expense) recognised in profit and loss</b> | <b>(1,200)</b>                           | <b>(1,000)</b>                           | <b>(105)</b>                             | <b>(73)</b>                              | <b>(1,305)</b>                           | <b>(1,073)</b>                           |

## Notes to the financial statements

### 15. Pensions (continued)

#### 15d. 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-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
| Actuarial gains and (losses) on assets                               | 3,400                                 | 24,700                                | (544)                                 | 2,730                                 | 2,856                                 | 27,430                                |
| Experience gains and (losses) on liabilities                         | (1,000)                               | 600                                   | (174)                                 | (115)                                 | (1,174)                               | 485                                   |
| Gains (losses) from changes to assumptions                           | 600                                   | (33,700)                              | 146                                   | (4,901)                               | 746                                   | (38,601)                              |
| Change in irrecoverable surplus                                      | -                                     | -                                     | 440                                   | 2,070                                 | 440                                   | 2,070                                 |
| <b>Total amount (charged)/credited in other comprehensive income</b> | <b>3,000</b>                          | <b>(8,400)</b>                        | <b>(132)</b>                          | <b>(216)</b>                          | <b>2,868</b>                          | <b>(8,616)</b>                        |

#### 15e. 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-18<br>£'000 | As at 31-Mar-17<br>£'000 | As at 31-Mar-18<br>£'000 | As at 31-Mar-17<br>£'000 | As at 31-Mar-18<br>£'000 | As at 31-Mar-17<br>£'000 |
| Present value of defined benefit obligation                                | (220,500)                | (225,400)                | (24,401)                 | (24,332)                 | (244,901)                | (249,732)                |
| Fair value of plan assets  | 217,300                  | 220,100                  | 25,657                   | 26,085                   | 242,957                  | 246,185                  |
| Surplus/(deficit) on Scheme  | (3,200)                  | (5,300)                  | 1,256                    | 1,753                    | (1,944)                  | (3,547)                  |
| Irrecoverable surplus (effect of asset ceiling)                            | -                        | -                        | (1,414)                  | (1,811)                  | (1,414)                  | (1,811)                  |
| <b>Net asset/(liability) recognised in Statement of Financial Position</b> | <b>(3,200)</b>           | <b>(5,300)</b>           | <b>(158)</b>             | <b>(58)</b>              | <b>(3,358)</b>           | <b>(5,358)</b>           |

## Notes to the financial statements

### 15. Pensions (continued)

#### 15e. 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-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
| Surplus/(deficit) in the Scheme at start of year      | (5,300)                               | 3,800                                 | (58)                                  | 114                                   | (5,358)                               | 3,914                                 |
| Contributions paid                                    | 300                                   | 300                                   | 137                                   | 117                                   | 437                                   | 417                                   |
| Current service cost                                  | (600)                                 | (400)                                 | (82)                                  | (57)                                  | (682)                                 | (457)                                 |
| Net interest on net defined benefit (asset)/liability | (200)                                 | 100                                   | -                                     | 5                                     | (200)                                 | 105                                   |
| Administration costs                                  | (400)                                 | (700)                                 | (23)                                  | (21)                                  | (423)                                 | (721)                                 |
| Actuarial (loss)/gain                                 | 3,000                                 | (8,400)                               | (132)                                 | (216)                                 | 2,868                                 | (8,616)                               |
| Surplus/(deficit) in the Scheme at end of year        | (3,200)                               | (5,300)                               | (158)                                 | (58)                                  | (3,358)                               | (5,358)                               |

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2018 of £137k (2017: £117k) include the additional Scheme augmentation component of £75k (2017: £75k) referred to in 16a.

#### 15f. 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-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
| Balance at 1 April                                  | (225,400)                             | (195,500)                             | (24,332)                              | (19,340)                              | (249,732)                             | (214,840)                             |
| Current service cost                                | (600)                                 | (400)                                 | (82)                                  | (57)                                  | (682)                                 | (457)                                 |
| Interest cost                                       | (5,300)                               | (6,300)                               | (577)                                 | (627)                                 | (5,877)                               | (6,927)                               |
| Contributions by plan participants                  | (100)                                 | (200)                                 | (14)                                  | (15)                                  | (114)                                 | (215)                                 |
| Actuarial gains/(losses) on experience              | (1,000)                               | 600                                   | (174)                                 | (115)                                 | (1,174)                               | 485                                   |
| Actuarial gains/(losses) on demographic assumptions | -                                     | -                                     | -                                     | -                                     | -                                     | -                                     |
| Actuarial gains/(losses) on financial assumptions   | 600                                   | (33,700)                              | 146                                   | (4,901)                               | 746                                   | (38,601)                              |
| Benefits paid                                       | 11,300                                | 10,100                                | 632                                   | 723                                   | 11,932                                | 10,823                                |
| Scheme liabilities at end of year                   | (220,500)                             | (225,400)                             | (24,401)                              | (24,332)                              | (244,901)                             | (249,732)                             |

# Notes to the financial statements

## 15. Pensions (continued)

### 15f. 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-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 | For the year ended 31-Mar-18<br>£'000 | For the year ended 31-Mar-17<br>£'000 |
| Balance at 1 April  | 220,100                               | 199,300                               | 26,085                                | 23,211                                | 246,185                               | 222,511                               |
| Expected return on plan assets                            | 5,100                                 | 6,400                                 | 620                                   | 756                                   | 5,720                                 | 7,156                                 |
| Return on scheme assets greater/(less) than discount rate | 3,400                                 | 24,700                                | (544)                                 | 2,730                                 | 2,856                                 | 27,430                                |
| Contributions by the employer                             | 300                                   | 300                                   | 137                                   | 117                                   | 437                                   | 417                                   |
| Contributions by the plan participants                    | 100                                   | 200                                   | 14                                    | 15                                    | 114                                   | 215                                   |
| Administration costs                                      | (400)                                 | (700)                                 | (23)                                  | (21)                                  | (423)                                 | (721)                                 |
| Benefits paid   | (11,300)                              | (10,100)                              | (632)                                 | (723)                                 | (11,932)                              | (10,823)                              |
| Fair value of assets at end of year                       | 217,300                               | 220,100                               | 25,657                                | 26,085                                | 242,957                               | 246,185                               |

The actual return of plan assets in the MLC Pension Scheme was a gain of £8.5 million (2016/17: gain of £31.1 million). The actual return of plan assets in the HGCA Pension Scheme was a £0.1 million gain (2016/17: gain of £3.5m).

### 15g. 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<br>£000 | HGCA<br>£000 |
|---|-------------|--------------|
| Expected benefit payments made during 2018/19 | 10,000      | 646          |
| Expected benefit payments made during 2019/20 | 9,900       | 638          |
| Expected benefit payments made during 2020/21 | 10,000      | 697          |
| Expected benefit payments made during 2021/22 | 9,900       | 735          |
| Expected benefit payments made during 2022/23 | 10,300      | 820          |
| Expected benefit payments 2023/24 to 2027/28  | 52,000      | 4,225        |

# Notes to the financial statements

## 15. Pensions (continued)

### 15h. Defined Contribution Schemes

#### MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 30 members as at 31 March 2018 (31 March 2017: 32 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 2018 was £88k (2016/17: £91k) and the value of outstanding contributions as at 31 March 2018 was £7k (31 March 2017: £7k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 15i. 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. The Scheme had a total of 495 members as at 31 March 2018 (31 March 2017: 449 members). The normal current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10%, respectively. The Scheme is provided by Legal & General. The cost to AHDB of operating the Scheme during the year ended 31 March 2018 was £1,245k (2017: £1,128k). The value of outstanding contributions as at 31 March 2018 was £110k (31 March 2017: £100k).

## 16. 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.

Gwyn Jones is chairman of RUMA (The Responsible Use of Medicines in Agriculture) with transactions of £15k during the year and no balance was due at 31 March 2018.

Peter Kendall and Mike Sheldon are both directors of Assured Food Standards (AFS) with transactions of £284k during the year and no balance was due at 31 March 2018.

All the above transactions were on an arm's length basis. No other AHDB 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 IAS 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 and staff report on page 20.

## 17. Events after the reporting date

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 2017/18

| SECTOR                              | Standard Levy rate<br>2017/18 | SECTOR                                  | Standard Levy rate<br>2017/18 |
|-------------------------------------|-------------------------------|---|-------------------------------|
| <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 2018

## AHDB Pork Sector Board

**Mike Sheldon**, (Chair)  
**Robert Beckett**, pig farmer, Yorkshire  
**Richard Buckle**, pig farmer, Yorkshire  
**Adam Cheale**, processor  
**William de Klein**, processor  
**Barry Lock**, processor  
**Robert Mutimer**, pig farmer, Norfolk  
**\*Andrew Saunders**, processor  
**Robert Shepherd**, pig farmer, Hampshire  
**Simon Watchorn**, pig farmer, Suffolk  
**Iain Wylie**, independent member

*\*Denotes end of term in office on 31 March 2018.  
The following new member was appointed from 1 April 2018:  
Mark Haighton*

## AHDB Dairy Sector Board

**Gwyn Jones**, (Chair)  
**David Cotton**, dairy farmer, Somerset  
**\*Keith Davis**, dairy farmer, Gloucestershire  
**Tim Gue**, dairy farmer, West Sussex  
**Oliver Hall**, dairy farmer, Ayrshire  
**\*Chris James**, dairy farmer, Pembrokeshire  
**\*Peter Nicholson**, processor  
**Janette Prince**, dairy farmer, Staffordshire  
**Richard Soffe**, independent member  
**Mary Quicke**, dairy farmer, Devon

*\*Denotes end of term in office on 31 March 2018.  
The following new members were appointed from 1 April 2018:  
David Craven, Andrew Fletcher and Peter Rees*

## AHDB Beef & Lamb Sector Board

**Adam Quinney**, (Chair)  
**Philip Abbott**, sheep farmer, Warwickshire  
**\*Mark Allan**, processor  
**Peter Baber**, sheep farmer, Devon  
**\*Howard Bates**, sheep farmer, Kent  
**Stephen Conisbee**, livestock farmer and butcher, Surrey  
**James Evans**, livestock farmer, Shropshire  
**Gill Fine**, independent member  
**\*Andy Foot**, mixed arable and beef farmer, Dorset  
**Laurie Ibbotson**, processor  
**Rizvan Khalid**, processor  
**Duncan Nelless**, livestock farmer, Northumberland  
**Rosalind Turner**, sheep farmer, Leicestershire  
**Robert Venner**, auctioneer  
**\*Paul Westaway**, beef farmer, Gloucestershire

*\*Denotes end of term in office on 31 March 2018.  
The following new members were appointed from 1 April 2018:  
Conor Colgan, James Shouler, Richard Sparey and Stephen  
Thompson*

## AHDB Horticulture Sector Board

**\*Gary Taylor**, (Chair)  
**Martin Emmett**, bulbs and outdoor flowers consultant  
**Martin Evans**, independent member  
**Roma Gwynn**, independent member  
**Robert James**, specialist in protected edibles, Kent  
**Nigel Kitney**, tree fruit grower, Herefordshire  
**Mike Mann**, protected ornamentals grower, Cornwall  
**Robert Saunders**, specialist in fruit agronomy  
**Alison Spaul**, independent member  
**Neville Stein**, independent member  
**Lynden Stowe**, independent member  
**Dr Louise Sutherland**, specialist in fresh produce and soft fruit

*\*Gary Taylor stepped down from the main AHDB Board and Chair of the Horticulture Sector Board with effect from 31 March 2018 and Martin Evans became Interim Chair from 1 April 2018*

## AHDB Cereals & Oilseeds Sector Board

**Paul Temple**, (Chair)  
**Ian Backhouse**, arable/livestock farmer, East Yorkshire  
**Jane Biss**, processor  
**Bob King**, independent member  
**Howard Leland**, processor  
**Robert Lasseter**, cereals and pig farmer, Dorset  
**George Lawrie**, cereals farmer, Perthshire  
**Andrew Moir**, cereals farmer, Aberdeenshire  
**David Neal-Smith**, independent member  
**Andrew Osmod**, mixed farmer, Hampshire and Dorset  
**James Price**, arable farmer, Oxford

*The following new member was appointed from 1 April 2018:  
Tony Bell*

## AHDB Potatoes Sector Board

**Sophie Churchill**, OBE (Chair)  
**Reuben Collins**, potato grower, Cornwall  
**\*Dan Hewitt**, processor  
**Philip Huggon**, independent member  
**\*Bruce Kerr**, potato grower, Suffolk  
**Daniel Metheringham**, processor  
**Jonathan Papworth**, potato grower, Cambridgeshire  
**Bill Quan**, potato grower, Herefordshire  
**Alistair Redpath**, seed merchant, Perthshire  
**Will Shakeshaft**, potato grower, Cambridgeshire  
**Andrew Skea**, potato grower, Angus  
**Mark Taylor**, fresh supply, Cambridgeshire  
**Michael Welham**, potato grower, Essex and Suffolk

*\*Denotes end of term in office on 31 March 2018.*



**Registered office:**

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