


Hybu Cig Cymru - Meat Promotion Wales

Annual Report 2005-2006





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Hybu Cig Cymru
Annual Report and Accounts 2005-2006

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About Hybu Cig Cymru

Hybu Cig Cymru - Meat Promotion Wales (HCC) is the sole strategic body for the promotion and development of the Welsh red meat industry. Its mission is to develop profitable and sustainable markets for the benefit of all stakeholders in the supply chain in Wales.

HCC represents the interests of the industry supply chain through a programme of activities to add value, inform and raise awareness of our excellent quality products.



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The company is limited by guarantee and does not have any share capital.

Company Registration Number: 4635113



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Chairman's Report

Rees Roberts



In the last twelve months, and in the pursuance of developing profitable and sustainable markets for Welsh red meat, HCC's Board has successfully implemented a widespread domestic and European action plan.

It was a year when the industry adjusted from the period of uncertainty surrounding Common Agricultural Policy reform to face square on the challenges and changes of the new climate and develop positive opportunities.

Opportunities that can only be grasped in the marketplace by driving our Protected Geographical Indication (PGI) led brands to meet the needs of ever discerning consumers - brands whose integrity is protected by a HCC appointed independent inspectorate to provide peace of mind to Welsh farmers.

The Beef and Sheep Sectors are recognised as essential contributors to the economy of Wales, the nation's culture and its environment. In order to sustain and advance these merits HCC has, during 2005-6, designed and delivered a set of five strategic goals.

An overview of this activity shows:

- ◆ HCC has substantially broadened awareness of Welsh red meat within the market;
- ◆ Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality;
- ◆ Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness.
- ◆ Strengthened the red meat supply chain;
- ◆ Continued to improve its communication of activities to stakeholders.





One of HCC's great strengths is that we are able to act for and bring together the whole industry in Wales for a return that is greater than all of the composite parts.

An example was HCC's ability to effectively and urgently act in the industry's interests in September 2005, when the Board of Directors agreed to make use of financial reserves to fund extra marketing activity for Welsh Beef to help stabilise the domestic market.



HCC had pressed for some time for an end to the Over Thirty-Month Scheme for cattle and were delighted to welcome the announcement of a scheduled re-entry of Over Thirty-Month cattle after a gap of nearly ten years.

Following the publication of an Independent Review of Agricultural and Horticultural Levy Bodies, undertaken by Rosemary Radcliffe on behalf of UK and Devolved Administration Ministers to look at the way levy bodies worked, Carwyn Jones AM, Minister for Environment, Planning and Countryside, announced that the Review's outputs would be subject to a 12-week Welsh consultation. We eagerly await the outcome of this consultation exercise.

During the year the Board of Directors agreed the non-levy financed development of appropriate, cost-effective office accommodation- a stakeholder resource befitting an organisation driving the strategic advances of Wales' premier industry in the 21st century.

HCC continued its partnership with the Welsh Assembly Government and the Welsh Development Agency's (WDA) Agri Food Partnership to the benefit of the industry and reinforced its role as the "Knowledge House" of the red meat industry, facilitating day-to-day policy implementation through a single, informed access point.

We look forward to working with the Welsh Assembly Government (WAG) in the coming twelve months following the re-organisation and strengthening of the administration by the merger of WDA and WAG.

Since its inception, HCC has led the movement calling for the procurement of fresh, quality local meat in public sector organisations and our activities in this sector assisted in recording some good gains during the year.

HCC organised a well-attended second Autumn conference at Newtown in November 2005 and will run a third Autumn conference for stakeholders during November 2006.

As an enabling organisation, we can make a great difference in the quest for competitiveness, including arguing for and attracting European funding. For instance, HCC began work on a EU Objective 1 assisted £2.2m Welsh Beef Quality Improvement Project that will help Welsh Beef farmers to meet the needs of the changing and increasingly demanding market.





This project is all about teamwork. There's only one way that the industry can evolve successfully - by working together. That's where Hybu Cig Cymru - Meat Promotion Wales can really make the difference.

In the next twelve months, everyone involved in all parts of the red meat production industry must support, encourage, assist, advise and enable Welsh farmers to maximise returns in the marketplace.

I would like to extend my thanks to Hybu Cig Cymru's Board members and staff for their valuable contributions to the organisation over the past twelve months.

Sincere thanks also to our partner organisations- the Farmer's Union of Wales, the Meat and Livestock Commission, National Farmer's Union Cymru, Welsh Development Agency, Welsh Lamb and Beef Promotions, The Welsh Livestock Auctioneers Association and The Guild of Welsh Lamb and Beef Suppliers.

Maintaining Growth and Achieving our Targets

Gwyn Howells, HCC Chief Executive



I am pleased to be able to report on a busy year of promotional, marketing and industry development activity and to thank those who have helped Hybu Cig Cymru - Meat Promotion Wales to sustain its growth and meet its targets during the year.

An essential part of HCC's role, as the national red meat body, is to bring together funding and project partners to provide all-Wales support schemes to the benefit of our supply chain stakeholders.

With that in mind, our Board of Directors, partner organisations, stakeholders and staff have combined effectively to ensure that we have met the ambitious achievement targets that we set for ourselves at the beginning of the year.

In particular, HCC's staff have worked tirelessly to deliver our long term strategy and programme of activities and I thank them for their support and for their efforts.

This work on your behalf in the past twelve months is listed on the following pages.



For The Record - Activities and Achievements in 2005-6

1. Effective Promotion Of Welsh Lamb and Welsh Beef and Red Meat Products in Wales

HCC conducted a comprehensive programme of promotion and marketing activity during the year and an emerging strength was our ability to provide immediate, proactive intervention to assist the industry in times of market turbulence. For example in September 2005, HCC agreed to make use of financial reserves to fund extra marketing activity for Welsh Beef to help stabilise the market.

The market imbalance had come about due to several factors - cheap imports, increased slaughtering and a seasonal downturn in consumer demand due to the hot summer weather all of which contributed to the slump in beef cattle prices.

The money from reserves funded additional TV advertising for Welsh Beef which meant HCC spent double the original budgeted amount on specific Welsh Beef advertising. The Welsh Lamb advertisement returned to the screens of viewers in target advertising areas during the key weeks of the season in 2005 to some considerable effect. These campaigns were strongly supported with high impact in-store promotional materials, which helped to contribute to the independent retail butcher sector in Wales recording a 22 per cent growth in Welsh Lamb sales, according to independent research carried out during 2005.





HCC signed a deal to sponsor the Italian national rugby team for the next two years in this key European market. As well as supplying meat to the team, the agreement will also allow Welsh Lamb and Welsh Beef logos to appear on all official communications; a DVD of the successful TV adverts will be shown on the big screens at all home games and HCC will also have access to the players for specific public relations opportunities.

HCC hope that this important market can be developed for Welsh Beef in particular once the export ban is lifted and expect this and other activities to significantly raise awareness of quality Welsh red meat products. It follows a groundbreaking deal to supply PGI Welsh Lamb to schools in Rome.

Since HCC's inception, one of our central goals has been to win the argument for public sector local sourcing. Our stakeholders believe public procurement officers should use locally supplied Welsh Lamb and Welsh Beef in their bulk purchasing schemes.

In the last year HCC has carried out considerable promotional activity with local authorities, health authorities and other public purchasers to demonstrate the economic and nutritional benefits of local sourcing and good gains were seen in this field.

A particularly pleasing achievement was recorded in 2005 with HCC facilitating a major supply deal with Welsh NHS Trusts, which will see North Wales, Mid and South Wales NHS Trusts purchase an annual total of £750,000 worth of Welsh Beef. The agreement means nearly all of the patients and staff in hospitals across Wales are now eating Welsh Beef. HCC is determined to widen the use of our red meat products in the public purchasing sphere.

Throughout the year, independent butchers across Wales were provided with regular themed promotional packs which contain a set of posters, recipe leaflets, banners and a window frieze, in order to promote Welsh Lamb and Welsh Beef. Autumn 2005 saw promotional packs entitled "Sure to Please this Autumn and Winter" being distributed and specially themed festive kits were dispensed before Christmas.





New promotional packs were produced to celebrate St Davids Day as well as a special spring pack that gives Welsh Lamb and Welsh Beef an ethnic twist.

The Welsh Lamb and Welsh Beef brands have broken new ground across Europe and beyond over the past year. Fresh Welsh Lamb could soon be on the menus of some of the most exclusive restaurants in the oil-rich United Arab Emirates as HCC are exploring the possibilities of this new market. It is a significant market where lamb is the meat of preference and we very much hope that Wales will soon be able to capture its share.



HCC developed an action plan to take advantage of the re-entry of OTM Beef to the domestic and export market place. While the ban operated, HCC worked hard to maintain strong connections with European markets on the back of a good performance by Welsh Lamb which saw annual sales soar by almost 60 per cent in some EU countries. In Belgium, they are a third up on the previous year; in France 12 per cent and in Italy up 58 per cent. Malta is another completely new market for Chilled Welsh lamb.



The great taste of Welsh Lamb won over Heads of Government and Ministers of Foreign Affairs at a ceremonial dinner in a top hotel in the Maltese capital, Valletta.

This was the first time that internationally renowned chef Ismael Sammut was able to source fresh lamb for his menu—the deal made possible by supplier and customer meeting at HCC's Anuga stand at the Cologne food fair in Germany last October. Previously only frozen, non-European product was available. Chilled Welsh lamb will now be introduced into high quality butchers and retail stores on the island, as well as quality hotels and restaurants.

In addition, HCC kept up the strong profile of Welsh Lamb and Welsh Beef at a wide variety of shows and exhibitions at home and abroad, supported by the presence of Welsh processors and exporters and, on occasion, other important stakeholders. In-store retail promotional programmes were also undertaken where the merits of PGI Welsh Lamb featured.

2. Building Strongly Differentiated Products

HCC's activity to strongly differentiate its red meat products from those of its competitors centered largely on the promotional and marketing advantages offered by the PGI status of both brands.



PGI plays a leading part in enhancing sales opportunities in the UK and in Europe and featured across HCC's advertising and export work.

HCC reaffirmed the strict process of protecting the integrity of PGI awarded Welsh Lamb and Welsh Beef by the continued appointment of an independent inspectorate to provide authenticity of assurance and the accompanying peace of mind to its farmer stakeholders.

Product development is an important part of differentiation and the Royal Welsh Show stand was host to ten Welsh butchers who were crowned All-Wales Champions in the final of the annual HCC Product Evaluation Awards.

Nearly 600 products were entered by independent butchers with over 50% of them achieving the standards necessary to receive a Gold award. The category winners were then invited to the final where Carwyn Jones AM, Minister for Environment, Planning and Countryside was on hand to congratulate the winners.



3. Improving The Quality and Cost-Effectiveness of Primary Production and (4) Strengthening The Red Meat Supply Chain

A major achievement in the past twelve months in this area was the launching in January of a £2.2m scheme to assist Welsh Beef farmers to meet the needs of the changing and increasingly demanding marketplace.

The Welsh Beef Quality Improvement Project, funded by European Union Objective 1 monies through the Welsh Assembly Government, aims to train farmers in modern approaches to health management and breed improvement and to help enterprises introduce premier genetic and performance recording into their herds.

Under the plan, farmers will be able to apply for direct financial assistance for a number of measures such as bull purchases.

Beef farmers who participate in the three-year Objective 1 project will be expected to commit to completing a bespoke training programme. This will include training on health management, breed improvement and environmental management.

Another innovative example of a beneficial, combined funding project co-ordinated by HCC is the Woodchip for Livestock Bedding project. The project, which is funded through Farming Connect by Objective 1 monies, the Welsh Assembly Government, Forestry Commission Wales and the Environment Agency Wales, aims to demonstrate the practicality and potential benefits of using woodchip as indoor bedding for cattle and sheep, as an alternative to straw.

It will span two winter housing periods (05/06 and 06/07) and use three development sites – ADAS Pwllpeiran, IGER, Plas Gogerddan, Aberystwyth and Glynllifon, near Caernarfon. The woodchip will also be composted for analysis by the University of Wales, Bangor.

HCC worked with the abattoir sector in Wales to improve efficiency through the Red Meat Industry Forum. The aim of RMIF is to guarantee a long-term future for the red meat industry by improving the operational efficiency of chains supplying meat from the farm to the end user.





The projects HCC undertook with abattoirs included Value Chain Analysis. VCA aims to help red meat businesses identify and reduce any unnecessary, non value-adding links throughout the supply chain.

Supported by HCC, a lamb value chain analysis was conducted between a major supermarket, their lamb suppliers Welsh Country Foods and LambLink which are the abattoirs supplier association.

HCC assisted farmers to check their competitiveness by benchmarking. This is an enterprise-based assessment that allows the farmer to establish where any improvements can be made in their business. Individual operational elements such as costs and output data are confidentially and accurately compared against similar farms.

Each year HCC conducts a “snapshot” of the costs of production in both lamb and beef farms across Wales and the survey results are widely disseminated to allow farmers to compare their variable costs per kilo with those of their colleagues and then use the information to seek ways of becoming more competitive.

HCC runs a series of “selection for slaughter” courses across Wales to encourage producers to meet market needs and to understand slaughter at the time of optimum returns.

Almost a quarter of sheep farmers participated in a fascinating survey of breeding trends and genetic makeup of their farms across Wales.

It showed that over the last thirty years, ewe numbers had risen to reach a peak of 4.86 million ewes in 1996. Not surprisingly, hill sheep dominate the sheep industry with nearly 60% of ewes while the remaining 40% of ewes were split almost evenly between the upland and lowland sectors. Purebred ewes dominated the industry with 61% of all ewes mated.






The Farming Connect Sheep and Beef Development Programme Demonstration Farm network in Wales- HCC's Demonstration Farms- are the bedrock of implementation of our practical policies for technology transfer among farmers and in the past twelve months four new farms joined the group.

Gelli-Goll, Llansanwyr; Great Bottom Farm, Pen-rhos; Camaes, Llangernyw and Rhiwfelen Farm, at Foel, Welshpool became part of the network of eight demonstration farms all over Wales. A number of open days and events will be held on these farms, providing an opportunity for local farmers to see and discuss new techniques in action. Husband and wife farmers Catherine and Michael Roberts, of Hollybush, Blackwood, Gwent, and Robyn Benbow of Dolyfardyn, Cefn Coch, Welshpool, Powys, were the winners of HCC's 2005 Farming Connect scholarship.

Anthelmintic resistance is a worry for many farmers and HCC are implementing an action plan for internal Parasite Control in Wales that can save time and money for farmers.





The Welsh Electronic Identification (EID) Evaluation Project, managed and monitored by HCC in association with the Institute of Grassland and Environmental Research (IGER), under the Farming Connect Sheep and Beef Development Programme, revealed a need for further development if there were to be systems that could consistently provide a reliable and easy to use traceability system.

The project, which had been running since April 2003, aimed to fully evaluate the feasibility and practical issues involved in introducing electronic identification onto a range of Welsh enterprises and to demonstrate the potential benefits that EID could bring to the Welsh livestock industry.

HCC always has a wide range of Research and Development (R&D) projects on the go to help improve supply chain efficiency across Wales.

Current R&D projects include:

- ◆ Evaluation of an automated sheep carcass classification and meat yield prediction system;
- ◆ Development of a multi-trait selection index for improving longwool sheep;
- ◆ Use of gene markers to make effective and earlier sheep selection decisions;
- ◆ Development of procedures to identify differences in genetic resistance to foot rot in sheep;
- ◆ Provision of information on the reproductive performance, growth and subsequent carcass conformation of crossbred ewes in the uplands;
- ◆ Determining the performance benchmarks of the modern Holstein cull cow fed on an autumn/winter forage-based feeding systems;
- ◆ The assessment of the economic, welfare and environmental impacts of the double muscling gene in cattle;
- ◆ Determining the relationship between meat protein and the feeling of fullness after eating;
- ◆ Determining the quality changes of retail cuts under different packaging regimes;

HCC also support 12 studentships at any one time (both PhD's and MSc's).

5. Effective Communication of HCC Activities and Industry Issues

HCC's annual autumn conference has become an industry fixture and the 2005 event, at Newtown was extremely well attended. Delegates joined in a thought-provoking and positive debate on the future opportunities available to farming in Wales in the post-CAP climate.

Speakers on the day included Minister for Environment, Planning and Countryside Carwyn Jones, Dafydd Lewis, YFC Chairman, John Dracup, Livestock Director of St Merryn Foods, Remi Fourrier HCC's Agent in France and Dr Nigel Scollan, HCC Scholar and Principal Research Scientist at the Institute of Grassland and Environmental Research, Aberystwyth.



The Royal Welsh Show and Winter Fair 2005 are important events in the year for HCC as they offer the opportunity to make contact with industry stakeholders and colleagues from across Wales and beyond.

It provides an opportunity to inform visitors of our work on their behalf and provide a host of demonstrations alongside our now well-established three theme days – International Day, Health and Nutrition Day and a Children's Day.

Cooking demonstrations were held throughout both shows as well as lamb and beef carcass classification competitions.

HCC announced a comprehensive, twelve-month programme of strategic partnership activity with the Welsh Assembly Government on diet, health and nutrition promotion at our reception for Assembly Members held at the National Assembly For Wales and will continue to forcefully project arguments for improvements in diet and nutrition.



During the year HCC carried out a roadshow across Wales, informing and instructing audiences in schools, colleges and health professionals of the nutritional benefits of red meat and its role in the balanced plate and in government dietary recommendations. A schedule of cookery demonstrations was also completed in this period.

In the past twelve months HCC have produced a Compendium of Meat and Livestock Statistics offering the most recent facts, figures and trends relating to the industry and a vast array of useful technical publications aimed at assisting producers towards profitability. These include the "Practical Sheep Nutrition" and "Practical Beef Nutrition" booklets that provide a guide to the nutritional principles and practical feeding of beef and sheep throughout the year.

The well-established and widely read monthly Market Bulletin remains at the heart of HCC's comprehensive technology transfer programme, giving farmers the latest news from the industry as well as the average market prices for livestock. Up to date market information is available on HCC's comprehensive website www.hccmpw.org.uk.

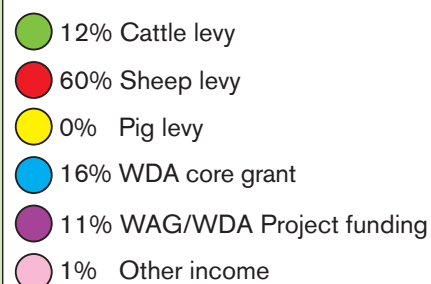
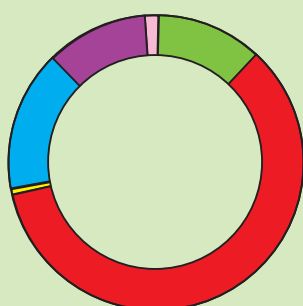


Performance Against Targets

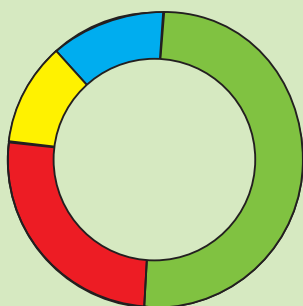
Performance against targets set for the year 2005/6

Strategies	Targets	Performance
Improve the quality and cost effectiveness of Welsh red meat products		
1 – Develop research and development programme	Undertake 10 projects over next five years	Achieved. 15 projects commenced this year
2 – Set up technology transfer mechanism to discuss new developments	Regular advice to 2,250 farmers advised in the year	Achieved. 4,043 advised
3 – Develop a programme of genetic and health improvement for sheep and beef sectors	150 farms involved in improvement schemes	Achieved. 155 farms involved
4 – Develop a framework to collect information for farm to farm comparison	Reports by end of July (lamb) and September (beef)	Achieved
5 – Guardian of PGI for Welsh lamb and beef	Maintain audit exercise through abattoir visits	Achieved. All abattoirs inspected during the year
Strengthen the red meat supply chain		
1 – Introduce training schemes for farmers to understand requirements of processors	300 farmers trained on appropriate courses, ie selection for slaughter	Achieved. Over 320 farmers trained in four areas
2 – Facilitate projects to increase efficiency within supply chain	Communicate with all 27 abattoirs in Wales; communicate with stakeholders in supply chain	Achieved. All abattoirs visited. Articles published in Gwlad, sent to all registered landowners in Wales
Effective promotion of Welsh lamb products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness up 5.1%
2 – Export: develop trade/consumer programmes for PGI Welsh lamb	Increasing trade/consumer awareness and enhance market share/value	Achieved. Exports up 7%
Effective promotion of Welsh beef products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness of Welsh branding increased by 3%
2 – Export: develop trade/consumer programmes for PGI Welsh beef	Increasing trade/consumer awareness and enhance market share/value	Awareness achieved. Market share in value = 0 owing to DBES
Effective communication of HCC activities and industry issues		
1 – Coverage in all relevant print and media	Over 70% of outputs achieved	Achieved. 96% positive coverage of HCC activities
2 – Publications and resource materials	Provide industry with appropriate material dealing with the prevailing market conditions	Achieved. Monthly Market Bulletin issued
3 – Face to face communication	60% stakeholder awareness of activities	Achieved. Attendance at over 15 shows throughout the year
4 – Industry issues affecting supply and demand	All issues dealt with appropriately	Achieved. 134 press releases issued covering topics as they arose

Income



Expenditure



Levy income

HCC's principal source of income is derived from the MLC levy collected from animals slaughtered in Wales. During the current year, the number of animals slaughtered were 5% up over the previous year.

As the levy is collected under statute, HCC are required to prepare the financial statements in accordance with the Government Financial Reporting Manual 2005-06. These financial statements are reviewed by the National Audit Office in discussion with HCC's independent auditors.

Levy Income (£000)	2005/6		2004/5		2003/4	
	General	Promotional	General	Promotional	General	Promotional
Cattle	320	358	286	321	293	328
Sheep	1,588	1,681	1,472	1,469	1,370	1,410
Pigs	10	16	8	13	8	12
	1,918	2,055	1,766	1,803	1,671	1,750

A surplus of £65k was generated for the period. This is after additional expenditure of £76k was approved by the Board to underpin a beef advertising campaign at a time when the beef prices were falling. In addition, bad debts totalling £128k arose in the year due to the closure of two abattoirs.

At the end of the year, the accumulated surplus was £974k. The Board has reviewed the reserve and consider it prudent to maintain this surplus in order to cover any unexpected crises and fluctuations in the number of animals slaughtered. The reserve will ensure that the company is able to continue to operate for at least 6 months without receiving any income, whilst still undertaking a significant amount of its activities.

Financial Summary

	2005/6	2004/5	2003/4
	£000	£000	£000
Income			
Levy	3,973	3,569	3,421
Grants	1,462	1,658	1,451
Services	23	36	11
Interest	42	42	25
	5,500	5,305	4,908
Expenditure			
Marketing & Promotion	2,738	2,273	1,933
Industry Development	1,379	1,321	1,167
Communications	602	532	487
Finance & Administration	716	533	483
	5,435	4,659	4,070
Surplus	65	646	838

Financial Statements

Hybu Cig Cymru-Meat Promotion Wales Company Limited By Guarantee

Directors' Report

Year Ended 31 March 2006

The directors present herewith their annual report, together with the audited financial statements of the company, for the year ended 31 March 2006.

1. Results

The surplus for the year was £57,754.

2. Principal Activity

The company's principal activity during the year was that of the development and promotion of Welsh red meat. A full review of the year is provided in the Chairman's Report and Maintaining Growth and Reviewing Our Targets.

3. Directors and their Interests

The directors of the company throughout the period were as follows:

	other directorships/interests
J H Brereton	partner in Jones Peckover, Brereton Daulby and Oswestry Cattle Auctions
A F Gardner	vice president of FUW and board member of Food Standards Agency
W J Goldsworthy	chair of Welsh Assembly Government Agri-Food partnership, WEFO Rural Thematic Group and Bridgend College
W P Hughes	president of NFU Cymru until February 2006
J R Roberts (Chairman)	commissioner of Meat and Livestock Commission
K J Roberts	director general of Meat and Livestock Commission; director of Meat and Livestock Commercial Services Ltd, Assured British Meat and Assured Food Standard
G Shortland	
D K Thomas	director of Welsh Farm Suppliers Limited, Border Distribution Limited, Border Distribution (2000) Limited, Livestock Marketing Ltd, Welsh Lamb & Beef Promotions Ltd and Quality Welsh Food Certification Ltd. Member of governing body of IGER

Alternates

R J Bansback (for K Roberts)
R M Howells (for D K Thomas)
A M Owen (for A F Gardner)
J M Thomas (for W P Hughes)

4. Share Capital

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



Directors' Report (continued)
Year Ended 31 March 2006

5. Auditors

Baker Tilly have indicated their willingness to continue in office. A resolution to re-appoint the auditors will be proposed at the next Annual General Meeting in accordance with S. 385 of Companies Act 1985.

6. Statement on Internal Control

Scope of responsibility

HCC is funded by grant income, invoiced sales and levy, collected under statute by the Meat and Livestock Commission. Under a delegation agreement the Meat and Livestock Commission have delegated their statutory functions in relation to Wales to HCC. Responsibility for maintaining a sound system of internal control that supports HCC's policies, aims and objectives and safeguards the public funds and organisational assets lies with its Board of Directors.

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.

Capacity to handle risk

Leadership is given to the risk management process through the Board of Directors, audit committee and executive team.

With the assistance of external advisers, HCC has been developing its risk management policy and internal training has been provided to the management team.

Significant advances have been made and certain elements of our risk management system are in place and this will be completed in the forthcoming year.



Directors' Report (continued)
Year Ended 31 March 2006

6. Statement on Internal Control (continued)

Risk Register

A risk register has been set up, identifying risks and ranking them for risk and effect. The register is examined regularly by the executive team and reviewed by the audit committee.

The control framework will be further developed in the forthcoming year.

Review of effectiveness

HCC has conducted its own review of the effectiveness of the system of internal control. The review took account of the external auditors' comments, following a system review, and was overseen by the audit committee. The implications of the result 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.

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.

HCC's Audit Committee

The remit of the Audit Committee is defined to include considering the planned activity and results of both internal and external audit.

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

Internal Control

Gained an understanding of whether internal control recommendations made by external auditors have been implemented by management.

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.



Directors' Report (continued)
Year Ended 31 March 2006

6. Statement on Internal Control (continued)

Internal Audit

Certain reviews were undertaken internally by the company. These were reviewed by the audit committee.

External Audit

Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope.

7. Payment Policy

The company's policy is to make payment to suppliers not more than 30 days after receipt of the invoice, unless alternative payment terms have been agreed with suppliers. The ratio, expressed in days, between the amount invoiced to the company by its suppliers during the year and the amount owed to its trade creditors at the end of the year was 38 days.

8. Remuneration Report

Remuneration Committee

The Remuneration Committee of the Board of Directors recommends the remuneration of the chairman, directors and chief executive. The composition of the committee is as follows:-

K Roberts

J R Roberts

W J Goldsworthy

The committee met once during the year to determine the remuneration of the Chief Executive.

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.

The Chairman's remuneration is set at £25,000pa for the duration of his term of office. This is set at three years, with the option to stand for re-election for a second term.

The remuneration of the non-executive directors is set at £250 per day for attendance at board meeting and HCC events.

Remuneration Report Year Ended 31 March 2006

Directors Emoluments

Emoluments of the directors who served throughout the year are as follows:-

	£
J R Roberts	25,000
A F Gardner	2,750
W J Goldsworthy	2,250
W P Hughes	2,500
K Roberts	0
D K Thomas¹	3,250
J H Brereton²	2,000
G Shortland	3,750

Alternate directors are not entitled to receive any fees.

None of the directors received any benefits in kind or were eligible for membership of the company pension scheme. Expenses, being mileage incurred on company business, were re-imbursed at Inland Revenue approved rates.

¹fees due in relation to Mr Thomas' services were paid to Welsh Lamb and Beef Promotions Limited, a company of which he is a director.

²fees due in relation to Mr Brereton's services were paid to Jones Peckover, a business of which he is a partner.

Attendance Records

The Board met 9 times during the period April 2005 to March 2006. The number of Board meetings attended by the directors are as follows:

J H Brereton	7
A F Gardner	9
W J Goldsworthy	8
W P Hughes	7
J R Roberts	9
K Roberts	8
G Shortland	9
D K Thomas	9
J M Thomas (alternate to W P Hughes)	1



Remuneration Report (continued)
Year Ended 31 March 2006

9. Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those financial statements, the directors are required to:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

As far as the directors are aware, all relevant audit information has been made available to the company's auditors.

By Order of the Board.

T G Howells Secretary

Company Registration Number: 4635113

Registered Office: 21a North Parade, Aberystwyth SY23 2JL



Independent Auditors Report To The Members of Hybu Cig Cymru - Meat Promotion Wales

We have audited the financial statements, which comprise the Income and Expenditure account, Balance Sheet, Cash Flow statement and related notes (1 to 16), which have been prepared under the historical cost convention and the accounting policies set out in note 1.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, Maintaining Growth and Achieving Our Targets, Performance Against Targets and Financial Review). We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



Basis of Audit Opinion

We conducted our audit in accordance with with International Standards on auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects, the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of the surplus of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Director's Report is consistent with the financial statements.
- in all material respects the expenditure and income have been applied to the purposes intended by parliament and the financial transactions conform to the authorities which govern them.

Baker Tilly

Registered Auditors
Chartered Accountants
Hereford

June 2006

Income and Expenditure Account
Year Ended 31 March 2006

	Notes	2006	2005
		£	£
Income	2	5,458,319	5,263,375
Expenditure			
Marketing and promotion		2,737,795	2,272,589
Industry Development		1,379,315	1,321,769
Communications		601,856	531,940
Finance and administration		715,652	532,938
		5,434,618	4,659,236
Operating Surplus	3	23,701	604,139
Interest receivable		41,545	42,006
Excess of Income Over Expenditure on Ordinary Activities Before Taxation		65,246	646,145
Taxation	6	7,492	6,926
Surplus for the year	11	57,754	639,219

The surplus for 2006 and 2005 arise from continuing operations. There are no recognised gains and losses in 2006 or 2005 other than the surplus for the year.

Balance Sheet
31 March 2006

	Notes	2006		2005	
		£	£	£	£
Fixed Assets					
Tangible assets	7		36,600		39,820
Current Assets					
Debtors	8	1,295,097		944,582	
Cash at bank and in hand		1,761,853		1,225,682	
		3,056,950		2,170,264	
Creditors - amounts falling due within one year					
	9	1,562,022		736,310	
Net Current Assets			1,494,928		1,433,954
			1,531,528		1,473,774
Represented by:					
Reserves	11		1,531,528		1,473,774

The financial statements, which comprise the Income and Expenditure account, Balance Sheet, Cash Flow statement and related notes (1 to 16), were approved and authorised for issue by the Board of Directors on 2 June 2006 and signed on its behalf by

J R Roberts

Cash Flow Statement
Year Ended 31 March 2006

	2006	2005	
	£	£	
Net cash inflow from operating activities	503,553	927,641	
Interest received	41,545	42,006	
Purchase of plant & equipment	(8,927)	(34,297)	
Increase in cash	536,171	935,350	
Reconciliation of operating surplus to cash flow from operating activities			
Operating surplus	23,701	604,139	
Depreciation	12,147	11,688	
Decrease/(increase) in debtors	(350,515)	921,772	
(Decrease)/increase in creditors	826,427	(604,554)	
Taxes paid	(8,207)	(5,404)	
	503,553	927,641	
reconciliation of net cash flow to movement in net funds			
	1 April 2005	Cash Flow	31 March 2006
	£	£	£
Cash in hand and at bank	1,225,682	536,171	1,761,853



Notes and Accounting Policies

Year Ended 31 March 2006

1. Accounting Policies

The principal accounting policies of the company are as follows:

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Government Financial Reporting Manual 2005-06

b) Income

The income of the company for the year represents levy income, grants and invoiced sales, exclusive of value added tax.

Income is recognised as follows:

Levy and services – invoices raised in respect of the period;

Grants - grants of a revenue nature are credited to the Income and Expenditure account in the year in which they accrue and matched with the appropriate expenditure. Repayments of grant are only made where, as informed by the grant provider, the terms of the grant have not been met.

c) Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write off the cost of tangible fixed assets over their expected useful lives at the following annual rates:

Office equipment	25%-33%
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d) Pensions

The company makes contributions to individual pension plans for some of its employees. Contributions payable for the year are charged to the income and expenditure account.

The company makes contributions for other employees to a defined benefit pension scheme. The regular pension cost is charged to income and expenditure account and is based on the expected pension costs over the service lives of the employees.

e) Taxation

Taxation is provided on interest receivable in the period. No tax liability is provided for on the company's operating surplus as this is not considered to be a taxable trading activity.

f) Leases and Hire Purchase

Costs under operating leases are charged to income and expenditure account on a straight line basis over the lease terms.

Notes and Accounting Policies (continued)
Year Ended 31 March 2006

g) Foreign Currency

Normal trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the year end.

2. Turnover

		2006	2005
		£	£
Levy		3,973,152	3,568,594
Grants received:	WDA - core	850,000	750,000
	- project	546,467	476,557
	EAGGF	65,394	-
	Other	-	432,663
Services		23,306	35,561
		5,458,319	5,263,375

All income is generated in the United Kingdom and relates to continuing operations.

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

The result is stated after charging the following:

	Notes	2006	2005
		£	£
Auditors – audit		22,855	7,920
Auditors – non audit fees		750	-
Staff costs	4	570,316	498,320
Directors fees	5	44,618	54,859
Operating lease rentals – equipment		45,582	45,152
	- property	20,750	17,500
Exceptional item:			
Bad debts re levy due		128,347	22,297

Audit fees for 2006 include additional costs in finalising 2005 accounts arising from public accountability and dealings with National Audit Office.

Staff costs, postage and stationery are assigned to the department to which they relate.

Notes and Accounting Policies (continued)
Year Ended 31 March 2006

4. Staff Costs

Staff costs comprised;

	2006	2005
	£	£
Wages and salaries	494,684	441,419
Social security costs	57,281	41,915
Other pension costs	18,351	14,986
	570,316	498,320

The average number of persons employed during the year was:

	2006	2005
Development, promotion and administration	18	17

5. Directors' Emoluments

Directors' emoluments were as follows:

	2006	2005
	£	£
Fees	41,500	45,593
Expenses	3,118	9,266
	44,618	54,859

Notes and Accounting Policies (continued)
Year Ended 31 March 2006

6. Taxation

Taxation is provided on interest receivable in the period.

	2006	2005
	£	£
Taxation charge for the period	7,492	7,601
Overprovision in respect of prior year	-	(675)
	7,492	6,926
Reconciliation of tax charge:		
Interest received	41,545	42,006
Corporation tax at 19%	7,894	7,981
Marginal rate relief	(402)	(380)
	7,492	7,601

7. Fixed Assets - Tangible

Tangible fixed assets comprised:

	Office Equipment
Cost	£
1 April 2005	51,508
Additions	8,927
At 31 March 2006	60,435
Depreciation	£
1 April 2005	11,688
Charge for the year	12,147
At 31 March 2006	23,835
Net Book Value	£
At 31 March 2006	36,600
At 31 March 2005	39,820

Notes and Accounting Policies (continued)
Year Ended 31 March 2006

8. Debtors

Debtors comprised:

	2006	2005
	£	£
Other debtors	364,494	16,973
Outstanding levy income	729,138	591,199
VAT	65,317	13,259
Prepayments and accrued income	136,148	323,151
	1,295,097	944,582

All amounts included above are receivable within one year of the balance sheet date.

9. Creditors

Creditors comprised:

	Amounts falling due within one year	
	2006	2005
	£	£
Corporation tax	4,556	5,271
Other taxation and social security	22,594	19,305
Other Creditors	870,358	531,276
Accruals and deferred income	664,514	180,458
	1,562,022	736,310

10. Share Capital

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

Notes and Accounting Policies (continued)
Period Ended 31 March 2006

11. Reserves

	Income & Expenditure £	Building Development Reserve £	Total £
At 1 April 2005	1,079,297	394,477	1,473,774
Surplus for the year	57,754	-	57,754
Transfer between reserves	(163,521)	163,521	-
At 31 March 2006	973,530	557,998	1,531,528

Both reserves represent realised surpluses of the company.

The transfer to the building reserve represents a reserve designated by the Board for the development of an office building. This is non levy income comprising interest received and service income.

12. Financial Commitments

Operating Leases

At the year end the company was committed to making the following annual payments in respect of operating leases:

	2006 £	2005 £
Operating leases which expire:		
Within one year – property	-	17,500
– other	38,280	-
Between one and two years	-	37,619
Within two to five years - property	24,000	-
– other	8,518	7,533
	70,798	62,652

13. Capital Commitments

There were no capital commitments at 31 March 2006 (2005: nil).



Notes and Accounting Policies (continued)
Year Ended 31 March 2006

14. Contingent Liabilities

Following a review by HM Revenue & Customs, HMRC are querying the ability of the company to reclaim input VAT on expenditure funded by grant. The company had sought advice from Customs and Excise national advice line when the business first started and are currently in negotiations with HMRC. Should the company have to pay the input tax, this could amount to approximately £96,000.

15. Related Party Transactions

The Meat and Livestock Commission and Welsh Development Agency are members of the company and have appointed representatives to the board. The company receives funding from the Welsh Development Agency, which amounted to £1,396,467 (2005: £1,226,557). The Meat and Livestock Commission collect levy on the company's behalf, amounting to £3,973,152 (2005: £3,568,594). The company procured services on normal trading terms from the Meat and Livestock Commission totalling £1,276,652 (2004: £1,126,391).

At 31 March 2006 the company owed £442,327 (2005: £313,323) to the Meat and Livestock Commission and were owed £822,950 (2005: £591,199) from the Meat and Livestock Commission. No transactions were undertaken with directors.

16. Pension Scheme

The company made contributions to individual personal pension plans for some of its employees. Contributions are charged to the profit and loss account as incurred and amounted to £7,807 (2005: £4,665). Contributions amounting to £721 (2005: £493) were outstanding at the year-end.

The company also made contributions to a defined benefit pension scheme which is operated by the Meat and Livestock Commission. The employees of Hybu Cig Cymru who are members form only part of the scheme. The contributions paid in the year amounted to £8,480 (2005:£8,222) and there were outstanding contributions at the year end of £785 (2005:£689). This cost is based on the actuarial valuation made as at 1 April 2003, with an interim valuation as at 31 December 2004 by a qualified actuary.

Information regarding the split of the scheme's assets between the Meat and Livestock Commission and Hybu Cig Cymru is not available. The market value of the entire pension scheme assets at 31 March 2006 was £221.8m (2005: £188.9m) and this was sufficient to cover 116.8% (2005:115%) of the value of the benefits that had accrued to members, after allowing for earnings increases.