

Hybu Cig Cymru-Meat Promotion Wales

Company Limited By Guarantee

Company Registration Number: 4635113

**Annual Report and
Financial Statements
Year Ended 31 March 2020**

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**Annual Report
Year Ended 31 March 2020**

The Directors present herewith their annual report, together with the audited financial statements of the company, for the year ended 31 March 2020. For the purpose of the narrative of this report, 'HCC' is used in place of Hybu Cig Cymru-Meat Promotion Wales for brevity.

Introduction

HCC is the strategic, statutory body for the promotion and development of the Welsh beef, lamb and pork industry and its mission is to develop profitable and sustainable markets for the benefit of all stakeholders in the supply chain in Wales.

HCC undertakes research and development, shares information and supports training relevant to each part of the supply chain, to ensure the Welsh red meat industry is in a position to improve quality, increase cost-effectiveness and add value to Welsh red meat products across the whole of our industry.

At home, HCC works with multiple retailers, independent butchers and foodservice providers undertaking regular promotional programmes for PGI Welsh Lamb, PGI Welsh Beef and pork from Wales. In other countries, it is HCC's role to develop existing markets and help access new markets for Welsh red meat. HCC also acts as the guardian of the PGI Welsh Lamb and PGI Welsh Beef brands.

HCC is the industry's "Knowledge House"; the centre of information-gathering and dissemination across the industry and government. HCC also informs levy-payers, stakeholders and the Welsh public at large about the positive contribution of the red meat industry to Wales' society and economy and of HCC's role in promoting and developing the industry.

This annual report is intended to give a short summary of the current strategic aims of HCC, the key risks to the achievement of those objectives, and its performance against those during the year.

Chief Executive's Report

During 2019-20 HCC built on foundations to deliver against ambitious aims outlined in its Vision 2025 document, against a challenging context. At several stages of the year, political crises around successive Brexit deadlines seemed likely to lead to a No-Deal scenario with the potential of damaging WTO-level tariffs on exports. It was imperative to reassure European partners as far as possible, while also prioritising domestic UK sales and developing potential new export destinations across the world.

Considering this uncertainty, the volume and value of European exports for lamb and beef from Wales rose encouragingly. Significant progress was made in developing new markets in the Middle East and Asia – although expectations must be managed that these new destinations cannot replace European trade in the short- or medium-term.

New, modern marketing approaches were developed to reach UK consumers and HCC responded to rising environmental concerns with a dedicated promotional programme.

**Annual Report (continued)
Year Ended 31 March 2020**

Chief Executive's Report (continued)

HCC delivered significant progress on funded programmes to advance the resilience and efficiency of the industry, through the Red Meat Development Programme and the Red Meat Benchmarking project.

External reports and audits reaffirmed HCC's reputation for prudent government and financial management, placing the organisation on the firmest possible footing for responding to a continually changing environment.

Gwyn Howells

Context

The strategic aims of HCC were reviewed in the 2017-18 year, resulting in the launch of a new 'Vision 2025' document. Within an unchanged statutory remit, the organisation's key goals were defined as follows:-

1. Positioning red meat from Wales as a premium product.
2. Developing EU trade opportunities for Welsh red meat.
3. Optimising domestic (GB) consumption of red meat from Wales.
4. Seeking new consumers for Welsh red meat in established global markets.
5. Securing a greater percentage of Welsh red meat exports outside the EU.
6. Developing a competitive Welsh red meat industry.
7. Reducing the impact of Welsh red meat production and processing on the climate, the environment and waste.
8. Contingency planning in terms of future trade, production and processing post-Brexit.
9. Effective communication throughout the industry to ensure unity of purpose

Red Meat Levy rates were unchanged for the year, with income projected to be similar to the previous period.

This core income was supplemented by Welsh Government funding through the Enhanced Export Programme, and by the Ring-Fenced Fund. Designed as an interim solution to the long-standing issue of levy being lost from Wales and Scotland through animals being sent to England for slaughter was enacted, the Fund (worth £2 million during this period) exists within the budget of AHDB (Agriculture and Horticulture Development Board), is jointly administered and spent on collaborative projects by AHDB, QMS (Quality Meat Scotland) and HCC. Progress towards a permanent solution to levy repatriation was embodied in the publication of an Agriculture Bill in the Westminster Parliament.

Additionally, HCC has significant funding from the Welsh Government Rural Communities – Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development and the Welsh Government, towards the achievement of industry development objectives.

**Annual Report (continued)
Year Ended 31 March 2020**

Key issues and risks

HCC maintains a risk register which is regularly reviewed.

In 2019-20, the continuing discussions and uncertainty over Brexit reached a crescendo, with the risk of a chaotic ‘No-Deal’ exit being heightened on three separate occasions during the year. The risks to the red meat industry from such an exit from the EU would be greater than for almost any other sector of the economy, given that WTO tariffs on beef and lamb exports range between 40-90%, combined with the lamb industry’s particular dependence on international trade.

This uncertainty made reassuring European export customers an important challenge, as well as deciding where to prioritise broader market development work. Exchange rate volatility, partly as a result of Brexit uncertainty, has the potential to lead to peaks and troughs in prices. For most of this period however, Sterling was relatively weak which helped our competitiveness abroad, and the prevalence of African Swine Fever in China accelerated the refocusing of some of our major international competitors’ efforts towards the Asian market.

The potential knock-on effects of Brexit are however wider than the issue of Tariffs. Discussions continued on the future of Protected Food Name schemes, which are of great significance as the European PGI (Protected Geographical Indication) designation has formed a cornerstone of marketing efforts at home and abroad since 2003. Uncertainty over future farm payments could also have an impact on farmers and processors, and Brexit may limit access to future funding sources such as the Rural Development Fund and European monies linked to marketing Protected Food Name (PFN) products. In the long-term, potential future trade deals with other meat-producing countries could impact on the home UK market for Welsh meat.

Other than Brexit, challenges for HCC during this year included long-term issues in mature markets, namely the fact that consumer tastes are evolving towards more convenient and cheap sources of protein such as intensively farmed chicken and fish, the growth of the ‘meat-free’ retail sector, and broader social issues including health concerns and animal welfare, which are challenging for the red meat sector in general.

Heightened concern around sustainability and the environment is a growing issue, to which HCC responded with a dedicated marketing and communications campaign to differentiate non-intensive Welsh production systems from the worst global examples often highlighted by lobby groups and the media. Accompanying this work, HCC embarked on a programme of refreshing its research and analysis around sustainability in order to provide leadership to the industry and evidence on the Welsh context.

Long-term challenges relating to the structure of the industry continued; these include a large number of very small businesses as primary suppliers; challenges to the viability of smaller processors; and the overall profitability of the beef sector.

At the end of the year, the emerging threat of the COVID-19 pandemic was set to have a major impact on both UK and global demand, and on business operations for HCC and the wider red meat sector.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis

In its business planning process, HCC develops a three-year Corporate Plan in line with its overriding Vision. Key performance indicators (KPIs) are developed to measure progress against these objectives, and reported on regularly to the Board of Directors and Welsh Ministers.

In 2019-20, HCC built on the analysis conducted last year to help tailor messages to target groups of consumers in the UK consumer market most likely to be influenced through social media. This approach was developed during PGI Welsh Lamb and PGI Welsh Beef campaigns, with content tailored to an increasing number of distinct socio-economic 'tribes'. The advantages of this approach include being able to tailor messages to consumers' interests, maintaining a year-round promotional presence for a similar financial outlay to previous short-term campaigns, and being able to monitor the performance of pieces of advertising in real-time.

This work helped to meet and, in many cases, exceed KPIs for UK marketing, with online and social media mentions of HCC and Welsh Lamb increasing by 42%, a 115% increase in new users on the Welsh Lamb website, and a 203% increase in followers of the Welsh Beef social platforms.

During the latter part of the financial year HCC also conducted a novel campaign, promoting the sustainability of Welsh sheep and beef farming. This was focused mainly on February and March 2020, and consisted of a more widely-based campaign in terms of its delivery, including TV and radio advertising, the use of lists of digital subscribers of consumer magazines such as Olive and Delicious, as well as targeted social media.

The HCC Board approved the use of financial reserves to fund this campaign, with the aim of creating a positive differentiation in the minds of the public between the largely non-intensive ways in which Welsh Lamb and Welsh Beef are reared, and the types of intensive and environmentally-damaging production seen in some other parts of the world which market intelligence suggested was an increasing concern among consumers. A detailed evaluation of the campaign and its messaging was underway by the end of the financial year.

Media advertising was again complemented by a presence at high-profile consumer events to enable direct interaction with the public and generate content (especially video) for use in subsequent marketing. Events included Countryfile Live, the Good Life Experience, Abergavenny Food Festival and Anglesey Show. These events also enable a large number of contact details to be gathered from engaged consumers so as follow-up marketing can be targeted cost-effectively.

Work with food writers and social media influencers continued during this year, including a press trip as part of the usual launch of August 1 as 'Lamb Day'.

Influencer marketing was also a key part of HCC's work with the pork sector, including the celebration of 'Pork from Wales Week' in January which achieved good TV and print media coverage.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis (continued)

As well as a brand partnership with AGA, detailed promotional activity plans were agreed with several multiple retailers. A range of activities were supported throughout the main Welsh Lamb campaign from 1 August, including on-pack stickers, in store tastings, POS materials and mobile cooking theatre work, with a further burst of activity in the spring coinciding with the Sustainability Campaign.

New lines of red meat from Wales were established by important UK retailers, with HCC and the Welsh Government Minister involved in a Welsh Beef product launch in January.

Work was undertaken to engage with independent retailers, including marketing and PR support such as a new social media toolkit and a new magazine for independent butchers. Butchers featured in wider social media promotions via the Welsh Lamb and Welsh Beef channels.

HCC intensified work with the growing foodservice sector during this year. This included attendance at foodservice tradeshow, partnering with major Welsh-based foodservice suppliers in trade events and promotions in workplace restaurants, and a strategic partnership with Chefs' Forum which enabled promotion to be targeted at chefs and restaurateurs across Wales and England. A new piece of research was begun, to measure the use of local produce in public procurement in Wales.

Work in the foodservice sphere was rewarded with an announcement of new contracts by Transport for Wales for beef, lamb and pork from Wales with accompanying positive promotion within its fleet of trains.

Collaboration with Welsh Government was also seen this year in advancing a long-term project to develop Sustainable Brand Values for the whole Welsh food sector, including establishing a working group to discuss scheme design and eligibility.

Activity in the realm of health and education included a new partnership with the Scarlets rugby region as its nutrition partner. This included pitch-side signage during matches, press and social media activity, and the creation of video and other content highlighting the role of red meat as a part of a healthy diet for people with active lifestyles.

HCC shared social media assets on health, partnered with the Urdd in a Wales-wide healthy eating competition in schools, and attended a nursing conference in Cardiff.

An investment was also made through the Ring-Fenced Fund in proactive and reactive communication on health and nutrition, including advertorial content in major publications and websites.

In terms of overseas marketing, HCC worked to deliver key objectives of its Welsh Government-funded Enhanced Export Programme. This £1.5 million, three-year investment was designed to help HCC maintain existing European markets while also developing new opportunities further afield as the UK moved towards Brexit, with an uncertain future trading environment.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis (continued)

This programme was supplemented by Levy-funded activity and a number of initiatives funded through the Ring-Fenced Fund. Joint stand space was organised with AHDB and QMS at a number of trade shows, and work on accessing new markets continued to be a collaborative UK-wide programme through UKECP.

A successful year saw the value of Welsh red meat exports increase from £198m to almost £211m (representing a 5.4% increase for sheepmeat and 8% for beef). Increases were seen across most established and new markets, with a particular step-change in lamb exports to the Middle East (notably UAE, Jordan, Kuwait and Qatar) which represents a return on a long-term investment of effort and resources by HCC. The value of exports to this region rose from £0.8m in 2018 to £3.6m in 2019, with potential for further growth if political and exchange rate stability allow.

This growth was supported with a successful presence at the Gulfood trade fair in Dubai alongside representatives of several Welsh processors, and a trade mission to Qatar.

Work in other embryonic markets, notably Canada and the Far East, continued with a particular focus on the Japanese market where commercial shipments of Welsh Lamb begun for the first time. Activity, in co-ordination with processors and Welsh Government representatives in the region, was designed to take advantage of Wales's high profile during the Rugby World Cup, and was followed up with a major presence at a lamb festival in Tokyo.

In Europe, a network of agents and consumer agencies continued to provide trade- and consumer-facing marketing, including inward missions, press and social media activity, and key account support. Particular growth was seen in the German market, including new listings for Welsh Lamb with prominent foodservice distributors. A brand-new export trade brochure was produced and translated into relevant languages.

In terms of lifting barriers to market access, the Corporate Plan noted an aim of establishing trade with one new market during the year. This target was exceeded with new trade established with Japan, Kuwait and Jordan. Some progress was made with regards to the USA and China – in both cases a process for certifying exports of beef was announced, although establishing trade will take some time, and progress as regards lamb exports is slower.

In terms of HCC's work to equip the industry for future challenges, the EU and Welsh Government-funded Red Meat Development Programme progressed positively. This Programme involves three strategic projects designed to increase efficiency and sustainability within the industry as well as enhance the public perception of Welsh Lamb and Welsh Beef. These are; Stoc+, a project to promote pro-active flock and herd health planning; the Hill Ram Scheme to use technology to encourage performance-recording in the hill sheep sector; and the Welsh Lamb Meat Quality project, which will study practices at all stages of the supply chain with the aim of establishing a blueprint of taste quality and consistency.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis (continued)

The Stoc+ project recruited 259 farmers in its initial application windows, with more to follow. The project facilitated on-farm meetings between these farmers, project officers and vets to establish pro-active health management plans. Work to communicate the project proceeded with a number of farmer and vet ambassadors, as well as through successful public outreach meetings during February.

Following engagement with breed societies and other groups, 24 new farms joined the Hill Ram Scheme to add to the initial seven leader flocks. Training workshops were held and tissue samples taken from ewes. Initial results from the first full year of breeding showed significant improvement in growth rates for lambs sired by performance-recorded rams.

The Welsh Lamb Meat Quality project collected a range of samples from processors and undertook an ambitious programme of consumer taste testing at sites across the UK. Analysis of this first round of results was underway and was scheduled to be presented in leading journals.

The similarly-funded BeefQ project to test Welsh Beef production and processing systems using the Meat Standards Australia (MSA) grading system, which is led by IBERS at Aberystwyth University in collaboration with HCC and other stakeholders, also progressed. Consumer taste panel events were held, some of which were part-organised by HCC. Communication activity and providing training for key members of staff within the supply chain is also part of HCC's contribution.

The Red Meat Benchmarking Project, funded through the Welsh Government's EU Transition Fund, was completed during this financial year. Over 1,500 commercial beef and sheep farms completed a full financial analysis of their farm business to aid supply chain efficiency and establish a baseline for physical and financial performance of beef and sheep farms in Wales.

An industry-level report was finalised, and a shorter summary report launched at the Royal Welsh Show to highlight ways in which livestock farmers can improve their on-farm efficiency and recognise their cost of production. Confidential individual reports were provided to farmers, and a total of 18 drop-in surgeries were run by Farming Connect across Wales to enable businesses to receive bespoke advice on their performance.

In a strategic move linked to the greater focus on sustainability in marketing, HCC began work to update its landmark 2011 publication 'A Sustainable Future - The Welsh Meat Roadmap', which examined how livestock farmers and processors in Wales can achieve lower GHG emissions. HCC commissioned carbon audits of a number of farms, and begun liaison with academic researchers who would support the work.

A number of strands of research and development were pursued during the year, often co-funded with others. This included a strategic investment in a cluster of jointly-funded doctoral researchers at Bangor University, focusing on the environmental sustainability of livestock farming in Wales. HCC also began work in partnership with Aberystwyth University on a study into the development of high value non-food products from processor waste streams.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis (continued)

Long-established collaborative research activity such as supporting the Recommended Grass and Clover List and the Ram-Compare project was continued, as well as the Ring-Fenced Fund project, GrasscheckGB. The Ring-Fenced Fund project on ‘Optimising mature weight for farm efficiency and profitability’ was completed.

HCC’s R&D and industry development work was communicated through a number of events. These included an open evening near Bridgend on the RamCompare project, and presenting at a series of on-farm meetings organised by Farming Connect on such topics as maximising beef output from grass, lamb weaning, and market requirements for beef and sheep. HCC also took a major role in the year’s NSA Welsh Sheep event at Glynllifon, Gwynedd, which gave an opportunity to showcase the Red Meat Development Programme as well as themes surrounding sustainability and Brexit, through dedicated seminars.

Three individuals were selected to receive an HCC travel Scholarship; John Goodwin (studying carbon farming and carbon sequestration in America), Michael George (studying beef biltong production) and Mabli Johnson (studying multi-species grass leys and how these impacts on animal health and nutrition). A scholarship alumni reception was held at the Royal Welsh Winter Fair.

HCC continued to contribute to UK-wide groups dedicated to enhancing and monitoring animal health, including CHAWG, COWS and SCOPS.

Long-term work to enhance the shelf-life of Welsh Lamb to improve its market competitiveness by addressing issues at all stages of the supply chain showed important gains. Figures from processors indicated a 16% improvement during the year. Work to improve this further continued through the RMDP Welsh Lamb Meat Quality Project and wider industry development work, including the publication of a factsheet aimed at farmers as well as training events at abattoirs and agricultural colleges throughout Wales.

During the year, HCC completed a large amount of work to inform stakeholders and the wider public of market trends and the implication of potential future policies on the industry. This included in-depth work to inform industry and governmental responses to low beef prices during the second half of 2019. HCC compiled reports on the complex factors behind the price problems to two industry-wide summit meetings, and to Welsh Government and other stakeholders, as well as leading broader communications activity relating to the issue.

Much market analysis work was also undertaken in the context of Brexit and the uncertainty regarding future trade arrangements. HCC, along with partners in England and Scotland, commissioned the ‘Red Meat Route to Market Project’; this report informed much of the media and policy discussion surrounding red meat and Brexit during the year.

**Annual Report (continued)
Year Ended 31 March 2020**

Performance Analysis (continued)

At a Welsh level, HCC contributed to Welsh Government Brexit round table discussions, and to ongoing Welsh Government consultations on the future of rural policy. Evidence was also provided to consultations on diet and health, post-Brexit environmental governance, food legislation and strategy, a Welsh international strategy, clean air strategy, and the new school curriculum for Wales.

In terms of UK policy, HCC gave evidence regarding the Agriculture Bill which, among other important provisions, would provide the legislative foundation for reform of the Red Meat Levy to ensure an equitable system for the three GB nations. HCC also provided input into Westminster discussions on a new UK geographical indication scheme, reducing emissions from agriculture, ageing sheep at the slaughterhouse, and post-Brexit trade.

HCC highlighted the need to ensure that trade negotiations do not disadvantage UK red meat businesses in the home market and to ensure that any imported meat into the UK adheres to the same standards (or above) as UK production. HCC's concerns in relation to possible trade barriers (both tariff and non-tariff measures) were also highlighted.

2019's Royal Welsh Show and Winter Fair offered plentiful opportunities for engagement with politicians and decision-makers. As well as Ministers from both the Welsh and UK Governments, this year visitors included HRH The Prince of Wales and overseas dignitaries such as the New Zealand High Commissioner.

**Directors' Report
Year Ended 31 March 2020**

The Directors present herewith their report, together with the audited financial statements of the company, for the year ended 31 March 2020.

1. Results

The result for the year was a deficit of £123,118 (2019 surplus: £79,853).

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 2017-20 and the objectives of Vision 2025. These are as set out in the Annual Report on pages 1 to 9.

The result for the year can be found in the Statement of Comprehensive Income on page 23 and the position of the company at the year end in the Balance Sheet on page 24.

Key performance indicators for the company are:

	2020	2019
	£	£
Levy income	3,595,125	3,429,837
Grant income	2,043,145	700,992
Operating (deficit)/surplus	(122,854)	80,134

Levy income from all species remained similar to the previous year but the company received the benefit of funds under the Ring Fenced Fund agreed by the UK Levy Boards.

Grant income increased due to the first full year funding of activity under the Welsh Government Rural Development Programme.

The reduction in operating surplus arose due to approved expenditure of £200,000 on a sustainability campaign during January and March 2020.

A market valuation of the office building was carried out at 31 March 2018 at a value of £450,000 and has been reflected in the balance sheet. 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 2021.

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 vehicles 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.

Directors' Report (continued)
Year Ended 31 March 2020

2. Principal Activity and Strategic Report (continued)

Environmental Policy (continued)

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	
	2020	2019	2020	2019
Staff	31	23	7	6

The increase in staff is due to additional staff assigned to the Welsh Government Red Meat Development Programme project being undertaken by HCC.

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

	Female		Male	
	2020	2019	2020	2019
Directors	5	5	5	5

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

3. Principal Risks and Uncertainties

The company's risk framework is outlined on page 15. 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 has sought 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. At the time of this report the Agriculture Bill is going through the UK Parliament. This will confer powers on Ministers to establish a scheme that allows levy to be distributed between levy bodies. For this financial year and the year ending March 2021, the GB levy bodies have agreed an interim solution, being a ring fenced fund that would be used for the benefit of all GB levy bodies.

**Directors' Report (continued)
Year Ended 31 March 2020**

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:

Chairman

K Roberts

Accountant; Director of The Association Of Labour Providers Limited; Inspiring Futures Through Learning; Verley Consulting Limited;

Directors

M J Chapman

(appointed 9 April 2020)

Director of M Chapman Consulting Limited;

G W Davies

Chief Executive, Wynnstay Group PLC; Director of Banbury Farm and General Supplies Limited, Bibby Agriculture Limited, Grainlink Limited, Glasson Grain Limited, Glasson Group (Lancaster) Limited, Shropshire Grain Limited, Stanton Farm Supplies Limited, Welsh Food Producers Limited, Woodheads Seeds Limited, Wrekin Grain Limited, Wynnstay Group PLC, Wynnstay (Agriculture Supplies) Limited, Wyro Developments Limited, Youngs Animal Feeds Limited

D D H Davies

Farmer; Director of Llandre Limited, ANTS (Against Nantyrast Turbines) Limited, NFSCO CIC; Member of NFU Cymru Livestock Board, President Carmarthenshire NFU Chief Executive Farmers Marts (R G Jones) Limited; Director Welsh Lamb and Beef Producers Farmer; Director of Cwmbetws Limited, The Royal Welsh Agricultural Society Limited

G R Davies

(appointed 9 April 2020)

Chief Executive Farmers Marts (R G Jones) Limited; Director Welsh Lamb and Beef Producers

J T Davies

Farmer; Director of Cwmbetws Limited, The Royal Welsh Agricultural Society Limited

R L J Madeley Davies

Agricultural Consultant

H S G Howells

Consultant; Farmer; Director Hwylus Cyfyngedig;

(resigned 31 March 2020)

B Jones

Farmer; Director Barrie Jones & Son Properties Limited;

(resigned 31 March 2020)

Jones Bros Limited; Jones & Edwards Properties Limited

D P Morgan

Procurement Director, Keypak; Director of Ffrydlan Limited

(appointed 9 April 2020)

N L Porter

Cheesemaker; Director The Mount Goat's Cheese Limited

(appointed 9 April 2020)

C M Smith

Red Meat Sector Consultant; Development Officer Farming Connect

C Williams

Farmer

O B Williams

I T Consultant

(resigned 31 March 2020)

**Directors' Report (continued)
Year Ended 31 March 2020**

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 internal and external audit. The composition of the Committee during the year to 31 March 2020 was as follows:- 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.

Directors' Report (continued)
Year Ended 31 March 2020

8. Governance Statement (continued)

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.

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 Audit*
The Committee reviewed the internal auditors' reports on the areas covered in the year, being Budgetary Control; GDPR Compliance; Risk Register and Business Continuity. The internal auditors gave a substantive assurance, their highest opinion, over all three areas covered.
- *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 2020 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.

Directors' Report (continued)
Year Ended 31 March 2020

8. Governance Statement (continued)

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.

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. Risks are ranked according to likelihood and impact. 14 strategic risks and 16 operational risks have been identified, 4 of which were ranked as critical after residual measures were assessed. These relate to:

- closure of existing export markets;
- reduction in livestock numbers arising from Government policy;
both principally arising from the UK leaving the European Union. HCC have ongoing relationships with officials at Welsh, UK and EU level to enable them to keep abreast of developments.
- Public perception of red meat is adversely influenced health, consumer demands.
HCC's communications department have a communications plan to counter these
- Business interruption due to unplanned events.
HCC has an established business interruption plan that is currently in use for the Covid-19 interruption. As yet all staff are able to work and HCC's income stream is continuing at near normal levels.

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 2019/20 was approved at the March 2019 Board meeting.

Financial Reporting

Financial reports are regularly presented to the Board.

**Directors' Report (continued)
Year Ended 31 March 2020**

8. Governance Statement (continued)

Non Financial Reporting

HCC has developed a Monitoring and Evaluation System which monitors outcomes and outputs against targets set in the Operational 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 2.56% (2019: 0.50%).

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.

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.

**Directors' Report (continued)
Year Ended 31 March 2020**

11. Statement Of Directors' Responsibilities (continued)

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

2 July 2020

**Remuneration Report
Year Ended 31 March 2020**

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 2020 was as follows:- R L J Madeley-Davies (Chair), J T Davies, K Roberts.

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.

K Roberts was re-appointed as Chairman by the Cabinet Secretary for Environment and Rural Affairs from 1 April 2020 for a further 12 months. His remuneration was set at a maximum of £25,200pa for the duration of his term of office.

7 Directors were re-appointed by the Cabinet Secretary for Environment and Rural Affairs from 1 April 2020 for a further three year period and 4 Directors were appointed from 9 April 2020 until 31 March 2023. The remuneration of the non-executive Directors was set at £300 per day plus expenses.

Attendance Records

The Board met 6 times during the period April 2019 to March 2020. The number of Board meetings attended by the Directors are as follows:

	2019/2020	2018/2019
G W Davies	6	6
D D H Davies	5	6
J T Davies	6	6
R L J Madeley Davies	6	6
H S G Howells	4	6
B Jones	5	6
K Roberts	6	6
C M Smith	6	6
C Williams	6	6
O B Williams	6	4

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.

H S G Howells, B Jones and O B Williams resigned on 31 March 2020.

M J Chapman, G R Davies, D P Morgan and N L Porter were appointed on 9 April 2020.

Remuneration Report (continued)
Year Ended 31 March 2020

This section of the Remuneration Report is auditable

Directors Emoluments

Emoluments of the Directors who served throughout the year to 31 March 2020 are as follows:

	2020	2019	2020	2019
	£	£	£	£
	Remuneration		Expenses	
Payments within the band £25,001 - £30,000				
K Roberts	25,200	25,200	6,695	6,185
Payments within the band £0 - £5,000				
G W Davies	3,000	3,000	441	320
D D H Davies	3,600	3,600	453	484
J T Davies	3,900	3,300	482	371
R L J Madeley Davies	3,900	4,350	711	644
H S G Howells	2,550	3,900	274	481
B Jones	4,200	1,350	198	135
C M Smith	3,900	3,600	847	773
C Williams	3,000	3,600	169	324
O B Williams	3,900	2,850	658	697

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

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:

	2020	2019
Remuneration	£105,001 - £110,000	£100,001 - £105,000
Benefits in kind	£3,308	£3,097
Pension contributions	£25,678	£17,772

Fair Pay Disclosures

	2020	2019
Median total remuneration of staff	£37,141	£32,515
Ratio to highest paid employee	2.56	3.22
Range of staff remuneration	£19,038-£71,504	£18,574 - £69,760

The ratio to highest paid employee has changed due to the increase in staff and the distribution of their salaries

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

Report on the audit of the financial statements

Opinion

I have audited the financial statements of Hybu Cig Cymru – Meat Promotion Wales for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. 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.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its deficit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the company in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my 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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

Other Information (continued)

In connection with my audit of the financial statements, my responsibility is to read the other information 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 regularity

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

Report on other requirements

Opinion on other matters prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of my audit:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared 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; or
- the Directors' were not entitled to take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

Report

I have no observations to make on these financial statements.

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

Responsibilities

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on pages 16 and 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors' are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The directors are responsible for ensuring the regularity of financial transactions.

I am responsible for expressing an opinion on whether 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.

Adrian Crompton
Auditor General for Wales
30 July 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Statement of Comprehensive Income
Year Ended 31 March 2020

	Notes	<u>2020</u> £	<u>2019</u> £
Revenue	5	5,714,703	4,272,998
Expenditure			
Operating expenses	7	5,830,756	4,194,342
		<hr/>	<hr/>
Operating (Deficit)/Surplus		(116,053)	78,656
Finance Income		1,390	1,478
Finance Costs	8	8,191	-
		<hr/>	<hr/>
Excess of Expenditure Over Income on Ordinary Activities Before Taxation	7	(122,854)	80,134
Taxation	11	(264)	(281)
		<hr/>	<hr/>
Deficit and total comprehensive income for the year attributable to the company's member		(123,118) =====	79,853 =====

Balance Sheet - 31 March 2020

	Notes	<u>2020</u> £	<u>2019</u> £
Non Current Assets			
Property, plant and equipment	12	447,876	466,020
Right Of Use Assets	13	304,261	-
		<u>752,137</u>	<u>466,020</u>
Current Assets			
Trade and other receivables	14	1,840,917	996,113
Cash and cash equivalents		727,738	1,001,918
		<u>2,568,655</u>	<u>1,998,031</u>
Total Assets		<u>3,320,792</u>	<u>2,464,051</u>
Current Liabilities			
Trade and other payables	15	1,310,023	641,079
Right Of Use Lease Liabilities	16	44,056	-
Current tax liabilities		264	281
		<u>1,354,343</u>	<u>641,360</u>
Non Current Liabilities			
Right Of Use Lease Liabilities	16	266,876	-
Total Liabilities		<u>1,621,219</u>	<u>641,360</u>
Net Assets		<u>1,699,573</u>	<u>1,822,691</u>
Reserves			
Retained Income	18	<u>1,699,573</u>	<u>1,822,691</u>

For the year ending 31 March 2020, 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 (9 to 29), were approved and authorised for issue by the Board of Directors on 2 July 2020 and signed on its behalf by

K Roberts
Chairman

T G Howells
Accounting Officer

**Statement of Cash Flows
Year Ended 31 March 2020**

	<u>2020</u> £	<u>2019</u> £
Cash Flows from Operating Activities		
Operating deficit	(116,053)	78,656
Depreciation & loss on disposal of assets	22,621	20,179
Depreciation on right of use assets	40,020	-
Operating lease payments	8,160	-
Movements in working capital:		
(Increase)/Decrease in trade and other receivables	(844,804)	(132,245)
Increase/(Decrease) in trade and other payables	668,944	212,479
Cash expended on operations	<u>(221,112)</u>	<u>179,069</u>
Taxes paid	(281)	(37)
Net cash expended on operating activities	<u>(221,393)</u>	<u>179,032</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(4,477)	(1,092)
Proceeds on disposal of assets	-	-
Net cash (used) in/ generated by investing activities	<u>(4,477)</u>	<u>386</u>
Cash Flows From Financing Activities		
Interest received	1,390	1,478
Right Of Use Assets Lease payments: capital	(33,349)	-
Right Of Use Assets Lease payments: interest	(8,191)	-
Operating lease payments	(8,160)	-
Net cash used in financing activities	<u>(48,310)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(274,180)	179,418
Cash and cash equivalents at the beginning of the year	<u>1,001,918</u>	<u>822,500</u>
Cash and cash equivalents at the end of the year	<u>727,738</u>	<u>1,001,918</u>

**Notes To The Financial Statements
Year Ended 31 March 2020**

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 2019-20 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 £1,699,573 at 31 March 2020. 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.

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.

Grant income – grants are received from the Welsh Government, through direct grant funding and The European Agriculture Fund For Rural Development: Europe Investing In Rural Areas, being the Welsh Government Rural Development Plan 2014-2020.

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.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

4. Significant Accounting Policies (continued)

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	over 30 years from 2009
Computer equipment	33% reducing balance
Office furniture	25% reducing balance
Motor vehicles	25% reducing balance

Right Of Use Assets

Leases are capitalised where the company receives the economic benefit of the use of that asset.

Assets are capitalised at the value of the total payments over the course of the lease. Leases with a resultant value of less than £10,000 are not capitalised and treated as operating leases. Property and vehicles are depreciated to their residual value over the period of the lease on the following bases:

Freehold property	between 5 and 11 years
Motor vehicles	25% reducing balance

Impairment of non current assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and right of use assets to determine whether there is any indication that those assets have suffered an impairment loss with reference to both the operating 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.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2020**

4. Significant Accounting Policies (continued)

Financial Instruments

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

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.

Right Of Use Lease Liabilities

Leases are capitalised where the company receives the economic benefit of the use of that asset. The associated liability is recognised in the financial statements at the total of the payments over the course of the lease discounted at the company's underlying interest rate. HCC has determined this to be 1.75% over base rate.

Leases

Leases where the company receives the economic benefit of the lease are classified as Right Of Use Assets, as defined above. 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.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2020**

4. Significant Accounting Policies (continued)

Pensions (continued)

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.

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 detailed in note 18.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

4. Significant Accounting Policies (continued)

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.

5. Revenue

	<u>2020</u>	<u>2019</u>
	£	£
Levy	3,595,125	3,429,837
Grants received: RDP	1,532,294	259,992
: Welsh Government	505,000	441,000
: Welsh Government MSW	5,851	-
Services	76,433	142,169
	<u>5,714,703</u>	<u>4,272,998</u>
	=====	=====

As stated in the Directors Report, the GB levy bodies have jointly agreed expenditure, under a ring fenced fund, on GB activities which benefits the levy payers of Great Britain. The total expended was £1,933,000 (2019: £1,845,000). Under arrangements for this current year HCC were able to invoice the fund £225,000 (2019:£nil), which is part of the figure expended.

6. Operating Segments

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
2020	Revenue	3,671,558	2,043,145	5,714,703
	Expenditure	3,794,333	2,036,423	5,830,756
	Operating Deficit	<u>(122,775)</u>	<u>6,722</u>	<u>(116,053)</u>
		=====	=====	=====
2019	Revenue	3,572,006	700,992	4,272,998
	Expenditure	3,492,135	702,207	4,194,342
	Operating Surplus	<u>79,871</u>	<u>(1,215)</u>	<u>78,656</u>
		=====	=====	=====

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

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

6. Operating Segments (continued)

Within levy income, 3 companies operating abattoirs in Wales account for 21%, 14% and 13% respectively (2019: 28%, 20% and 18%) of total income of £5,714,703.

Within grants, direct grants received from the Welsh Government and also under the Rural Development Plan for Wales 2014-20 accounts for 35.7% (2019: 16.4%) of total income of £5,714,703.

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

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

	<u>2020</u>	<u>2019</u>
	£	£
Auditors – audit	19,560	18,136
Staff costs (note 8)	1,415,170	1,154,871
Directors fees (note 9)	68,078	65,164
Depreciation	22,621	25,666
Depreciation: ROU assets	40,020	-
Profit/(Loss) on foreign exchange	1,506	(2,659)
Operating lease rentals – equipment	8,160	14,147
property	-	35,403
Bad debts provided for re levy due	10,522	8,755

Operating expenses

	<u>2020</u>	<u>2019</u>
	£	£
Export: Established	772,352	686,062
Developing	54,458	47,395
New Markets	35,070	35,778
Grants	503,195	442,214
Home: Retail	226,248	240,913
Consumer	967,842	803,443
Foodservice	88,359	103,003
Development of Brands	254,300	213,055
WG Grants	1,533,228	259,993
Market Intelligence	211,177	295,842
Research & Development	73,591	52,548
Supply Chain Efficiency	133,685	179,585
Corporate Costs	977,251	834,511
Total	5,830,756	4,194,342
	=====	=====

Staff costs are assigned to the activity to which they relate. This assignment was reviewed in the year and comparative figures have been amended to reflect the current allocation.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

8. Finance Costs

	<u>2020</u>	<u>2019</u>
	£	£
Interest charges on Right Of Use Assets	8,191	-
	=====	=====

9. Staff Costs

Staff costs comprised:

	<u>2020</u>	<u>2019</u>
	£	£
Wages and salaries	1,184,930	969,776
Social security costs	119,124	99,591
Other pension costs	111,116	85,504
	<u>1,415,170</u>	<u>1,154,871</u>
	=====	=====

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

	<u>2020</u>	<u>2019</u>
Market Development	8	7
Industry Development	10	6
Communications	4	4
Corporate Services	10	11
	<u>32</u>	<u>28</u>
	-----	-----

10. Directors' Emoluments

Directors' emoluments were as follows:

	<u>2020</u>	<u>2019</u>
	£	£
Fees	57,150	54,750
Expenses	10,928	10,414
	<u>68,078</u>	<u>65,164</u>
	=====	=====

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

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

11. Taxation

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

	<u>2020</u>	<u>2019</u>
	£	£
Taxation charge for the period	264	281
	=====	=====
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	1,390	1,478
	=====	=====
Tax charge at UK corporation tax rate of 19% (2019: 19%)	264	281
	=====	=====

12. Property, Plant and Equipment

Property, Plant and Equipment comprised:

	<u>Freehold Land</u> <u>and Property</u>	<u>Office</u> <u>Equipment</u>	<u>Motor</u> <u>Vehicle</u>	<u>Total</u>
	£	£	£	£
Cost or Valuation				
1 April 2018	450,000	80,442	19,278	549,720
Additions	-	1,092		1,092
Disposals	-	-		
At 31 March 2019	450,000	81,534	19,278	550,812
Additions	-	4,477	-	4,477
Disposals	-	-	-	-
At 31 March 2020	450,000	86,011	19,278	555,289
Depreciation				
1 April 2018	-	63,690	923	64,613
Charge for the year	12,917	3,164	4,098	20,179
Released on disposal	-			
At 31 March 2019	12,917	66,854	5,021	84,792
Charge for the year	16,607	2,831	3,183	22,621
Released on disposals	-	-	-	-
At 31 March 2020	29,524	69,685	8,204	107,413
Net Book Value				
At 31 March 2020	420,476	16,326	11,074	447,876
	=====	=====	=====	=====
At 31 March 2019	437,083	14,680	14,257	466,020
	=====	=====	=====	=====

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

12. Property, Plant and Equipment (continued)

An independent market valuation of the building was carried out as at 31 March 2018 at a value of £450,000. 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 2019 would have been £641,394 (2019: £668,274).

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 £nil (2019:£5,487) were made in the year.

13. Right Of Use Assets

Right Of Use Assets comprised:

	<u>Freehold Land and Property</u> £	<u>Motor Vehicle</u> £	<u>Total</u> £
Cost or Valuation			
1 April 2019	-	-	-
Introduced in year	301,326	-	301,326
Additions	7,473	35,482	42,955
At 31 March 2020	<u>308,799</u>	<u>35,482</u>	<u>344,281</u>
Depreciation			
1 April 2019	-	-	-
Charge for the year	31,150	8,870	40,020
At 31 March 2020	<u>31,150</u>	<u>8,870</u>	<u>40,020</u>
Net Book Value			
At 31 March 2020	<u>277,649</u>	<u>26,612</u>	<u>304,261</u>
At 31 March 2019	=====	=====	=====
	-	-	-
	=====	=====	=====

International Financial Reporting Standard 16: Leases became effective for accounting periods beginning on or after 1 January 2019. HCC has complied with this standard and adopted the simple approach to introducing right of use assets. Right of use assets have been introduced as at 1 April 2019 and no adjustment has been made to comparative figures. There is no effect on the brought forward reserves of the company from the introduction of these assets and associated liabilities.

HCC leases property and vehicles. These assets are leased to match the inherent nature of its income.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

14. Trade and Other Receivables

Trade and Other Receivables comprised:

	<u>2020</u>	<u>2019</u>
	£	£
Receivables	34,500	7,291
Outstanding levy income	352,911	428,779
Prepayments and accrued income	1,453,507	543,710
Amount due from group company (note 23)	-	16,333
	<u>1,840,918</u>	<u>996,113</u>
	=====	=====

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

The average credit period taken is 44 days (2019: 50 days).

Allowance has been made for estimated irrecoverable amounts of outstanding levy income of £74,388 (2019:£63,866). 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>2020</u>	<u>2019</u>
	£	£
At 1 April	63,866	55,112
Debt written off	-	
Recovered in year	(16,978)	
Additional allowance	27,500	8,754
At 31 March	<u>74,388</u>	<u>63,866</u>
	=====	=====

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

The following table provides analysis of amounts receivable that were past due at 31 March 2020, but not impaired. The Company believes that the balances are ultimately recoverable based upon a review of past payment history.

	2020	2019
	£	£
Up to 3 months old (2019: 3 months)		
: receivables	-	-
: levy income	84,560	140,619
	<u>84,560</u>	<u>140,619</u>
	=====	=====

Of this, £60,138 has been received after the year end.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

14. Trade and Other Receivables

Included within prepayments and accrued income is £1,232,560 (2019: £274,348) relating to grant expenditure under Rural Development Plan for Wales 2014-20. Trade and other receivables include financial assets amounting to £387,411 (2019:£436,070) 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.

15. Trade and Other Payables

Trade and Other Payables comprised:

	<u>2020</u>	<u>2019</u>
	£	£
Amounts falling due within one year		
Other taxation and social security	42,951	105,712
Other Payables	455,586	311,305
Accruals and deferred income	612,487	224,062
Amount Due To Group Company (note 23)	198,999	-
	<u>1,310,023</u>	<u>641,079</u>
	=====	=====

Trade and other payables include financial liabilities amounting to £772,922 (2019:£535,367 restated) which are categorised as other financial liabilities at amortised cost.

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

16. Right Of Use Lease Liabilities

	<u>2020</u>	<u>2019</u>
	£	£
Leases introduced in the year	301,326	-
Additions	42,955	-
Repayments	(41,540)	-
Finance charges	8,191	-
	<hr/>	<hr/>
	310,932	-
	<hr/>	<hr/>
Leases falling due:		
Within one year	44,056	-
	<hr/>	<hr/>
Within two to 5 years	151,765	-
Over 5 years	100,041	-
	<hr/>	<hr/>
	251,806	-
	<hr/>	<hr/>

17. Share Capital

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

18. Reserves

	Retained Income
	£
At 1 April 2018	1,742,838
Surplus for the year	79,853
	<hr/>
At 1 April 2019	1,822,691
Deficit for the year	(123,118)
	<hr/>
At 31 March 2020	1,699,573
	<hr/> <hr/>

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

Notes To the Financial Statements (continued)
Year Ended 31 March 2020

19. 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>2020</u>	<u>2019</u>
£	£		
Within one year	- equipment	4,382	6,150
	property	-	34,323
Within two to five years	- equipment	11,639	20,326
	property	-	8,581
		<u>16,021</u>	<u>69,380</u>
		=====	=====

The principal items leased are office equipment.

These leases are treated as operating leases and are not recognised in the company balance sheet due to their being of low value as defined in the accounting policy. Payments under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

20. Capital Commitments

At the 31 March 2020 capital expenditure amounting to £55,000 had been approved but not committed (2019: £0).

21. Contingent Liabilities

The company is aware of a contingent liability amounting to £556,000 (2019:£572,000).

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 2019.

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 but this liability may be deferred under a deferred debt arrangement with the Trustees. An estimate of this liability has been calculated as at 31 March 2019 and amounts to £556,000.

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 2019 amounted to £556,000 and March 2018 £572,000. Estimates for the previous 4 years ranged between £690,000 and £198,000. 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 2020**

22. Related Party Transactions

Throughout the year to 31 March 2020, the Welsh Government was the sole member of the company and the ultimate controlling party.

During 2019-20, HCC undertook services for WG amounting to £48,115 (2019: £94,046). The services were invoiced in this financial year when the contract was completed.

The company receives funding through the Rural Development Plan for Wales 2014-2020 managed by the Welsh Government of which £1,532,294 (2019:£259,992) was receivable in the year. At the year end £1,232,560 (2019:£274,348) was outstanding relating to grant expenditure not yet refunded.

Direct funding is also received from the Welsh Government for export promotion of which £505,000 (2019:£441,000) was receivable in the year. At the year end £nil (2019: £nil) was outstanding.

Transactions and balances with the company's subsidiary undertaking, EIDCYMRU, are separately disclosed in Note 23.

23. 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. It's principal activity is as a bureau for the electronic recording of sheep movements in Wales. EIDCYMRU is wholly funded by Welsh Government, such funds being provided on a defrayed basis.

During the year, HCC met certain costs on behalf of EIDCYMRU amounting to £62,543 (2019:£64,460) and advanced funds of £30,000 (2019:£120,000). At the year end £1,001 (2019:£16,333) is outstanding. EIDCYMRU advanced funds amounting to £200,000 which was outstanding at the year end.

**Notes To the Financial Statements (continued)
Year Ended 31 March 2020**

24. 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 £64,438 (2019:£50,152). Contributions amounting to £5,895 (2019: £4,632) 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 13 active members in total. The contributions paid in the year amounted to £46,678 (2019:£31,653) and there were outstanding contributions at the year-end of £3,807 (2019: £2,638). This cost is based on the actuarial valuation made as at 31 March 2018. Employer contributions are payable at a rate of 27% (2019: 19.2%) of pensionable salaries. Contributions amounting to £47,611 are anticipated for the year to 31 March 2021.

The company is also required to pay £nil (2019: £3,700) to cover a small funding deficit arising from the tri-ennial valuation of the scheme.

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 2020 was £203.2m (2019: £217.2m) and this was sufficient to cover 97.3% (2019: 95.7%) 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 21.