

Hybu Cig Cymru-Meat Promotion Wales

Company Limited By Guarantee

Company Registration Number: 4635113

**Financial Statements
Year Ended 31 March 2017**

**Hybu Cig Cymru-Meat Promotion Wales
Company Limited By Guarantee**

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**Directors' Report
Year Ended 31 March 2017**

The Directors present herewith their annual report, together with the audited financial statements of the company, for the year ended 31 March 2017. For the purpose of the narrative of this report, 'HCC' is used in place of Hybu Cig Cymru-Meat Promotion Wales for brevity.

1. Results

The result for the year was a deficit of £341,515 (2016: deficit £155,944).

2. Principal Activity and Strategic Report

The company's principal activity during the year was that of the development and promotion of Welsh red meat.

HCC has worked towards targets contained in the Corporate Plan for 2016-19. The Corporate Plan outlines the planned delivery by HCC to contribute towards the objectives of the Strategic Action Plan for the Red Meat Industry. The Action Plan aims to deliver a profitable, sustainable, efficient and innovative Welsh red meat industry that responds competitively to ever changing global market trends and benefits producers, processors and consumers.

The result for the year can be found in the Statement of Comprehensive Income on page 13 and the position of the company at the year end in the Balance Sheet on page 14.

Key performance indicators for the company are:

	2017	2016
	£	£
Levy income	3,569,392	3,681,860
Grant income	717,145	1,557,957
Operating deficit	(341,947)	(156,527)

The levy income decreased by 3% due to the reduced throughput of cattle.

Grant income decreased due to funding received under the Rural Development Plan for Wales 2007-2013 ceasing and reduced funding from Welsh Government for export development activities.

The operating deficit arose due to maintaining export activities despite the loss of WG grant funding and the effect of exchange rate movements on EU Market Promotion funded expenditure.

A market valuation of the office building was carried out at 31 March 2015 at a value of £480,000 and has been reflected in the balance sheet. In the opinion of the Directors, the value of the building has not changed significantly during the year.

It is not the intention of the Board of HCC to move from the premises for the foreseeable future. As per the company's accounting policy, the building will be valued again in March 2018.

Directors' Report (continued)
Year Ended 31 March 2017

2. Principal Activity and Strategic Report (continued)

Environmental Policy

Hybu Cig Cymru is committed to minimising the impact of its activities on the environment. The key points of its strategy to achieve this are:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible;
- Minimise toxic emissions through the selection and use of its fleet and the source of its power requirement;
- Actively promote recycling;
- Source and promote a product range to minimise the environmental impact of both production and distribution;
- Meet or exceed all the environmental legislation that relates to the Company.

HCC monitors the effectiveness of its policy through regular submission of information to the Welsh Government carbon reduction programme.

Employees

HCC believes that all employees (or potential employees) can contribute fully and effectively to the goals of the organisation and is committed to making full use of the talents and resources of all. As such no-one will receive less favourable treatment on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

At the year end, the analysis by gender of the full time staff was as follows:

	Female		Male	
	2017	2016	2017	2016
Staff	20	20	7	7

The gender balance of the Board Of Directors, who are all non executive, was as follows:

	Female		Male	
	2017	2016	2017	2016
Directors	1	1	9	9

A new Board of Directors was appointed on 1 April 2017. The gender balance of the new Board is as follows:

	Female	Male
Directors	5	5

No information is provided in respect of social and community issues.

**Directors' Report (continued)
Year Ended 31 March 2017**

3. Principal Risks and Uncertainties

The company's risk framework is outlined on page 6. This ensures that HCC's internal systems identify, monitor and respond to risks.

The principal risk to the business is the level of levy income. Due to the nature of the levy system, HCC has no control over the number of animals slaughtered in Wales nor as to where animals reared in Wales are slaughtered. In addition, income is known only when returns are submitted by processors. For this reason, HCC is seeking a more equitable distribution of levy income throughout Great Britain, reflecting the breeding population of the respective countries as opposed to the geographical location of abattoirs. This procedure will lead to fulfilling HCC's financial risk objective of reducing loss of income to nil.

HCC has augmented its levy income in the past through obtaining grant income through the Rural Development Plan for Wales 2007-2013, funds from which were received up until July 2015. HCC has received some funding in respect of a development plan under the Rural Development Plan 2014-2020, and work continues with Welsh Government to explore further opportunities for the red meat sector under this scheme.

4. Future Developments

The company will continue to develop and promote Welsh red meat through its levy income and any available grant income.

5. Directors and Their Interests

The Directors of the company throughout the period and up to the date of signing of the financial statements were as follows:

Board Of Directors until resignation on 31 March 2017

Occupation/Other Directorships/Interests

Chairman

D A S Davies

Farmer; Chairman of NFU Mutual Advisory Board for Wales; Director of Carmarthen and Pumpsaint Farmers Limited; Member (Animal Group) Bioscience Knowledge Transfer, Roslin Institute; Member Welsh Government Animal Health & Welfare Framework Group; Member Welsh Government European Funds Programme Monitoring Group

Directors

J H Brereton

Chartered Surveyor; partner in Jones Peckover, Brereton Daulby and Oswestry Livestock Market; Chair Livestock Auctioneers Association

Prof W Haresign

Chair of Red Tractor Pigs Technical Advisory Committee; Member of DEFRA Farm Animals Genetics Resources Committee

**Directors' Report (continued)
Year Ended 31 March 2017**

5. Directors and Their Interests (continued)

B Jones	Chartered Certified Accountant; Audit Manager – National Audit Office
G A Jones	Principal of Gwynn Angell and Associates
G Probert	Farmer; member of 2 Sisters Farmer Producer Group; Member Waitrose Organic Welsh Lamb Group; Chairman of NFU Mutual Advisory Board for Monmouthshire
R Rogers	Farmer; Farming Connect Demonstration Farmer; Member NFU Livestock Board
R Tudor	Farmer; Member NFU Livestock Board
E W Williams	Senior Livestock Buyer, Dunbia (Wales) Limited; Farmer; Director of Welsh Lamb and Beef Producers Ltd, Pontbren Ltd; Member Sainsbury Lamb Development Group
J Yeomans	Farmer; Director of Beulah Sire Reference Co Ltd; Moredun Research Institute Welsh Regional Advisor

Board Of Directors appointed 1 April 2017

Interim Chairman

K Roberts	Accountant; Director of Verley Consulting Limited; Chair Amaeth Cymru; Chair Association Of Labour Providers
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Directors

G W Davies	Head Of Agriculture, Wynnstay Group PLC; Director of Celtic Pride Limited; Bibby Agriculture Limited; Wynnstay Agriculture Supplies Limited; Grainlink Limited
D D H Davies	Farmer; Director Llandre Limited; Member NFU Cymru Livestock Board; NFU National Livestock Board; NFU Beef Board; Vice-Chair Carmarthenshire NFU
J T Davies	Farmer; Director of Cwmbetws Limited
R L J Madeley Davies	Agricultural Consultant
I L Dunsford	Farmer; Director Charcutier Limited; Cellular Agriculture Limited; Slow Food In The UK; Slow Food Cymru Wales; Member UK PFN Association
H S G Howells	Consultant; Farmer; Director Hwylus Cyfyngedig;
B Jones	Farmer; Group Lamb Commercial Manager Dunbia (Wales) Limited; Director Barrie Jones & Son Properties Limited
C M Smith	Red Meat Sector Consultant; Development Officer Farming Connect
C Williams	Farmer
O B Williams	I T Consultant

**Directors' Report (continued)
Year Ended 31 March 2017**

6. Share Capital

The company is limited by guarantee and does not have any share capital. The liability of the member is limited to £100.

7. Auditors

The Auditor General for Wales is the company's auditor in accordance with paragraph 18(1) of schedule 8 to the Government of Wales Act 2006.

8. Governance Statement

Governance Framework

The Directors are responsible for the company's corporate governance and have adopted the practices set out in the UK Corporate Governance Code, where this is relevant and practical.

The Chief Executive has responsibility as Accounting Officer for maintaining a sound system of internal control that supports the achievement of HCC's policies, aims and objectives whilst safeguarding the public funds and organisational assets in accordance with the responsibilities set out in "Managing Welsh Public Money".

HCC is funded by grant income, invoiced sales and levy. The Welsh Ministers have the power to impose a levy under the Red Meat Industry (Wales) Measure 2010. The functions under the Measure are delegated to HCC through a delegation agreement.

The Board of Directors

The Board of Directors has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within HCC and determining the level of risk that is acceptable in specific areas of activity. It does this by its policy and overall approach.

The Board are aware of and have adopted an Anti-Bribery and Corruption policy.

HCC's Audit and Risk Committee

The remit of the Audit and Risk Committee is defined to include considering the planned activity and results of both the internal review and external audit. The composition of the Committee during the year to 31 March 2017 was as follows:- J Brereton; B Jones (Chair) G Probert. On 1 April 2017, a new Board of Directors was appointed. The following Directors were co-opted on to the Audit and Risk Committee and reviewed these financial statements and recommended approval by the Board: G Davies (Chair); J Davies; C Smith; O Williams

HCC's Remuneration Committee

The Remuneration Committee of the Board of Directors recommends the remuneration of the Chief Executive.

Review of effectiveness

HCC has conducted its own review of the effectiveness of the system of internal control which was overseen by the Audit and Risk Committee. The implications of the review of the effectiveness of the system of internal control have been advised to the Board of Directors. The company's systems are under constant review.

Directors' Report (continued)
Year Ended 31 March 2017

8. Governance Statement (continued)

Review of effectiveness (continued)

In reviewing the effectiveness of HCC's system of internal control the Audit and Risk Committee has undertaken the following key activities:

- *Financial Reporting*
Gained an understanding of the current areas of greatest financial risk and how management is managing them effectively.
- *Annual Financial Statements*
Reviewed the annual financial statements and determined whether they are complete and consistent with the information known to committee members; assessed whether the financial statements reflect appropriate accounting principles; met with management and the external auditors to review the financial statements and the results of the audit.
- *Internal Review*
Internal reviews were undertaken by the company. A review of internal procedures was carried out.
- *External Audit*
Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of HCC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place for the year ended 31 March 2017 and up to the date of approval of the financial statements and accords with Treasury guidance.

Capacity to handle risk

Leadership is given to the risk management process through the Board of Directors and Audit and Risk Committee.

HCC's executive management are the company's risk management team and are responsible for disseminating good practice throughout the organisation. Training is provided to the executive team to enable them to fulfil this role.

The Risk Framework

The company's risk management policy is a key element within its internal control and corporate governance framework. It covers HCC's approach to risk management, roles and responsibilities, risk management process and its review.

HCC's risk appetite is determined upon the assessed impact the risk has on the goals, objectives and financial resources of the company.

**Directors' Report (continued)
Year Ended 31 March 2017**

8. Governance Statement (continued)

The following items are key elements in the system of internal control:

Framework agreement

A framework agreement has been established between HCC and the Welsh Government. This agreement details the governance arrangements between Welsh Government, being the sole member, and HCC.

Risk Register

A Risk Register is in existence, identifying risks and ranking them for risk and effect. The register is examined regularly by the executive team and reviewed by the Audit and Risk Committee.

Business Continuity Plan

A Plan has been prepared to consider ways and means for HCC to continue to operate its core activities should a disaster occur.

Corporate Plan

A Corporate Plan covering the forthcoming three year period has been published.

Operational Plan

An Annual Operational Plan and Budget is presented to the Board. The Plan for 2017/18 was approved at the March 2017 Board meeting.

Financial Reporting

Financial reports are regularly presented to the Board.

Non Financial Reporting

HCC has developed a Monitoring and Evaluation System which monitors outcomes and outputs against targets set in the Business Plan. Regular reviews are undertaken by each department and the executive team to ensure that outcomes are being achieved, resources are applied in appropriate areas and that HCC is delivering value for money for its levy payers.

9. Sickness Absence

During the year, HCC's sickness absence rate amounted to 0.65% (2016: 0.7%).

10. Statement As To Disclosure Of Information To Auditors

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the Auditor.

**Directors' Report (continued)
Year Ended 31 March 2017**

11. Statement Of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing the financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS as adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the HCC website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board.

T G Howells
Company Secretary

6 July 2017

**Remuneration Report
Year Ended 31 March 2017**

Remuneration Committee

The Remuneration Committee of the Board of Directors recommends the remuneration of the Chief Executive. The composition of the Committee during the year to 31 March 2017 was as follows:- Prof W Haresign (Chairman); D A S Davies; B Jones.

Statement Of Remuneration Policy

All Directors of the company are non-executive and, in view of the company being limited by guarantee, have no share interest in the company.

D A S Davies, was re-appointed as Chairman by the Minister for Rural Affairs from 1 November 2013 for a three year period, which was extended until his retirement of 31 March 2017. His remuneration was set at a maximum of £24,264pa for the duration of his term of office.

The Directors were appointed by the Minister for Natural Resources and Food from 1 April 2012 for a three year period. This period was extended by the Welsh Government until all Directors retired on 31 March 2017.

The remuneration of the non-executive Directors was set at £282 per day, subject to a maximum of £3,384pa plus expenses.

The maximum amount stated relates to attendance within a financial year.

An Interim Chairman and Board of Directors were appointed on 1 April 2017 for a three year period. The Interim Chairman's remuneration has been set at £500 per day and the Directors at £300 per day. No costs were incurred in the year to 31 March 2017 in respect of these Directors.

Attendance Records

The Board met 6 times during the period April 2016 to March 2017. The number of Board meetings attended by the Directors are as follows:

	2016/2017	2015/2016
J H Brereton	6	6
D A S Davies	6	6
Prof W Haresign	5	6
B Jones	4	6
G A Jones	6	5
G Probert	6	6
R Rogers	5	6
R Tudor	5	6
E W Williams	4	6
J Yeomans	5	6

In addition to the above, Directors attend meetings of Sub Committees of the Board as well as industry events during the course of the year.

All the above Directors resigned on 31 March 2017. Attendance records for the new Board will be disclosed in the 2017-18 financial statements.

Remuneration Report (continued)
Year Ended 31 March 2017

This section of the Remuneration Report is auditable

Directors Emoluments

Emoluments of the Directors who served throughout the year to 31 March 2017 are as follows:

	2017	2016	2017	2016
	£	£	£	£
	Remuneration		Expenses	
Payments within the band £20,001 - £25,000				
D A S Davies	21,905	18,198	5,016	4,772
Payments within the band £0 - £5,000				
J H Brereton	2,538	1,974	546	494
Prof W Haresign	3,384	3,384	299	208
B Jones ⁽¹⁾	-	-	927	769
G A Jones	3,243	2,538	955	778
G Probert	3,384	3,102	811	757
R Rogers	2,820	2,538	745	828
R Tudor	3,384	3,384	448	526
E W Williams	2,820	3,102	428	364
J Yeomans	3,384	3,384	590	568

The Remuneration of the Board members is in respect of attendance at Board meetings, sub-committees of the Board and industry events.

⁽¹⁾ no fees were due in relation to Ms Jones' services as these were borne by her employer.

None of the Directors received any benefits in kind or were eligible for membership of the company pension scheme. Expenses were incurred in respect of their duties as Directors and any mileage incurred on company business was reimbursed at HM Revenue & Customs approved rates.

In addition to the Directors, the emoluments of the Chief Executive, T G Howells, were as follows:

	2017	2016
Salary	£85,001 - £90,000	£85,001 - £90,000
Benefits in kind	£13,728	£13,169
Pension contributions	£17,208	£13,311

Fair Pay Disclosures

	2017	2016
Median total remuneration of staff	£30,906	£30,524
Ratio to highest paid employee	2.90	2.91
Range of staff remuneration	£17,940 - £66,636	£17,719 - £65,813

Independent Auditor's Report to the Member of Hybu Cig Cymru – Meat Promotion Wales

I have audited the financial statements of Hybu Cig Cymru – Meat Promotion Wales for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and the Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the Directors are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the financial statements.

I also obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the company as at 31 March 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Regularity

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

**Independent Auditor's Report to the Member of Hybu Cig Cymru – Meat Promotion Wales
(continued)**

Opinion on other matters prescribed by the Companies Act 2006

In my opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.
- The Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified material misstatements in the Directors' Report.

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- I have not received all the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales

24 Cathedral Road
Cardiff CF11 9LJ

Statement of Comprehensive Income
Year Ended 31 March 2017

	Notes	<u>2017</u> £	<u>2016</u> £
Revenue	5	4,342,454	5,260,998
Expenditure			
Operating expenses	7	4,684,401	5,417,525
		<hr/>	<hr/>
Operating (Deficit)		(341,947)	(156,527)
Finance Income		540	729
		<hr/>	<hr/>
Excess of Expenditure Over Income on Ordinary Activities Before Taxation	7	(341,407)	(155,798)
Taxation	10	(108)	(146)
		<hr/>	<hr/>
Deficit and total comprehensive income for the year attributable to the company's member		(341,515) =====	(155,944) =====

**Balance Sheet
31 March 2017**

	Notes	<u>2017</u> £	<u>2016</u> £
Non Current Assets			
Property, plant and equipment	11	472,195	492,228
		<u>472,195</u>	<u>492,228</u>
Current Assets			
Trade and other receivables	12	934,640	1,157,051
Cash and cash equivalents		642,294	766,680
		<u>1,576,934</u>	<u>1,923,731</u>
Current Liabilities			
Trade and other payables	13	450,894	476,209
Current tax liabilities		108	108
		<u>451,002</u>	<u>476,317</u>
Net Current Assets		<u>1,125,932</u>	<u>1,447,414</u>
Net Assets		<u>1,598,127</u>	<u>1,939,642</u>
Reserves			
Retained Income	15	<u>1,598,127</u>	<u>1,939,642</u>

For the year ending 31 March 2017, the company was entitled to exemption from the requirements of Part 16 of the Companies Act 2006 under section 482 of this Act (non profit making companies subject to public sector audit).

The financial statements, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows and related notes (1 to 21), were approved and authorised for issue by the Board of Directors on 6 July 2017 and signed on its behalf by

K Roberts
Chairman

T G Howells
Accounting Officer

**Statement of Cash Flows
Year Ended 31 March 2017**

	<u>2017</u> £	<u>2016</u> £
Cash Flows from Operating Activities		
Operating (deficit)	(341,947)	(156,527)
Depreciation & loss on disposal of assets	25,008	19,915
Movements in working capital:		
Decrease in trade and other receivables	222,411	653,287
Decrease in trade and other payables	(25,315)	(336,970)
Cash (used)/generated by operations	<u>(119,843)</u>	<u>179,705</u>
Taxes paid	(108)	(160)
Net cash (used)/generated by operating activities	<u>(119,951)</u>	<u>179,545</u>
Cash Flows from Investing Activities		
Interest received	540	729
Purchase of plant and equipment	(4,975)	(3,700)
Proceeds on disposal of assets	-	-
Net cash used in investing activities	<u>(4,435)</u>	<u>(2,971)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(124,386)</u>	<u>176,574</u>
Cash and cash equivalents at the beginning of the year	<u>766,680</u>	<u>590,106</u>
Cash and cash equivalents at the end of the year	<u>642,294</u>	<u>766,680</u>

**Notes To The Financial Statements
Year Ended 31 March 2017**

1. General Information

Hybu Cig Cymru-Meat Promotion Wales (HCC) is a limited liability company incorporated and domiciled in the United Kingdom. The company is limited by guarantee and does not have a share capital. The registered number of the company is 4635113 and its registered office is Ty Rheidol, Parc Merlin, Aberystwyth, SY23 3FF.

The sole member of the company throughout the year was the Welsh Ministers.

2. Statement Of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and in accordance with applicable provisions of the Companies Act 2006. The principles of HM Treasury's The Financial Reporting Manual 2016-17 have also been followed.

3. Basis Of Preparation

The financial statements are presented in pounds sterling. They have been prepared on the historical cost basis with the exception of the freehold property which is carried on a valuation basis.

4. Significant Accounting Policies

Separate financial statements

The company is not required to prepare group accounts as the group comprising the company and its subsidiary fall below the Companies Act 2006 small group threshold. In addition, the Welsh Government does not require group accounts to be prepared.

Going Concern

The company has net assets of £1,598,127 at 31 March 2017. These financial statements have been prepared on a going concern basis as the company has prepared a budget and cash flow forecast for the twelve months following the date of approval of these financial statements which demonstrates that the company has sufficient cash to continue to meet its liabilities as they fall due. On this basis the Directors consider the company to be a going concern.

Revenue

Revenue comprises levy income, grants and invoiced services.

Levy income – a statutory levy is charged in respect of all animals fit for human consumption slaughtered in Wales. Income is recognised at the date of slaughter, up to the last full week of March.

Grant income – grants are received from the EU Internal Market Promotions Fund and the Welsh Government, through direct grant funding and the Rural Development Plan for Wales 2014-2020.

Grants are claimed when the expenditure has been defrayed but grant income is recognised in the financial statements to match costs when the activity has taken place. Grant income is outside the scope of VAT.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

4. Significant Accounting Policies (continued)

Revenue continued

Invoiced Services – income is recognised when the activity has taken place. Such activity relates to services performed on behalf of other bodies. Income is stated net of value added tax.

Property, plant and equipment

Freehold property is stated at valuation less accumulated depreciation. Depreciation is not provided in the year of acquisition. Freehold land is not depreciated. A valuation of the freehold property is to be carried out every three years, unless in the Directors' opinion, local market movement deems more frequent valuation to be necessary.

Plant and equipment are stated at cost less accumulated depreciation.

Freehold property, plant and equipment assets are depreciated to their residual value over their anticipated useful economic lives on the following bases:

Freehold property	3.33%	straight line
Computer equipment	33%	reducing balance
Office furniture	25%	reducing balance
Motor vehicles	25%	reducing balance

Impairment of property, plant and equipment

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss with reference to both the business and corporate plans. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the relevant asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Financial Instruments

Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2017**

4. Significant Accounting Policies (continued)

Financial assets

Trade receivables, outstanding levy income and accrued income:

Trade receivables, outstanding levy income and accrued income are initially recognised at fair value. A provision for impairment is made where there is objective evidence, (including customers with financial difficulties or in default on payments), that amounts will not be recovered in accordance with original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand and deposits held with financial institutions at call and on short term notice not exceeding three months.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Trade payables

Trade payables are initially recognised at cost.

Leases

Leases that transfer substantially all the risks and rewards of ownership to the company are classified as finance leases. Other leases are operating leases and are not recognised in the company balance sheet. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Pensions

The company makes contributions for some employees, whom were transferred to the company under TUPE regulations, to a defined benefit pension scheme. The regular pension cost is charged to the Statement of Comprehensive Income and is based on the expected pension costs over the service lives of the employees. The scheme is now closed to new employees.

The company makes defined contributions to individual pension plans for all of its other employees. Contributions payable for the year are charged to the Statement of Comprehensive Income. The pension plans are grouped together under the Hybu Cig Cymru Group Pension Plan. Contributions commence as soon as practicable after employees commence employment.

Foreign Currency

Normal trading activities in foreign currencies, being the payment of foreign suppliers, are recorded in sterling at the exchange rate as of the date of the transaction.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2017**

4. Significant Accounting Policies (continued)

Accounting Estimates and Judgements

In the application of the Company's accounting policies, which are described earlier in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Critical judgements in applying the Company's accounting policies:

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Company's accounting policies and that must have the most significant effect of the amounts recognised in the financial statements.

Revenue recognition:

In making their judgement, the Directors considered the detailed criteria for the recognition of revenue set out in IAS 18 Revenue.

Provision for doubtful debts:

The recognition of an impairment of a financial asset is based upon the likelihood of the value of the financial assets being recovered. Recognition of an impairment therefore requires justification regarding recoverability.

Impairment of property, plant and equipment:

Determining whether property, plant and equipment is impaired requires an estimation of the value in use of the cash-generating units. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Pension liability:

The Directors have received and considered an actuarial valuation regarding a potential liability in respect of one of the Company's pension schemes, as more detailed in note 18.

Key sources of estimation uncertainty

The Directors believe that there are no key sources of estimation uncertainty in the accounts for the period.

Impact of standards not yet effective

The Directors have considered the impact of standards and interpretations which have been issued but are not yet effective and which have not been adopted early by the company.

With the exception of IFRS 16 Leases, the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

The impact of IFRS 16, which has been issued by the IASB but not yet been adopted by the European Union and will apply from 2019-20, is not reasonably estimable at this stage.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

5. Revenue

	<u>2017</u>	<u>2016</u>
	£	£
Levy	3,569,392	3,681,860
Grants received: RDP	97,140	573,406
: Welsh Government	56,731	400,000
: EU Market Promotion	563,274	584,551
Services	55,917	21,181
	<u>4,342,454</u>	<u>5,260,998</u>
	=====	=====

6. Operating Segment

The Board considers that the company consists of two business operating segments, all contributing to the development and promotion of Welsh red meat. The segments were determined by the source of income and relevant expenditure.

All of the income generated by the business arises from the United Kingdom.

		Levy	Grants	Total
2017	Revenue	4,188,583	153,871	4,342,454
	Expenditure	4,530,562	153,839	4,684,401
	Operating Deficit	<u>(341,979)</u>	<u>32</u>	<u>(341,947)</u>
		=====	=====	=====
2016	Revenue	4,287,592	973,406	5,260,998
	Expenditure	4,427,710	989,815	5,417,525
	Operating Deficit	<u>(140,118)</u>	<u>(16,409)</u>	<u>(156,527)</u>
		=====	=====	=====

The EU Internal Market Promotions grant funded activity is not considered a segment, as the grant only contributes 50% of the related expenditure, and is therefore included within the levy segment.

The levy sector also includes other services which enhance levy expenditure.

Within levy income, 3 companies operating abattoirs in Wales account for 29%, 20% and 16% respectively (2016: 26%, 16% and 13%) of total income of £4,337,108.

Within grants, direct grants received from the Welsh Government and also under the Rural Development Plan for Wales 2014-20 accounts for 3.4% (2016: 18.5%) of total income of £4,337,108.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

7. Excess of Expenditure Over Income on Ordinary Activities Before Taxation

The result is stated after charging/(crediting) the following:

	<u>2017</u>	<u>2016</u>
	£	£
Auditors – audit	18,858	19,703
Staff costs (note 8)	1,030,173	1,059,579
Directors fees (note 9)	58,030	52,678
Depreciation	23,758	19,915
Loss on disposal of assets	1,250	-
Loss/(profit) on foreign exchange	3,417	56
Operating lease rentals – equipment	47,178	58,609
property	32,505	17,976
Bad debts re levy due	35,076	52,358

Operating expenses

	<u>2017</u>	<u>2016</u>
	£	£
UK - Advertising	303,555	632,523
- Promotion	331,857	351,376
- Public Relations	546,887	528,963
Export – Advertising	502,369	509,509
- Promotion	970,599	576,468
- Public Relations	522,485	465,022
Market Intelligence, Research & Development and Technical Support	471,188	302,255
Grant Expenses	153,839	989,815
Corporate Costs	881,622	1,061,594
Total	<u>4,684,401</u>	<u>5,417,525</u>
	=====	=====

Staff costs are assigned to the activity to which they relate.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

8. Staff Costs

Staff costs comprised:

	<u>2017</u>	<u>2016</u>
	£	£
Wages and salaries	859,102	893,918
Social security costs	97,160	99,115
Other pension costs	73,911	66,546
	<u>1,030,173</u>	<u>1,059,579</u>
	=====	=====

The average number of full time equivalent persons, excluding Directors, employed, on UK employment contracts, during the year was:

	<u>2017</u>	<u>2016</u>
Market Development	7	7
Industry Development	4	6
Communications	3	2
Corporate Services	14	12
	<u>28</u>	<u>27</u>
	_____	_____

9. Directors' Emoluments

Directors' emoluments were as follows:

	<u>2017</u>	<u>2016</u>
	£	£
Fees	46,862	42,450
Expenses	11,168	10,228
	<u>58,030</u>	<u>52,678</u>
	=====	=====

The Directors represent the key management of the company.

No payments have been made to Directors in respect of personal pension schemes.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

10. Taxation

Tax on finance income. The tax charge is made up as follows:

	<u>2017</u>	<u>2016</u>
	£	£
Taxation charge for the period	108	146
	=====	=====
Reconciliation of total tax charge:		
With agreement from HM Revenue and Customs, the company does not undertake any trading activities. The only income subject to corporation tax is finance income.		
Finance income	540	729
	=====	=====
Tax charge at standard rate of corporation tax in the UK for small companies of 20% (2016: 20%)	108	146
	=====	=====

11. Property, Plant and Equipment

Property, Plant and Equipment comprised:

	<u>Freehold Land and Property</u>	<u>Office Equipment</u>	<u>Motor Vehicle</u>	<u>Total</u>
	£	£	£	£
Cost or Valuation				
1 April 2015	480,000	79,090	12,550	571,640
Additions	-	3,700	-	3,700
Disposals	-	-	-	-
At 31 March 2016	480,000	82,790	12,550	575,340
Additions	-	4,281	-	4,281
Disposals	-	(9,220)	-	(9,220)
At 31 March 2017	480,000	77,851	12,550	570,401
Depreciation				
1 April 2015	-	59,060	4,137	63,197
Charge for the year	14,167	3,870	1,878	19,915
Released on disposal	-	-	-	-
At 31 March 2016	14,167	62,930	6,015	83,112
Charge for the year	14,167	7,438	1,459	23,064
Released on disposals	-	(7,970)	-	(7,970)
At 31 March 2017	28,334	62,398	7,474	98,206
Net Book Value				
At 31 March 2017	451,666	15,453	5,076	472,195
	=====	=====	=====	=====
At 31 March 2016	465,833	19,860	6,535	492,228
	=====	=====	=====	=====

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

11. Property, Plant and Equipment (continued)

An independent market valuation of the building was carried out as at 31 March 2015 at a value of £480,000. This was on a freehold vacant possession basis by Aled Ellis, FLAA, assuming a marketing period of two years. Had the building been carried under the cost model, the carrying amount recognised at 31 March 2017 would have been £722,035. (2016:£748,915).

An impairment review of the property, plant and equipment has been carried out and did not reveal any necessity to book an impairment charge or change the depreciation rates currently in use.

Intangible Assets

Additions amounting to £694 were made in the year. These were fully depreciated in the year resulting in a net book value of £nil at the year end.

12. Trade and Other Receivables

Trade and Other Receivables comprised:

	<u>2017</u>	<u>2016</u>
	£	£
Receivables	5,460	2,730
Outstanding levy income	416,984	351,198
Prepayments and accrued income	495,722	635,627
Amount due from group company (note 20)	16,474	167,496
	<u>934,640</u>	<u>1,157,051</u>
	=====	=====

The Directors consider that the book value approximates to their fair value.

The average credit period taken is 42 days (2016: 30 days).

Allowance has been made for estimated irrecoverable amounts of outstanding levy income of £76,904 (2016:£41,828). This amount has been arrived at following a review of the payment history of individual debtors at the balance sheet date, and represents provisions against the relevant carrying amounts. An analysis of the movement on the allowance is set out below:

	<u>2017</u>	<u>2016</u>
	£	£
At 1 April	41,828	13,882
Debt written off	-	(13,882)
Additional allowance	35,076	41,828
	<u>76,904</u>	<u>41,828</u>
	=====	=====

The Directors are satisfied that the credit quality of the remaining debtors is fully recoverable.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2017**

12. Trade and Other Receivables (continued)

The following table provides analysis of amounts receivable that were past due at 31 March 2017, but not impaired. The Company believes that the balances are ultimately recoverable based upon a review of past payment history.

	2017 £	2016 £
Up to 3 months old (2016: 3 months)		
: receivables	-	-
: levy income	74,293	127,812
	<u>74,293</u>	<u>127,812</u>
	=====	=====

Of this, £49,217 has been received after the year end.

Included within prepayments and accrued income is amounts of £97,140 (2016:£0) relating to grant expenditure under Rural Development Plan for Wales 2014-20, £49,458 (2016:£26,708) relating to grant expenditure under WG Export funding and £229,391 (2016:£357,354) relating to grant expenditure under EU Internal Market Promotions Fund not yet refunded. Trade and other receivables include financial assets amounting to £422,444 (2016:£353,928) which are categorised as loans and receivables.

Financial risk management:

Credit Risk

The company's credit risk is principally attributable to its outstanding levy income balances. Due to levy being a statutory charge based on all animals slaughtered for the food chain, HCC is unable to assess the credit worthiness of processors prior to their commencement of trade. In order to reduce the risk, HCC follows detailed credit control procedures.

Liquidity Risk

The company closely monitors its cash balances to outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the company as they fall due.

Capital Risk

The company is not able to set income, but instead budgets are set by the Board each year for planned expenditure, which are then in turn monitored. Any surplus is taken to reserves.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

13. Trade and Other Payables

Trade and Other Payables comprised:

	<u>2017</u>	<u>2016</u>
Amounts falling due within one year	£	£
Other taxation and social security	176,642	138,599
Other Payables	109,998	185,646
Accruals and deferred income	164,254	151,964
	<u>450,894</u>	<u>476,209</u>
	=====	=====

Trade and other payables include financial liabilities amounting to £274,252 (2016:£337,610) which are categorised as other financial liabilities at amortised cost.

14. Share Capital

The company is limited by guarantee and does not have any share capital. The liability of the member is limited to £100.

15. Reserves

	Retained Income
	£
At 1 April 2015	2,095,586
Deficit for the year	(155,944)
	<u>1,939,642</u>
At 1 April 2016	1,939,642
Deficit for the year	(341,515)
	<u>1,598,127</u>
At 31 March 2017	=====

Reserves are held to cover future activities of the company, including unforeseen circumstances.

Notes To the Financial Statements (continued)
Year Ended 31 March 2017

16. Operating lease arrangements

Non-cancellable operating lease commitments:

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

		<u>2017</u>	<u>2016</u>
	£	£	
Within one year	- equipment	24,667	39,637
	property	39,486	27,675
Within two to five years	- equipment	14,145	36,003
	property	75,164	73,637
		<u>153,462</u>	<u>176,952</u>
		=====	=====

The principal items leased are motor vehicles and property. The motor vehicles are leased under full maintenance agreements which reduce the administrative burden of maintaining a fleet of vehicles.

17. Capital Commitments

At the 31 March 2017 there were no capital commitments (2016: £0).

18. Contingent Liabilities

The company is aware of a contingent liability amounting to £609,000 (2016:£374,000).

The contingent liability arises from the provisions of s75 Pension Act 1995 and is based on the latest information available being as at 31 March 2016.

HCC is a participating employer in the Meat and Livestock Commission Pension Scheme for certain of its employees. A liability may arise to pay a proportion of any deficit within the scheme when HCC ceases to employ anyone within that scheme. An estimate of this liability has been calculated as at 31 March 2016 and amounts to £609,000.

International Accounting Standard 37 sets out the accounting treatment for provisions and contingencies. In particular, the standard sets out three requirements for a liability to be recorded as a provision and therefore stated in the company's balance sheet. It is recognised that HCC has a future obligation to satisfy this debt, which arises from the present position of employing staff who are within the MLC Pension scheme. That obligation may require an outflow of resources when the liability crystallises. However, the third requirement is that a reliable estimate is required and in the Directors opinion this requirement is not fulfilled. The estimate as at March 2016 amounted to £609,000, with previous estimates being at March 2015 £374,000, March 2014 £198,000 and March 2013 £303,000. From further advice received it would appear that such fluctuations could arise year on year. In the Directors opinion this does not provide a reliable estimate.

On that basis the potential liability is disclosed as a contingent liability and not a provision.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2017**

19. Related Party Transactions

Throughout the year to 31 March 2017, the Welsh Government was the sole member of the company and the ultimate controlling party.

During 2016-17, the Welsh Government invoiced HCC £6,860 (2016: £0) in respect of event costs of which £0 (2016: £0) was owed to the Welsh Government at the year end and HCC invoiced Welsh Government £15,303 (2016: £0) in respect of services performed and rental of office space.

The company receives funding through the Rural Development Plan for Wales 2014-2020 managed by the Welsh Government of which £97,140 was receivable in the year. At the year end £97,140 (2016:£0) was outstanding relating to grant expenditure not yet refunded.

Direct funding is also received from the Welsh Government for export promotion of which £56,731 was receivable in the year. At the year end £49,457 (2016: £26,708) was outstanding.

Transactions and balances with the company's subsidiary undertaking, EIDCYMRU, are separately disclosed in Note 20.

R Rogers, who was a Board member throughout the year, is a farmer who runs a farm through enterprises of which he has an interest. The company has made payments totalling £0 (2016: £500) to this Board member in relation to support for farming enterprises funded by HCC.

In addition, Jones Peckover, auctioneers in which John Brereton is a partner, invoiced the company for £2,363 (2016: £2,082) in respect of levy recovery costs of which £426 (2016: £491) was owed at the year end.

20. Subsidiary Undertaking

The company is the sole member, by way of guarantee, of EIDCYMRU, a company limited by guarantee whose principal place of business is Parc Merlin, Aberystwyth. The company is registered in Wales and was incorporated on 23 December 2014. It commenced operation as a bureau for the electronic recording of sheep movements in Wales in April 2015. EIDCYMRU is wholly funded by Welsh Government, such funds being provided on a defrayed basis.

During the year, Hybu Cig Cymru met certain costs on behalf of EIDCYMRU amounting to £85,055 (2016:£147,149) and advanced funds of £50,000 (2016:£50,000). At the year end £16,474 (2016:£167,496) is outstanding.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2017**

21. Pension Schemes

Hybu Cig Cymru Group Personal Pension Plan

The company made contributions to individual personal pension plans for some of its employees. Contributions are charged to the statement of comprehensive income as incurred and amounted to £43,793 (2016:£43,407). Contributions amounting to £3,659 (2016: £3,480) were outstanding at the year-end.

Meat and Livestock Commission Pension Scheme

The company also made contributions to a defined benefit pension scheme which is operated by the Agriculture and Horticulture Development Board. The three employees of HCC who are active members form only part of the scheme, which has 57 active members in total. The contributions paid in the year amounted to £30,118 (2016:£23,139) and there were outstanding contributions at the year-end of £2,510 (2016: £1,929). This cost is based on the actuarial valuation made as at 31 March 2015. Employer contributions are payable at a rate of 19.2% (2016: 15%) of pensionable salaries and will remain so for the forthcoming year. Contributions amounting to £30,450 are anticipated for the year to 31 March 2018.

Information regarding the split of the scheme's assets between the participating employers is not available. Therefore the company is unable to account for the plan as a defined benefit plan and is accounted for as if it were a defined contribution plan. The market value of the entire pension scheme assets at 31 March 2017 was £220.1m (2016: £199.3m) and this was sufficient to cover 97.6% (2016:101.9%) of the value of the benefits that had accrued to members, after allowing for earnings increases. The scheme liabilities were calculated using the Projected Unit Credit Method.

Further information in respect of a liability that may arise when the company ceases to employ anyone within this scheme can be found in note 18.