
VARFELL FARMS LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

VARFELL FARMS LTD

COMPANY INFORMATION

Directors	S R Bingham M J Jarrett A W J Newey M P I Thomas S Gardner
Company secretary	S R Bingham
Registered number	03007729
Registered office	Varfell Farm Varfell Lane Longrock Penzance Cornwall TR20 8AQ
Independent auditors	Kreston Reeves LLP Chartered Accountants & Statutory Auditor 9 Donnington Park 85 Birdham Road Chichester West Sussex PO20 7AJ
Accountants	Barnes Roffe LLP Chartered Accountants Charles Lake House, Claire Causeway Crossways Business Park Dartford Kent DA2 6QA

VARFELL FARMS LTD

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

Varfell Farms is the world leader in daffodil production with its growing operations based in west Cornwall. The operation controls approximately 4,000 acres of productive land with the centre of its operations based in Penzance.

Varfell has developed a unique relationship with land owners in Cornwall to allow for sustainable crop rotation, using regenerative farming methods to create healthy soils and increased crop yields.

In June 2020 the Greosn Group took full ownership of Varfell Farms. Together with the local management team we have built on the synergies within the Group to further strengthen the value Varfell can offer its customers and develop unique long term partnerships with the UK's leading retailers.

Business review

The Board are pleased to report operating profits improving by £1,563,140 , +76 % , to £3,619,550 despite some disruption in its operating environment due to utility costs and high inflation. Additionally Varfell acquired 808 acres of bulbs in 2022 which required significant investment. This cost has been absorbed in 2022 in anticipation of a significant increase in the 2023 harvest.

In 2022 the business has continued to focus on building sustainable and long term relationships with our customers. At the same time we have reviewed synergies with the Greosn Group and its divisions, taking advantage of the wealth of technical and industry knowledge to add value to our overall offering to our customers.

During 2022 our business relationships with major UK retailers has resulted in significant revenue growth of £4,577,659 , +31% , from £14,426,353 to £19,004,012. During 2022 export have been buoyed by the extension of our existing contracts which helped increase exports by +45%.

Gross margins were affected by high utility costs and the take on costs of acquiring 808 acres of bulbs in Cornwall. Gross margins are expected to recover back to 2021 levels as this additional acreage is harvested in 2023.

The strategy of the business is to develop a sustainable business model through regenerative farming practices and husbandry that will improve harvest yields and crop health. Significant investments have been made during 2022 in bulb planting and harvesting to ensure the highest quality of bulb health.

Varfell Farms is now poised for significant growth supported by our Group and further investments are planned for 2023.

At the same time our business is first and foremost about the well being of our staff and all stakeholders. We are pleased to report that the accommodation site at Varfell continues to be upgraded to provide our seasonal teams with the best possible experience whilst at Varfell farms.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Principal risks and uncertainties

The cut flower industry, particularly the sector supplying the multiple retailers, continues to be highly competitive. The flower types provided by the business, which are mostly seasonal and at the lower end of the price spectrum, which should limit the risk of reduced market demand. Management believes that the company's key strengths and strategy will enable the business to flourish despite the competitive arena and general market conditions.

Investments have continued to be made to further enhance the company's key strengths in the growing of flower crops and further improve operational efficiency.

Creating a sustainable pool of seasonal labour after Brexit and managing the end of free movement of labour is a key risk and priority for Varfell. With the Greosn Group taking full ownership of Varfell Farms we can develop a strategic partnership with our sister company Proforce who is the largest labour provider in the fresh produce sector and a government sponsor of the Seasonal Worker Pilot Scheme. This strategic partnership places Varfell in a unique and advantageous position in the daffodil production sector.

The Group continue to work with and lobby government agencies to extend Visa entry systems for seasonal workers to support agriculture and horticulture.

As with most agricultural businesses, the company's crops and harvest activities are subject to the influence of the weather. The timing, volume and quality of crops will be influenced by the prevailing weather conditions in any season and the company works closely with its customers and suppliers to ensure fluctuations can be accommodated. The company relies on its extensive experience to predict, assess and plan for the impact of changes in weather conditions to ensure that these are appropriately managed.

Modern Slavery Statement

Varfell Farms Ltd is committed to driving out acts of modern day slavery from within its own business and that from within its supply chains. The company acknowledges responsibility to the Modern Slavery Act 2015 and will ensure transparency within the organisation and with suppliers of goods and services to the organisation.

The principal activities of the company are those of growing and packing of cut flowers and plants for sale to multiple retailers. Within the supply chain there are relationships with external businesses for the sourcing of local products and services at certain times of the year and occasional insourcing of products from outside the UK.

As part of Varfell's due diligence processes into slavery and human trafficking the supplier approval process incorporates a review of the controls undertaken by the suppliers. Imported produce from sources outside of the UK and EU are potentially more at risk for slavery/human trafficking issues. The level of management control required for these sources will be continually monitored.

The Company will not support or deal with any business knowingly involved in slavery or human trafficking.

The Company Directors and Senior Management shall take responsibility for implementing this policy statement and its objectives and shall provide adequate resources and investment to ensure that slavery and human trafficking is not taking place within the organisation or within its supply chains.

The Modern Slavery Statement will be reviewed annually and updated.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial key performance indicators

Turnover increased by £4,577,659 to £19,004,012 as we return to a full season of daffodil sales.

Gross margins at 12.2% have dropped by 2.6 percentage points.

Group synergies and the investment in IT systems meant that Varfell was able to continue to align its operating costs with gross margins. The business achieved an operating profit of £3,916,550,007,908 which given the unique circumstances shows the overall strength of the Management Team, the value of the Greosn Group and the loyalty and value our customers place on daffodils.

Other key performance indicators

Other key performance indicators used in the ongoing management of the business include customer and product profitability, peer group reviews, production yields and sales waste. Given the straightforward nature of the business, the group's directors are of the opinion that publishing these external performance indicators is not necessary for an understanding of the development of the business.

Post balance sheet events

The farm has seen a successful start to 2023 with supply chains and labour availability remaining robust. The Directors and Management Team are however very conscious of its role in supporting seasonal workers who may be experiencing a high degree of uncertainty in their home countries.

This report was approved by the board and signed on its behalf.

This report was approved by the board on 11 July 2023 and signed on its behalf.

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M J Jarrett

Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting 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 to enable them to ensure that the financial statements 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.

Results and dividends

The profit for the year, after taxation, amounted to £3,143,370 (2021 - £1,935,189).

Dividends of £1,400,000 (2021: £nil) were voted during the year.

Directors

The directors who served during the year were:

S R Bingham
M J Jarrett
A W J Newey
M P I Thomas
S Gardner (appointed 1 July 2022)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

VARFELL FARMS LTD

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Auditors

The auditors, Kreston Reeves LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 11 July 2023 and signed on its behalf.

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M J Jarrett
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARFELL FARMS LTD

Opinion

We have audited the financial statements of Varfell Farms Ltd (the 'company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity 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 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).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we 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 as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARFELL FARMS LTD (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARFELL FARMS LTD (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our 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 Auditors' Report that includes our 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the company and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, management bias in accounting estimates and judgemental areas of the financial statements. Audit procedures performed by the engagement team included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud, and a review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Challenging assumptions and judgements made by management in its significant accounting estimates particularly with regard to the biological asset valuation; and
- Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business; and
- Performing analytical procedures with automated data analytics tools to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud; and
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud; and
- Checking and reperforming the reconciliation of key control accounts; and
- Reading minutes of meetings of those charged with governance, and reviewing correspondence with relevant tax and regulatory authorities; and
- Review of internal controls and physical inspection of tangible assets susceptible to fraud or irregularity; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Physical verification of stock through attendance of the year-end Stock-take and analytical procedures undertaken on stock valuation; and

- Confirmation of employee existence through substantive testing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARFELL FARMS LTD (CONTINUED)

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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 we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 an Auditors' 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.

VARFELL FARMS LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VARFELL FARMS LTD (CONTINUED)

Simon Webber BA (hons) DChA FCA (Senior Statutory Auditor)
for and on behalf of

Kreston Reeves LLP

Chartered Accountants & Statutory Auditor
Chichester
PO20 7AJ

11 July 2023

VARFELL FARMS LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	19,004,012	14,426,353
Cost of sales		(16,689,152)	(12,292,249)
Gross profit		2,314,860	2,134,104
Distribution costs		(5,299)	(9,716)
Administrative expenses		(444,580)	(932,871)
Fair value movements		1,754,569	864,893
Operating profit	5	3,619,550	2,056,410
Interest receivable and similar income	9	136,266	96,345
Interest payable and similar expenses	10	(126,286)	(57,627)
Profit before tax		3,629,530	2,095,128
Tax on profit	11	(486,160)	(159,939)
Profit for the financial year		3,143,370	1,935,189
Other comprehensive income for the year			
Movement of deferred tax relating to revaluation of tangible fixed assets		-	(281,017)
Other comprehensive income for the year		-	(281,017)
Total comprehensive income for the year		3,143,370	1,654,172

The notes on pages 15 to 38 form part of these financial statements.

VARFELL FARMS LTD
REGISTERED NUMBER: 03007729

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	(1,868,713)	-
Tangible assets	14	9,249,933	8,214,275
Biological assets	15	26,691,881	19,964,903
		<u>34,073,101</u>	<u>28,179,178</u>
Current assets			
Stocks	16	2,059,488	386,089
Debtors: amounts falling due within one year	17	7,387,954	5,737,462
Cash at bank and in hand	18	9,085	7,878
		<u>9,456,527</u>	<u>6,131,429</u>
Creditors: amounts falling due within one year	19	(9,400,414)	(4,216,137)
Net current assets		<u>56,113</u>	<u>1,915,292</u>
Total assets less current liabilities		<u>34,129,214</u>	<u>30,094,470</u>
Creditors: amounts falling due after more than one year	20	(2,758,277)	(614,781)
Provisions for liabilities			
Deferred tax	23	(1,504,222)	(1,356,344)
Net assets		<u><u>29,866,715</u></u>	<u><u>28,123,345</u></u>
Capital and reserves			
Called up share capital	24	26,408,000	26,408,000
Share premium account		627,661	627,661
Revaluation reserve		1,720,484	1,720,484
Profit and loss account		1,110,570	(632,800)
		<u><u>29,866,715</u></u>	<u><u>28,123,345</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf
on 11 July 2023.

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M J Jarrett
Director

The notes on pages 15 to 38 form part of these financial statements.

VARFELL FARMS LTD
REGISTERED NUMBER: 03007729

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

VARFELL FARMS LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2022	26,408,000	627,661	1,720,484	(632,800)	28,123,345
Profit for the year	-	-	-	3,143,370	3,143,370
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(1,400,000)	(1,400,000)
At 31 December 2022	26,408,000	627,661	1,720,484	1,110,570	29,866,715

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 January 2021	26,408,000	627,661	2,001,501	(2,567,989)	26,469,173
Profit for the year	-	-	-	1,935,189	1,935,189
Deferred tax	-	-	(281,017)	-	(281,017)
At 31 December 2021	26,408,000	627,661	1,720,484	(632,800)	28,123,345

The notes on pages 15 to 38 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. General information

The company is a private company limited by share capital and incorporated in England and Wales. The address of its registered office is Varfell Farm Varfell Lane, Longrock, Penzance, Cornwall, United Kingdom, TR20 8AQ.

The principal activity of the group during the period has been that of growing of other non-perennial crops, growing of other perennial crops, post-harvest crop activities and wholesale of flowers and plants.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Greosn Limited as at 31 December 2022 and these financial statements may be obtained from Companies House.

2.3 Going concern

The company remains profitable with supply chains and labour availability being secured through proactive measures taken in collaboration with our customers and sister company, Pro-Force. The company continues to enjoy the support of its bankers for finance as well as having access to working capital from the wider group should this be required. The directors are confident that the company has the ability to continue to meet its obligations as they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.6 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

2.8 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.9 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

2.10 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Negative goodwill	-	5	years
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2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Freehold property	- 2% to 25%
Plant and machinery	- 6.67% to 25%
Motor vehicles	- 20% to 33%
Office equipment	- 20% to 33%
Biological assets	- No depreciation - revalued annually to fair value

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.14 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in other comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in the Statement of comprehensive income.

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of comprehensive income.

2.16 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.18 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

2.20 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

2.21 Biological assets

Biological assets can be categorised as short or long term depending upon the product life cycle of the asset concerned and its output in the form of harvested crops for sale.

Those biological assets which will produce more than one crop over a number of years are classified as long term biological assets whilst those which will produce a single crop with the asset either being wasted or sold as part of the product offering are classified as short term.

Long term biological assets are mainly from the company daffodil farm which undertakes the activities of growing and sourcing daffodil flowers for onward supply to retail and wholesale markets. Flowers are grown from bulbs which are planted to produce an annual flower crop which is harvested, packed and sold. These bulb assets are considered to be biological assets within the scope of FRS102. Given the indefinite useful life of these bulbs, they are classified in the balance sheet under fixed assets. The bulbs reproduce every 3 to 5 years resulting in the so-called 'multiplication' effect.

The company can reliably measure fair value of these bulb assets and the most appropriate and representative method for assessing fair value in accordance with FRS102 is considered to be by calculating the net present value of the daffodil flower production. The company has established, based on historical information, clear profitability reporting on own production and sourced production. This allows the company to clearly forecast future performance and to implement a more consistent valuation method enabling a net present value approach to measure the fair value of these assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)

A gain or loss arising on the initial recognition of these biological assets at fair value less costs to sell, and from a change in fair value less costs to sell, are included in the income statement for the period in which it arises. The costs associated with growing the flower and tending the bulb are expensed in the income statement as a cost of sale when the flowers and bulbs are sold.

At the year end the company also had Biological Assets in relation to the production of other flowers for subsequent incorporation into bouquets for onward supply to the retail multiples. The company has considered how these Biological Assets should be valued in accordance with FRS102 and has concluded that the ability to determine a fair value less costs to sell cannot be reliably determined. Following the point of harvest the company will combine the harvested crops with complementary products, both purchased and/or grown in house, together with packaging thus creating a finished bouquet or pot for supply. This process incurs significant costs and results in the revenues of the finished products made available for sale not being in direct correlation to the products grown and held as biological assets at the year end.

The company undertakes a secondary process to convert its harvested products into packed bouquets for supply to the retail market. This secondary production process includes combining multiple products grown in-house with those purchased from third parties in order to produce bouquets. This process incurs significant costs.

Given the above it is considered that market data does not exist in any significant or reliable way in relation to the specific product offerings made by the company. The significance of costs to sell and the various revenue streams that the product could be combined into mean that no reliable measure of fair value less costs to sell is available to the company. It is therefore considered that fair value less costs to sell cannot be reliably determined and as a result the appropriate method for valuing other flower biological assets is on a cost basis less depreciation and impairment.

In order to value the company's other flower biological assets in accordance with FRS102 the company has valued this category of biological asset at cost less accumulated depreciation and impairment losses on the grounds that fair value cannot be reliably measured.

Short term biological assets consist of Dahlia cuttings planted at the year end.

2.22 Termination benefits

It is the company policy not to provide termination benefits over and above its normal terms of employment. In certain circumstances where an employee's contract is ended before its term or voluntary redundancy is encouraged a formal plan for termination is agreed and compensation is assessed on a case by case basis. The company recognises employee termination benefits as an expense when economic outflow is probable.

2.23 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Taxation

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with an assessment of the effects of future tax planning strategies.

Freehold property valuation

The company has recognised tangible fixed assets with a carrying value of £9,249,933 (2021: £8,214,275) at the reporting date (see note 13). The company has adopted the revaluation model for the measurement of land and buildings, other assets are stated at their cost less provision for depreciation and impairment.

To determine the fair value of land and buildings the company has engaged independent valuation specialists with experience in the location and nature of the property being valued. They have used a valuation technique based on comparable market data. This independent valuation was undertaken in 2019, subsequent valuations have been undertaken by the directors of the company with sufficient regularity to ensure that the carrying value of revalued assets reflects current market conditions.

Long term biological assets

All assumptions and judgments associated with the valuations of the long term biological assets are discussed in detail in note 2.21 and 14.

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Sales	19,004,012	14,426,353
	<u>19,004,012</u>	<u>14,426,353</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	15,088,751	11,716,450
Rest of Europe	3,915,261	2,709,903
	<u>19,004,012</u>	<u>14,426,353</u>

VARFELL FARMS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Depreciation	745,658	628,616
Exchange differences	4,758	(206,444)
Profit/Loss on sale of fixed assets	(36,000)	(11,285)
Hire of equipment	517,565	329,128
Hire of land and buildings	1,136,208	529,555

6. Auditors' remuneration

During the year, the company obtained the following services from the company's auditors:

	2022	2021
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	22,575	21,000

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£	£
Wages and salaries	5,085,820	2,485,317
Social security costs	255,821	259,884
Cost of defined contribution scheme	27,807	30,326
	5,369,448	2,775,527

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Directors	5	4
Production	119	21
Administration	9	13
	133	38

VARFELL FARMS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

8. Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	134,352	-
	<u>134,352</u>	<u>-</u>

9. Interest receivable

	2022	2021
	£	£
Other interest receivable	136,266	96,345
	<u>136,266</u>	<u>96,345</u>

10. Interest payable and similar expenses

	2022	2021
	£	£
Bank overdraft and loan interest payable	76,417	25,164
Finance leases and hire purchase contracts	28,189	15,910
Other interest payable	21,680	16,553
	<u>126,286</u>	<u>57,627</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	346,183	-
Adjustments in respect of previous periods	(7,901)	-
Total current tax	<u>338,282</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	147,878	151,886
Changes to tax rates	-	8,053
Total deferred tax	<u>147,878</u>	<u>159,939</u>
Taxation on profit on ordinary activities	<u>486,160</u>	<u>159,939</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>3,629,530</u>	<u>2,095,128</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	689,610	398,074
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	302	(3,611)
Capital allowances for year in excess of depreciation	(235,725)	(190,593)
Utilisation of tax losses	(106,151)	(203,870)
Adjustments to tax charge in respect of prior periods	(7,901)	-
Research and development	(1,853)	-
Deferred tax charged	147,878	159,939
Total tax charge for the year	<u>486,160</u>	<u>159,939</u>

VARFELL FARMS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation (continued)

Factors that may affect future tax charges

The main rate of corporation tax increased from 19% to 25% with effect from 1 April 2023.

The company has tax losses carried forward of £nil (2021: £210,659) for offset against future taxable profits.

12. Dividends

	2022 £	2021 £
Dividends	1,400,000	-
	<u>1,400,000</u>	<u>-</u>

13. Intangible assets

	Negative goodwill £
Additions	(2,335,892)
At 31 December 2022	<u>(2,335,892)</u>
Charge for the year on owned assets	(467,179)
At 31 December 2022	<u>(467,179)</u>
Net book value	
At 31 December 2022	<u>(1,868,713)</u>
<i>At 31 December 2021</i>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Assets under the course of construction £
Cost or valuation					
At 1 January 2022	6,872,734	4,440,925	53,142	280,234	1,001,023
Additions	90,391	937,633	-	-	753,292
Disposals	-	(30,495)	-	-	-
Transfers between classes	1,001,023	-	-	-	(1,001,023)
At 31 December 2022	<u>7,964,148</u>	<u>5,348,063</u>	<u>53,142</u>	<u>280,234</u>	<u>753,292</u>
Depreciation					
At 1 January 2022	1,365,593	2,791,191	8,211	268,788	-
Charge for the year on owned assets	270,917	164,299	3,841	7,094	-
Charge for the year on financed assets	-	292,777	6,730	-	-
Disposals	-	(30,495)	-	-	-
At 31 December 2022	<u>1,636,510</u>	<u>3,217,772</u>	<u>18,782</u>	<u>275,882</u>	<u>-</u>
Net book value					
At 31 December 2022	<u>6,327,638</u>	<u>2,130,291</u>	<u>34,360</u>	<u>4,352</u>	<u>753,292</u>
At 31 December 2021	<u>5,507,141</u>	<u>1,649,734</u>	<u>44,931</u>	<u>11,446</u>	<u>1,001,023</u>

VARFELL FARMS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

14. Tangible fixed assets (continued)

	Total £
Cost or valuation	
At 1 January 2022	12,648,058
Additions	1,781,316
Disposals	(30,495)
Transfers between classes	-
	<hr/>
At 31 December 2022	14,398,879
	<hr/>
Depreciation	
At 1 January 2022	4,433,783
Charge for the year on owned assets	446,151
Charge for the year on financed assets	299,507
Disposals	(30,495)
	<hr/>
At 31 December 2022	5,148,946
	<hr/>
Net book value	
At 31 December 2022	<u>9,249,933</u>
At 31 December 2021	<u>8,214,275</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets (continued)

The company has assets under hire purchase agreements with the net book value of these assets at the Balance Sheet date being £1,782,910 (2021: £1,163,786).

The effective date of the freehold property revaluation was 16 August 2019.

The property was valued by independent professional surveyors, Savills, who have valued the buildings using both the traditional investment "all risks" yield method of valuation, having regard to comparable evidence and current investment market sentiment along with the comparative method examining relevant comparable sales of similar properties and examining then on their ratio of sales value to the floor area. Due to the lack of directly comparable transactions in terms of size and location it was necessary for Savills to make various adjustments to the rental value and investment yields adopted based upon their professional judgement and experience of the local market, along with the sentiment expressed by various agents. Subsequent valuations have been undertaken by the directors of the company factoring relevant market data.

Included within Freehold property is land at a valuation of £2,666,321 for which depreciation is not provided.

Cost or valuation at 31 December 2022 is as follows:

	Land and buildings £
At cost	5,642,289
At valuation:	
Valuation	<u>2,321,859</u>
	<u>7,964,148</u>

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2022 £	2021 £
Historic cost	<u>4,005,779</u>	<u>3,185,282</u>

VARFELL FARMS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Long term biological assets

	Long term biological assets £
Cost or valuation	
At 1 January 2022	19,964,903
Additions	6,098,342
Fair value movement	1,754,569
Transfer of planted stock to stock	(1,125,933)
	<hr/>
At 31 December 2022	26,691,881
 Net book value	
At 31 December 2022	<hr/> <u>26,691,881</u>
 At 31 December 2021	 <hr/> <u>19,964,903</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

Biological assets can be categorised as short or long term depending upon the product lifecycle of the asset concerned and its output in the form of harvested crops for sale.

Those biological assets which will produce more than one crop over a number of years are classified as long term biological assets whilst those which will produce a single crop, with the asset either being wasted or sold as part of the product offering, classified as short term.

Long term Biological Assets consist mainly of Daffodil Bulbs planted in the ground as at the year end.

Short term biological assets consist solely of Dahlia cuttings planted at the period end.

Over recent years the company's focus has been on the innovation of new varieties of daffodils. The main goal has been to breed varieties which could be grown earlier and later than the company's competitors, providing a significant advantage towards retail customers. Due to these developments, the company has expanded its bulb portfolio to more than 360 varieties currently.

To calculate fair value it is impossible to value each variety separately, partly because there is no market price available for each of the individual varieties. Therefore, all varieties are grouped under the following categories:

- Early varieties: these can be harvested in January .
- Mid varieties: harvested February-March, this is the normal season (all other growers have production as well)
- Late varieties: harvested In April, which is very challenging due to weather uncertainties (low production from competitors).

In order to value the company's daffodil bulb biological assets in accordance with FRS102 the company has developed a model to calculate fair value based on the net present value of the daffodils produced. This is a level 3 measure in terms of the fair value measurement hierarchy.

Sales statistics over recent years have shown that daffodils which are sold in January and April are extremely demanded by retailers and hence give greater added value and margins. Therefore, based on previous years' averages, underlying sales prices are allocated accordingly in the model to calculate revenues going forward on which a 0% increase is included year on year.

The asset producing the flowers are the actual bulbs in the ground (52,379 planted tonnes) which form the basis for revenue assurance and future growth. As these bulbs on average generate an extra bulb that produces a flower whilst planted (based on uplift proven over the years), the number of bulbs in the ground will increase year on year. In order to accommodate this into the valuation model, a "multiplier" effect has been applied (over 5 years a bulb generates an extra bulb with flower production, excluding waste). As it is common practice to sell surplus bulbs each year, the assumption is taken that an amount of bulbs generated in the ground are to be sold. The remainder is used to further grow flowers and fulfil the extra demand of customers. No impact of increasing yields is taken into account. Growth rate is set at 2%. All costs are based on the actual performance of the previous year, inclusive of a 2% cost inflation rate, Potential future savings are not taken into account.

All these assumptions are reflected in the discounted cash flow model using a weighted average cost of capital of 10.7%.

In order to value the company's other flower biological assets in accordance with FRS102 the company has valued this category of biological asset at cost less accumulated depreciation and impairment losses on the grounds that fair value cannot be reliably measured. This is a level 3 measure in terms of the fair

VARFELL FARMS LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

16. Stocks

	2022	2021
	£	£
Raw materials and consumables	933,555	260,027
Finished goods and goods for resale	1,125,933	126,062
	<u>2,059,488</u>	<u>386,089</u>

17. Debtors

	2022	2021
	£	£
Trade debtors	418,351	82,674
Amounts owed by group undertakings	2,889,543	2,434,448
Other debtors	242,620	291,003
Prepayments and accrued income	3,837,440	2,929,337
	<u>7,387,954</u>	<u>5,737,462</u>

18. Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	9,085	7,878
Less: bank overdrafts	(1,986,486)	(1,440,420)
	<u>(1,977,401)</u>	<u>(1,432,542)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	1,986,486	1,440,420
Bank loans	95,000	-
Trade creditors	1,726,605	793,521
Amounts owed to group undertakings	3,197,854	1,154,851
Corporation tax	372,189	94,907
Other taxation and social security	108,057	249,441
Obligations under finance lease and hire purchase contracts	555,454	309,079
Other creditors	1,241,899	50,774
Accruals and deferred income	116,870	123,144
	<u>9,400,414</u>	<u>4,216,137</u>

20. Creditors: Amounts falling due after more than one year

	2022 £	2021 £
Bank loans	791,667	-
Net obligations under finance leases and hire purchase contracts	966,610	614,781
Other creditors	1,000,000	-
	<u>2,758,277</u>	<u>614,781</u>

Hire purchase and finance lease liabilities of £1,522,064 (2021: £923,860) are secured over the assets to which they relate.

Other creditors totalling £2,000,000 (2021: £nil) are secured by way of a fixed charge over the assets of the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

21. Loans

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	95,000	-
Amounts falling due 1-2 years		
Bank loans	95,000	-
Amounts falling due 2-5 years		
Bank loans	285,000	-
Amounts falling due after more than 5 years		
Bank loans	411,667	-
	<u>886,667</u>	<u>-</u>

Bank borrowings

During the year £950,000 was advanced to assist with the purchase disclosed in note 25. At the year end the balance of £886,667 is secured with a cross guarantee from the group's parent received on the freehold property known as Newlands on Pagham Road, Lagness.

The overdraft facility of £1,986,486 (2021: £1,440,420) and invoice financing facility of £226,067 (2021: £42,448) are secured by way of fixed and floating charges over the undertakings, property and assets of the company.

22. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	555,454	309,079
Between 1-5 years	966,610	614,781
	<u>1,522,064</u>	<u>923,860</u>

VARFELL FARMS LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Deferred taxation

	2022 £	2021 £
At beginning of year	(1,356,344)	(915,388)
Charged to profit or loss	(147,878)	(159,939)
Charged to other comprehensive income	-	(281,017)
At end of year	(1,504,222)	(1,356,344)

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(333,318)	(238,104)
Losses and other deductions	-	52,664
Revaluation of land and buildings	(1,170,904)	(1,170,904)
	(1,504,222)	(1,356,344)

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
26,408,000 (2021 - 26,408,000) Ordinary shares of £1.00 each	26,408,000	26,408,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

25. Business combinations

During the year on 1 May 2022 the company acquired the business of Maurice Crouch (Growers) Limited as a going concern for consideration of £3.9m.

Acquisition of the business of Maurice Crouch (Growers) Limited**Recognised amounts of identifiable assets acquired and liabilities assumed**

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Tangible	137,550	-	137,550
Long term biological assets	3,762,450	2,335,894	6,098,344
	<u>3,900,000</u>	<u>2,335,894</u>	<u>6,235,894</u>
Total Assets	<u>3,900,000</u>	<u>2,335,894</u>	<u>6,235,894</u>
Total Identifiable net assets	<u>3,900,000</u>	<u>2,335,894</u>	<u>6,235,894</u>
Goodwill			(2,335,894)
Total purchase consideration			<u>3,900,000</u>
Consideration			
			£
Cash			1,900,000
Deferred consideration			2,000,000
Total purchase consideration			<u>3,900,000</u>
Cash outflow on acquisition			
			£
Purchase consideration settled in cash, as above			<u>1,900,000</u>

The goodwill arising on acquisition is attributable to the fair value arising on long term biological assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

26. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £6,042 (2021 - £4,452) were payable to the fund at the balance sheet date and are included in creditors. Contributions made to the scheme have been disclosed in note 7 of the accounts.

27. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	513,057	360,054
Later than 1 year and not later than 5 years	821,383	904,176
Later than 5 years	403,431	591,325
	<u>1,737,871</u>	<u>1,855,555</u>

28. Related party transactions

During the year the company entered into transactions with related parties. The company has taken advantage of the exemption under FRS102 (33.1A) not to disclose transactions with fellow wholly owned subsidiaries.

Key Management compensation

The directors of the company have defined key management as the directors of the company and the farms manager. Key management salaries and other short term employee benefits totalled £134,352 (2021: £118,541).

29. Controlling party

Yellow Holdings Ltd, a company incorporated in England and Wales, is the company's immediate parent and the parent undertaking of the smallest group within which the company belongs.

The ultimate parent and controlling company is Greosn Ltd, a company incorporated in England and Wales, and is the largest group to consolidate these results.

Copies of the Greosn Limited group accounts can be obtained from: Newlands, Pagham Road, Lagness, Chichester, West Sussex, PO20 1LL.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.