

# OPENFIELD AGRICULTURE LIMITED

Report and Financial Statements

Year Ended

30 June 2019

Company Number: 03548572

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# OPENFIELD AGRICULTURE LIMITED

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# OPENFIELD AGRICULTURE LIMITED

## Company information

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### Directors

D R H Anderson  
J Dallas  
R J Jenner  
M J Worrell

### Secretary and registered office

A J Murray  
Honey Pot Lane  
Colsterworth  
Grantham  
NG33 5LY

### Company number

03548572

### Auditor

BDO LLP  
Regent House  
Clinton Avenue  
Nottingham  
NG5 1AZ

### Banker

Lloyds Bank plc  
10 Gresham Street  
London  
EC2V 7AE

### Solicitor

Burges Salmon LLP  
One Glass Wharf  
Bristol  
BS2 0ZX

# OPENFIELD AGRICULTURE LIMITED

## Executive statement for the year ended 30 June 2019

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Dear Member

The year ended 30<sup>th</sup> June 2019 has been a busy year for Openfield improving member service, delivering excellent marketing results, advancing its own systems and processes, engaging with consumers to improve delivery efficiency, and growing member commitment - all whilst facing a turbulent grain market as it reacts to low volumes, high imports and volatile demand. Against all of this activity, I am delighted to report that your company continues on track with its Business Plan, has extended its banking relationship with Lloyds Bank and delivered a solid financial performance.

### *Company Performance*

Another small harvest led to high imports of both wheat (1.9 million mt, 17/18 1.8m mt) and maize (2.8 million mt, 17/18 2.0m mt), albeit that the millers managed to drop imported grain to around 15% of the grist for the latter part of the season, the lowest for a number of years. The latter part of the marketing year however was mostly influenced by an inconsistency between the BPS area data and DEFRA June survey revealing a discrepancy of 450,000 mt in the UK 2018 harvest crop.

The average wheat crop was just under 13% moisture with kilo weights ranging from 75-78%, and protein close to 11.5% in feed varieties. Good quality probably resulted in the highest level of farm saved seed for several years.

So, uncertainty over the size of the crop (albeit with low volumes) leading to an import driven market, lack of demand for ethanol and the expectation of Brexit at the end of March 2019 led to fluctuating demand and price volatility.

We were sorry to learn of financial difficulties at Angus Cereals and of the decision of their members not to support a proposal put forward by the Board of Openfield Group that would have ensured the future of that society. As a result, Angus went into administration in July 2018 and consequently the storage rights held were disposed of at nil value which significantly impacted the results of the company. However, this failure presented Openfield Group with an investment opportunity, more than offsetting the write down in storage rights value, to acquire the grain store in Montrose owned by Angus, given its strategic importance to the Scottish malting barley industry.

Against these challenging market conditions, the company has delivered a loss before tax of £2,767k, versus a small loss in the prior year of £84k. Gross profit, net of distribution costs, was down £1.6 million year on year at £13.6 million (2018 £15.2 million) on turnover of £634 million (2018 £628 million). Administration expenses as a result of the loss in disposal of storage rights have risen to £15.8 million, (2018 £14.9 million). Without the loss on disposal of storage rights, expenses have reduced by £0.4 million, and the company has now reduced its administration expenses by 15% since the reorganisation in September 2017, down from £17.0 million in 2017.

Benefits achieved at a group level have resulted in Openfield Group Limited delivering a profit before tax of £460k for the year ended 30 June 2019.

### *Financial Strength*

The company continues to be financially sound with no core borrowings, a surplus of working capital and net assets amounting to £13.2 million, down on the prior year of £16.0 million. The reduction in surplus working capital represents the loss in the year with the company's borrowings continuing to relate entirely to funding the annual working capital cycle and is determined by the phasing of the relevant crop year.

This cycle resulted in the company momentarily eliminating its borrowings entirely during August 2019 and having net cash amounting to £243k.

# OPENFIELD AGRICULTURE LIMITED

## Executive statement for the year ended 30 June 2019

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Openfield undertook a periodic credit review with Lloyds Bank in the year resulting in extended facilities being put in place covering three years, instead of the usual annual arrangement, and continues to enjoy excellent relationships both with Lloyds as well as with its insurers AIG.

I would like to record my appreciation of the hard work and dedication of my executive directors and staff. They have worked tirelessly striving to deliver better value and service to our members. Openfield is one of the three major players in the UK grain marketing industry and continues to be the only farmer cooperative that has the scale to access all major UK and global markets.

I would also like to thank our strategic partners Velcourt and our network of regional grain storage and marketing cooperatives but most of all you, our members, for your continued support.



James Dallas  
**Chief Executive Officer**

# OPENFIELD AGRICULTURE LIMITED

## Strategic report for the year ended 30 June 2019

The directors present their strategic report and the financial statements for the year ended 30 June 2019.

### Business model

The company is engaged in the marketing of arable crops on behalf of its members, the purchase and sale of arable crops worldwide, the sale of seed, fertiliser and agro-chemicals to farmers and the delivery of support services for numerous independent grain groups and stores.

The company's management is broadly organised along these lines with each area responsible and accountable for activity. Where there are synergies aligned to mass, activity such as distribution and logistics, is combined in order to secure inherent benefit from larger scale operation.

The business model is based on co-operative and mutual principles to the extent that focus is placed on value to the farmer rather than absolute business profitability for profits sake. Building unique supply chains linking the farmer to the consumer and returning value to the farmer is what differentiates Openfield from its competitors.

The company operates in a largely perfect economic market place, handling high volume, low margin commodities in an efficient manner to meet the demands of a competitive market place. All arable crop sales to third parties are made on credit terms with credit insurance in place to manage significant credit risk. Sales are made within the UK, Europe, Asia and Africa.

### Strategy

The key elements of our strategy are to have industry leading committed grain supply and marketing, a best in class storage network to support our consumer customers and to provide farmers with a cost effective off farm storage option, a comprehensive grain trading activity that enables Openfield to compete worldwide, a comprehensive inputs supply offering, active consumer and member account management aligned to excellent service, communication and engagement, and, where appropriate, acquisition or merger with like-minded entities whose values and beliefs mirror our own.

Retention, training and reward of our staff and recruitment of appropriately motivated and relevant new employees is at the heart of our continuing growth aspirations.

### Financial review

The directors consider the key performance indicators for the business are turnover and net assets.

|            | 2019<br>£m | 2018<br>£m |
|------------|------------|------------|
| Turnover   | 634        | 628        |
| Net assets | 13.2       | 16.0       |

The result this year has been impacted by a small crop which combined with the availability of cheaper imported grain resulted in lower volumes, along with the uncertainty around Brexit which also limited export activity. The loss on disposal of storage rights as a result of Angus Cereals Limited going into administration has also impacted the results.

Turnover with the help of higher prices remained level at £634m (2018: £628m).

The operating loss was £1.7m (2018: profit £0.8m). The loss before taxation was £2.8m (2018: £0.1m).

Net assets have reduced to £13.2m (2018: £16.0m) due to the loss in the year. Net borrowings were £28.2m (2018: £25.5m).

# OPENFIELD AGRICULTURE LIMITED

## Strategic report for the year ended 30 June 2019 (*continued*)

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### Principal financial and operational risks and uncertainties

The management and Board have reviewed the activities of the company and the controls that are in place to manage the exposure to risk. Certain areas of risk have been identified and controls have been implemented in order to manage the risks therein. These controls are reviewed by the Board from time to time and are reviewed by the Risk Committee in order to consider whether the controls are appropriate and are being applied in a consistent manner. Risk management controls and grain marketing functions are independently supervised by senior executives with segregated responsibilities.

The key risk areas that have been identified are:

*Commodity Price and Position:* The nature of the company's grain trading business necessitates that positions are taken in order to meet customers' supply requirements and for profit in the ordinary course of business. The Board recognises this and requires that positions are operated within duly authorised limits that are appropriate for each commodity and that are appropriate for current trading conditions. The company does not hold or issue derivative instruments for speculative purposes. Management review the way in which these trading limits are applied. Exposure to fluctuations in grain prices is managed by the operation of the position limits and by using approved futures markets for both position and margin hedging.

*Foreign Exchange:* The company's grain activities include the export of grain to countries within the Euro zone and elsewhere. As a result the company is subject to movements in foreign exchange rates, principally the Euro. The company's policy is to cover its commitments to foreign exchange rates by entering into foreign exchange contracts within a short period of time of export contracts being concluded.

*Credit:* The company operates a credit insurance policy for its grain selling activities to afford protection from the risk of the inability of customers to pay their debts because of insolvency. Under the terms of the policy, the company is indemnified for 90% of outstanding balances in the event of insolvency, or as amended by buyer endorsement, subject to prior approval of credit limits by Insurers.

*Interest Rate:* The company is exposed to movements in the level of interest rates. Historically these risks have been partially covered through rate swaps but currently no hedging is in place because of the low interest rate environment. Other hedging instruments have not been used.

*Liquidity:* In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of short-term debt finance. Further details regarding the liquidity risk can be found in the statement of accounting policies in the financial statements.

*Economic factors:* The delayed outcome of the Brexit referendum continues to create uncertainty in the already volatile global commodity market with currency movements being critical to commodity prices in the UK. We continue to monitor the situation, however the impact on the company is difficult to determine until negotiations have been concluded. EU countries are a significant destination for UK arable crops but we have been developing supply lines further afield in Asia and Africa to reduce dependence upon EU destinations. We need however to be alert to government policy, particularly around trade and farmer support, which will impact everyone involved in the Agriculture sector in the UK.

*Operational risks:* Uncertainties in the areas of human resources and information technology, means continual monitoring and effective management is in place to minimise the impact of these events. IT systems are continually developed to deliver internal resilience whilst a positive employee engagement programme facilitates staff retention.

# OPENFIELD AGRICULTURE LIMITED

## Strategic report for the year ended 30 June 2019 (*continued*)

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### Corporate Governance

The Board of the society, Openfield Group Limited, has adopted a committee structure which is also applied to the company to cover Audit and Risk, Remuneration, Finance & General Purposes, Trading Risk and Marketing and Nominations, each chaired by a non-executive director with at least one other non-executive participant, whose fees are accounted for within Openfield Group Limited.

Executive directors and management can be invited to participate but are not regarded as members of the respective committees.

Each committee has Terms of Reference which are subject to annual review by the Board.

#### *Audit and Risk Committee*

##### Key duties

- monitor the integrity of the financial statements of the company, and any other formal statement relating to financial performance.
- review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable.
- keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems, excluding trading risk.

Membership – Nick Marston (Chair), James Townshend

#### *Remuneration Committee*

##### Key duties

- determine and agree with the board the framework or broad policy for the remuneration of the company's chairman, chief executive, and executive directors.
- the objective of such policy shall be to ensure that members of the executive management of the company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company.

Membership – Duncan Worth (Chair), Nick Marston

#### *Finance & General Purposes Committee*

##### Key duties

- be a forum to enable the chief executive to have discussions on matters of strategic and significant importance to the company before presentation to the Board;
- consider any capital expenditure proposals, and their proposed funding arrangements, which are beyond the delegated authority of the executive team prior to submission to the Board;
- review the annual budget, the funding requirements of the company, and particularly the relationship between the company and its bankers;
- periodically review monthly management accounts and current year forecasts; and
- consider matters of corporate governance across the company and ensure that agreed procedures are adhered to robustly and appropriately documented.

Membership – Philip Moody (Chair), Duncan Worth



# OPENFIELD AGRICULTURE LIMITED

## Strategic report for the year ended 30 June 2019 (*continued*)

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### *Trading Risk & Marketing Committee*

#### Key duties

- review and consider the adequacy and effectiveness of the processes and procedures created by the Executive management to:
  - assess and monitor all trading, credit and marketing risks including financial exposure arising from the buying, selling and marketing of product and related customer debt exposure associated with the operations of the company;
  - ensure that internal compliance and control systems and procedures to manage the trading, credit and marketing risks are developed, instituted and maintained;
  - ensure compliance by the company of its trading, credit and marketing risk management strategy;
  - assess and monitor the effectiveness of controls instituted;
- review and make recommendations to the board in relation to material changes to trading, credit and marketing risk management recommended by the Executive.

Membership – Ranald Forbes (Chair), Philip Moody

### *Nominations Committee*

#### Key duties

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the board, and make recommendations to the board with regard to any changes;
- give full consideration to succession planning for all directors taking into account the challenges and opportunities facing the company and the skills and expertise needed in the future;
- be responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies.

Membership - Philip Moody (Chair), Duncan Worth

### **Approval**

This strategic report was approved by order of the Board and signed on its behalf on 26 November 2019.



James Dallas  
Chief Executive Officer

# OPENFIELD AGRICULTURE LIMITED

## Report of the directors for the year ended 30 June 2019

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The directors present their report and the financial statements for the year ended 30 June 2019.

### Directors

The directors of the company throughout the year and up to the date of this report were:

D R H Anderson  
J L Dallas  
R J Jenner  
M J Worrell

### Qualifying third party indemnity provisions

The company has put in place qualifying third party indemnity provisions for all of the directors of Openfield Agriculture Limited.

### Results and Dividends

The loss for the year, after taxation amounted to £2,772,000 (2018 – loss £84,000). The directors do not recommend the payment of a dividend (2018 - £nil).

### Likely future developments

The company continues to pursue a strategy of growing market share by extending its geographical coverage to achieve increased volumes.

### Going concern

The company meets its day to day working capital requirements through its bank facilities, which it agreed in July 2019 for a term of three years.

The company's forecasts and projections, taking account of reasonably foreseeable changes in trading performance, show that the company should be able to operate within currently available facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

### Employment of disabled persons

The company gives full and fair consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

# OPENFIELD AGRICULTURE LIMITED

## Report of the directors for the year ended 30 June 2019 (*continued*)

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### Employee involvement

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through informal meetings and the company magazine.

### Auditors

Each of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

### Approval

This directors' report was approved by order of the Board and signed on its behalf on 26 November 2019.

A handwritten signature in black ink, appearing to read 'J Dallas', is positioned above the printed name and title of the Chief Executive Officer.

James Dallas  
Chief Executive Officer

# OPENFIELD AGRICULTURE LIMITED

## Statement of directors' responsibilities

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### Directors' responsibilities

The directors are responsible for preparing the executive statement, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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.

# OPENFIELD AGRICULTURE LIMITED

## Independent auditor's report to the members of Openfield Agriculture Limited

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### Opinion

We have audited the financial statements of Openfield Agriculture Limited ("the Company") for the year ended 30 June 2019 which comprise the profit and loss account and statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, 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 30 June 2019 and of its loss 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 auditor's 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 financial statements in the UK, including the FRC'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

# OPENFIELD AGRICULTURE LIMITED

## Independent auditor's report to the members of Openfield Agriculture Limited

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If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### **Opinions 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 and 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 statement of directors' responsibilities, 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.

# OPENFIELD AGRICULTURE LIMITED

## Independent auditor's report to the members of Openfield Agriculture Limited

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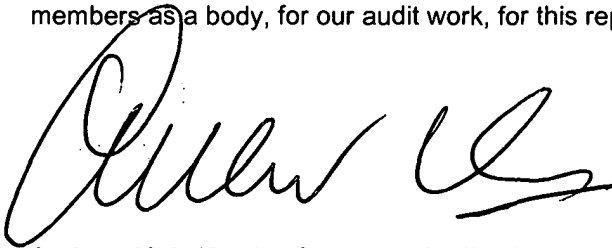
### Auditor's responsibilities for the audit of the financial statements

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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Andrew Mair (Senior Statutory Auditor)**  
For and on behalf of BDO LLP, Statutory Auditor  
Nottingham  
Date 28 Nov 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# OPENFIELD AGRICULTURE LIMITED

## Profit and loss account for the year ended 30 June 2019

|   | Note | 2019<br>£'000  | 2018<br>£'000 |
|---|------|----------------|---------------|
| Turnover  | 3    | 633,843        | 627,518       |
| Cost of sales   |      | (602,033)      | (592,334)     |
| <b>Gross profit</b>   |      | <b>31,810</b>  | <b>35,184</b> |
| Distribution costs  |      | (18,180)       | (19,998)      |
| Administrative expenses                                     |      | (14,509)       | (14,856)      |
| Other operating income                                      | 4    | 413            | 448           |
| Loss on disposal of intangible fixed assets                 | 10   | (1,260)        | -             |
| <b>Operating (loss) / profit</b>                            | 5    | <b>(1,726)</b> | <b>778</b>    |
| Gain on disposal of property, plant and equipment           |      | -              | 40            |
| Other interest receivable and similar income                |      | 214            | 148           |
| Interest payable and similar charges                        | 8    | (1,255)        | (1,050)       |
| <b>Loss before taxation</b>                                 |      | <b>(2,767)</b> | <b>(84)</b>   |
| Taxation on loss  | 9    | (5)            | -             |
| <b>Loss for the financial year</b>                          |      | <b>(2,772)</b> | <b>(84)</b>   |
| <b>Other comprehensive income:</b>                          |      |                |               |
| Gains arising on the revaluation of intangible fixed assets |      | -              | 58            |
| <b>Total comprehensive loss for the year</b>                |      | <b>(2,772)</b> | <b>(26)</b>   |

The notes on pages 17 to 33 form part of these financial statements.



# OPENFIELD AGRICULTURE LIMITED

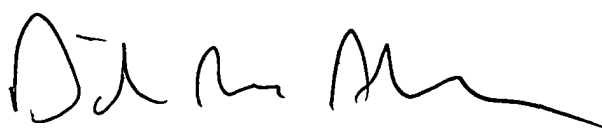
## Balance sheet As at 30 June 2019

| <b>Company Number: 03548572</b>                         | <b>Note</b> | <b>2019<br/>£'000</b> | <b>2019<br/>£'000</b> | <b>2018<br/>£'000</b> | <b>2018<br/>£'000</b> |
|---|-------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Fixed assets</b>                                     |             |                       |                       |                       |                       |
| Intangible assets                                       | 10          |                       | 3,370                 |                       | 4,726                 |
| Tangible assets   | 11          |                       | 3,012                 |                       | 3,235                 |
| Investments   | 12          |                       | 7                     |                       | 30                    |
|   |             |                       | <hr/>                 |                       | <hr/>                 |
|   |             |                       | 6,389                 |                       | 7,991                 |
| <b>Current assets</b>                                   |             |                       |                       |                       |                       |
| Stocks  | 13          | 19,455                |                       | 23,096                |                       |
| Debtors   | 14          | 77,907                |                       | 75,404                |                       |
| Cash at bank and in hand                                |             | 3                     |                       | 1                     |                       |
|   |             | <hr/>                 |                       | <hr/>                 |                       |
|   |             | 97,365                |                       | 98,501                |                       |
| Creditors: amounts falling due within one year          | 15          | (90,552)              |                       | (90,511)              |                       |
| <b>Net current assets</b>                               |             | <hr/>                 | 6,813                 | <hr/>                 | 7,990                 |
| <b>Total assets less current liabilities</b>            |             |                       | <hr/>                 |                       | <hr/>                 |
|   |             |                       | 13,202                |                       | 15,981                |
| Creditors: amounts falling due after more than one year | 16          |                       | (14)                  |                       | (21)                  |
|   |             |                       | <hr/>                 |                       | <hr/>                 |
| <b>Net assets</b>                                       |             |                       | <hr/>                 |                       | <hr/>                 |
|   |             |                       | 13,188                |                       | 15,960                |
| <b>Capital and reserves</b>                             |             |                       |                       |                       |                       |
| Called up share capital                                 | 19          |                       | 10,000                |                       | 10,000                |
| Profit and loss account                                 |             |                       | 3,188                 |                       | 5,960                 |
|   |             |                       | <hr/>                 |                       | <hr/>                 |
| <b>Equity shareholders funds</b>                        |             |                       | <hr/>                 |                       | <hr/>                 |
|   |             |                       | 13,188                |                       | 15,960                |

The financial statements were approved by the Board of Directors and authorised for issue on 26 November 2019 and were signed on its behalf by:



J Dallas  
Chief Executive Officer



D Anderson  
Chief Finance Officer

The notes on pages 17 to 33 form part of these financial statements.

# OPENFIELD AGRICULTURE LIMITED

## Statement of changes in equity for the year ended 30 June 2019

|                        | Share<br>capital<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>equity<br>£'000 |
|------------------------|---------------------------|--|--------------------------|
| <b>At 1 July 2018</b>  | 10,000                    | 5,960                                  | 15,960                   |
| Loss for the year      | -                         | (2,772)                                | (2,772)                  |
| <b>At 30 June 2019</b> | 10,000                    | 3,188                                  | 13,188                   |

## Statement of changes in equity for the year ended 30 June 2018

|   | Share<br>capital<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>equity<br>£'000 |
|---|---------------------------|--|--------------------------|
| <b>At 1 July 2017</b>                       | 10,000                    | 5,986                                  | 15,986                   |
| Loss for the year                           | -                         | (84)                                   | (84)                     |
| <b>Comprehensive income for the year</b>    |                           |  |                          |
| Revaluation gain on intangible fixed assets | -                         | 58                                     | 58                       |
| <b>At 30 June 2018</b>                      | 10,000                    | 5,960                                  | 15,960                   |

The notes on pages 17 to 33 form part of these financial statements.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019

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# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019

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### 1 Accounting policies

Openfield Agriculture Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom 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 company management to exercise judgement in applying the company's accounting policies (see note 2).

The following principal accounting policies have been consistently applied:

#### *Company disclosure exemptions*

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d); and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Openfield Group Limited as at 30 June 2019 and these financial statements may be obtained as described in note 23.

The company is exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of its ultimate parent company, Openfield Group Limited.

#### *Going concern*

The company meets its day to day working capital requirements through participation in the group's bank facilities, which were agreed in July 2019 for a term of three years.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance show that the group and company should be able to operate within currently available facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

#### *Revenue*

Revenue from the sales of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the company will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Intangible assets - Customer relationships*

Customer relationships are recognised at fair value at acquisition less accumulated amortisation and any impairment losses. Amortisation is provided at rates calculated to write off the fair value on a straight-line basis over the useful economic life of each asset. The useful life of the customer relationships obtained on the acquisition of the business of Countrywide Farmers plc is judged to be seven years, based on the estimated grower attrition rate.

#### *Intangible assets – Owned storage rights*

These assets are separately identifiable non-monetary assets without physical substance and held for an indefinite period in perpetuity where the fair value can be determined by reference to an active market.

It is considered that the fair value of these assets based on the existing market would remain at the current level and that any residual value would therefore exceed any net book value. As such no amortisation is being charged.

Any increase as a result of a revaluation is recognised in other comprehensive income and accumulated in equity. The increase however, is recognised in the profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the profit or loss. The decrease of an asset's carrying amount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains recognised in equity in respect of that asset, the excess shall be recognised in profit or loss.

#### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation and provision for any impairment. 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.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life as follows:

|                               |      |       |
|-------------------------------|------|-------|
| Plant, machinery and vehicles | 5-20 | years |
| Office equipment and fixtures | 3-10 | years |

Residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 and loss.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 *(continued)*

### 1 Accounting policies *(continued)*

#### *Impairment of intangible and fixed assets*

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit, ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### *Valuation of investments*

Investments in unlisted company shares, which have been classified as fixed asset investments as the company intends to hold them on a continuing basis, are re-measured to fair value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

#### *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 together with attributable overheads and interest.

At each reporting date, inventories are assessed for impairment. If inventory 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.

#### *Financial Instruments*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

##### *(i) Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs) except in the initial measurement of financial assets and liabilities that are measured at fair value through the profit or loss. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when there exists a legally enforceable right to set off the recognised amounts and the company intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### *(ii) Derivative financial instruments*

The company's activities expose it to a variety of financial risks that include commodity price, position risk and foreign exchange exposure. To negate these risks the company enters into derivative contracts covering commodity futures contracts and forward foreign exchange contracts. Derivative instruments are not used for speculative purposes.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 *(continued)*

### 1 Accounting policies *(continued)*

#### *Derivative financial instruments (continued)*

These derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date with the resulting gain or loss being recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, forward grain commitments, along with the clear identification of the risk in the hedged item. Furthermore, at the inception of the hedge and on an ongoing basis, the company assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk. The gain or loss relating to the ineffective portion is recognised in profit or loss.

#### *Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active, the fair value is estimated by using a valuation technique.

#### *Foreign currency translation*

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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 reporting date.

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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 1 Accounting policies (*continued*)

#### *Leases*

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset and are depreciated over the shorter of the lease term and their useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest element is charged to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding.

All other leases are treated as operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to profit or loss in the year in which they become payable. Amounts not paid are shown in accruals as a liability in the balance sheet.

The parent society and its subsidiaries jointly operate a group defined benefit pension plan which is closed to new entrants and future accrual. There is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities hence the cost is recognised in the society financial statements being the entity which is legally responsible for the plan.

#### *Holiday pay accrual*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

#### *Long term incentive plan*

The company operates a long-term incentive plan for certain key individuals which rewards progress against key objectives over a three year period. Each year performance against those objectives is measured and assessed by the Remuneration Committee and any appropriate provision deemed necessary is made.

### 2 Key sources of estimation uncertainty and judgements in applying accounting policies

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure.

The estimates and associated assumptions are based on historic experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation and uncertainty:

#### *Intangibles – Storage rights (note 10)*

The determination of the fair value of purchased rights to store grain in other co-operatives is based on management's estimation. This estimation is based around experience, knowledge of transactions for the purchase and sale of storage rights in the same or similar stores and the pricing policies that are applied by the relevant co-operative. There is a risk that the valuations may be under or over-stated.



# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 2 Key sources of estimation uncertainty and judgements in applying accounting policies (*continued*)

#### *Tangible fixed assets (note 11)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Key accounting judgements:

#### *Intangibles – Storage rights (note 10)*

It is considered that the fair value of these assets does and will remain at the current level and hence any residual value would therefore equal the net book value. On this basis no amortisation has been recognised.

#### *Stock valuation (note 13)*

Stocks are stated at the lower of cost or net realisable value, where the net realisable value, in the absence of existing sales contracts, is the estimated selling price less costs to complete and sell. Estimates are taken on what the appropriate selling cost is based on quality and regional variations. There is a risk that these estimates may be under or over-stated.

#### *Forward grain commitments (note 14 and 15)*

In the adoption of hedge accounting all forward commitment classified as hedged items are revalued in line with fair value. Judgements are taken on what the appropriate market price is, based on quality and regional variations.

### 3 Analysis of Turnover

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Analysis of turnover by country of destination: |               |               |
| United Kingdom                                  | 588,361       | 570,882       |
| Rest of Europe                                  | 45,482        | 55,126        |
| Rest of the World                               | -             | 1,510         |
|   | <hr/>         | <hr/>         |
|   | 633,843       | 627,518       |
|   | <hr/>         | <hr/>         |

Analysis of turnover by class of business is deemed to be prejudicial to the interests of the company, and as such has not been disclosed.

### 4 Other operating income

|                       | 2019<br>£'000 | 2018<br>£'000 |
|-----------------------|---------------|---------------|
| Management fee income | 413           | 448           |
|                       | <hr/>         | <hr/>         |

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 5 Operating (loss) / profit

The loss on disposal of intangible assets represents the storage rights held at Angus Cereals Limited which went into Administration.

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| This is arrived at after charging/(crediting):   |               |               |
| Depreciation of tangible fixed assets:   |               |               |
| - owned  | 747           | 887           |
| - held under hired purchase contracts  | 53            | 54            |
| Amortisation of intangible assets  | 96            | 97            |
| Operating lease rentals  | 1,183         | 1,227         |
| Loss on disposal of intangible assets  | (1,260)       | -             |
| Defined contribution pension cost  | 1,151         | 1,150         |
| Gain on derivatives held at fair value   | -             | (107)         |
| Change in fair value of hedging instruments  | 2,122         | 749           |
| Change in fair value of hedged items   | (2,122)       | (749)         |
| Fees payable to the company's auditor for the audit of the company's annual financial statements | 67            | 66            |

### 6 Employees

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Staff costs (including directors' remuneration) consist of: |               |               |
| Wages and salaries  | 8,726         | 8,718         |
| Social security costs                                       | 898           | 894           |
| Cost of defined contribution pension scheme                 | 1,151         | 1,150         |
|   | <u>10,775</u> | <u>10,762</u> |

The average number of employees (including directors) during the year was as follows:

|  | 2019<br>Number | 2018<br>Number |
|--|----------------|----------------|
| Distribution                                 | 35             | 34             |
| Production                                   | 17             | 17             |
| Administration, sales, trading and marketing | 152            | 168            |
|  | <u>204</u>     | <u>219</u>     |

### 7 Directors' remuneration

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Directors' emoluments                                   | 1,231         | 987           |
| Company contributions to money purchase pension schemes | 48            | 59            |
|   | <u></u>       | <u></u>       |

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 7 Directors' remuneration (continued)

There were 3 directors in the company's defined contribution pension scheme (2018: 3). None of the directors accrued benefits under the company's defined benefit pension scheme during the year (2018: nil).

Emoluments of the highest paid director were £421,000 (2018: £310,000). In addition, company pension contributions of £10,000 (2018: £10,000) were made to a money purchase scheme on his behalf.

### 8 Interest payable and similar charges

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Bank loans and overdrafts                  | 1,254         | 1,048         |
| Finance leases and hire purchase contracts | 1             | 2             |
|  | <u>1,255</u>  | <u>1,050</u>  |

### 9 Taxation on loss

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| <i>Deferred tax</i>                            |               |               |
| Origination and reversal of timing differences | 5             | -             |
|  | <u>5</u>      | <u>-</u>      |
| Total tax charge for the year                  | <u>5</u>      | <u>-</u>      |

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

|   | 2019<br>£'000  | 2018<br>£'000 |
|---|----------------|---------------|
| Loss before tax   | <u>(2,767)</u> | <u>(84)</u>   |
| Loss at the standard rate of corporation tax in the UK of 19% (2018: 19%) | (526)          | (16)          |
| Effects of:   |                |               |
| Expenses not deductible for tax purposes                                  | 9              | 43            |
| Deferred tax not recognised   | 456            | (27)          |
| Changes to tax rates  | 53             | -             |
| Fixed asset differences   | 13             | -             |
|   | <u>5</u>       | <u>-</u>      |
| Total tax credit for the year   | <u>5</u>       | <u>-</u>      |

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 9 Taxation on loss (*continued*)

For further information on deferred tax balances see note 18.

#### Factors that may affect future tax charges

The Finance (No.2) Act 2015 enacted changes to the corporation tax rate to reduce it from 20% to 19% from 1 April 2017 with a further reduction to 18% from 1 April 2020. On 24 March 2016, the Chancellor of the Exchequer announced that legislation would be introduced in Finance Act 2016 to reduce the rate of corporation tax to 17% from 1 April 2020, superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. These changes to the future tax rate were substantially enacted at the balance sheet date.

### 10 Intangible assets

|                          | Storage<br>rights<br>£'000 | Customer<br>relationships<br>£'000 | Total<br>£'000 |
|--------------------------|----------------------------|------------------------------------|----------------|
| <i>Cost or valuation</i> |                            |                                    |                |
| At 1 July 2018           | 4,389                      | 675                                | 5,064          |
| Disposals                | (1,260)                    | -                                  | (1,260)        |
|                          | <hr/>                      | <hr/>                              | <hr/>          |
| At 30 June 2019          | 3,129                      | 675                                | 3,804          |
|                          | <hr/>                      | <hr/>                              | <hr/>          |
| <i>Amortisation</i>      |                            |                                    |                |
| At 1 July 2018           | -                          | 338                                | 338            |
| Amortisation for year    | -                          | 96                                 | 96             |
|                          | <hr/>                      | <hr/>                              | <hr/>          |
| At 30 June 2019          | -                          | 434                                | 434            |
|                          | <hr/>                      | <hr/>                              | <hr/>          |
| <i>Net book value</i>    |                            |                                    |                |
| At 30 June 2019          | 3,129                      | 241                                | 3,370          |
|                          | <hr/>                      | <hr/>                              | <hr/>          |
| At 30 June 2018          | 4,389                      | 337                                | 4,726          |
|                          | <hr/>                      | <hr/>                              | <hr/>          |

Owned grain storage rights are assets without physical substance and held for an indefinite period, where fair value can be determined by reference to an active market. It is considered that the fair value of these assets will remain at the current level and that the residual value equals the net book value. As such no amortisation is charged.

The fair value of the assets were reviewed on 30 June 2019 based upon latest transactions for the purchase and sale of storage rights in each store and the pricing policy applied by each store. No changes to the previous valuations were identified.

The storage rights held in Angus Cereals Limited have been disposed of during the financial year following Angus Cereals Ltd entering administration.

Openfield Group Limited purchased the assets of Angus Cereals Limited from the Administrator during the financial year.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 10 Intangible assets (*continued*)

If storage rights had been accounted for under the historic cost accounting rules, the assets would have been measured as follows:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Historic cost                            | 2,493         | 3,844         |
| Accumulated depreciation and impairments | (1,638)       | (1,852)       |
|  | <u>855</u>    | <u>1,992</u>  |

### 11 Tangible fixed assets

|                       | Plant,<br>machinery<br>and<br>vehicles<br>£'000 | Office<br>equipment<br>and<br>fixtures<br>£'000 | Total<br>£'000 |
|-----------------------|---|---|----------------|
| <i>Cost</i>           |   |   |                |
| At 1 July 2018        | 5,602   | 6,124   | 11,726         |
| Additions             | 243   | 334   | 577            |
| Disposals             | -   | (14)  | (14)           |
|                       | <u>5,845</u>                                    | <u>6,444</u>                                    | <u>12,289</u>  |
| At 30 June 2019       |   |   |                |
| <i>Depreciation</i>   |   |   |                |
| At 1 July 2018        | 3,343   | 5,148   | 8,491          |
| Charge for year       | 362   | 438   | 800            |
| Disposals             | -   | (14)  | (14)           |
|                       | <u>3,705</u>                                    | <u>5,572</u>                                    | <u>9,277</u>   |
| At 30 June 2019       |   |   |                |
| <i>Net book value</i> |   |   |                |
| At 30 June 2019       | <u>2,140</u>                                    | <u>872</u>                                      | <u>3,012</u>   |
| At 30 June 2018       | <u>2,259</u>                                    | <u>976</u>                                      | <u>3,235</u>   |

The net book value of plant, machinery and vehicles for the company includes an amount of £140,000 (2018: £193,000) in respect of assets held under finance leases and hire purchase contracts.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 12 Fixed asset investments

|                            | Storage<br>facilities<br>£'000 | Farmer<br>controlled<br>grain groups<br>£'000 | Total<br>£'000 |
|----------------------------|--------------------------------|---|----------------|
| <i>Cost and fair value</i> |                                |   |                |
| At 1 July 2018             | 28                             | 2   | 30             |
| Disposal                   | (23)                           | -   | (23)           |
|                            | <hr/>                          | <hr/>   | <hr/>          |
| At 30 June 2019            | 5                              | 2   | 7              |
|                            | <hr/>                          | <hr/>   | <hr/>          |

#### *Subsidiary undertakings, associated undertakings and other investments*

There were no principal undertakings in which the company's interest at the year end is 20% or more.  
Openfield Arable Limited was dissolved on 23 April 2019.

### 13 Stocks

|                               | 2019<br>£'000 | 2018<br>£'000 |
|-------------------------------|---------------|---------------|
| Grain stocks                  | 19,120        | 22,568        |
| Raw materials and consumables | 335           | 528           |
|                               | <hr/>         | <hr/>         |
|                               | 19,455        | 23,096        |
|                               | <hr/>         | <hr/>         |

Stock recognised in cost of sales during the year as an expense was £599,828,000 (2018: £590,230,000).  
The impairment loss recognised in the year in cost of sales in the profit and loss was £nil (2018: £nil).  
Interest cost included is £152,000 (2018: £162,000).

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 14 Debtors

|                                    | 2019<br>£'000 | 2018<br>£'000 |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 56,951        | 46,609        |
| Amounts owed by group undertakings | 7,906         | 7,918         |
| Other debtors                      | 9,997         | 12,937        |
| VAT                                | 303           | 273           |
| Financial derivative asset         | 1,328         | 2,469         |
| Forward grain commitment           | 571           | 4,216         |
| Prepayments and accrued income     | 851           | 982           |
|                                    | <u>77,907</u> | <u>75,404</u> |

All amounts shown under debtors fall due for payment within one year.

The impairment loss recognised in administrative expenses in the profit or loss for the period in respect of bad and doubtful trade debtors was £nil (2018: £nil).

### 15 Creditors: amounts falling due within one year

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| Bank overdrafts (secured)                                   | 28,229        | 25,484        |
| Trade creditors   | 17,861        | 20,237        |
| Amounts owed to group undertakings                          | 639           | 639           |
| Taxation and social security                                | 278           | 295           |
| Obligations under finance lease and hire purchase contracts | 7             | 7             |
| Other creditors   | 684           | 533           |
| Financial derivative liability                              | 798           | 3,954         |
| Forward grain commitment                                    | 1,101         | 2,624         |
| Deferred tax liability                                      | 5             | -             |
| Accruals and deferred income                                | 40,950        | 36,738        |
|   | <u>90,552</u> | <u>90,511</u> |

The banking facilities are secured by a floating charge over the assets of the parent undertaking, Openfield Group Limited, and against balances held on the debtors ledger.

Net obligations under finance lease and hire purchase contracts are secured on the assets concerned.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 16 Creditors: amounts falling due after more than one year

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Obligations under finance lease and<br>hire purchase contracts | 14            | 21            |
|  | <u>14</u>     | <u>21</u>     |

Total of future minimum lease payments under finance leases:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Not later than 1 year                        | 7             | 7             |
| Later than 1 year and not later than 5 years | 14            | 21            |
|  | <u>21</u>     | <u>28</u>     |

Net obligations under finance lease and hired purchase contracts are secured on the assets concerned.



# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 17 Financial instruments

The carrying value of the company's financial instruments can be analysed as follows:

|  | 2019<br>£'000     | 2018<br>£'000     |
|--|-------------------|-------------------|
| <b>Financial assets</b>  |                   |                   |
| Measured at fair value through profit or loss                              |                   |                   |
| • Fixed asset investments in unlisted company shares                       | 7                 | 30                |
| • Derivative financial assets  | -                 | 193               |
| Measured at fair value and designated in an effective hedging relationship |                   |                   |
| • Derivative financial assets  | 1,328             | 2,276             |
| • Forward grain commitment   | 571               | 4,216             |
| Measured at undiscounted amounts receivable                                |                   |                   |
| • Trade and other debtors  | 74,854            | 67,464            |
|  | <u>          </u> | <u>          </u> |
| <b>Financial liabilities</b>   |                   |                   |
| Measured at fair value through profit or loss                              | -                 | (86)              |
| • Derivative financial liabilities   |                   |                   |
| Measured at fair value and designated in an effective hedging relationship |                   |                   |
| • Derivative financial liabilities   | (798)             | (3,868)           |
| • Forward grain commitment   | (1,101)           | (2,624)           |
| Measured at amortised cost   |                   |                   |
| • Obligations under finance leases   | (21)              | (28)              |
| Measured at undiscounted amounts payable                                   |                   |                   |
| • Bank overdraft   | (28,229)          | (25,484)          |
| • Trade and other creditors  | (60,134)          | (58,147)          |
|  | <u>          </u> | <u>          </u> |

Financial assets measured at fair value through profit or loss comprises fixed asset investments in unlisted company shares, storage facilities and farmer-controlled grain groups.

Financial assets and financial liabilities measured at fair value and designated in an effective hedge represent forward foreign exchange contracts and futures contracts.

Financial assets measured at fair value and in a non-hedging relationship are recognised in cost of sales in profit and loss.

Financial assets measured at undiscounted amounts comprise trade debtors and other debtors.

Financial liabilities measured at undiscounted amounts comprise trade creditors, other creditors, accruals and the bank overdraft.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (continued)

### 17 Financial instruments (continued)

#### Derivative financial instruments

|   | 2019<br>£'000 | 2018<br>£'000  |
|---|---------------|----------------|
| <b>Derivatives that are designated and effective as hedging instruments carried at fair value</b> |               |                |
| <b>Assets</b>   |               |                |
| Commodity futures contracts   | 740           | 1,805          |
| Forward foreign currency contracts  | 588           | 471            |
|   | <u>1,328</u>  | <u>2,276</u>   |
| <b>Liabilities</b>  |               |                |
| Forward foreign currency contracts  | (340)         | (3,574)        |
| Forward futures contracts   | (458)         | (294)          |
|   | <u>(798)</u>  | <u>(3,868)</u> |

To manage the exposure to commodity price movements during the course of the grain marketing cycle the company enters into commodity futures contracts. These hedging instruments are in place to remove the exposure to commodity market value movements due to the timing differences between procuring the physical commodity from the grower and agreeing a sale to the end consumer. Where the hedging instruments are in a foreign currency, the foreign currency exposure is also hedged with a forward foreign exchange contract. The hedging relationship is accounted for as a fair value hedge.

The company enters into forward exchange contracts to hedge the exposure to movements in GBP in relation to both the EURO and USD. The forward derivative contracts are taken out whenever forward physical business is contracted with an end consumer where payment will be made in a foreign currency. As both the quantity and timing of hedged item are known at the inception of the physical contract, the hedging instrument is taken out to specifically match those criteria. The hedging relationship is accounted for as a fair value hedge.

# OPENFIELD AGRICULTURE LIMITED

## Notes to the financial statements for the year ended 30 June 2019 (*continued*)

### 18 Deferred taxation

#### Deferred tax liability / (asset)

|                                | 2019<br>£'000     | 2018<br>£'000     |
|--------------------------------|-------------------|-------------------|
| Accelerated capital allowances | 164               | -                 |
| Other timing differences       | (23)              | -                 |
| Tax losses available           | (136)             | -                 |
|                                | <u>          </u> | <u>          </u> |
| Deferred tax liability         | 5                 | -                 |
|                                | <u>          </u> | <u>          </u> |

The company has £6,782,000 unused trade losses or credits (2018: £3,842,000).

### 19 Share capital

|   | 2019<br>£'000     | 2018<br>£'000     |
|---|-------------------|-------------------|
| <i>Allotted, called up and fully paid</i>           |                   |                   |
| 10,000 (2018: 10,000) ordinary shares of £1.00 each | 10,000            | 10,000            |
|   | <u>          </u> | <u>          </u> |

The company's other reserve is the profit and loss reserve which represents cumulative profits or losses, net of dividends paid, and other adjustments.

### 20 Contingent liabilities

The company has guaranteed the bank borrowings of its subsidiaries. At the year end the liabilities covered by these guarantees totalled £99,000 (2018: £nil).

# OPENFIELD AGRICULTURE LIMITED

Notes forming part of the financial statements  
for the year ended 30 June 2019 (continued)

## 21 Commitments under operating leases

### Lessee

The company had a total of future minimum lease payments under non-cancellable operating leases as set out below:

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| <b>Land and buildings</b>                    |               |               |
| Not later than 1 year                        | 1,011         | 1,150         |
| Later than 1 year and not later than 5 years | 1,175         | 1,939         |
|  | <hr/>         | <hr/>         |
| Total  | 2,186         | 3,089         |
|  | <hr/>         | <hr/>         |

## 22 Pension commitments

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Defined contribution costs charged to profit or loss in the year | 1,151         | 1,150         |
|  | <hr/>         | <hr/>         |

## 23 Related party transactions

The ultimate controlling party of the company is Openfield Group Limited, which is registered in England and Wales and with the Registrar of Friendly Societies. Copies of the Group's consolidated financial statements can be obtained from its registered office at Honey Pot Lane, Colsterworth, Grantham, Lincolnshire, NG33 5LY.

There is no ultimate controlling party of Openfield Group Limited.

### Other related party transactions

Key management personnel include all the directors of the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £1,271,598 (2018: £959,472).