

Hybu Cig Cymru-Meat Promotion Wales
Company Limited By Guarantee

Annual Report and Financial Statements
Year Ended 31 March 2023

Hybu Cig Cymru-Meat Promotion Wales

Company Limited By Guarantee

Company Registration Number: 4635113

**Annual Report and
Financial Statements
Year Ended 31 March 2023**

Contents

Page:

1-9.	Annual Report
10-17.	Directors' Report
18-20.	Remuneration Report
21-24.	Auditor's Report
25.	Statement of Comprehensive Expenditure
26.	Balance Sheet
27.	Statement of Cash Flows
28 – 42.	Notes and Accounting Policies

The Directors present herewith their annual report, together with the audited financial statements of the company, for the year ended 31 March 2023. 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, representative 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

Russia's invasion of Ukraine, the cost-of-living crisis and its impact on business and consumers; high energy bills, and an unusually dry summer, provided a set of difficult external challenges to the farming industry in Wales in 2022-23.

These exceptional factors helped to restrict a resilient industry's determined recovery efforts following the extraordinary previous two trading years when Covid dominated everyday life in Wales and the world.

Nevertheless, and, despite these setbacks, notable advances were made.

UK red meat demand strengthened and the gains that had been seen in the UK retail sector by local butchers were consolidated at higher levels than in the pre-Covid climate of 2019. Internationally, the value of lamb and beef exports from Wales passed the £250m mark in 2022 according to HMRC UK trade data. The total value of Welsh Lamb exports in 2022 was £171.5m. Exports to the largest European partners – France, Germany and Belgium – were all up on 2021, with the French market alone worth an estimated £77m to Welsh sheep farmers.

The value of beef exports from Wales also jumped by nearly 50 per cent – from £50.9m in 2021 to £75.6m in 2022 – reflecting both increased trade and exchange rate factors. Notable growth was recorded in exports to France and the Netherlands, as well as some emerging markets such as Japan.

A long and determined campaign by HCC to lift US Government restrictions on the imports of lamb from the UK achieved its goal in December last year. A process of assessing individual processing plants followed and a plant in Wales dispatched the UK's initial UK shipment after becoming the first to achieve approval from the American authorities.

At home, higher fuel, fertilizer and animal feed costs, consumer inflation and very high energy costs created unusually difficult trading conditions but throughout this testing year, HCC responded with speed and flexibility to the rapidly changing economic circumstances.

Its keynote strategic guide- Vision 2025- was renewed and refreshed, enabling swift, effective and co-ordinated industry responses to the new challenges and opportunities that were brought into play. HCC will next year begin to reappraise the Vision 2025 strategy in anticipation of a successor document that will be fit to deliver for the industry going forward. Once more, it will be developed in association with all stakeholders across the supply chain.

HCC itself was not isolated from these high impact economic factors. Following an extensive period of seeking the views of farmers and stakeholders, the recommendation of HCC's Board of Directors to change levy rates in order to meet the new challenges was approved by the Welsh Government Minister for Rural Affairs, Lesley Griffiths MS.

Beginning at the start of the new financial year on April 1, 2023, levy rates will be increased in line with inflation. This is the first increase in the Welsh Red Meat Levy since 2011. HCC is grateful to our stakeholder farmers and those in the wider supply chain for providing their supportive views on the changes- and then to the Minister for agreeing to the Board's recommendation regarding levy rates. This agreement will enable HCC to plan ahead with certainty to deliver for the Welsh red meat sector enhanced marketing, improved supply chain efficiency and the driving forward of greater pan-industry sustainability.

Unfettered trade opportunities, and the ability for the UK to make its own deals with global partners, such as the agreement with the USA, were positives in the legacy from Brexit. Additional bureaucracy continued to impact but it is hoped that impending alleviation is on the horizon as a result of a full rollout of digitalisation. However, the industry continued to suffer with labour shortages and there was some evidence that, in the last six months of the year, imports were causing a degree of volatility to prices in the domestic markets.

The total volume of fresh and frozen sheep meat imported into the United Kingdom in 2022 saw a substantial rise of 17 per cent to 63,800 tonnes. Volumes received from the largest source of imported sheepmeat - New Zealand - were 3 per cent higher than 2021. Significantly, though, as the year progressed, much more than usual of this volume arrived in the form of frozen product as opposed to fresh. Frozen lamb accounted for 86 per cent of the total New Zealand fresh and frozen sheepmeat imports, whereas in 2021 the equivalent figure was 57 per cent.

Wider food security issues continued to concern stakeholders after the UK saw shortages of some consumables in the early part of the year which highlighted our 60 per cent self-sufficiency, and therefore, our considerable domestic dependency, on imported food.

There were also investigations by the National Food Crime Unit into some imported meat products from abroad that were being falsely labelled as 'British'. HCC is always vigilant and will continue

Annual Report and Financial Statements
Year Ended 31 March 2023

with its regular audits of food processors and furthering its twenty-year investment in a world-leading system of traceability, in association with partners Oritain.

From January 2024 new arrangements for Geographical Indication Schemes come fully in force. In the UK, the UK GI scheme will be followed whilst we will keep using the established European GI scheme for EU markets..

Another significant, and impending post-Brexit change, involves the introduction of the new national agricultural support policy to replace the previous European funding provision. The Welsh Government, in dialogue with all industry stakeholders, is currently working to achieve delivery of a solution that maximises support based around the three fundamental and essential industry pillars of economy, environment and social and community life.

The mechanism for transferring funds under Levy Repatriation was fully operative for this financial year after the end of the temporary ring-fenced agreement between the three UK levy boards and the new arrangement has been working well for all parties involved.

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

I am grateful to HCC's Chair Cath Smith and our hard-working Board of Directors for their assiduous, accomplished and innovative contributions during a year of demanding and difficult trading circumstances.

Performance Overview

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

Vision 2025 has been reappraised and refreshed each year since by HCC and its stakeholders to enable the industry to adapt and hone its activity to meet the demands of prevalent internal and external forces.

At the start of the new financial year on April 1, levy rates will be increased in line with inflation. This will mean an extra 6p on the farmers' levy for sheep and 2p for processors, and a proportionate 40p increase in the cattle levy for farmers, and 12p for processors. In 2022-23, the Levy Repatriation arrangements continued and this enabled HCC to regain revenue from the producer levy on animals which were reared in Wales but slaughtered in England or Scotland.

HCC also had significant Welsh Government funding through 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 and sustainability objectives.

Key issues and risks

HCC maintains a risk register which is reviewed regularly. As was the case in the previous year, when Covid prompted significant re-evaluations, the 2022-23 year has been revisited regularly in the light of the exceptional external issues listed above.

The Welsh Government is currently working to achieve delivery of a solution that replaces the previous European support scheme for farmers.

The Free Trade Agreements (FTAs) struck with Australia and New Zealand continued to carry few opportunities but still offer long-term risks in terms of supply impacts and increased competition from imports to the domestic market.

Heightened concern around sustainability and the environment is a consistently prominent issue, to which HCC has continued to respond with a strong leadership position and its "not business as usual" internal support system, consumer marketing campaigns and a programme of communication and

Annual Report and Financial Statements
Year Ended 31 March 2023

stakeholder engagement. This was backed up with independent scientific analysis in order to provide evidence-based support to the industry on the positive story of the sustainability of Welsh red meat production. More of this activity follows in the *Performance Analysis*.

Long-term challenges relating to the structure of the industry continued; these include a large number of very small businesses as primary producers and challenges to the viability of processors, large and small.

Performance Analysis

In its business planning process, HCC develops a three-year Corporate Plan in line with its overriding Vision 2025. Key performance indicators (KPIs) are developed to measure progress against these objectives and reported on regularly to the Board of Directors and Welsh Ministers. This section summarises the activities HCC has undertaken towards the objectives.

Refreshed, digital-led, consumer marketing strategies in the UK continued to be successful for HCC. Content included a range of celebrity chefs and influencer recipes featuring cost effective meat solutions for the target markets in response to the cost of living crisis. In addition, a range of materials highlighting the environmental and sustainability credentials of Welsh red meat were promoted.

A number of specific seasonal promotions took place, including joint UK-wide activity around Love Lamb Week in early September, and specific bursts of promotion around the Welsh brands, notably 'Lamb Day' on August 1, beef advertising connected to the Football World Cup in Qatar and Pork from Wales promotions included The Best Pork Sausage competition.

2022-23 saw the further establishment of partnerships with multiple retailers to promote Welsh Lamb and Welsh Beef and marketing materials continued to be produced for independent butchers. A large proportion of the UK's most prominent retailers stocked Welsh Lamb and Welsh Beef and were engaged in promotional activity at various points during the year.

As an example, a number of retailers ran online promotional campaigns across social and digital channels to promote the Welsh Lamb and Welsh Beef brands and, supported by HCC, another undertook instore radio advertising. Many retailers made use of point of sale and/or on-pack materials provided by HCC to raise awareness of the brands at the point of sale.

Support to foodservice has resumed fully in the post Covid era with attendance at a number of in-person foodservice trade events and the placing of a dedicated Welsh Lamb advertising campaign in wholesaler brochures.

HCC has continued to attend a range of consumer shows providing sampling opportunities and recipe inspiration to target consumers throughout the year. In addition these events have provided further opportunities to capture newsletter subscribers, with the 'Welsh Lamb Family' database now standing at 37,000 engaged subscribers.

Independent research into consumer perception of Welsh Lamb revealed an increased awareness of the brand year on year, with positive perception metrics around its quality.

In 2022-23, HCC delivered a communications programme that targeted health and education professionals and utilised the refreshed suite of Health and Education print and digital resources. Events and partnership marketing resulted in increased distribution and also downloading of these materials. They can be found at redmeathub.wales / hwbcigcoch.cymru.

Red meat experienced strong retail demand in GB during the Covid pandemic, however external factors including rapidly rising inflation- and a return to pre-pandemic shopping patterns- meant that these previous sector gains came under pressure. The cost-of-living crisis resulted in consumers tightening their belts and led to switches to cheaper cuts when it came to their protein choice. Lamb, as a premium product, experienced significant price rises at retail, which led to some losses of buyers within the category during the year.

This meant that in 2022, the volume of lamb bought at GB retail fell by over 20 per cent on the year to around 49,200 tonnes, which was lower than pre-pandemic levels. However, the average price of lamb at retail rose from £10.48 per kg in 2021 to £11.66 per kg in 2022. Penetration fell by some 13 per cent on the year as consumers switched to other, cheaper, proteins.

In comparison, the average price of beef at retail in GB during 2022 was £8.61 per kg – an increase from the £7.99 per kg for 2021. Total volume sold fell by 12 per cent on the year to 260,750 tonnes, whilst many consumers switched to buy mince and stewing cuts due to their price point and volatility.

The value of red meat exported from Wales crossed the £250 million mark during 2022 – an increase of 23 per cent on the previous year. Sheep meat exported from Wales was up 14 per cent on 2021 levels in value terms, whilst the value of beef exports totalled £84million (a 45 per cent increase on the year). The value of exports rose as a result of both an increase in product availability and stronger GB farmgate prices. Exports to Europe continue to be robust year-on-year, while sales to new emerging markets were strong on the year as demand continued to recover post-Covid.

HCC's campaigns in key export markets were delivered through a combination of trade events, inward and outward missions, key account support and trade PR and digital communications in priority markets. In the global marketplace, HCC's export team attended key events at Sial, Gulfood, Sirha and at the 'summit' of the American meat industry – the Annual Meat Conference (AMC) – held this year in Dallas, Texas.

Work with the UK Export Certification Partnership continued in order to raise restrictions on market access to a number of countries.

Resources continued to be prioritised into clear communications to the industry and stakeholders in order to keep all informed of HCC activity and market intelligence and HCC continued to ensure the scrupulous efficacy of audits to underpin the integrity of the PGI Welsh Lamb and PGI Welsh Beef brands.

The year saw a positive re-set for HCC's focus on sustainability. The organisation declared that it was no longer *business as usual* and set about establishing a culture that integrated and enmeshed sustainability principles throughout all of its activity.

HCC positioned itself as a thought leader in terms of sustainable food production and land management and utilised its unique place in the supply chain to deliver what the industry, the environment, and its consumers require.

HCC continued to develop its data-driven and evidenced-based position on sustainability to promote and guide the industry through an ever-challenging and evolving context, keeping up-to-date with

regional, national and global influences, including the UN Climate Change Conference (COP27) and UN Biodiversity Conference (COP15).

During 2022-23, HCC built upon the strong foundations set in previous years by its well-regarded sustainability routemap, *The Welsh Way*, to focus on the concept and practicalities of a total environmental footprint. This seeks to build, in a holistic way, upon carbon emissions work and includes in its broad sweep essentials such as biodiversity, soil health, water quality and air quality. Ambitious plans have also been put in place for the forthcoming years to establish environmental baselines and ensure that the Welsh PGI brands can be underpinned by their environmental, as well as their traceability, credentials.

Throughout 2022-23, HCC demonstrated industry leadership on sustainability through an enthusiastic engagement with all key stakeholders and policy-makers that offered guidance via a projection and promotion of the principles integral to and underpinning Wales' red meat industry's sustainable food production system. The HCC sustainability re-set also delivered collaborative working on the issue with both AHDB and QMS on pre-competitive workstreams.

HCC informed the scrutiny of the Agriculture (Wales) Bill 2022, presenting evidence at committee stage, as well as collaborating with other farming organisations and environmental non-governmental organisations with the drafting of a joint response. Consultation contributions were also submitted on industry issues including the Food Bill, Just Transition Wales and mandatory CCTV in slaughterhouses. Throughout HCC fed into the development of the Sustainable Farming Scheme.

Core sustainability messages were delivered at HCC's annual conference, farming union meetings, Wales Real Food and Farming Conference, and British Nutrition Foundation Conference for teachers, alongside podcasts, webinars and written articles.

Membership of both the Global Roundtable of Sustainable Beef and the Global Meat Alliance were utilised and ensured that HCC contributed to a worldwide dialogue for sustainable red meat production and environmental data capture.

HCC contributed both written and oral expert advice to both Welsh Government and Westminster, providing evidence for consultations, completing calls for evidence and contributing to inquiries. HCC continued to provide evidence in relation to future trading relations including the UK-New Zealand Free Trade Agreement and to feed into the development of Welsh Government's Sustainable Farming Scheme.

For nearly twenty years, HCC has been the guardian of industry sustainable growth and development and has championed farm efficiency improvement. In the last twelve months, a substantial area of work to help equip the industry for future challenges has centred around the EU and Welsh Government-funded Red Meat Development Programme and, although nearing to a close, it continued to progress courtesy of a raft of activities and a volume of outputs that highlighted industry development directions to boost future prosperity.

This Programme involved 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. They 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 is assessing practices at all stages of the supply chain to understand what factors can impact on eating quality.

The Programme will conclude in June 2023.

The Stoc+ project has had tangible benefits to on-farm productivity and therefore producer profitability. Improving animal health on farm is a key driver for farms to become more environmentally sustainable and reduce emissions. Vets, a key component in the project's profile, have confirmed that they have found great value in working closely with farmers and that it has led to an increase in young vets' confidence and knowledge.

Specific annual gains are reflected in the development of pilot projects on key animal health priorities identified in Stoc+ on sheep lameness and beef herd fertility.

The Hill Ram Scheme has over 50 contributing farmers who have employed DNA shepherding in their upland and hill flocks for data-driven farming. The Hill Ram Scheme farmers are using genetic analysis to inform their flock decisions, with many already seeing increased performance as a result of being part of the Scheme. Over the year, HCC has worked with the project's team of farmers to maximise the number that continue to record after the Scheme finishes, a course of action that helps ensure there is a bright and prosperous future in sustainable hill farming.

Consumer Taste Panels for the Welsh Lamb Meat Quality project concluded in early 2023. Nearly 2,000 consumers across the UK have eaten 14,000 samples of Welsh Lamb across the project, giving the industry a credible and robust blueprint of consumer preference. The project has also looked at the nutritional benefits of lamb and this will be a valuable resource for the sector to highlight the importance of lamb, and wider red meat, in a health varied diet.

Dissemination of the results of the Programme has been a key element of delivery during the period. This has included presentations at various events and meetings together with the production of publications, case studies, advertorials and monthly newsletters to highlight the Programme outcomes and increase awareness of the importance of the work.

Livestock Selection events held at abattoirs returned during the year for the first time since Covid. They help farmers understand how to maximise their production to meet market specifications and also produce at optimum cost. They are a valuable output to disseminate key market drivers and messages and they also allow an opportunity to highlight the importance of increasing the shelf-life of Welsh Lamb. Continued messaging has borne further gain with the average shelf-life again increasing during the year.

HCC's Research and Development (R&D) portfolio remains central to the organisation's drive for industry efficiency. Providing and facilitating the landscape for innovations, opportunities and new and novel techniques is a vital part of HCC's mission. During the year, research work with academic institutes such as Aberystwyth and Bangor Universities investigated opportunities to maximise efficiency from grassland management and breeding. The established relationships between HCC, the industry and the Universities in Wales has been further strengthened in this twelve months by

Annual Report and Financial Statements
Year Ended 31 March 2023

the recruitment of four PhD students who have explored key topics to support the industry in the future.

Long-established collaborative research activity continued into this year. It included such work as supporting the Recommended Grass and Clover List and joint initiatives with other UK levy boards such as the GrasscheckGB and RamCompare projects.

The HCC Livestock Scholarship was awarded to Charlie Cooper-Harding in 2022. Charlie travelled to South America to investigate the importance of rearing efficient, sustainable and profitable beef animals in the dairy industry. The results of this study will be disseminated over the coming year.



Bryan Regan
Accounting Officer

8 November 2023

Directors' Report

The Directors present herewith their report, together with the audited financial statements of the company, for the year ended 31 March 2023.

1. Results

The result for the year was a deficit of £150,087 (2022 deficit: £76,084).

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 2020-23 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 25 and the position of the company at the year end in the Balance Sheet on page 26.

Key financial performance indicators for the company are:

	2023	2022
	£	£
Levy income	4,585,229	4,286,603
Grant income	2,808,119	2,122,651
Operating (deficit)	(118,867)	(62,269)

Levy income increased due to greater numbers available.

Grant income increased as the Welsh Government administered Rural Development grant saw increased activity following delays due to covid.

The deficit was greater than in 2022 due to increased governance costs.

A market valuation of the office building was carried out at 31 March 2021 at a value of £600,000. 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 2024.

Environmental Policy

HCC is committed to minimising the impact of its activities on the environment seeking to continually improve business operations to lessen the impact on the local and global environment. The strategy is to promote sustainability and environmental awareness throughout the organisation by:

- Incorporating energy and natural resources efficiency measures into the organisation's facilities
- Adopting a procurement programme which takes into account the environmental impact of products and services
- Preventing pollution and reducing consumption of resources through waste management strategies that promote waste minimisation re-use, recovery and recycling
- Promoting appropriate business travel and car-pooling where suitable
- Ensure staff are aware of the environmental impacts of their work activities and provide support to minimise those impacts

In addition, HCC complies with applicable environmental legislation.

Directors' Report (continued)

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	
	2023	2022	2023	2022
Staff	26	26	8	8

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

	Female		Male	
	2023	2022	2023	2022
Directors	4	4	6	6

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. 7 critical strategic risks from the risk register have been listed on page 15. The principal financial risks are recorded here.

The principal risk to the business is cash flow in relation to grant expenditure. HCC is reliant upon the prompt settlement of grant claims. Where there are delays in the payment of claims HCC has to seek alternative arrangements in order to meet its obligations.

In previous years HCC's principal risk was the level of levy income. From 1 April 2021 the total GB levy was repatriated according to the breeding population of the respective countries. HCC's levy income has increased from that date and the financial risk of lost levy income has reduced. However, HCC is still reliant on income from 3 major processors and the closure of any of these would impact on HCC's income.

As stated in the annual report, inflationary pressures is also a risk to HCC. This has been mitigated by the agreement to an annual increase in levy rates as from 1 April 2023.

The COVID pandemic posed challenges for all aspects of HCC's operations and these have been covered in depth in the annual report on pages 1 to 8. The ongoing risk to the company has been identified and recorded in the risk register and is monitored regularly.

4. Future Developments

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

Directors' Report (continued)

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:

Chair

C M Smith Red Meat Sector Consultant;

Directors

M J Chapman Director of Fortress Womens Counselling And Coaching Limited;
(resigned 31 March 2023)

D D H Davies Farmer;

(resigned 31 March 2023)

G R Davies

Estate & General Manager Rhug Estate;;
Partner Vale Vineyard – Gwinllan Y Dyffryn
Chief Executive, Wynnstay Group PLC; Director of
Agricultural Industries Confederation Limited; Bibby
Agriculture Limited, Glasson Grain Limited, Glasson Group
(Lancaster) Limited, Grainlink Limited, Humphrey Feeds
Limited, Humphrey Pullets Limited, Humphrey Poultry
(Holdings) Limited, Shropshire Grain Limited, Tamar
Milling 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

J T Davies

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

H Evans

Farmer;

(appointed 1 April 2023)

A J P Evershed

Farmer; Partner Evershed & Co

M W Humphreys

Retired Researcher

(appointed 1 April 2023)

R L J Madeley Davies

(resigned 8 August 2022)

D P Morgan

Procurement Director, Kepak; Farmer; Director of Ffrydilan
Limited

R E Roberts

Farmer; Director Heidro Harnog Cyf, Clwb Rygbi Dolgellau
Cyf; President Farmers Marts (R G Jones) Limited; Member
NFU Cymru Less Favoured Areas Board;

C E Sanger-Davies

Marketing Consultant; Director The Liverpool And
Merseyside Theatres Trust Limited

(appointed 1 April 2023)

V Spencer-Francis

Founder and Managing Director; Director of Cowshed
Communication Limited

(appointed 1 April 2023)

C Williams

(resigned 31 March 2023)

Farmer; Area Manager Warrendale Wagyu Limited

Directors' Report (continued)

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 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 2023 was as follows:- G W Davies (Chair); J Davies; G R Davies; A J Evershed

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)

8. Governance Statement (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 Audit*
The Committee reviewed reports from the internal auditors.
- *External Audit*
Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope.

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 2023 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)

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. 13 strategic risks and 17 operational risks have been identified. 7 of the strategic risks were ranked as critical after residual measures were assessed. These relate to:

- global economic recession as a result of a financial crisis or pandemic
- Reduction in livestock numbers in response to climate change or changing Government policy
- disruption of trade due to closure of, or disruption in, existing export markets
- Public perception of red meat is adversely affected, being influenced by health, the environment and consumer demands
- availability of skilled staff across the supply chain
- increasing imports of meat of lower standards
- increasing imports of lower standards reduces trade demand for Welsh red meat

HCC have ongoing relationships with officials at Welsh and UK level to enable them to keep abreast of developments.

HCC's communications department have a communications plan to counter these.

Business interruption due to unplanned events.

HCC has an established business interruption plan which was in use for the Covid-19 pandemic. The plan is still being referred to as staff continue working under new arrangements.

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.

Business Plan

Under new governance arrangements, HCC has prepared a Business Plan 2022-2026 covering the term of Government.

Operational Plan

An Annual Operational Plan and Budget is presented to the Board. The Plan for 2022/23 was approved at the March 2022 Board meeting.

Financial Reporting

Financial reports are regularly presented to the Board.

Directors' Report (continued)

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 0.87% (2022: 1.1%).

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").

The financial statements are required by law and IFRS 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)

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.



C Smith
Chair

8 November 2023

Remuneration Report

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 2023 was as follows:- J T Davies (Chair), R L J Madeley-Davies (until 8 August 2022), C Smith, A J Evershed (from 22 November 2022).

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.

C Smith was appointed as Chair from 1 April 2021 for a term of 3 years. Her remuneration is set at £350 per day for the duration of her term of office.

Of the Directors in office at the date of this report, 2 Directors were appointed from 1 April 2021 for a period of 3 years, 4 Directors were re-appointed by the Cabinet Secretary for Environment and Rural Affairs from 1 April 2023 for a further three year period and 4 Directors were appointed from 1 April 2023 for a period of 3 years.

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 2022 to March 2023. The number of Board meetings attended by the Directors are as follows:

	2022/2023	2021/2022
M Chapman	4	6
D D H Davies	2	2
G R Davies	6	6
G W Davies	5	4
J T Davies	6	6
A J Evershed	6	6
R L J Madeley Davies	1	6
D P Morgan	6	5
R E Roberts	6	6
C M Smith	6	6
C Williams	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.

R L J Madeley Davies resigned on 8 August 2022. M Chapman, D D H Davies and C Williams resigned on 31 March 2023 but were available for all Board meetings throughout the year.

H Evans, M Humphries, C Sanger-Davies and V Spencer-Francis were appointed on 1 April 2023.

Remuneration Report (continued)

This section of the Remuneration Report is auditable

Directors Emoluments

Emoluments of the Directors who served throughout the year to 31 March 2023 are as follows:

	2023	2022	2023	2022
	£	£	£	£
	Remuneration		Expenses	
Chair				
C Smith	20,125	20,825	2,491	794
Other Directors				
M Chapman	3,150	3,450	382	101
D D H Davies	1,200	1,050	-	-
G R Davies	4,050	3,900	624	88
G W Davies	3,000	2,700	264	-
J T Davies	5,250	6,000	463	38
A J Evershed	4,350	4,200	210	83
R L J Madeley Davies	1,050	5,550	117	144
D P Morgan	4,050	3,450	249	85
R E Roberts	3,900	4,200	398	138
C Williams	3,750	4,350	192	68

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:

	2023	2022
Remuneration	£125,001 - £130,000	£110,001 - £115,000
Benefits in kind	£3,660	£4,961
Pension contributions	-	£27,247
Pension contributions – additional years	-	£60,000

The Chief Executive was a member of the Meat and Livestock Pension Scheme which ceased to future accrual as at 31 March 2022. Contributions for additional years for the 3 members of the scheme were made in lieu of the early closure of the scheme of which the contribution for the Chief Executive amounted to £60,000. Remuneration stated above for 2023 includes payments in lieu of pension contributions.

Annual Report and Financial Statements
Year Ended 31 March 2023

Remuneration Report (continued)

This section of the Remuneration Report is auditable

Fair Pay Disclosures

		2023		2022
	Ratio to highest paid employee	Remuneration	Ratio to highest paid employee	Remuneration
25 th percentile pay ratio	3.82	£31,002	4.18	£27,349
50 th percentile pay ratio	2.97	£39,798	2.97	£38,452
75 th percentile pay ratio	2.59	£45,615	2.81	£40,627
Range of staff remuneration		£20,597 - £80,529		£19,710 - £76,063

The remuneration of the highest paid employee increased by 3.5%, as determined by the Remuneration Committee.

The 25% percentile pay ratio figure fell due to a higher percentage increase in salaries for staff at this level.

The 75% percentile pay ratio figure fell due to higher salaries for staff in the highest percentile.

The average percentage change in staff remuneration amounted to 3.5%.



C Smith
Chair



B Regan
Accounting Officer

8 November 2023

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

Opinion on financial statements

I have audited the financial statements of Hybu Cig Cymru – Meat Promotion Wales for the year ended 31 March 2023 which comprise the Statement of Comprehensive Expenditure, 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 UK adopted international accounting standards.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are 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 opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters 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.

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

- the information given in annual and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the annual and directors' reports have 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 annual report or 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:

- I have not received all the information and explanations I require for my audit; adequate accounting records have not been kept, or returns adequate for our audit have not been
 - received from branches not visited by my team;
 - the financial statements are not in agreement with the accounting records and returns;
 - certain disclosures of directors' remuneration specified by law are not made;
- the Directors' were not entitled to take advantage of the small companies exemption in preparing a full directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.

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, the Directors are responsible for:

- maintain proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring the regularity of financial transactions;
- internal controls as the directors determine is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- 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 the directors anticipate that the services provided by the company will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the Companies Act 2006.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the company's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Hybu Cig Cymru – Meat Promotion Wales's policies and procedures concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals;

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

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtaining an understanding of Hybu Cig Cymru – Meat Promotion Wales's framework of authority as well as other legal and regulatory frameworks that Hybu Cig Cymru – Meat Promotion Wales operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Hybu Cig Cymru – Meat Promotion Wales.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit and Risk Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the directors; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Hybu Cig Cymru – Meat Promotion Wales's controls, and the nature, timing and extent of the audit procedures performed.

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.

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

The maintenance and integrity of Hybu Cig Cymru's website is the responsibility of the Company; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.



Adrian Crompton
Auditor General for Wales

1 Capital Quarter
Cardiff CF10 4BZ
Date: 15 November 2023

Statement of Comprehensive Expenditure

	Notes	<u>2023</u> £	<u>2022</u> £
Revenue	5	7,411,419	6,444,423
Expenditure			
Operating expenses	7	7,530,286	6,506,692
		<hr/>	<hr/>
Operating Deficit		(118,867)	(62,269)
Finance Income		1,573	52
Finance Costs	8	(32,494)	(13,857)
		<hr/>	<hr/>
Excess of Expenditure Over Income on Ordinary Activities Before Taxation	7	(149,788)	(76,074)
Taxation	11	(299)	(10)
		<hr/>	<hr/>
Deficit and total comprehensive income for the year attributable to the company's member		<u>(150,087)</u>	<u>(76,084)</u>

Annual Report and Financial Statements
Year Ended 31 March 2023

Balance Sheet

	Notes	<u>2023</u> £	<u>2022</u> £
Non Current Assets			
Property, plant and equipment	12	621,990	658,373
Right Of Use Assets	13	165,138	221,229
		<u>787,128</u>	<u>879,602</u>
Current Assets			
Trade and other receivables	14	2,022,003	2,639,051
Cash and cash equivalents		291,723	93,264
		<u>2,313,726</u>	<u>2,732,315</u>
Total Assets		<u>3,100,854</u>	<u>3,611,917</u>
Current Liabilities			
Bank Overdraft (unsecured)		-	284,974
Trade and other payables	15	1,203,628	1,242,574
Right Of Use Lease Liabilities	16	29,489	40,503
Current tax liabilities		300	10
		<u>1,233,417</u>	<u>1,568,061</u>
Non Current Liabilities			
Right Of Use Lease Liabilities	16	176,598	202,930
Total Liabilities		<u>1,410,015</u>	<u>1,770,991</u>
Net Assets		<u>1,690,839</u>	<u>1,840,926</u>
Reserves			
Retained Income	18	<u>1,690,839</u>	<u>1,840,926</u>

For the year ending 31 March 2023, 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). It is instead subject to public sector audit and audited by the Auditor General for Wales.

The financial statements, which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Cash Flows and related notes (1 to 24), were approved and authorised for issue by the Board of Directors on 8 November 2023 and signed on its behalf by:

 C Smith Chair

 B Regan Accounting Officer

Annual Report and Financial Statements
Year Ended 31 March 2023

Statement of Cash Flows

	<u>2023</u> £	<u>2022</u> £
Cash Flows from Operating Activities		
Operating (deficit)	(118,867)	(62,269)
Depreciation & loss on disposal of assets	57,866	45,631
Depreciation on right of use assets	47,947	46,145
Operating lease payments	3,957	4,128
Movements in working capital:		
Decrease/(Increase) in trade and other receivables	708,295	(940,959)
(Decrease)/Increase in trade and other payables	(130,193)	495,785
Cash expended on operations	<u>569,005</u>	<u>(411,539)</u>
Taxes paid	(10)	(72)
Net cash expended on operating activities	<u>568,995</u>	<u>(411,611)</u>
Cash Flows from Investing Activities		
Purchase of plant and equipment	(11,337)	(73,795)
Purchase of intangible assets	(10,145)	-
Proceeds on disposal of assets	-	5,000
Net cash used in investing activities	<u>(21,482)</u>	<u>(68,795)</u>
Cash Flows From Financing Activities		
Interest received	1,573	52
Right Of Use Assets Lease payments: capital	(29,202)	(36,875)
Right Of Use Assets Lease payments: interest	(19,780)	(8,558)
Operating lease payments	(3,957)	(4,128)
Bank overdraft interest	(12,714)	(5,299)
Net cash used in financing activities	<u>(64,080)</u>	<u>(54,808)</u>
Net increase/(decrease) in cash and cash equivalents	<u>483,433</u>	<u>(535,214)</u>
Cash and cash equivalents at the beginning of the year	(191,710)	343,504
Cash and cash equivalents at the end of the year	<u>291,723</u>	<u>(191,710)</u>
Being cash held in bank accounts	291,723	93,264
Bank overdraft	-	(284,974)
	<u>291,723</u>	<u>(191,710)</u>

Notes To The Financial Statements

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) and in accordance with applicable provisions of the Companies Act 2006. The principles of HM Treasury's The Financial Reporting Manual 2022-23 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 £1,690,839 at 31 March 2023. 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. Levy income also includes levy repatriated from other GB levy bodies under the Agriculture Act 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.

Grant income – grants are received from the Welsh Government through 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 VAT.

Notes To the Financial Statements (continued)

4. Significant Accounting Policies (continued)

Expenditure

Expenditure comprises costs for services and employment costs. Costs are recognised in the period when the activity has taken place. Any costs not defrayed in the appropriate period is accrued for and recognised within Trade and Other Payables.

Short-term Employee Benefits

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees.

Pensions

The company makes defined contributions to individual pension plans for all of its 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.

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

Right of use assets are recognised when the company enters into contracts where the company has the right to obtain the economic benefit from the use, and control of, an identified asset.

The value capitalised is initially at cost which is the amount of the initial lease liability plus any payments made up front to the lessor less any incentives received plus any initial direct costs.

The assets are depreciated over the life of the leases on a straight line basis. Motor Vehicles will be depreciated at 25% per annum and lease lives for property assets are currently between 5 and 11 years.

The cost model will continue to apply and asset values are updated as lease liabilities change.

Any short term leases, those with a lease term at commencement date of 12 months or less, are not capitalised and are treated as expenditure over the lease term.

Notes To the Financial Statements (continued)

4. Significant Accounting Policies (continued)

Right Of Use Assets (continued)

Low value leases such as computers and office furniture, provided that these are not highly interrelated to other assets are also not capitalised and treated as expenditure over the lease term.

Payments for assets not meeting the definition of a lease are accounted for as goods and services and charged to expenditure as they fall due over any contractual term.

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 business 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.

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

Notes To the Financial Statements (continued)

4. Significant Accounting Policies (continued)

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

Lease liabilities are recognised when the company enters into contracts where the company has the right to obtain the economic benefit from the use, and control of, an identified asset.

The value of the liability is initially calculated as the present value of lease payments discounted by the Company's underlying interest rate at the commencement date of the lease or the date of transition under IFRS16.

The Company's underlying interest rate at 1 April 2019 was 2.54% and interest rates will only be updated where the lease term is updated.

Lease payments includes the fixed payments to be made under the lease contract and inflationary increases are only accounted when they fall due.

The lease liability increases by an interest charge (which is charged to expenditure) and is reduced as payments are made to suppliers.

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.

Contingent Liabilities

The company recognises liabilities in the Balance Sheet where the following criteria are met: where the company has a future obligation to satisfy a debt; that debt may require an outflow of resources when the liability crystallises; that a reliable estimate of the liability is obtained. If all these criteria are not met then the liability will be recorded in the notes as a contingent liability.

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.

Notes To the Financial Statements (continued)

4. Significant Accounting Policies (continued)

Accounting Estimates and Judgements (continued)

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 IFRS 15 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.

Right Of Use Assets and Liabilities

Determination of the underlying discount rate at the time of capitalisation.

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.

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. Adoption of these standards will not have a material impact on the financial statements.

5. Revenue

	<u>2023</u>	<u>2022</u>
	£	£
Levy	4,585,229	4,286,603
Grants received:		
: Welsh Government RMDP	2,724,489	1,932,530
: Welsh Government Export	83,630	100,000
: Welsh Government CPRC	-	90,121
Services	18,071	35,169
	<u>7,411,419</u>	<u>6,444,423</u>

Notes To the Financial Statements (continued)

5. Revenue (continued)

From 1 April 2021, total GB levy income has been repatriated to the country of birth. Included in levy is an amount of £1,504,479 (2022: £1,386,208) received under this arrangement. Previously, the GB levy bodies had jointly agreed expenditure, under a ring fenced fund, on GB activities which benefits the levy payers of Great Britain. HCC were able to invoice the fund £79,270 (2022: £26,500).

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
2023	Revenue	4,603,300	2,808,119	7,411,419
	Expenditure	4,727,050	2,803,236	7,530,286
	Operating (Deficit)/Surplus	(123,750)	4,883	(118,867)
2022	Revenue	4,321,772	2,122,651	6,444,423
	Expenditure	4,387,075	2,119,617	6,506,692
	Operating (Deficit)/Surplus	(65,303)	3,034	(62,269)

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

The following information identifies the risks to HCC's income due to reliance on specific parties, based upon their main sources of income.

Within levy income, 3 companies operating abattoirs in Wales account for 13%, 10% and 9% respectively (2022: 14%, 11% and 9%) of total income of £7,411,419 (2022: £6,444,423). Within grants, direct grants received from the Welsh Government and also under the Rural Development Plan for Wales 2014-20 accounts for 37.9% (2022: 33.9%) of total income of £7,411,419 (2022: £6,444,423).

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

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

	<u>2023</u>	<u>2022</u>
	£	£
Auditors – audit	27,188	18,494
Staff costs (note 9)	1,558,437	1,616,162
Directors fees (note 10)	59,263	61,213
Depreciation	57,866	44,394
Depreciation: ROU assets	47,947	46,145
Loss/(Profit) on foreign exchange	4,916	(2,768)
Operating lease rentals – equipment	3,957	4,128
Bad debts (recovered)	(16,667)	(58,392)

Notes To the Financial Statements (continued)

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

Operating expenses

	<u>2023</u>	<u>2022</u>
	£	£
Export: Established	898,286	832,266
Developing	123,178	107,850
New Markets	51,794	50,071
Grants	83,630	100,000
Home: Retail	161,053	245,256
Consumer	980,154	933,024
Foodservice	88,064	95,660
Development of Brands	233,197	204,323
WG Grants	2,719,606	2,019,617
Market Intelligence	417,966	379,617
Research & Development	97,774	123,324
Supply Chain Efficiency	87,386	73,182
Corporate Costs	1,588,198	1,342,386
Total	<u><u>7,530,286</u></u>	<u><u>6,506,692</u></u>

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

8. Finance Costs

	<u>2023</u>	<u>2022</u>
	£	£
Interest charges on bank overdraft	12,714	5,299
Interest charges on Right Of Use Assets	19,780	8,558
	<u><u>32,494</u></u>	<u><u>13,857</u></u>

9. Staff Costs

Staff costs comprised:

	<u>2023</u>	<u>2022</u>
	£	£
Wages and salaries	1,340,135	1,266,308
Social security costs	140,882	128,042
Other pension costs	77,420	221,812
	<u><u>1,558,437</u></u>	<u><u>1,616,162</u></u>

Notes To the Financial Statements (continued)

9. Staff Costs (continued)

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

	<u>2023</u>	<u>2022</u>
Market Development	7	8
Industry Development	10	10
Communications	3	3
Corporate Services	13	12
	<u>33</u>	<u>33</u>

10. Directors' Emoluments

Directors' emoluments were as follows:

	<u>2023</u>	<u>2022</u>
	£	£
Fees	53,875	59,675
Expenses	5,388	1,538
	<u>59,263</u>	<u>61,213</u>

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

11. Taxation

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

	<u>2023</u>	<u>2022</u>
	£	£
Taxation charge for the period	299	10

Reconciliation of total tax charge:

The company does not undertake any trading activities. The only income subject to corporation tax is finance income.

Finance income	1,573	52
Tax charge at UK corporation tax rate of 19% (2022: 19%)	299	10

Notes To the Financial Statements (continued)

12. Property, Plant and Equipment

Property, Plant and Equipment comprised:

	Freehold Land and Property	Office Equipment	Motor Vehicle	Total
	£	£	£	£
Cost or Valuation				
1 April 2021	600,000	101,316	19,278	720,594
Additions	-	73,795	-	73,795
Disposals	-	(11,063)	(14,788)	(25,851)
At 31 March 2022	<u>600,000</u>	<u>164,048</u>	<u>4,490</u>	<u>768,538</u>
Additions	-	11,337	-	11,337
Disposals	-	(9,393)	-	(9,393)
At 31 March 2023	<u>600,000</u>	<u>165,992</u>	<u>4,490</u>	<u>770,482</u>
Depreciation				
1 April 2021	-	74,709	10,676	85,385
Charge for the year	25,556	17,038	953	43,547
Disposals	-	(10,218)	(8,549)	(18,767)
At 31 March 2022	<u>25,556</u>	<u>81,529</u>	<u>3,080</u>	<u>110,165</u>
Charge for the year	25,556	19,650	315	45,521
Disposals	-	(7,194)	-	(7,194)
At 31 March 2023	<u>51,112</u>	<u>93,985</u>	<u>3,395</u>	<u>148,492</u>
Net Book Value				
At 31 March 2023	<u>548,888</u>	<u>72,007</u>	<u>1,095</u>	<u>621,990</u>
At 31 March 2022	<u>574,444</u>	<u>82,519</u>	<u>1,410</u>	<u>658,373</u>

An independent market valuation of the building was carried out as at 31 March 2021 at a value of £600,000. This was on a freehold vacant possession basis by RJ Chartered Surveyors, assuming a marketing period of two years. Had the building been carried under the cost model, the carrying amount recognised at 31 March 2023 would have been £560,752.

(2022: £587,633).

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 £10,145 (2022:£nil) in respect of accounting software updates were made in the year. In accordance with the accounting policy, they were written off in full in the year.

Notes To the Financial Statements (continued)

13. Right Of Use Assets

Right Of Use Assets comprised:

	Freehold Land and Property	Motor Vehicle	Total
	£	£	£
Cost or Valuation			
At 1 April 2021	317,467	32,858	350,325
Valuation adjustment	278	(209)	69
	<u>317,745</u>	<u>32,649</u>	<u>350,394</u>
At 31 March 2022	317,745	32,649	350,394
Valuation adjustment	(7,792)	(352)	(8,144)
	<u>309,953</u>	<u>32,297</u>	<u>342,250</u>
At 31 March 2023	309,953	32,297	342,250
Depreciation			
At 1 April 2021	65,935	17,085	83,020
Charge for the year	37,982	8,163	46,145
	<u>103,917</u>	<u>25,248</u>	<u>129,165</u>
At 31 March 2022	103,917	25,248	129,165
Charge for the year	40,898	7,049	47,947
	<u>144,815</u>	<u>32,297</u>	<u>177,112</u>
At 31 March 2023	144,815	32,297	177,112
Net Book Value			
At 31 March 2023	165,138	-	165,138
	<u>165,138</u>	<u>-</u>	<u>165,138</u>
At 31 March 2022	213,828	7,401	221,229
	<u>213,828</u>	<u>7,401</u>	<u>221,229</u>

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

14. Trade and Other Receivables

Trade and Other Receivables comprised:

	2023	2022
	£	£
Receivables	1,092	3,822
Outstanding levy income	297,197	302,599
Other debtors	63,253	-
Prepayments and accrued income	1,627,439	2,321,253
Amount due from group company (note 23)	33,022	11,377
	<u>2,022,003</u>	<u>2,639,051</u>
	<u>2,022,003</u>	<u>2,639,051</u>

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

The average credit period taken is 45 days (2022: 37 days).

Notes To the Financial Statements (continued)

14. Trade and Other Receivables (continued)

Allowance has been made for estimated irrecoverable amounts of outstanding levy income of £nil (2022:£16,667). 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>2023</u>	<u>2022</u>
	£	£
At 1 April	16,667	75,059
Debt written off	-	-
Recovered	(16,667)	(58,392)
Additional allowance	-	-
At 31 March	<u>-</u>	<u>16,667</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 2023, but not impaired. The Company believes that the balances are ultimately recoverable based upon a review of past payment history.

	<u>2023</u>	<u>2022</u>
	£	£
Up to 3 months old (2022: 3 months)		
: receivables	-	-
: levy income	24,675	71,149
Over 3 months old	10,000	-
	<u>34,675</u>	<u>71,149</u>

£17,750 has been received after the year end.

Included within prepayments and accrued income is £1,168,399 (2022: £1,977,196) relating to grant expenditure. Trade and other receivables include financial assets amounting to £298,288 (2022: £306,421) 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.

Notes To the Financial Statements (continued)

14. Trade and Other Receivables (continued)

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>2023</u>	<u>2022</u>
	£	£
Amounts falling due within one year		
Other taxation and social security	42,329	101,569
Other Payables	641,709	934,667
Accruals and deferred income	519,590	206,338
	<u>1,203,628</u>	<u>1,242,574</u>

Trade and other payables include financial liabilities amounting to £851,921 (2022: £1,141,005) which are categorised as other financial liabilities at amortised cost.

16. Right Of Use Lease Liabilities

	<u>2023</u>	<u>2022</u>
	£	£
At 1 April 2022	243,433	280,239
Valuation adjustment	(8,144)	69
Restatement	3,712	-
Repayments	(48,982)	(45,433)
Finance charges	16,068	8,558
At 31 March 2023	<u>206,087</u>	<u>243,433</u>
Leases falling due:		
Within one year	<u>29,489</u>	<u>40,503</u>
Within two to 5 years	100,597	111,228
Over 5 years	76,001	91,702
	<u>176,598</u>	<u>202,930</u>

The restatement arises due to clarification of the length the lease for one of the properties. This has no material effect on the asset value.

Notes To the Financial Statements (continued)

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 2021	1,917,010
Deficit for the year	(76,084)
At 1 April 2022	<u>1,840,926</u>
Deficit for the year	(150,087)
At 31 March 2023	<u><u>1,690,839</u></u>

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

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>2023</u> £	<u>2022</u> £
Within one year - equipment	4,512	4,759
Within two to five years - equipment	10,228	16,563
	<u>14,740</u>	<u>21,322</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 2023 capital expenditure approved and committed amounted to £nil (2022: £nil).

Notes To the Financial Statements (continued)

21. Contingent Liabilities

The company is aware of a contingent liability amounting to £390,000 (2022: £711,000). 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 2023. No subsequent valuations have been prepared by the pension company.

HCC is a participating employer in the Meat and Livestock Commission Pension Scheme for certain of its employees and ex-employees. A liability may arise to pay a proportion of any scheme s75 deficit if the Principal Employer of the Scheme winds up this scheme. An estimate of this liability has been calculated as at 31 March 2023 and amounts to £390,000.

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 in the past having staff who while employed by HCC accrued benefits in the 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 2023 amounted to £390,000 and March 2020 £711,000. Estimates for the 4 years prior to these ranged between £490,000 and £609,000. 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.

22. Related Party Transactions

Throughout the year to 31 March 2023, the Welsh Government was the sole member of the company and the ultimate controlling party.

The company receives funding through the Rural Development Plan for Wales 2014-2020 managed by the Welsh Government of which £2,640,247 (2022:£1,980,227) was receivable in the year. At the year end £1,168,398 (2022:£1,962,558) was outstanding relating to grant expenditure not yet refunded. This amount is net of an advance payment of £700,000 which will be deducted from the final grant payment.

Due to delays in the payment of claims during the projects term, the Welsh Government have set up a facility for HCC to draw funds when required. The facility is for £1m until the 31 March 2024. During the year £750,000 was drawn down and repaid in the year.

Direct funding amounting to £83,630 (2022:£100,000) was also receivable from the Welsh Government for export promotion. £83,630 (2022:£nil) was outstanding at the year end.

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

Notes To the Financial Statements (continued)

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 recharged costs relating to the activities of EIDCYMRU amounting to £82,138 (2022: £98,104). At the year end £33,022 (2022:£11,377) is outstanding.

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 £77,420 (2022:£68,849). Contributions amounting to £9,712 (2022: £5,543) were outstanding at the year-end.

Meat and Livestock Commission Pension Scheme

During the year to 31 March 2022 the company also made contributions to a defined benefit pension scheme which is operated by the Agriculture and Horticulture Development Board. The scheme closed to future accrual with effect from 31 March 2022 and the members are now deferred.

The contributions paid in the year to 31 March 2022 amounted to £152,962 and there were outstanding contributions at year-end 31 March 2022 of £3,997. This cost was based on the actuarial valuation made as at 31 March 2018. Employer contributions were payable at a rate of 27% of pensionable salaries. The contributions in that year included the purchase of additional years service for the employees as the scheme closed to future accrual.

Information regarding the split of the scheme's assets between the participating employers is not available. The company is therefore 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 2023, as calculated per IAS19, amounted to £150.1m (2022: £196.5m) which is sufficient to cover 103.0% (2022: 102.9%) of the value of the benefits that had accrued to members, after allowing for earnings increases.

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.