

Mark Isherwood MS  
Chair, Public Accounts & Public  
Administration Committee  
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**Reference:** AC484/caf

**Date issued:** 4 March 2025

Dear Mark

## Sector Development Wales Partnership

On 10 February 2024 you were a copy recipient of a letter from my colleague Ann-Marie Harkin to the Chair of the Finance Committee. In line with recommendations made by both the Finance and Public Accounts & Public Administration Committee's Ann-Marie's letter related to the late audit of the 2023-24 accounts of the Sector Development Wales Partnership Limited (SDWP). She advised that the audit would not meet its deadline owing to significant difficulties in obtaining the required audit evidence to support material asset disclosures in the accounts.

In the context of your Committee's remit, I must now advise that on 19 February 2025, I 'disclaimed' my audit opinions on these accounts. This is a highly unusual position whereby I am stating that I am unable to provide either a 'true and fair' or 'regularity' opinion on the accounts as I have been unable to obtain sufficient, appropriate evidence over material assets. Unfortunately, this inability to obtain sufficient, appropriate evidence applied to multiple connected parts of the accounts. Consequently, the impact is so significant and pervasive in the context of SDWP's accounts that I am unable to give an opinion at all.

SDWP Ltd, which operates under the trading name *Industry Wales*, is a company wholly owned by the Welsh Government. It is not a large organisation, having expenditure in 2023-24 of around £1.1 million.

I attach the signed accounts for information which contain the disclaimer statements on page 5.

I am copying this letter to Peredur Owen Griffiths MS, Chair of the Finance Committee.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Adrian Crompton', with a long horizontal flourish underneath.

**ADRIAN CROMPTON**  
**Auditor General for Wales**

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**Directors' Report and Audited Accounts**

**for the year ended 31 March 2024**

**Company No: 08379693**

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**  
**Company Limited by Guarantee**

**Accounts for the year ended 31 March 2024**

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**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**  
**Company Limited by Guarantee**

**General Information**

**Directors**

Dr JT Baxter  
Prof T Crick  
Mr J Davies  
Ms C Lewis  
Dr H Miah  
Prof K Ridgway  
Mr H G Watkins

**Registered office**

Waterton Centre  
Waterton Industrial Estate  
Bridgend  
CF31 3WT

**Registered number**

08379693

**Auditor**

The Auditor General for Wales  
1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

**Bankers**

Barclays Bank Plc  
73 Holton Road  
Barry  
CF6 6SU

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**REPORT OF THE DIRECTORS**

The directors submit their report and the audited accounts for the year ended 31 March 2024.

**DIRECTORS**

The directors who served during the year and subsequently were as follows:

Dr JT Baxter

Prof T Crick

Mr J Davies

Ms C Lewis

Dr H Miah

Prof K Ridgway

Mr HG Watkins

## **SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

### **DIRECTORS' REPORT (ctd)**

**for the year ended 31 March 2024**

#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the directors' report and the accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare accounts for each financial year.

Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these accounts, the directors are required to:

- select suitable accounting policies and 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 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 accounts 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.

#### **AUDITOR**

Under paragraph 18(1) of Schedule 8 to the Government of Wales Act 2006, the Welsh Ministers have appointed the Auditor General for Wales as auditor.

Each of the persons who is a director at the date of approval of this report confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**DIRECTORS' REPORT (ctd)**

**for the year ended 31 March 2024**

**SMALL COMPANY PROVISIONS**

This report was approved by the board on 17 February 2025 and has been prepared in accordance with the small companies regime of the Companies Act 2006.

By order of the board

A handwritten signature in black ink that reads "J Baxter." The signature is written in a cursive style and is underlined with two horizontal strokes.

Dr JT Baxter  
Director

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**INDEPENDENT AUDITOR'S REPORT to the member of Sector Development Wales Partnership Limited**

**Disclaimer of Opinion**

I was appointed to audit the financial statements of Sector Development Wales Partnership Ltd (SDWP Ltd) for the year ended 31 March 2024, which comprise the Income and Expenditure Account, the Balance Sheet and the related notes, including a summary of material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

I do not express an opinion on the financial statements of the SDWP Ltd. Because of the significance of the matter described in the 'Basis for Disclaimer of Opinions' section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Disclaimer of Opinion on Regularity**

I do not express a regularity opinion on the financial statements of the SDWP Ltd.

Because of the significance of the matter described in the 'Basis for Disclaimer of Opinions' section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for a regularity opinion on these financial statements.

**Basis for Disclaimer of Opinions**

The balance sheet and Note 4 to the accounts, disclose Fixed Assets assets to the value of £1,053,967 which are based upon costs to date.

The majority of this balance is associated with a single asset (a packing line), currently valued at £836,000. This is not yet operational but there are indications it may have a significantly impaired value. Furthermore, for the remaining balance of Fixed Assets (£217,967), a lack of robust record keeping and accounting controls mean I have not been able to obtain the assurances I require to valuation or rights and obligations.

I have therefore been unable to obtain sufficient appropriate evidence to support the Fixed Asset balance disclosed in the financial statements.

My report, which follows on pages 7-8 provides further details of this disclaimer.

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**INDEPENDENT AUDITORS' REPORT to the member of Sector Development Wales Partnership Limited (ctd.)**

**Responsibilities of the directors for the financial statements**

As explained more fully in the statement of directors' responsibilities set out on page 3, the directors are responsible for:

- maintaining proper accounting records;
  
- the preparation of the financial statements 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 and annual report**

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

My responsibilities also include reading the other information in the annual report 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.

However, because of the matters described in the 'Basis for Disclaimer of Opinions' section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion or a regularity opinion on the financial statements. Nor was I able to consider information contained with the annual report.

My staff and I are independent of the Company and its directors in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

My report, which follows on pages 7-8 provides further detail of reasons why I have not been able to give an opinion or a regularity opinion on the financial statements.



Adrian Crompton  
Auditor General for Wales  
Date: 19 February 2025

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**  
**Company Limited by Guarantee**

**Auditor General's report to the Board of Sector Development Wales Partnership Limited**

**Introduction**

I am reporting on these financial statements for the year ended 31 March 2024 to draw attention to:

- my disclaimer stating that I am unable to give either a 'true and fair' or 'regularity' opinion on these financial statements, as I have been unable to obtain the assurances I require relating to valuation or rights and obligations of the Fixed Assets disclosed in the balance sheet.

- my qualification on previous years 'regularity' opinion due to the failure to follow public procurement regulations.

**Why I am unable to give opinions on these accounts**

The balance sheet (and Note 4) of the financial statements disclose Fixed Assets to the value of £1,053,967 which are based upon costs to date.

£836,000 of this balance is associated with a single asset (an automated packing line development). I am informed that it is not yet fully operational.

When it becomes operational its value to SDWP Ltd is unclear. From discussion with management, I believe it is likely that the actual value of the packing line will be materially impaired. No impairment review had been undertaken, and I have not been provided with a reliable estimate of any possible impairment.

Furthermore, for the remaining balance of £217,967 I have not been able to obtain the assurances I require relating to valuation or rights and obligations.

Given the values and uncertainty involved, my view is that these uncertainties are pervasive to the financial statements as a whole and consequently I am unable to form an opinion on them.

As a consequence, I was unable to complete the work I was appointed to undertake and have not been able to express a view on the regularity of the transactions in the accounts.

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**Auditor General's report to the member of Sector Development Wales  
Partnership Limited**

**Failure to follow Public Sector Procurement Rules**

In 2021-22, Welsh Government awarded Sector Development Wales Partnership Ltd (SDWP Ltd) funding of £1.3 million in relation to a Business Innovation and Tourism Escalator Scheme. As part of this project, SDWP Ltd entered into a contract with EBS Automation to provide an automated decorating, cutting and packing line. The contract was valued at £830,820 including VAT.

SDWP Ltd maintain they selected EBS Automation as the contractor to supply, develop, manufacture, and install the packing line, based upon an assessment of their experience and track record within the food and drink manufacturing sector and their work on other related projects. To assess EBS Automation's competitiveness, SDWP Ltd carried out a market comparison for key parts of the packing line against three other international companies, with EBS Automation ranked second in price.

The award of the contract was approved by SDWP Ltd's Board on 21 February 2022, and the selection of the contractor was approved by Welsh Government on 16 March 2022.

As required by Managing Welsh Public Money paragraph A4 5.11 public sector organisations are responsible for ensuring that they comply with the law on procurement. The Welsh Procurement Policy Note 03/20 Post EU Transition Public Procurement including Find a Tender Service (FTS) applies to "all contracting authorities in Wales, including Welsh Government departments, NHS Wales bodies, Welsh Government Sponsored Bodies, local authorities and the wider public sector" and should be complied with when purchasing goods and services over a certain value. From 1 January 2022 the threshold for goods and services is £213,477. SDWP Ltd did not consider the Welsh Procurement Policy Note when procuring the packing line, and therefore have not complied with public sector procurement regulations.

Expenditure on the packing line totalled £956,000 in 2022-23 and £81,541 in 2023-24 and I consider £829,000 of this to be "irregular". Consequently, I qualified my 'regularity' opinion in 2022-23.

As described above in "Why I am unable to give an opinion on the accounts", for 2023-24 I have issued a disclaimer on my opinion and am therefore not issuing a regularity opinion.

Adrian Crompton  
Auditor General for Wales  
Date: 20 February 2025

1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**  
**Company Limited by Guarantee**

**INCOME AND EXPENDITURE ACCOUNT**  
**for the year ended 31 March 2024**

	<b>Note</b>	<b>2024</b>	<b>2023</b>
		<b>£</b>	<b>£</b>
<b>INCOME</b>	2	1,094,949	1,163,229
Direct expenses		720,565	831,258
<b>GROSS SURPLUS</b>		<u>374,384</u>	<u>331,971</u>
Administrative expenses		419,140	327,016
<b>(DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR</b>	3	<u>-44,756</u>	<u>4,955</u>

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

Company Limited by Guarantee

**BALANCE SHEET**

as at 31 March 2024

		<b>2024</b>		<b>2023</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>					
Tangible fixed assets	4		1,059,622		964,741
<b>CURRENT ASSETS</b>					
Debtors	5	47,521		170,574	
Cash at bank		<u>53,517</u>		<u>18,242</u>	
		101,038		188,816	
<b>CREDITORS: Amounts falling due within one year</b>					
	6	<u>1,195,407</u>		<u>1,143,548</u>	
<b>NET CURRENT ASSETS</b>			-1,094,369		-954,732
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>-34,747</u>		<u>10,009</u>
<b>RESERVES</b>					
Income and expenditure account			-34,747		10,009
<b>MEMBERS' FUNDS</b>			<u>-34,747</u>		<u>10,009</u>

For the year ending 31 March 2024 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).

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime of the Companies Act 2006 and with FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements were approved by the board of directors on 17 February 2025 and were signed on its behalf by:



Dr JT Baxter  
Director

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

**Company Limited by Guarantee**

**NOTES TO THE ACCOUNTS**

**for the year ended 31 March 2024**

**1 ACCOUNTING POLICIES**

**Basis of preparation**

The accounts have been prepared under the historical cost accounting rules and in accordance with United Kingdom accounting standards including the small entities regime (Section 1A) of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

**Non- consolidation**

In the opinion of the directors, the company and its subsidiary undertakings comprise a small group which is under the control of the Welsh Government. The company has therefore taken advantage of the exemption provided by Section 398 of the Companies Act 2006 not to prepare group accounts. These accounts therefore cover the individual company only.

The Welsh Government, which itself draws up consolidated financial statements, can be contacted at Cathays Park, Cardiff CF10 3NQ.

**Public benefit entity**

The company is a public benefit entity.

**Income**

The income shown in the income and expenditure account mainly represents grant funding receivable during the period and relates to the principal activity of the company which is that of a public service body. It also includes sales income earned from the rendering of services. The revenue associated with the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of a contract is measured by comparing the costs incurred for work performed to date to the total estimated contract cost. Turnover is only recognised to the extent of recoverable expenses when the outcome of a contract cannot be estimated reliably.

**Fixed assets and depreciation**

Depreciation is provided by the company to write off the cost or valuation of its tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	- 3 years
Office equipment	- 3 years
Plant & equipment	- 5 years

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**  
**Company Limited by Guarantee**

**NOTES TO THE FINANCIAL STATEMENTS (ctd.)**  
**for the year ended 31 March 2024**

<b>2 INCOME</b>	<b>2024</b>	<b>2023</b>
	£	£
Grant income	1,070,013	1,104,631
Other income	9,286	56,598
Sales income	15,650	2,000
	<u>1,094,949</u>	<u>1,163,229</u>

**3 DEFICIT FOR THE FINANCIAL YEAR**

Deficit for the year is stated after charging:

	<b>2024</b>	<b>2023</b>
	£	£
Auditor's fees	30,374	7,094
Directors' remuneration	125,436	120,767

**4 FIXED ASSETS**

	<b>Assets under construction</b>	<b>Computer equipment</b>	<b>Office equipment</b>	<b>TOTAL</b>
<b>COST</b>	£	£	£	£
At 1 April 2023	956,259	13,466	5,088	974,813
Additions	97,708	1,424		99,132
At 31 March 2024	<u>1,053,967</u>	<u>14,890</u>	<u>5,088</u>	<u>1,073,945</u>

**DEPRECIATION**

At 1 April 2023	-	10,072	-	10,072
Charge for the year	-	2,555	1,696	4,251
At 31 March 2024	<u>-</u>	<u>12,627</u>	<u>1,696</u>	<u>14,323</u>

**NET BOOK VALUE**

At 31 March 2024	<u>1,053,967</u>	<u>2,263</u>	<u>3,392</u>	<u>1,059,622</u>
At 31 March 2023	<u>956,259</u>	<u>3,394</u>	<u>5,088</u>	<u>964,741</u>

**SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED**

Company Limited by Guarantee

**NOTES TO THE FINANCIAL STATEMENTS (ctd.)**

for the year ended 31 March 2024

<b>5 DEBTORS</b>	<b>2024</b>	<b>2023</b>
	£	£
Trade debtors	10,000	-
Other debtors	33,267	153,637
Prepayments	4,254	16,937
	<u>47,521</u>	<u>170,574</u>

<b>6 CREDITORS: Amounts falling due within one year</b>	<b>2024</b>	<b>2023</b>
	£	£
Trade creditors	8,006	16,584
Capital grant	1,057,360	961,347
Accruals and deferred income	117,596	165,617
Other taxes and social security costs	12,445	-
	<u>1,195,407</u>	<u>1,143,548</u>

The capital grant will be recognised in the income and expenditure account over the useful economic life of the asset.

Other creditors and accruals include outstanding pension contributions of £117 (2023: £3,046).

There are no secured creditors (2023: £nil).

<b>7 EMPLOYEE NUMBERS</b>	<b>2024</b>	<b>2023</b>
The average number of persons employed by the company was	3.8	3.5

**8 RELATED PARTY TRANSACTIONS**

Sector Development Wales Partnership Ltd. is controlled by the Welsh Government, which is the sole member of the company. During 2023-24, Sector Development Wales Partnership received core grant funding of £909,405 (2022-23: £964,400) from the Welsh Government. At the year end, £nil (2022-23: £151,637) was outstanding in respect of this funding.

Sector Development Wales Partnership Ltd. is the sole member of its four subsidiary companies, the Welsh Automotive Forum, Aerospace Wales Forum, the ESTnet Ltd and Net Zero Industry Wales Ltd.

## SECTOR DEVELOPMENT WALES PARTNERSHIP LIMITED

Company Limited by Guarantee

### NOTES TO THE FINANCIAL STATEMENTS (ctd.)

for the year ended 31 March 2024

#### 8 RELATED PARTY TRANSACTIONS (ctd.)

Aggregate capital and reserves	2024	Restated 2023
	£	£
Welsh Automotive Forum Ltd	230,353	203,745
Aerospace Wales Forum Ltd	159,901	105,506
ESTnet Ltd	163,540	105,163
Net Zero Industry Wales Ltd	33,491	-
<b>Surplus/(Deficit) for the year</b>	<b>2024</b>	<b>2023</b>
	£	£
Welsh Automotive Forum Ltd	26,608	72,315
Aerospace Wales Forum Ltd	54,395	-127,928
ESTnet Ltd	58,377	45,905
Net Zero Industry Wales Ltd	33,491	-

During the year, Sector Development Wales Partnership Ltd provided funding of £175,850, £142,155, £145,800 and £174,000 to the Welsh Automotive Forum, Aerospace Wales Forum, ESTnet Ltd and Net Zero Industry Wales Ltd.

Balances owing at the year end were £36,945 to the Welsh Automotive Forum, £35,655 to Aerospace Wales Forum and £17,828 to ESTnet Ltd. These were all paid in entirety in April 2024.

#### 9 ADDITIONAL INFORMATION

The company has no share capital as it is limited by guarantee.

Its registered number is 08379693.

The company is registered in England and Wales and its registered office is:-

Waterton Centre  
Waterton Industrial Estate  
Bridgend  
CF31 3WT