

Registered No: 3525529

Agrovista UK Limited

Reports and Financial Statements

31 December 2020



Company Information

Directors

C Clayton
T Asai
D Brown
Y Kodaira
S Moriyama
N Yabe

Secretary

D Brown

Auditors

Ernst & Young LLP
No. 1 Colmore Square
Birmingham
B4 6HQ

Bankers

Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Registered Office

Rutherford House
Nottingham Science and Technology Park
University Boulevard
Nottingham
Nottinghamshire
NG7 2PZ

Strategic report

Principal activities and review of the business

The company's principal activities are the sale of agrochemicals, seed, fertiliser and the provision of advice to farmers and growers, along with amenity, glasshouse and horticulture organisations in Great Britain.

The company's key financial and other performance indicators during the year were:

	2020	2019	Change
	£000	£000	%
Turnover	167,148	168,648	-0.9%
Operating Profit	2,089	6,595	-68.3%
Profit after tax	1,796	6,241	-71.2%
Equity	48,858	48,622	0.5%
Current assets as % of current liabilities	243%	238%	+2.1%
Average number of employees	404	333	+21.3%

Turnover from continuing operations during the year ended 31 December 2020 decreased by £1.5m to £167.1m (2019: increased by £3.1m to £168.6m). Profit for the year after taxation amounted to £1,796,000 (2019: £6,241,000). Dividend payments totalling £1,560,000 (2019: £3,393,000) were made in the year. Consequently, equity increased by £236,000 to £48,858,000 (2019: increased by £2,848,000 to £48,622,000). The business continued to fund all investments, capital expenditure and working capital requirements from internal funds and operated a positive cash position throughout the year. The year-end cash balance was £1,581,000 (2019: £123,000).

The company completed the purchase of the share capital of Amenity Land Solutions Limited on 12 December 2019, and the operations and activities were fully hived-up into Agrovista UK Limited on 1 March 2020. Commercial operations in the amenity segment were consolidated with the launch of Agrovista Amenity at the beginning of the year.

As anticipated, the wet autumn of 2019 severely impacted the level and quality of crops planted for harvest in 2020, with a consequent reduction in investment by growers, and the business saw a like-for-like reduction approaching 15% in the spring. This was mitigated by some recovery in the autumn of 2020 and the integration of the Amenity Land Solutions business so that reported sales were only reduced by just under 1% (£1.5m). Product margins on the spring portfolio are traditionally higher so the underlying profitability has shown a temporary decline. This has been further constrained by the impact of COVID-19 on the amenity segment, with reduced sales and margins being insufficient to offset the cost growth in the integrated business. Accordingly, Operating profit has fallen by £4.5m

The company operates a culture of environmental care adopting high levels of standards in all areas of operation to minimise our environmental impact. Health and Safety continues to take a high profile including the continued implementation of BASIS pesticide storage standards.

Future developments

Despite a further unusual pattern to the weather conditions in spring 2021, with a cold dry start in March and April finally transitioning to more benign growing conditions in May and June, the business expects to see strong recovery in both sales and profitability.

Strategic report (continued)

Future developments (continued)

As reported last year, the COVID-19 pandemic has had a profound effect on the general business, economic and social environment in the UK. Agrovista remains fortunate in that the core of our activity is considered essential, so the impact for our arable business has been slight. The restriction of outdoor sport impacted our amenity segment more significantly, and this continued throughout 2020 and into the early part of 2021, impinging on the growth opportunity from the Amenity Land Solutions acquisition. Despite this impact, the investment will contribute to sales and profit growth in 2021, with further enhancement to follow as the synergy effects from combining the businesses are fully realised.

Following a challenging eighteen month period, where staff worked from home wherever possible, or with additional safeguards, we enter autumn 2021 with employees back to work in all our offices and depots.

The response and reaction from the Agrovista team has been outstanding throughout this period, and the Board remain truly grateful and appreciative for the commitment, dedication and care that has been demonstrated across the business.

Principal risks and uncertainties

The directors consider the following to be the principal risks and uncertainties for the business:

BREXIT

The departure from Europe of the UK took place on 31 December 2020. The vast majority of trading for Agrovista occurs within the UK, so the immediate impact was relatively minor, with a few handling issues with product in differing in-transit stages at the point of transition.

Agricultural Policy

UK agriculture is influenced by many factors such as future agricultural policy, farm subsidies, and potential trade deals with non-EU markets. Predictions are subject to too many variables to make accurate forecasts. However, we do not forecast a major immediate impact on crop production where much of our business is conducted due to the exportable crop surplus being small and manageable. Additionally, commodity prices remain strong, underpinned by weak sterling and global yield forecasts. The new Environmental Land Management Scheme is a key point of future focus and we continue to review the details as these enter the public domain.

Foreign exchange risk

The market for agricultural inputs continues to be affected by foreign currency exchange rate movements as most are produced in the Euro or Dollar zones. Availability is also a factor as manufacturers continue to seek to tightly manage their working capital. To the limited extent that the company has non-sterling denominated sales or purchases, no steps are taken to hedge the exposure and therefore, except where a natural hedge exists, the company is exposed to fluctuations in the underlying currency.

Legislation risk

European legislation and the revocation of existing products remains an issue affecting the availability of actives for growers. The exit of the UK from the EU has potential upsides provided the UK Regulatory authority is allowed to take science-based decisions independently from the EU. A degree of regulatory autonomy from Brussels would be very welcome.

Strategic report (continued)

Credit risk

Credit risk is managed through policies which require that deferred terms are only granted to customers who demonstrate appropriate payment history and satisfy credit worthiness procedures. The company continues to have an excellent record in assessing credit control risks.

By order of the board

A handwritten signature in black ink, appearing to read 'D Brown', with a long horizontal flourish extending to the right.

Duncan Brown

Secretary

Date: 28 September 2021

Director's report

Registered No. 3525529

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

Dividends

Dividends of £1,560,000 (2019: £3,393,000) were paid during the year. The directors recommended a final dividend of £1,560,000 on 18 March 2021 (2019: £nil).

Going concern

The Company's business activities together with the factors likely to impact its future development, performance and position are set out in the Strategic Report. The Company has well established relationships with customers and suppliers. The Company's financial forecasts, taking into consideration the current environment and the COVID-19 pandemic, show that the Company is expected to remain profitable and generate positive cash flows giving the Company the ability to continue to operate for the foreseeable future. As a consequence, the directors believe that the Company is a going concern and is well placed to manage its business risk successfully.

The Company has the financial support of the ultimate parent company, the Marubeni Corporation, which has sufficient cash and liquidity to fund the operations if necessary and a letter of support has been provided indicating that it will continue to support the business for at least 12 months from the date of approval of these financial statements.

Agrovista UK Limited has prepared a cash flow forecast for the period through to 31 December 2022, considering severe yet plausible downside scenarios along with a reverse stress test, noting any controllable cost and investment mitigations to protect liquidity. In all plausible scenarios considered, Agrovista UK Limited would still have sufficient profitability and liquidity to fund continued business operation.

Having considered all the above, including the current financial position of the Marubeni Corporation and its willingness to provide financial support to the Company as needed, the directors remain confident in the long-term future prospects for the Company and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year, and up to the date of the financial statements being approved, were as follows:

T Asai (appointed 1 April 2020)
D Brown
C Clayton
M Ishizuki (resigned 1 April 2020)
Y Kodaira
S Moriyama (appointed 1 April 2020)
T Saito (appointed 16 April 2019, resigned 1 April 2020)
T Sekita (resigned 1 April 2020)
N Yabe (appointed 1 April 2020)

Director's report (continued)

Directors' liabilities

The company has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision is in force as at the date of approving the directors' report.

Disabled employees

The company gives full 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.

Employee involvement

The company is committed to providing an environment where all employees can thrive and are empowered, confident and excited about the business. This is clearly communicated and shared through 'The Agrovista Way' which is the company's purpose, vision and values statement.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Duncan Brown
Secretary

28 September 2021

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, 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 judgments and 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.

Section 172(1) Statement

The Companies (Miscellaneous Reporting) Regulations 2018 (the “Regulations”) have been in force with effect from 1 January 2019. The Regulations aim to extend sustainable and responsible governance practice beyond listed companies to private limited companies. Amongst other things, the Regulations require the Company to report how the directors of the Company have considered their duties under section 172 (of the Companies Act 2006 (the “Act”)) (“Section 172”), to promote the success of the Company, during the reporting period.

The Directors have ensured compliance with their duties under s.172 in relation to the Company and its various stakeholders, including its investors, workforce, customer and suppliers, local communities and the environment. As a wholly owned subsidiary of the Marubeni Group, the Company has a sole member. Engagement with the Company’s stakeholders has informed the way in which the Directors have discharged their duties as detailed below. Where individual Directors are not directly involved in the processes described below, regular feedback and discussions are held with the relevant management teams, including Board meetings and operational review meetings. The Directors have oversight of the running of the Company, including through regular reviews of the contract performance and consideration of potential risks and opportunities.

The main purpose of the Company is the sale and distribution of agrochemicals, seed, fertiliser and the provision of advice to farmers and growers, along with amenity, glasshouse and horticulture organisations across Great Britain, in a manner which provides an appropriate return for its shareholder whilst providing a valuable contribution to the communities in which we operate both as a key local employer and provider of locally-sourced agronomy and product delivery to our customers. The Company interacts on a continuous basis with employees and its shareholder and has regular and frequent engagement with its main customers, suppliers and other stakeholders.

Workforce (past and present)

Current Employee Engagement

The business continued to operate throughout the Covid pandemic for 97% of our business. One small team, where services were no longer viable due to Covid were furloughed when appropriate.

Office teams moved to home-working, all other teams were able to continue in their usual roles encompassing additional Covid secure practices.

Throughout 2020 the Company continued to conduct quarterly pulse surveys to measure levels of engagement and seek feedback on ways of working and focussed on the impact Covid had on ways of working. Response rates increased to 84%, engagement levels maintained at 81%.

Face to face meetings and other pre-pandemic communication methods were replaced with regular on-line team meetings, briefings and one to ones. The Managing Director increased regularity of email communications highlighting company performance and reminding employees of the Company Covid safe ways of working.

Conscious of the potential impact of Covid upon mental health and based on feedback received through the survey, a Wellbeing initiative was introduced. This includes access to a 24/7 Employee Assistance Programme, with counselling provided where necessary; 12 employees were identified to be developed as Mental Health First Aiders (courses booked for 2021 as no courses available in 2020 due to Covid); regular communications to the company on local Mental Health Champions; all line managers completed a Mental Health Awareness training course; a dedicated area of the Company Intranet which holds information on the resources available.

We continue to be committed to lead in a way that empowers, develops, and involves all employees.

Section 172(1) Statement

Post-retirement benefits

The Company provides post retirement pension provisions for both its current employees and in respect of previous employees, through defined contribution pension schemes. The pension scheme is administered on behalf of the Company by Aviva and we also provide voluntary access to an independent financial advisor.

Customer

Agrovista has a broad customer base spanning both fully serviced and supply only clients who, in turn, range from small, family owned farming enterprises to national agri-businesses. The business provides a wide range of crop protection and nutritional products and expert agronomic advice to UK growers in all areas of agricultural and horticultural production.

The business aims to be the customers' 'Go-to Partner' in terms of the provision of both advice and product supply and our team of more than 110 agronomists are skilled in managing the whole customer lifecycle to ensure both parties generate value. Given the ever-changing variables of cropping, pest and disease pressure, farm type, regulation and end-market demands, the relationship between agronomist and customer is one requiring constant communication and knowledge transfer. As a result, customer relationships tend to be both deep and enduring often spanning generations within farming families.

The extensive product range needed to fulfil customer demands effective forecasting in order provide timely delivery which is often critical with growing crops and the relationship between salesperson, delivery depot and central procurement requires regular forecasting and planning which is embedded in our sales management process. Product pricing is dynamic and is managed with central oversight to ensure that product price changes are implemented, and the value proposition maintained.

Our teams undergo continuous professional development under the guise of both internal training and national regulatory registration. Teams are also engaged in supporting customers in their professional development carrying out group workshops, bespoke training and technical demonstrations.

Supplier

Given the nature of the industry, supplier choice is limited. Agrovista is therefore committed to be a distributor of choice to the key industry manufacturers/ suppliers. We aim to work in close partnership in an open and transparent relationship where risks and benefits are shared equitably. At the heart of this strategy is our continued investment in our own R&D platform that allows us to work with our suppliers to position products in a mutually beneficial way within the Agrovista portfolio to the benefit of our loyal customers. Purchasing decisions are based first and foremost on the technical performance and fit of the product and secondly on the commercial terms. We work hand in hand with our suppliers to create awareness and understanding of key products at the grower level.

We regularly interact with our key suppliers throughout the year and provide feedback on each other's performance, focusing on areas for improvement. Key suppliers are ranked on a balanced scorecard of KPI's and given clear feedback on areas of excellence and areas in need of improvement. This serves to create a focus on continuous improvement and strategic development.

Section 172(1) Statement (continued)

Community

Agrovista's sales and distribution network is predicated around 26 depots in predominantly rural locations. As such, many play a key part in local economies and the social fabric of communities. Colleagues frequently engage with their communities through national initiatives such as Open Farm Sunday as well as being involved with individual local charities and projects. The COVID-19 pandemic this year saw many depots and their teams re-appropriating items of PPE for, and volunteering with, local businesses in proximity to their place of work – a great example of the Agrovista Way in practise.

Environmental

The Company is committed to environmental sustainability in our operations and products. The Company adheres to all domestic environmental regulations and approved code of practices which govern activities or operations that may have adverse environmental effects. The Company achieved ISO14001:2015 Environmental Management certification in May 2019.

The Company has identified the following performance indicators to measure and monitor our progress. These have been chosen to reflect the key areas where our business activities impact the environment.

	<i>Unit</i>	<i>2020</i>	<i>2019</i>	<i>Change</i> %
Electricity usage	kW/h	646,840	438,000	-48%
of which renewable energy		170,000		-
Natural Gas usage	m ³	3,718	3,340	-11%
Waste disposal	Tonnes	33	128	+75%
of which recycled	%	93	93	-
CO ² emissions of vehicle fleet	average g/km per vehicle	130	135	+4%

NB: the principal increase in electricity usage was due to the inclusion of the acquired site from Amenity Land Solutions. The equivalent figure for the sites operating in 2019 was 476,840 representing a 9% increase.

Since early 2020 the Company has been encouraging the use of hybrid and alternative fuel source cars across the fleet and now has 66 hybrid and 9 fully electric vehicles out of a total fleet of 176 cars. We have installed charging points at nine of our 25 locations across the country with a program to ensure national coverage by the end of 2022.

Principal decisions in the year

The key focus of management throughout the last year has been to respond and adapt to the evolving impact of the COVID-19 pandemic and ensure a safe working environment for staff, customers and stakeholders. Whilst this has been the overarching emphasis we have delivered further optimisation of our depot network, consolidating activity into the newly acquired Allscott site and withdrawing from Newmarket as well as opening a new site in the North East of England at Melsonby.

Independent auditors' report

to the members of Agrovista UK Limited

Opinion

We have audited the financial statements of Agrovista UK Limited for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, 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 FRS 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 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 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 the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 throughout the period from when the financial statements are authorised for issue to 30 September 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independent auditors' report

to the members of Agrovista UK Limited (continued)

Other information

The other information comprises the information included in the annual report for the year ended 31 December 2020 for Agrovista UK Limited other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Strategic Report, the Report of the Directors and Financial statements for the year ended 31 December 2020 for Agrovista UK Limited.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 there is 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 the 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 the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's 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 the Director's 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.

Independent auditors' report

to the members of Agrovista UK Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including occupational health and safety, environment and General Data Protection Regulation (GDPR).
- We understood how the Company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of minutes of the meetings of those charged with governance. For the purpose of our risk assessment, we also obtained and reviewed the latest available internal audit reports.

Independent auditors' report

to the members of Agrovista UK Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)


Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through meeting with management to understand where they considered there was susceptibility to fraud. We also considered performance targets and the potential incentives or opportunities to manage earnings. We considered the processes and controls that the entity has established to address identified risks, or that otherwise prevent or detect fraud; and how senior management monitors those processes and controls. Where the risk was considered to be higher, in particular in respect of adjustments to revenue, including but not limited to customer rebates, arising other than through routine invoicing with the Company's customers, we performed audit procedures to address each identified fraud risk. These procedures included obtaining the population of all journals processed during the year. We performed a three-way correlation between revenue, receivables and cash and obtained explanations for any material outliers. We also tested manual journals posted to revenue using professional judgement. We determined the sample based on either size or nature for further testing and agreed to source documentation. These procedures were designed to provide reasonable assurance that the financial statements were free from material fraud. We have further tested the customer rebates provisioned as at the year end with post year-end disbursement of the credit notes. We have also analysed revenue by customer to understand why rebates weren't accrued for the largest customers. Further, we have also obtained a sample of rebate agreements and recalculated to test the valuation of the provision as at 31 December 2020.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved understanding management's internal controls over compliance with laws and regulations; enquiries of management and reviewing internal audit reports and performing focused testing by considering key phrases in identifying journals for further review.

A further description of our responsibilities for the audit of the financial statements is located on 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.



Richard Frostick (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP

Statutory Auditor

Hull

Date: 28 September 2021

Income statement

for the year ended 31 December 2020

		2020	2019
	Notes	£000	£000
Turnover	2	167,148	168,648
Cost of sales		<u>(145,603)</u>	<u>(146,803)</u>
Gross Profit		21,545	21,845
Distribution costs		(8,287)	(6,560)
Administrative expenses		<u>(11,169)</u>	<u>(8,690)</u>
Operating Profit	3	2,089	6,595
Interest receivable and similar income	6	108	231
Interest payable		<u>(16)</u>	<u>–</u>
Profit on ordinary activities before taxation		2,181	6,826
Tax	7	<u>(385)</u>	<u>(585)</u>
Profit for the financial year		<u>1,796</u>	<u>6,241</u>

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2020

There are no items of other comprehensive income such that the profit above of £1,796,000 in the year ended 31 December 2020 (2019: £6,241,000) equals total comprehensive income for the year.

Balance sheet

at 31 December 2020

	Notes	2020 £000	2019 £000
Fixed assets			
Intangible assets	9	13,072	9,030
Tangible assets	10	2,512	1,946
Investments	11	489	5,713
		<u>16,073</u>	<u>16,689</u>
Current assets			
Stocks	12	21,095	23,348
Debtors	13	33,836	31,824
Cash at bank and in hand		<u>1,581</u>	<u>123</u>
		56,512	55,295
Creditors: amounts falling due within one year	14	<u>(23,543)</u>	<u>(23,268)</u>
Net current assets		<u>32,969</u>	<u>32,027</u>
Total assets less current liabilities		49,042	48,716
Creditors: amounts falling due after one year	15	<u>(184)</u>	<u>(94)</u>
Net assets		<u>48,858</u>	<u>48,622</u>
Capital and reserves			
Called up share capital	16	7,600	7,600
Capital redemption reserve	17	5,600	5,600
Profit and loss account	17	<u>35,658</u>	<u>35,422</u>
Total equity	17	<u>48,858</u>	<u>48,622</u>

Approved by the board:



Duncan Brown

Secretary

Date: 28 September 2021

Statement of changes in equity

For the year ended 31 December 2020

	Called up capital	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	7,600	5,600	32,574	45,774
Profit for the year	–	–	6,241	6,241
Dividend paid	–	–	(3,393)	(3,393)
At 31 December 2019	7,600	5,600	35,422	48,622
Profit for the year	–	–	1,796	1,796
Dividend paid	–	–	(1,560)	(1,560)
At 31 December 2020	7,600	5,600	35,658	48,858

Notes to the financial statements

at 31 December 2020

1. Accounting policies

Statement of compliance

Agrovista UK Limited is a limited liability company incorporated in England. The registered office is Rutherford House, Nottingham Science & Technology Park, University Boulevard, Nottingham, NG7 2PZ.

The company's financial statements have been prepared in compliance with FRS 102 as it applied to the financial statements of the company for the year ended 31 December 2020.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Companies Act 2006 and United Kingdom applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

The financial statements have been prepared on the going concern basis as the directors consider the company has sufficient funds to meet its obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements.

The financial statements present information about the company as an individual undertaking and not as a group. The company is exempt from preparing consolidated financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary of Marubeni Corporation, registered and incorporated in Japan, which prepares consolidated financial statements.

Going concern

The Company's business activities together with the factors likely to impact its future development, performance and position are set out in the Strategic Report. The Company has well established relationships with customers and suppliers. The Company's financial forecasts, taking into consideration the current environment and the COVID-19 pandemic, show that the Company is expected to remain profitable and generate positive cash flows giving the Company the ability to continue to operate for the foreseeable future. As a consequence, the directors believe that the Company is a going concern and is well placed to manage its business risk successfully.

The Company has the financial support of the ultimate parent company, the Marubeni Corporation, which has sufficient cash and liquidity to fund the operations if necessary and a letter of support has been provided indicating that it will continue to support the business for at least 12 months from the date of approval of these financial statements.

Agrovista UK Limited has prepared a cash flow forecast for the period through to 31 December 2021, considering severe yet plausible downside scenarios along with a reverse stress test, noting any controllable cost and investment mitigations to protect liquidity. In all plausible scenarios considered, Agrovista UK Limited would still have sufficient profitability and liquidity to fund continued business operation.

Having considered all the above, including the current financial position of the Marubeni Corporation and its willingness to provide financial support to the Company as needed, the directors remain confident in the long-term future prospects for the Company and its ability to continue as a going concern for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Statement of cash flows

The directors have taken advantage of the exemption in FRS 102 from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements.

Notes to the financial statements

at 31 December 2020

Accounting policies (continued)

Goodwill

Goodwill is the difference between the cost of an acquired business and the aggregate of the fair value of that entity's identifiable assets and liabilities including the fair value of acquired intangible assets.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Freehold property	–	Maximum of 40 years
Leasehold property	–	Amortised over the life of the lease
Plant and machinery	–	Over 3 to 20 years
Fixtures and fittings	–	Over 3 to 20 years
Motor vehicles	–	Over 3 to 5 years
Computer equipment	–	Maximum 5 years

Investments and investment income

Investments are stated at cost less any provisions for impairment. Impairment reviews are performed in the event that the directors consider that there are indicators of impairment.

Dividend income is recognised when the right to receive payment is established.

Turnover

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Taxation

The charge for taxation is based on the result for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the financial statements

at 31 December 2020

Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The key areas of judgement impacting these financial statements are in respect of the assumptions used for bad and doubtful debt provision and customer rebates.

Operating leases

Rentals payable under operating leases are charged in the income statement on a straight-line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the income statement as they become payable in accordance with the rules of the scheme.

Rebates receivable

Rebates in respect of trade purchases are recognised on the basis of cash received, other than those where a formal agreement exists, in which case, they are accounted for on an accruals basis.

Rebates payable

Rebates due to customers in respect of invoiced sales are recognised on the basis of cash paid or are accounted for on an accruals basis linked to historic levels of payment.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate ruling on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. It is attributable to one continuing activity, the selling of supplies and services to the agricultural industry, primarily in the United Kingdom.

	2020	2019
	£000	£000
United Kingdom	163,601	166,048
Other EU	3,329	2,596
Non-EU	218	4
	<u>167,148</u>	<u>168,648</u>

Notes to the financial statements

at 31 December 2020

3. Operating profit

This is stated after charging/(crediting):

		2020 £000	2019 £000
Auditors' remuneration	Audit services	76	62
	Audit related services	13	–
	Taxation services	11	10
		<u>100</u>	<u>72</u>
Depreciation of owned fixed assets:	Leasehold property	141	87
	Fixtures, fittings and computers	425	323
	Motor vehicles	75	106
	Software	168	161
Amortisation of goodwill		<u>1,481</u>	<u>975</u>
		<u>2,290</u>	<u>1,652</u>
Gain on disposal of fixed assets		(18)	(19)
Foreign exchange loss/(gain)		10	(14)
Operating lease rentals	plant and machinery	1,344	1,234
	land and buildings	<u>1,183</u>	<u>966</u>

4. Directors' remuneration

	2020 £000	2019 £000
Remuneration	<u>528</u>	<u>517</u>
Reduction in long-term incentive plans	<u>(45)</u>	<u>(100)</u>
Value of company pension contributions to money purchase schemes	<u>27</u>	<u>31</u>
	No.	No.
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

The amounts in respect of the highest paid director are as follows:

	2020 £000	2019 £000
Remuneration	<u>359</u>	<u>342</u>
Reduction in long-term incentive plans	<u>(22)</u>	<u>(55)</u>
Value of company pension contributions to money purchase schemes	<u>6</u>	<u>8</u>

Notes to the financial statements

at 31 December 2020

4. Directors' remuneration (continued)

Of the directors that served in the year, eight are also directors of other subsidiary undertakings within the Marubeni Corporation group and their remuneration for the year was paid by other Marubeni Corporation undertakings. These directors did not receive any remuneration in relation to the company as the qualifying services provided to the company were incidental to the qualifying services provided to other Marubeni Corporation subsidiary undertakings.

5. Staff costs

	2020	2019
	£000	£000
Wages and salaries	16,088	14,189
Social security costs	1,795	1,649
Other pension costs	1,945	2,137
	<u>19,828</u>	<u>17,975</u>

The average monthly number of employees during the year was made up as follows:

	No.	No.
Administration and management	57	46
Sales, workshop and production	347	287
	<u>404</u>	<u>333</u>

6. Interest receivable and similar income

	2020	2019
	£000	£000
Bank interest	–	75
Other interest receivable	108	156
	<u>108</u>	<u>231</u>

Notes to the financial statements

at 31 December 2020

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020 £000	2019 £000
Current tax:		
UK corporation tax on the profit for the period	557	1,129
Adjustment in respect of previous years	(97)	(501)
Total current tax (note 7(b))	460	628
Deferred tax:		
Origination and reversal of timing differences	(96)	(25)
Effect of changes in tax rate	(16)	3
Adjustment in respect of previous years	37	(21)
Total deferred tax (note 7(c))	(75)	(43)
 Total tax per income statement	 385	 585

(b) The charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £000	2019 £000
Profit on ordinary activities before tax	2,181	6,826
Tax on profit at standard UK rate of tax of 19% (2019 – 19%)	414	1,297
Effects of:		
Disallowed expenses and non-taxable income	284	190
Non-taxable income	(10)	(7)
Effects of group relief/other relief	(227)	(376)
Adjustments in respect of previous years	(61)	(522)
Tax rate changes	(15)	3
Tax charge for the period	385	585

Notes to the financial statements

at 31 December 2020

7. Tax (continued)

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2020	2019
	£000	£000
Included in debtors (note 13)	304	169

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2020		2019	
	<i>Provided</i>	<i>Not provided</i>	<i>Provided</i>	<i>Not provided</i>
	£000	£000	£000	£000
Depreciation in advance of capital allowances	67	–	145	–
Other	71	–	24	–
Losses	166	–	–	–
Deferred tax asset	304	–	169	–
				£000

At 1 January 2020	169
Profit and loss account movement arising in the year (note 7(a))	75
Movement arising from the transfer of trade	60
At 31 December 2020	304

Deferred tax assets of £nil (2019 – £nil) have not been recognised. This asset arises from capital losses and is not available to offset against any future taxable profits, other than capital gains.

8. Dividends

	2020	2019
	£000	£000
Ordinary shares – interim paid 20.5p (2019 – 44.6p)	1,560	3,393

The directors recommended a final dividend of £1,560,000 on 18 March 2021 (2019: £nil)

Notes to the financial statements

at 31 December 2020

9. Intangible fixed assets

	<i>Software</i> £000	<i>Goodwill</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2020	1,332	20,209	21,541
Acquisition	29	5,662	5,691
Disposals	(18)	–	(18)
At 31 December 2020	<u>1,343</u>	<u>25,871</u>	<u>27,214</u>
Amortisation:			
At 1 January 2020	741	11,770	12,511
Provided during the year	168	1,481	1,649
Disposals	(18)	–	(18)
At 31 December 2020	<u>891</u>	<u>13,251</u>	<u>14,142</u>
Net book value:			
At 31 December 2020	<u>452</u>	<u>12,620</u>	<u>13,072</u>
At 1 January 2020	<u>591</u>	<u>8,439</u>	<u>9,030</u>

Goodwill is being amortised evenly over the directors' estimate of the useful life of each acquisition, being the lower of 10 years or its remaining useful life at the point of transition to FRS 102.

10. Tangible fixed assets

	<i>Leasehold</i> <i>property</i> £000	<i>Plant, machinery,</i> <i>fixtures, fittings &</i> <i>computers</i> £000	<i>Motor</i> <i>vehicles</i> £000	<i>Total</i> £000
Cost:				
At 1 January 2020	1,169	2,520	355	4,044
Additions	240	852	181	1,273
Disposals	(28)	(92)	(137)	(257)
At 31 December 2020	<u>1,381</u>	<u>3,280</u>	<u>399</u>	<u>5,060</u>
Depreciation:				
At 1 January 2020	546	1,319	233	2,098
Provided during the year	141	425	75	641
Disposals	(27)	(84)	(80)	(191)
At 31 December 2020	<u>660</u>	<u>1,660</u>	<u>228</u>	<u>2,548</u>
Net book value:				
At 31 December 2020	<u>721</u>	<u>1,620</u>	<u>171</u>	<u>2,512</u>
At 1 January 2020	<u>623</u>	<u>1,201</u>	<u>122</u>	<u>1,946</u>

Notes to the financial statements

at 31 December 2020

11. Investments

	<i>Fixed asset investments</i> £000
Cost:	
At 1 January 2020	5,857
Additions	73
Transfer to goodwill	(5,297)
At 31 December 2020	<u>633</u>
Provision for impairment:	
At 1 January 2020 and 31 December 2020	<u>(144)</u>
Net book value:	
At 31 December 2020	<u>489</u>
At 1 January 2020	<u>5,713</u>

Details of the investments which the company holds are as follows:

Name of company	Holding	Country of incorporation	Proportion of voting rights and shares held	Nature of business
Willoughby (369) Limited	Ordinary shares	UK	100%	Holding company
Agronomy Connection Limited	Ordinary shares	UK	100%	Arable agronomy
Alpha Amenity Limited	Ordinary shares	UK	100%	Dormant
Wallace of Kelso Limited	Ordinary shares	UK	100%	Agriculture
Dignity Seeds Limited	Ordinary shares	UK	100%	Holding company
John Ebbage Seeds Limited *	Ordinary shares	UK	100%	Dormant
Amenity Land Solutions Limited	Ordinary shares	UK	100%	Holding company
Maxwell Amenity Limited *	Ordinary shares	UK	100%	Amenity
Pitchcare.com Limited *	Ordinary shares	UK	100%	Dormant

* Indirectly owned

The registered office for all the companies listed above is Rutherford House, Nottingham Science and Technology Park, University Boulevard, Nottingham NG7 2PZ with the following exceptions:

- The registered office of Willoughby (369) Limited is One, Colton Square, Leicester, LE1 1QH
- The registered office for Wallace of Kelso Limited is Bowmont Street, Kelso, Roxburghshire, TD5 7EA

Notes to the financial statements

at 31 December 2020

11. Investments (continued)

On 1 March 2020 the business of the subsidiaries Amenity Land Solutions Limited, Maxwell Amenity Limited and Pitchcare.com Limited were hived up into the company.

Fair value	Maxwell Amenity Limited £000	Amenity Land Solutions Limited £000	pitchcare.com Limited £000	Total £000
Investments	-	29	-	29
Fixed assets	787	-	-	787
Cash	130	-	-	130
Net working capital	(1,042)	(292)	23	(1,311)
Net assets	(125)	(263)	23	(365)
Goodwill arising on acquisition				5,662
				<u>5,297</u>
Satisfied by				
Cash				5,025
Legal costs				<u>272</u>
				<u>5,297</u>

The companies were acquired on 12th December 2019 for a consideration of £5,025,000.

12. Stocks

	2020 £000	2019 £000
Finished goods	<u>21,095</u>	<u>23,348</u>

13. Debtors

	2020 £000	2019 £000
Trade debtors	26,675	24,960
Prepayments and accrued income	5,613	5,637
Deferred taxation (note 7(c))	304	169
Other taxes	<u>1,244</u>	<u>1,058</u>
	<u>33,836</u>	<u>31,824</u>

Notes to the financial statements

at 31 December 2020

14. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	15,481	15,910
Amounts owed to group undertakings	1,432	1,092
Other taxes and social security costs	2,586	1,576
Accruals and deferred income	4,044	3,689
Overdraft	–	1,001
	<u>23,543</u>	<u>23,268</u>

15. Creditors: amounts falling due after one year

	2020	2019
	£000	£000
Accruals and deferred income	<u>184</u>	<u>94</u>

16. Issued share capital

	2020	2019
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>7,600</u>	<u>7,600</u>
	2020	2019
<i>Allotted, called up and fully paid</i>	No. £000	No. £000
Ordinary shares of £1 each	7,600,000 <u>7,600</u>	7,600,000 <u>7,600</u>

17. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £60,358 (2019: £45,343).

18. Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. The pension costs for the period amounted to £1,945,000 (2019: £2,137,000). Contributions of £144,000 were due at the year-end (2019: £nil).

Notes to the financial statements

at 31 December 2020

19. Other financial commitments

At 31 December 2020 the company had contractual commitments under non-cancellable operating leases as set out below:

	2020		2019	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	106	137	162	158
In two to five years	2,106	1,104	1,122	874
In over five years	1,759	–	2,057	–
	<u>3,971</u>	<u>1,241</u>	<u>3,341</u>	<u>1,032</u>

20. Related party transactions

The company is a wholly owned subsidiary of the Marubeni Corporation, the group financial statements of which are publicly available.

Accordingly, the company has taken advantage of the exemption in FRS 102 paragraph 33 from disclosing transactions with other wholly owned companies of the Marubeni Corporation.

21. Post balance sheet events

The directors recommended a final dividend of £1,560,000 on 18 March 2021 which was paid on 29 March 2021

In February 2021 the business completed an asset purchase agreement to acquire the customer list from Peter Lambert Crop Consultancy Limited for a consideration of £750,000

In March 2021 the business completed an asset purchase agreement to acquire the customer list and other assets from the Soil Tech partnership for a consideration of £169,000

22. Ultimate parent undertaking and controlling party

Agrovista UK Limited is wholly owned by Agrovista BV, registered and incorporated in the Netherlands.

The ultimate parent undertaking and controlling party is the Marubeni Corporation, registered and incorporated in Japan. This is the smallest and largest group of which the company is a member for which group financial statements are prepared.

Copies of the ultimate parent undertaking's group financial statements may be obtained from Marubeni Corporation 4-2 Ohtemachi 1-Chrome, Chiyoda-Ku, Tokyo 100-88, Japan (CPO Box 595, Tokyo 100-91 Japan).