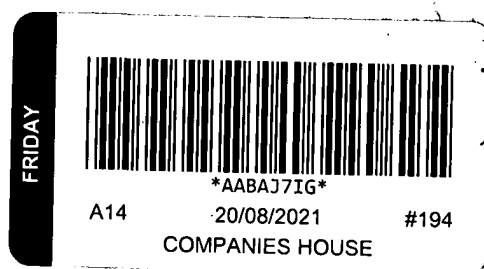


**Registered number: 03007729**

**Varfell Farms Ltd**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 2020**



## **Varfell Farms Ltd**

### **Company Information**

#### **Directors**

S J Bingham  
M J Jarrett  
A W J Newey  
M P I Thomas  
C V C Deprez (resigned 5 June 2020)  
F S C E Santens (resigned 5 June 2020)  
W H A A Pycke (resigned 5 June 2020)

#### **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

## **Varfell Farms Ltd**

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**Strategic Report  
For the Year Ended 31 December 2020**

**Introduction**

Varfell Farms is the world leader in daffodil production with its growing operations based in west Cornwall. The operation controls approximately 2,600 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, soil husbandry and regenerative farming.

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**

In 2020 the business has focused 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.

The first quarter of 2020 saw the peak of Covid restrictions in the supply chain and our operations environment. Although conditions were challenging we worked with our customers and staff to establish the safe methods of working that allowed us to mitigate the impact on our business. In 2020 sales have been reduced by approximately £3m due to the impact on retailers from Covid restrictions and a reduced harvest due to labour availability. This has impacted on the overall result however we believe we will come out of the existing restrictions with a strong and loyal customer base and optimism for the future of the daffodil industry.

**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.

**Strategic Report (continued)  
For the Year Ended 31 December 2020**

**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.

**Financial key performance indicators**

Turnover increased from £2,180,979 to £11,587,115 as we return to a full season of daffodil sales.

Gross margins at 11.1% were diluted in due to higher levels of waste as retailers restricting orders in March 2020 as lockdown restrictions limited footfall in store.

Additionally quarantine requirements and additional Covid border controls on labour increased harvesting costs and limited labour supply.

However, despite these challenges, Group synergies and the investment in IT systems meant that Varfell was able to align its operating costs with gross margins. The business achieved an operating profit of £1,275,869 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.

**Varfell Farms Ltd**

**Strategic Report (continued)  
For the Year Ended 31 December 2020**

**Post balance sheet events**

The 2021 daffodil season saw a further improvement in sales performance and demand. Covid restrictions had limited impact on supply to retailers and demand for daffodils remained very encouraging.

Brexit restrictions on the free movement of labour has limited the supply of labour in the UK in 2021. Although this impact has been managed by Varfell we do expect labour costs to increase if the Seasonal Worker Pilot Scheme is not extended beyond edible agriculture.

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



**A W J Newey**  
Director

Date: 11th August 2021

**Directors' Report  
For the Year Ended 31 December 2020**

The directors present their report and the financial statements for the year ended 31 December 2020.

**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 £976,024 (2019 - £1,217,619).

In the comparative period the Company was acquired by Yellow Holdings Limited, a company controlled by Greosn Ltd. The Company year end was shortened to align with the group. Therefore the comparative reporting period does not include the Company's selling season.

**Directors**

The directors who served during the year were:

S J Bingham  
M J Jarrett  
A W J Newey  
M P I Thomas  
C V C Deprez (resigned 5 June 2020)  
F S C E Santens (resigned 5 June 2020)  
W H A A Pycke (resigned 5 June 2020)

**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 2020**

**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 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A W J Newey', with a horizontal line underneath.

**A W J Newey**  
Director

Date: 11th August 2021



**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 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, 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 2020 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.

**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.

**Independent Auditors' Report to the Members of Varfell Farms Ltd (continued)**

**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 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; 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 review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud; and
- Challenging assumptions and judgements made by management in its significant accounting estimates, particularly with regard to the biological asset valuation; and
- Checking and reperforming the reconciliation of key control accounts; 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
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports 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
- Verification of stock through attendance of the year-end stocktake and analytical procedures undertaken on stock valuation; and
- Confirmation of employee existence through substantive testing.

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.

**Independent Auditors' Report to the Members of Varfell Farms Ltd (continued)**

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.

**Independent Auditors' Report to the Members of Varfell Farms Ltd (continued)**

**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.



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

**Kreston Reeves LLP**  
Chartered Accountants  
Statutory Auditor  
Chichester  
Date: 12 August 2021

**Varfell Farms Ltd**

**Statement of Comprehensive Income  
For the Year Ended 31 December 2020**

		2020 £	9 Months to 31 December 2019 £
	Note		
Turnover	4	11,587,115	2,180,979
Cost of sales		(10,370,581)	(3,445,032)
<b>Gross profit/(loss)</b>		<b>1,216,534</b>	<b>(1,264,053)</b>
Selling and distribution costs		(89,074)	(95,468)
Administrative expenses		(786,383)	(841,363)
Exceptional administrative expenses		-	3,523,291
Other operating income		177,515	-
Fair value movements		757,277	-
<b>Operating profit</b>	6	<b>1,275,869</b>	<b>1,322,407</b>
Interest receivable and similar income	10	-	784
Interest payable and expenses	11	(62,344)	(103,579)
<b>Profit before tax</b>		<b>1,213,525</b>	<b>1,219,612</b>
Tax on profit	12	(237,501)	(1,993)
<b>Profit for the financial year</b>		<b>976,024</b>	<b>1,217,619</b>
<b>Other comprehensive income for the year</b>			
Unrealised surplus on revaluation of tangible fixed assets		-	1,222,240
Movement of deferred tax relating to revaluation of tangible fixed assets		(95,131)	(225,227)
<b>Other comprehensive income for the year</b>		<b>(95,131)</b>	<b>997,013</b>
<b>Total comprehensive income for the year</b>		<b>880,893</b>	<b>2,214,632</b>

The notes on pages 16 to 36 form part of these financial statements.

**Balance Sheet**  
**As at 31 December 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Fixed assets</b>			
Tangible assets	14	7,617,878	7,014,041
Biological assets	15	19,100,010	18,342,733
		<u>26,717,888</u>	<u>25,356,774</u>
<b>Current assets</b>			
Stocks	16	633,329	509,623
Debtors: amounts falling due within one year	17	4,280,717	2,524,586
Biological assets	18	-	10,961
Cash at bank and in hand	19	11,147	121,603
		<u>4,925,193</u>	<u>3,166,773</u>
Creditors: amounts falling due within one year	20	(3,966,736)	(2,110,033)
<b>Net current assets</b>		<u>958,457</u>	<u>1,056,740</u>
<b>Total assets less current liabilities</b>		<u>27,676,345</u>	<u>26,413,514</u>
Creditors: amounts falling due after more than one year	21	(291,784)	(242,478)
<b>Provisions for liabilities</b>			
Deferred tax	24	(915,388)	(582,756)
		<u>(915,388)</u>	<u>(582,756)</u>
<b>Net assets</b>		<u>26,469,173</u>	<u>25,588,280</u>
<b>Capital and reserves</b>			
Called up share capital	25	26,408,000	26,408,000
Share premium account		627,661	627,661
Revaluation reserve		2,001,501	2,096,632
Profit and loss account		(2,567,989)	(3,544,013)
		<u>26,469,173</u>	<u>25,588,280</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**A W J Newey**  
Director

Date: 11th August 2021

The notes on pages 16 to 36 form part of these financial statements.

**Statement of Changes in Equity  
For the Year Ended 31 December 2020**

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>At 1 April 2019</b>	<b>26,408,000</b>	<b>627,661</b>	<b>1,099,619</b>	<b>(4,761,632)</b>	<b>23,373,648</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	1,217,619	1,217,619
Surplus on revaluation of freehold property	-	-	1,222,240	-	1,222,240
Deferred tax	-	-	(225,227)	-	(225,227)
<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>997,013</b>	<b>-</b>	<b>997,013</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>997,013</b>	<b>1,217,619</b>	<b>2,214,632</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 1 January 2020</b>	<b>26,408,000</b>	<b>627,661</b>	<b>2,096,632</b>	<b>(3,544,013)</b>	<b>25,588,280</b>
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	976,024	976,024
Deferred tax	-	-	(95,131)	-	(95,131)
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(95,131)</b>	<b>-</b>	<b>(95,131)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(95,131)</b>	<b>976,024</b>	<b>880,893</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2020</b>	<b>26,408,000</b>	<b>627,661</b>	<b>2,001,501</b>	<b>(2,567,989)</b>	<b>26,469,173</b>

The notes on pages 16 to 36 form part of these financial statements.



**Varfell Farms Ltd**

**Statement of Cash Flows  
For the Year Ended 31 December 2020**

	2020 £	9 months to December 2019 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	976,024	1,217,619
<b>Adjustments for:</b>		
Depreciation of tangible assets	496,462	371,178
Loss on disposal of tangible assets	-	(37,521)
Interest paid	62,344	103,576
Interest received	-	(784)
Taxation charge	237,501	1,993
(Increase)/decrease in stocks	(123,706)	137,959
(Increase)/decrease in debtors	(1,756,131)	3,281,408
Increase/(decrease) in creditors	690,484	(1,063,070)
Net fair value (gains)/losses recognised in P&L	(757,277)	-
Corporation tax received/(paid)	-	(104,063)
<b>Net cash generated from operating activities</b>	<b>(174,299)</b>	<b>3,908,295</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(1,100,299)	(394,765)
Sale of tangible fixed assets	-	42,967
Biological asset additions	10,961	(2,922)
Interest received	-	784
HP interest paid	(18,600)	(4,289)
<b>Net cash from investing activities</b>	<b>(1,107,938)</b>	<b>(358,225)</b>
<b>Cash flows from financing activities</b>		
Other new loans	-	101,000
Repayment of other loans	(101,000)	-
New finance leases	101,752	238,838
Movements on invoice discounting	37,033	(3,967,754)
Interest paid	(43,744)	(99,290)
<b>Net cash used in financing activities</b>	<b>(5,959)</b>	<b>(3,727,206)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(1,288,196)</b>	<b>(177,136)</b>
Cash and cash equivalents at beginning of year	(177,120)	16
<b>Cash and cash equivalents at the end of year</b>	<b>(1,465,316)</b>	<b>(177,120)</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	11,147	121,603
Bank overdrafts	(1,476,463)	(298,723)
	<b>(1,465,316)</b>	<b>(177,120)</b>

**Varfell Farms Ltd****Analysis of Net Debt  
For the Year Ended 31 December 2020**

	<b>At 1 January 2020 £</b>	<b>Cash flows £</b>	<b>Finance leases £</b>	<b>At 31 December 2020 £</b>
Cash at bank and in hand	121,603	(110,456)	-	11,147
Bank overdrafts	(298,723)	(1,177,740)	-	(1,476,463)
Debt due within 1 year	(108,837)	96,951	-	(11,886)
Finance leases	(412,388)	-	(101,752)	(514,140)
	<u>(698,345)</u>	<u>(1,191,245)</u>	<u>(101,752)</u>	<u>(1,991,342)</u>

The notes on pages 16 to 36 form part of these financial statements.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**1. General information**

The company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office and principal place of business is:

Varfell Farm  
Varfell Lane  
Longrock  
Penzance  
Cornwall  
United Kingdom  
TR20 8AQ.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The prior period financial statements were prepared under FRS 101. This is the first period that the Company has presented its results under FRS 102. The date of transition was 1 April 2019.

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 company's comparative accounting period was shortened to 9 months in order to become coterminous with the group of its ultimate parent company, therefore the comparative amounts presented in these financial statements (including the related notes) are not entirely comparable.

The following principal accounting policies have been applied:

**2.2 Going concern**

The continuing operations of the company have been heavily impacted by the effects of Covid-19. Despite this, the company is once again profitable, ahead of the previously anticipated timeframe. The company has utilised the CJRS and VAT and PAYE time to pay concessions to assist with working capital requirements in this period. The company continues to enjoy the support of the bank for finance as well as having access to working capital from the wider group should this be required. The directors are therefore 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 2020**

**2. Accounting policies (continued)**

**2.3 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

**2.4 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.

**2.5 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to profit or loss 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 2020**

**2. Accounting policies (continued)**

**2.6 Government grants**

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

**2.7 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.8 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.9 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 profit or loss 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.

**2.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

**2.11 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**2. Accounting policies (continued)**

**2.12 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.

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 basis:

Freehold property	- 2% to 25%
Plant and machinery	- 6.67% to 25%
Motor vehicles	- 20% to 33%
Office equipment	- 20% to 33%
Biological assets	-

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 profit or loss.

Assets under the course of construction are not depreciated until they are ready to be brought into use.

**2.13 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 profit or loss.

**2.14 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 profit or loss.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**2. Accounting policies (continued)**

**2.15 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.

**2.16 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.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

**2.17 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.

**2.18 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 profit or loss 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.

**2.19 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

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**2. Accounting policies (continued)**

**2.19 Financial instruments (continued)**

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.



**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**2. Accounting policies (continued)**

**2.20 Biological assets**

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 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 the 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.

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.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**2. Accounting policies (continued)**

**2.21 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.

**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 £7,617,878 (2019: 7,014,041) at the reporting date (see note 14). 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.

In order 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. Valuations are obtained 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 15.

**4. Turnover**

	2020 £	2019 £
Sales	<b>11,587,115</b>	2,180,979
	<b>11,587,115</b>	2,180,979

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	<b>7,893,185</b>	1,865,245
Rest of Europe	<b>3,693,930</b>	315,734
	<b>11,587,115</b>	2,180,979

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**5. Other operating income**

	2020 £	2019 £
Government grants	<b>177,515</b>	-
	<b>177,515</b>	-

Government grant income is made up of Coronavirus Job Retention Scheme income.

**6. Operating profit**

The operating profit is stated after charging:

	2020 £	2019 £
Administration exceptional (see note 13)	-	(3,523,291)
Exchange differences	<b>(35,758)</b>	(107,713)
Depreciation - owned assets	<b>384,772</b>	301,934
Depreciation - assets on finance leases	<b>111,690</b>	69,244
Profit on sale of fixed assets	-	(37,521)
Hire of land and buildings - operating leases	<b>664,081</b>	512,434
Hire of equipment	<b>274,996</b>	250,194

**7. Auditors' remuneration**

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>20,500</b>	20,000

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**8. Employees**

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	2,361,053	1,447,889
Social security costs	208,613	155,328
Cost of defined contribution scheme	47,095	45,617
	<u>2,616,761</u>	<u>1,648,834</u>

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

	2020 No.	2019 No.
Directors	6	4
Production	64	72
Administration	13	15
	<u>83</u>	<u>91</u>

**9. Directors' remuneration**

Directors' emoluments totalled £166,257 (9 months to December 2019: £153,417). During the period, retirement benefits were accruing to two (9 months to December 2019: two) directors. Defined contribution pension scheme contributions in respect of directors totalled £15,735 (9 months to December 2019: £14,667).

Termination benefits paid within the parent company amounted to £187,461 (2019: £Nil). The benefits included payments in lieu of notice, untaken holiday and accrued bonuses.

**10. Interest receivable**

	2020 £	2019 £
Other interest receivable	-	784
	<u>-</u>	<u>784</u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**11. Interest payable and similar expenses**

	2020 £	2019 £
Bank interest payable	27,148	2,256
Loans from group undertakings	625	94,850
Finance leases and hire purchase contracts	18,600	4,289
Other interest payable	15,971	2,184
	<u>62,344</u>	<u>103,579</u>

**12. Taxation**

	2020 £	2019 £
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	168,941	1,993
Changes to tax rates	68,560	-
<b>Total deferred tax</b>	<u>237,501</u>	<u>1,993</u>
<b>Taxation on profit on ordinary activities</b>	<u>237,501</u>	<u>1,993</u>

**Factors affecting tax charge for the year/period**

The tax assessed for the year/period is the same as (2019 - the same as) the standard rate of corporation tax in the UK of 19% (2019 - 19%) as set out below:

	2020 £	2019 £
Profit on ordinary activities before tax	<u>1,213,525</u>	<u>1,219,612</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	230,570	231,726
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	31,871	22,460
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	(262,441)	(254,186)
Deferred tax credited/(charged)	<u>237,501</u>	<u>1,993</u>
<b>Total tax charge for the year/period</b>	<u>237,501</u>	<u>1,993</u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**12. Taxation (continued)**

**Factors that may affect future tax charges**

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

**13. Exceptional items**

	2020 £	2019 £
Intercompany loan write-off	-	(3,523,291)
	<u>-</u>	<u>(3,523,291)</u>

As a result of the change in ultimate controlling party, the intercompany loan with the previous group was written off in the comparative period.

**14. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Assets under the course of construction £
<b>Cost or valuation</b>					
At 1 January 2020	6,714,118	3,312,827	72,052	280,234	-
Additions	-	292,042	-	-	808,257
Disposals	-	(13,368)	-	-	-
At 31 December 2020	<u>6,714,118</u>	<u>3,591,501</u>	<u>72,052</u>	<u>280,234</u>	<u>808,257</u>
<b>Depreciation</b>					
At 1 January 2020	969,118	2,116,962	26,302	252,808	-
Charge for the year on owned assets	157,892	318,107	12,473	7,990	-
Disposals	-	(13,368)	-	-	-
At 31 December 2020	<u>1,127,010</u>	<u>2,421,701</u>	<u>38,775</u>	<u>260,798</u>	<u>-</u>
<b>Net book value</b>					
At 31 December 2020	<u>5,587,108</u>	<u>1,169,800</u>	<u>33,277</u>	<u>19,436</u>	<u>808,257</u>
At 31 December 2019	<u>5,745,000</u>	<u>1,195,865</u>	<u>45,750</u>	<u>27,426</u>	<u>-</u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**14. Tangible fixed assets (continued)**

	<b>Total £</b>
<b>Cost or valuation</b>	
At 1 January 2020	10,379,231
Additions	1,100,299
Disposals	(13,368)
At 31 December 2020	<u>11,466,162</u>
<b>Depreciation</b>	
At 1 January 2020	3,365,190
Charge for the year on owned assets	496,462
Disposals	(13,368)
At 31 December 2020	<u>3,848,284</u>
<b>Net book value</b>	
At 31 December 2020	<u>7,617,878</u>
At 31 December 2019	<u>7,014,041</u>

The company has assets under hire purchase agreements which are accounted for accordingly. The NBV of these assets at the Balance Sheet date were £623,866 (2019: £465,422).

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.

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

	<b>2020 £</b>	<b>2019 £</b>
Cost	4,392,259	4,392,259
Accumulated depreciation	(1,127,010)	(969,118)
<b>Net book value</b>	<u>3,265,249</u>	<u>3,423,141</u>

**Varfell Farms Ltd**

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**15. Long term biological assets**

	<b>Long term biological assets £</b>
At 1 January 2020	<b>18,342,733</b>
Fair value movement	<b>757,277</b>
<b>Net book value</b>	
At 31 December 2020	<b>19,100,010</b>
At 31 December 2019	<b>18,342,733</b>



**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**15. Long term biological assets (continued)**

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. In addition, there are £261,426 of other planted stocks, being Agapanthus, Brodiaea, Scilla, Peony, Belladonna and Nerines planted at the period 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 1% increase is included year on year.

The asset producing the flowers are the actual bulbs in the ground (18,184 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 0%. 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 value measurement hierarchy.

The company undertakes a secondary process to convert its harvested products into packed bouquets for

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**15. Long term biological assets (continued)**

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.

**16. Stocks**

	2020 £	2019 £
Raw materials and consumables	504,299	449,714
Finished goods and goods for resale	129,030	59,909
	<u>633,329</u>	<u>509,623</u>

**17. Debtors**

	2020 £	2019 £
Factored debts	222,610	179,904
Amounts owed by group undertakings	1,458,221	-
Other debtors	-	68,982
Prepayments and accrued income	2,599,886	2,275,700
	<u>4,280,717</u>	<u>2,524,586</u>

**18. Short term biological assets**

	2020 £	2019 £
Short term biological assets	-	10,961
	<u>-</u>	<u>10,961</u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**19. Cash and cash equivalents**

	2020 £	2019 £
Cash at bank and in hand	11,147	121,603
Less: bank overdrafts	(1,476,463)	(298,723)
	<u>(1,465,316)</u>	<u>(177,120)</u>

**20. Creditors: Amounts falling due within one year**

	2020 £	2019 £
Bank overdrafts	1,476,463	298,723
Other loans	-	101,000
Payments received on account	-	20,094
Trade creditors	1,162,781	650,274
Amounts owed to group undertakings	376,447	200,000
Corporation tax	94,907	94,906
Other taxation and social security	255,022	47,192
Obligations under finance lease and hire purchase contracts	222,356	169,910
Invoice financing facility	42,448	5,415
Other creditors	11,886	29,394
Accruals and deferred income	324,426	493,125
	<u>3,966,736</u>	<u>2,110,033</u>

The following liabilities were secured:

	2020 £	2019 £
Invoice financing facility	42,448	5,415
	<u>42,448</u>	<u>5,415</u>

Details of security provided:

The facility is secured by way of a fixed and floating charge over the undertakings, property and assets of the company.

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**21. Creditors: Amounts falling due after more than one year**

	2020 £	2019 £
Net obligations under finance leases and hire purchase contracts	<b>291,784</b>	242,478
	<b>291,784</b>	242,478

**22. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	<b>222,356</b>	169,910
Between 1-5 years	<b>291,784</b>	242,478
	<b>514,140</b>	412,388

**23. Financial instruments**

	2020 £	2019 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	<b>11,147</b>	121,603

**24. Deferred taxation**

	2020 £
At beginning of year	(582,756)
Charged to the profit or loss	(237,501)
Charged to other comprehensive income	(95,131)
<b>At end of year</b>	<b>(915,388)</b>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**24. Deferred taxation (continued)**

The provision for deferred taxation is made up as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Accelerated capital allowances	<b>(269,396)</b>	<b>(188,599)</b>
Losses and other deductions	<b>243,895</b>	<b>400,599</b>
Revaluation of land and buildings	<b>(889,887)</b>	<b>(794,756)</b>
	<b>(915,388)</b>	<b>(582,756)</b>

**Notes to the Financial Statements  
For the Year Ended 31 December 2020**

**25. Share capital**

	2020 £	2019 £
<b>Allotted, called up and fully paid</b>		
26,408,000 (2019 - 26,408,000) Ordinary shares of £1.00 each	<b>26,408,000</b>	26,408,000

**26. Pension commitments**

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions totalling £11,886 (2019: £7,837) were payable to the fund at the balance sheet date and are included in creditors.

**27. Commitments under operating leases**

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	514,171	848,404
Later than 1 year and not later than 5 years	1,071,534	1,237,919
Later than 5 years	591,325	783,121
	<b>2,177,030</b>	2,869,444

**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.

**Summary of transactions with other related parties**

S R Bingham, R M Baker and A A Forrester, who were directors of the company during the current and/or previous period, were also directors of Winchester Real Estate Limited. During the period the company rented land from Winchester Real Estate Limited at a cost of £99,959 (9 months to December 2019: £76,169). As at the period end the company was owed £Nil by Winchester Real Estate Limited (2019: £19,832).

**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 £492,336 (9 months to December 2019: £231,084).

## **Varfell Farms Ltd**

### **Notes to the Financial Statements For the Year Ended 31 December 2020**

#### **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 and for which group financial statements are prepared.

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 group accounts can be obtained from the registered address: Newlands, Pagham Road, Lagness, Chichester, West Sussex, PO20 1LL.