2019

ANNUAL REPORT AND ACCOUNTS

Mole Valley Farmers Ltd

Co Reg Number 679848

Contents

3-10	Strategic Report
11	Report of the Directors
12	Statement of Directors' responsibilities
13-14	Independent Auditor's Report to the Members of Mole Valley Farmers
15	Consolidated Statement of Income and Retained Earnings
16	Statement of Changes in Equity
17	Group Statement of Financial Position
18	Parent Company Statement of Financial Position
19	Group Statement of Cash Flow
20-39	Notes to the Accounts

Board of Directors and Company Advisors

Registered office

Exmoor House
Lime Way
Pathfields Business Park
South Molton
Devon, EX36 3LH

Chief Executive Officer

A Jackson

Company Secretary

B Korican

Directors

G M Cock, Chairman
P J Delbridge
S A Edmunds
F B Jennings
G E Wellwood
P G Winstone
S Bone

Company number

England No. 679848

Legal Advisors

Foot Anstey LLP
Salt Quay House
4 North East Quay
Sutton Harbour
Plymouth
PL4 0BN

Michelmores LLP
Woodwater House
Pynes Hill
Exeter
EX2 5WR

Auditor

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Bankers

Lloyds Banking Group
17 Cross Street
Barnstaple
North Devon
EX31 1BE

Covid-19

The Coronavirus pandemic poses an unprecedented set of circumstances for the Mole Valley Farmers' Group. Our key priority is the health and safety of staff, customers and business partners. The Group falls within the definition of an 'Essential Business' and has therefore maintained its trading activities within the context of new working protocols and social distancing.

We have continued to manufacture and deliver the highest quality feed, fertiliser and minerals to our core farming customers. We have kept our retail branches open and well stocked with essential products relevant to agricultural and rural customers, supporting the communities we serve. We have adapted to new ways of working quickly and efficiently, including installation of perspex screens at till points; reducing the number of till points; increased and more visible sanitisation and offering new ways for customers to transact with us.

The response of our staff to the pandemic and the adoption of new working protocols has been tremendous. Feedback from our customers has equally been very supportive.

STRATEGIC REPORT
Chairman's Review

The Strategic Report, including the Chairman's Review, does not make specific reference to Covid-19 on the basis that the pandemic was not relevant to the performance of the group in the financial year ended September 2019.

The backdrop of political and economic uncertainty referred in last year's annual report continued through the trading period ending 30 September 2019.

The 'B' word has dominated, with many a false dawn plus a new Prime Minister. The lack of political clarity and direction has had a profound impact on the economy and, to a degree, the farming community which is such an integral part of our business.

Mole Valley Farmers is now in our 60th year. This is a very noteworthy achievement for an organisation which was founded in 1960 by a small group of disgruntled, maverick farmers, who lived and worked in and around South Molton; these were the founder Farmer Shareholders. Their numbers have continued to grow over the years and now stands at over 9,000.

The continued support of both farmers and Members is absolutely fundamental to the success of our business, helping this year to drive revenues to £495 million. The in-year savings to Farmer Shareholders and other memberships is over £1.8 million. As Mole Valley Plus continues to evolve, the savings achieved by the business on behalf of Members and customers is significant. The savings in vehicles alone now stands at £1.2 million. Andrew Jackson gives a very thorough overview of the year's business performance in the pages overleaf.

Weather extremes in the late winter and summer of 2018 weren't replicated in the last financial year. Hence reduced demand for animal feed, which was exponential during the "Beast from the East" period of 2018. Other categories have performed particularly well, including crop packaging, fencing and timber.

There has been continued investment across the business, including in the new IT platform. With a phased implementation, this project is making very good progress in transitioning different components, including operations and finance, onto Microsoft AX. Lack of cohesion has, at times, created unnecessary complexity across the various reporting systems.

The areas around governance and compliance continue to be addressed, as legislation in virtually all aspects becomes more directive. These include work on financial reporting, audit, both internal and external, GDPR and COMAH regulations at Newport, to note just a few.

Two significant events have occurred since the end of the financial year.

Firstly, it was with great sadness that we heard of the passing of Brian Jennings in early November 2019. Brian made an enormous contribution to Mole Valley Farmers; he was a Director for over 40 years, joining the Board when he was just 27. Having been involved for two thirds of its existence, Brian knew an awful lot about the business and agriculture and cared about both very much. He was positive and committed and always had an eye to the next business opportunity, right up until his last Board meeting in September 2019. This was a phenomenal achievement and demonstrated a major commitment. Brian was a colleague and a friend, but essentially a family man.

Secondly, Andrew Jackson formally announced his decision to retire from the business in 2020. This had been planned for some time. Joining in September 1999, Andrew worked tirelessly to drive Mole Valley Farmers to a level of professionalism far in excess of anything previously experienced. Revenues have grown from around £80 million then to just under £500 million. Jack Cordery, who joined Mole Valley Farmers in 2003 as a straights buyer and worked with the team in feeds, is Andrew's successor. After a short spell out of the business, Jack rejoined as general manager of Mole Valley Forage Services in 2012. Since then he has gained a meaningful insight into functions such as IT, Distribution, Procurement and Retail Operations. We congratulate Jack on his appointment and wish him every success. It is my honour to sincerely recognise the commitment and achievements that both Andrew and Brian have afforded Mole Valley Farmers over the years. Thank you.

In future weeks we will be recruiting another Board member and writing to Shareholders, seeking expressions of interest.

In summary, it has been another successful year for Mole Valley Farmers, despite the challenges. Celebrating 60 years is a great achievement. The commitment of staff, coupled with the loyalty of customers and shareholders, has strengthened year-on-year. This places the business in the enviable position of looking forward with optimism, despite the inevitability of the agricultural and rural retailing landscape changing. I think we can all agree that some of these changes could be significant.

Graeme Cock
Chairman

STRATEGIC REPORT

Chief Executive's Review

The Strategic Report does not make specific reference to Covid-19 on the basis that the pandemic was not relevant to the performance of the group in the financial year ended September 2019.

2019 has been a very different trading environment compared to the previous year, for both our agricultural and rural retailing businesses.

This year the purchasing patterns of our farming customers seemed closer aligned to seasonal weather than we have experienced for quite some time.

Not surprisingly this year, with livestock producers benefitting from some exceptionally good growing conditions, our direct to farm volumes and revenues have been influenced by the weather. Also given the economic uncertainty that prevailed over the wider economy and the agricultural industry, our farming customers have been more cautious throughout the year and seem to have spent less on non-essential items. All in all, the trading aims we set ourselves at the start of the year needed to be reassessed as the months progressed. However, it's satisfying to report that despite the above considerations, overall the business still achieved a reasonable result, whilst also remaining resolute in achieving a number of progressive operational objectives that we set ourselves at the start of the year.

The pride the business takes in endeavouring to meet our shareholders' purchasing expectations is considerable and ensures we remain relevant to our core values and sense of purpose. This central belief continues to influence our thinking as to how we can drive a competitive pricing advantage, provide choice and appropriate services at a time when agriculture and the wider economy must contend with so much indecision.

I am also pleased to report that for another consecutive year our Farmer Shareholder numbers have increased and now exceed 9,000. Meanwhile our Country Membership classification has risen to more than 53,000. We estimate that of our combined turnover this year of £495 million, approximately £360 million represents purchases by our core farming and rural dwelling customers, actively utilising their Membership benefits and facilities.

Agriculture

As already acknowledged, variable market conditions throughout the year challenged ourselves and customers to strive for greater efficiencies.

We have responded by taking an adaptable approach to advising on differing feeding systems and grassland production requirements. This has sometimes meant dealing with conflicting supply chain considerations, which can have a great bearing on farm productivity and profitability, particularly within the livestock sectors.

It now seems the norm to be continually watchful of changing market dynamics and the weather; both too frequently impact on production routines, which in turn influence either the supply or choice of farming inputs. In recent years, by adopting a more inclusive approach and improving our competencies, the underlying performance of our agricultural business, manufacturing, procurement and logistics has gradually advanced and now offers customers a comprehensive choice of products and technical solutions. The emphasis this year has not deviated. We continue to assess our operational practices and where relevant, advanced the proficiency of our combined agricultural business. We continued to invest in the core requirements of our manufacturing infrastructure; we believe this will provide a sustainable and evolving service proposition to all feed and fertiliser customers, both now and well into the future. It is satisfying to report that recent investments in our production facilities are now contributing reliably and have helped our agricultural team to achieve a commendable result again this year. There have been some very positive volume retentions within our ruminant feeds business, because of sustained investment, improvements in logistics and providing a wider range of on farm services. Throughout the year our agricultural business has continued to prioritise operational improvements in customer services, including preparation to leave a manufacturing facility on the outskirts of Calne, Wiltshire, in 2020. Considering how to reconfigure and consolidate existing volumes into alternative locations has been an all-inclusive task for the production team; I am pleased to report that plans are now well advanced. Also, notwithstanding feed volumes across the industry being down on a like-for-like basis, our feeds business exceeded budgeted volumes by 4.2%, with demand for our dairy products and ranges remaining strong. Several new initiatives have helped progress our commercial objectives. Innovation remains important for our technical feed team, as we continue to invest in product development with leading academic and research institutions. The focus on ruminant feed ingredients, supplements and environmental considerations continues to be a preference. New initiatives pending, relate to product environment footprints, phosphorus, nitrogen, feed material sourcing, with methane and nitrogen outputs planned to be monitored as standard in some of our future rationing programmes.

The business is also part of the Centre for Innovation Excellence in Livestock (CIEL), which helps drive cutting-edge UK ruminant research. Throughout the year we have enhanced our farm management service to include a new calf feed (Ambition) that incorporates the latest science in calf nutrition and includes Omnigen. Lifetime Dairy Yield is a new parameter in the dairy herd management service. Forage Potential Index links forage production, utilisation and feed use on farm. Finally, a new improved standard mineral range was introduced, along with several specialist compound feeds to help enhance milk fat and protein yield.

Our combined fertiliser and forage business this year did not achieve expected results. Early in the season we encountered difficulties in placing product onto farm speedily enough during the busy spring period, both from our own facility at Newport and via third-party suppliers. The issues were twofold; farmers either chose to defer forward buying decisions or did not want product on farm until closer to application time. Consequently, when spring arrived, there was a scenario where everyone needed 'just in time' deliveries, resulting in us supplying six weeks' worth of production over a 10 day period. The already constrained supply was tested further when our preferred supplier of NPK encountered an extended plant shutdown, limiting customer deliveries further.

Raw material prices continued to fluctuate throughout the trading year, making procurement choices problematic. We also saw an unprecedented drop in AN pricing in March, which had a knock-on effect throughout the season. Because of favourable growing conditions, overall demand for fertiliser and seeds did not recover as expected, whilst in contrast sales of silage additives well exceeded previous years' treated tonnes.

Our combined agricultural business, including feeds, fertilisers, forage products and supplements, contributed £246 million. Overall feed volumes remained comparable to the previous year, with some good growth in dairy compensating for a reduction in volume relating to the beef and sheep sectors.

Rural Stores Review

It's encouraging to report that despite the very challenging trading backdrop this year, our rural stores - with their differing presentations and varying product offering - have evolved to cater for the needs of both our farming and non-farming customers.

They have achieved a sound result, all things considered. Revenues for our combined retail offering grew by £4 million to £222 million, reflecting the continued effort of the business to compete harder in a more rigorous trading environment. Our store teams have also worked hard to contain operational expenditure and improve store standards. Throughout the year the determination has been to provide an enhanced store experience, with stronger visual merchandising and better in-store availability.

When reviewing this year's sales performance across our stores, it was pleasing to note that our Farmer Shareholders and Members accounted for over 65% of our store revenue, with 80% visiting our stores quite regularly. In addition this year, the accumulative percentage discount given at point of purchase to those Members who select to pay by cash or card, exceeded £1.8 million.

Mole Valley Farmers

Overall revenues increased to £105 million.

This result does however include the three new stores acquired from Countrywide and therefore a truer like-for-like comparison would show a reduction of -2% in the year. Certainly, all stores have been affected by seasonal weather and reduced demand for cyclical farming products, as well as seeing farmers spending less on nonessential items. In contrast some essential categories, for example timber and fencing products, reflected exceptional sales in the year. Operations have worked hard this year to integrate the new stores to ensure the products and store presentation met with customers' requirements. The acquired stores, Penzance, Cirencester and Tavistock, performed well throughout the year and the store teams worked hard to ensure customers new and old had a much better facility.

Mole Country Stores

With its wider geographical spread and smaller store formats, Mole Country Stores achieved a respectable result.

At £91 million, total sales were down compared to last year, with transactions slightly reduced. Store teams worked hard throughout the year to increase the average basket spend and improve operational efficiencies.

Bridgmans Farmdirect

With its traditional merchanting approach and greater reliance on revenues predominantly generated by direct-to-farm sales rather than from passing trade, Farmdirect has had a difficult trading year, but still made a meaningful contribution of £24 million.

This business with its own distinct range of farming products and propensity for working on lower margins, is certainly heavily dependent on sales of traditional farming categories, which this year were affected for reasons previously stated. The agricultural products and services were refined, giving farmers some alternative product choices at competitive prices. In June, the rebranding of our Evercreech Store at Shepton Mallet, Somerset, was positively received by customers in the area and takes the number of Bridgmans Farmdirect stores to four, with some other new locations being considered.

Procurement

Central to the performance of all of our stores is logistics and procurement, which collectively has responsibility for maintaining our core ranges and developing new product opportunities.

The procurement team also has accountability for advancing supplier relationships and where appropriate, reducing and improving supply chain costs and efficiencies related to the movement of products into our stores.

You may recall that in the previous year, the business transitioned its central distribution operations from three locations, into a single modern 80,000 sq ft warehouse facility on the outskirts of Andover. This caused some operational challenges and disruption. It quickly became evident that there were several failing processes that had contributed to the poor replenishment performance, not necessarily related to our central distribution facility.

With the move completed last year, the emphasis for 2019 was on improving areas of underperformance, including reviewing working processes. A 'root and branch review' was undertaken both internally and externally, to look at how product flows through the business and to the customer. We have been well supported by key suppliers and our logistic partner and as a result, have changed our distribution model to reduce unnecessary costs. We have also reduced the number of products and inventory values and worked with suppliers to provide a more resolute 'just in time' delivery model. As part of this process we have identified areas of stock that were obsolete or not required. It is now satisfying to report that the procurement, supply chain and merchandising teams have made real progress, reducing our overall retail inventory by £3 million in the year. This remains an ongoing duty that not only impacts positively on our stock holding and working capital demands, but directly improves on-shelf availability, which across all stores now features reliably at around 90%, with further improvements still pending.

We have also made great strides in core ranging and the implementation of planograms. The planograms are designed to ensure a consistency in product availability and have given us the opportunity to align the right product, in the right quantity with better availability. We are fortunate that we have further developed working relationships and partnerships with many of our 700 suppliers. Throughout the year we have leveraged these relationships to improve trading terms and better utilise well-developed supply chain networks. It remains our intention to continue, where appropriate, to improve our supply chain competences, thus reducing unnecessary delivery miles.

With our agricultural customers accounting for over 65% of all store sales, a change in seasonal purchasing requirements relating to weather influences has really impacted buying trends. Nevertheless, our focus on driving efficiencies through the supply chain and own label product development has underpinned some very positive performances. Evidence of this is 'round timber'. Despite significant challenges for the industry on product availability and quality, our supply chains remained unaffected throughout the year. Our warranted range of fencing material 'Shield' has continued to grow, with the brand achieving circa £4 million in sales. We made a calculated decision to remove the centrally held stocks and to service customer requirements directly from source, to reduce overall stock and improve service levels. Again, by working closer with our supplier partners, we have been able to grow sales in the year by 7.3%.

REVENUE TOTAL GROUP

£495m

2018: £491m**

+1.0%

GROSS MARGIN

14.2%

EBITDA TOTAL GROUP*

£7.7m

2018: £5.1m**

+£2.6m

GROUP OPERATING PROFIT*

£2.4m

2018: -£0.1m**

+£2.5m

NET PROFIT BEFORE TAX TOTAL GROUP

£0.9m

2018: -£2.4m**

NET ASSETS GROUP

£43.0m

2018: £42.6m**

+£0.4m

Finance and Administration

The Group delivered a solid financial performance with revenues increasing very marginally to £495 million.

Given the seasonal variation over last year our agriculture revenues remained very similar to the previous year. However, our rural retailing stores delivered a 1.8% increase, directly relating to those rural locations acquired last year from Countrywide Farmers. Group gross margin held at 14.2% which was pleasing, given the participation of lower margin agriculture division revenues, which accounts for over 50% of Group revenues.

Active cost control limited year-on-year inflation to 3.7%. However, increases in National and Minimum Wage rates and pension contributions off the back of auto-enrolment, increased payroll and associated costs by over 4%. Insurance and utilities (light, heat and power) increased by over 10%. These inflationary pressures highlight the importance of identifying ongoing internal efficiencies, retaining trading cash and the overall level of investment required to maintain a sustainable business.

Group operating profit was £2.4 million excluding non-underlying items, EBITDA for the financial year was £7.7 million. The balance sheet reflects continued strength, with the retained profit for the year transferred to reserves. There has been continued capital investment of £3.8 million, with £0.8 million identified for IT systems as we migrate to Microsoft AX for our back office and accounting systems.

Net cash and cash equivalents of -£9.4 million improved by £11.7 million, reflecting a focus on operating returns, working capital management and additional short-term bank finance. In addition to the existing secured term loans and an unsecured overdraft, the finance team this year has endeavoured to deliver a more balanced mixture of short, medium and longer term funding requirements. During the year, the Group repaid £1.7 million of loans and £1.8 million of finance leases. The increased level of bank facilities was reflected in higher interest costs of over £1 million.

In 2019, we identified an accounting error relating to the treatment of intercompany cost recharges and other payroll related items. Detailed analysis revealed that amounts retained on the balance sheet and reported within Accruals and Deferred Income at September 2018, should have been charged to the profit and loss account for the year ended 30 September 2018. The total value of this non-cash item was £2.3 million. A second accounting error relating to the carrying value of inventory was also identified during 2019. Detailed accounting work has revealed that reconciling items with a total value of £1.9 million were incorrectly included within the 2018 inventory valuation. In total, in respect of these two non-cash items, £3.8 million has been adjusted and charged to the 2018 profit and loss account, of which at least £1.1 million related to 2017.

There is no indication of fraudulent activity nor inappropriate or unauthorised cash payments associated with either item. Accounting processes and reconciliations have been reviewed and improvements implemented within the Finance function. The introduction of new accounting systems in October 2019 has also provided increased financial reporting and control, replacing three non-integrated legacy systems. Note 29 sets out the specific accounting adjustments applied to the 2018 comparatives.

Strategic Report - continued

One area of real satisfaction, considering the disruption to supply last year, was the recovery in sales of our pet categories. We recognise the importance of this category for our core customers and have worked throughout the year to deliver some strong promotional activity, improved fulfilment and a better premium pet food range.

Overall our focus remains on sourcing and further developing a comprehensive product offering in a broad range of categories, in conjunction with our suppliers and partners. We will continue to challenge stock holding and distribution inefficiencies in order to compete hard in tough trading conditions. Our clear objective when sourcing products is to deliver quality with competitive pricing, to demonstrate the overall value we endeavour to provide.

Additional Services

Our engineering, fabrication and timber wholesale enterprise based at Witheridge, Devon, achieved revenue sales of £7 million - a 5% increase.

The wholesale timber department also saw sales increase to £4 million. Until April the timber market remained buoyant, but since then continued economic uncertainty has compromised industry confidence, resulting in UK demand for timber falling, oversupply and a tempering of prices.

Demand for manufactured equipment increased in the year and the introduction of the Flockmaster Sheep, a new handling system designed especially for farmers and developed by the team on site, has proven a popular new option.The number of bespoke farm buildings manufactured this year was comparable to 2018, at 65.

Further investment is planned for workshop equipment in the year ahead, to reduce build lead times and facilitate the development and manufacture of new agricultural products on site.

Mole Insurance

Mole Insurance Services maintained its exceptionally high retention rate at over 95%. This is indicative of strong relationships between Farming Account Managers and our customers, coupled with competitive premiums and cover which reflects the risks faced on farm.

A key initiative for the team in 2019 was the development of a new Farm Combined insurance product, underwritten by leading insurer Aviva.

Mole Insurance Services is now part of Gallagher, a global insurance broker with a local footprint across the UK. Mole Insurance Services, provide additional expertise and services, ranging from health and safety solutions, enhanced claims support, environmental expertise and direct London market access for difficult to place risks. This offering continues to develop and grow as we understand more about the insurance needs of our customers.

Business Interruption Cover has been a hot topic with our customers this past year, particularly with dairy farmers. Health and safety was the theme for a well-attended Women in Farming event held in the Holsworthy store earlier last year, also supported by Mole Insurance Services.

This department is dedicated to providing additional services to Members looking to purchase fuels, aggregates and a variety of larger bulk inputs.

With over 15,000 Members regularly using this service, the team is always busy processing and quoting for customers who telephone the department. This year in excess of 30.5 million litres of fuel were purchased and supplied to Members. We continue to work with a select number of fuel terminals and distribution partners to find new ways of providing a more consistently competitive pricing advantage, on such an important purchase.

It's now over five years since we first started promoting vehicle purchasing opportunities to our Members, offering exclusive discounts on a variety of pickups and SUVs through a network of manufacturers and dealerships. The savings made on behalf of Members have been well received; this year 231 vehicles were purchased, providing an average unit saving of £5,170 per vehicle, £1.2 million in total. Since starting this initiative in 2014, we have sold over 1,018 vehicles, with a total saving of circa £4.7 million. It is our intention throughout the coming year to endeavour to expand our additional services, by identifying new initiatives that we believe will be of interest to Members.

Conclusion

As has already been acknowledged within the Chairman's Review, the time has come for me to draw closure on my career with Mole Valley Farmers.

I can genuinely say it has been a privilege and honour to serve as CEO over the last 21 years. I have endeavoured to play a part, along with many colleagues old and new, to both uphold and modernise our founding principles, which continue to underpin the company's progress.

Over the years I have very much enjoyed the opportunity of working with so many members of staff and progressing acquaintances with our Farmer Shareholders. Their support has been vital and I very much hope it will continue, for many years to come. In my opinion the Chairman and the Board have chosen wisely in appointing Jack Cordery as my successor. Jack is an extremely able colleague who I have worked closely with for a number of years. His experience, knowledge of the industry and very strong sense of purpose is coupled with a clear understanding of how the company needs to meet its responsibilities, first and foremost to Farmer Shareholders, our staff and the wider agricultural community. I know he feels extremely proud and rightly so, of having the opportunity to run such an interesting and diverse business and I have no doubt that he will fulfil his role admirably. Jack became CEO Designate on 7 January and on 1 May 2020 transitioned to CEO. I will continue to support Jack and the business into autumn 2020, when I will conclude my time with the company.

Who knows what the future holds for UK agriculture. Nevertheless, I can assure you of one thing - under the governance of the Board of Directors, Jack and his Senior Leadership team, the business will continue to progress and maintain the vital focus on the farming community. It will continue to deliver value and support with integrity, during what is destined to be a time of change and opportunity within the agricultural sector.

Andrew Jackson

Report of the Directors

Mole Valley Farmers Ltd

Co Reg Number 679848

The Directors who served in the year present their report and audited Financial Statements for the year ended 30 September 2019.

Directors of the Company

Graeme Cock, Brian Jennings, Stephen Bone, Peter Delbridge, Steven Edmunds, Gaynor Wellwood, Peter Winstone.

Principal activity

The principal activity of the Group continues to be that of a farmers' cooperative.

Results and dividends

In accordance with established practice, the Directors do not recommend the payment of a dividend to Shareholders. (2018: £0). The profit/(loss) after tax for the financial year of £444,000 (2018: loss of -£2,423,000) has been transferred to reserves.

Consideration of Going Concern

The Group's business activities, together with the factors likely to affect its future development, its financial position, its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on pages 3 to 10.

In assessing the going concern position of the Group for the year ended 30 September 2019, the Directors have considered the Group's cash flows, liquidity and business activities. As at September 2019, the Group's funding was mainly provided by Lloyds Bank plc and consisted of a £20 million overdraft with £14.9 million utilised and other loans of £14.6 million. On 7 May 2020, the Group completed a refinancing of its funding facilities and entered into an agreement for five year committed facilities with PNC Financial Services UK Ltd. These facilities fully extinguish the funding provided by Lloyds Bank plc and provide a more flexible basis for the funding of working capital requirements in line with seasonal revenue patterns. The PNC facilities are secured on trade receivables and freehold property.

Based on the Group's forecasts and funding arrangements, the Directors have adopted the going concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions with due consideration of the potential impact of the Covid-19 pandemic on the operating performance of the Group over the next 12 month period. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of government imposed restrictions ("lockdown"). For the eight week period from 1 March to 2 May 2020, despite reduced trading days and hours, activity in the Retail division has increased 10.5% on last year and 7.2% ahead of budget expectations. Trading in the Agricultural division has followed the seasonal pattern experienced since October 2019 which has been influenced by a mild and exceptionally wet autumn and winter period. Total feed volumes were down by 8.3% in March 2020 against the previous year. On this basis, the Covid-19 pandemic has not had a material adverse impact on the operations and financial performance of the Group.

Operationally, the Group has also implemented a number of actions to manage costs and cash in order to maintain sufficient working capital within secured funding facilities. These include, but are not limited to:

- Making claims for deferment and time to pay in respect of taxes in agreement with HMRC
- Claims associated with Retail Business Rates
- Appropriate utilisation of the Job Retention Scheme (JRS)
- Deferment of capital expenditure where appropriate
- Delay and or deferment of non-essential operating costs.

The Group's financial modelling recognises performance to date and further assumes that Retail division revenues will return to be in line with our internal budget expectations by September 2020 and that there will be no material improvement in total feed volumes. On this basis, the Directors currently believe the Group can generate sufficient working capital and EBITDA to operate within its available funding and satisfy its financial covenants over the next 12 months.

In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered downside scenarios in respect of unanticipated reductions in business activity and volumes. These downside scenarios incorporate a reduction in revenues and or gross margin that would combine to deliver a 100% reduction in operating profits and the consequential adverse impact that would have on cashflow and EBITDA. The financial modelling of these downside scenarios indicates that the Group would continue to operate within its available funding and satisfy its financial covenants over the next 12 months.

Employees

The Group upholds the principle of equal opportunity and acknowledges its responsibility to provide employment for disabled persons where possible. Appropriate training is provided for all staff as required. The Group has a system of communication in place to ensure that all staff are consulted and informed of developments in their own business.

Principal risks and uncertainties

As discussed in the Strategic Report, the principal risks facing the business are a highly competitive retail environment, unpredictable raw material markets and a declining number of farms and herd numbers. The Directors, on occasion, use forward contracts for the purchase of raw materials, to mitigate risks. The Directors review the risks and uncertainties facing the business on a regular basis and appropriate processes are put in place to monitor and mitigate them.

Report of the Directors - continued

Mole Valley Farmers Ltd

Co Reg Number 679848

The Group's operations expose it to a variety of financial risks. The Directors consider that liquidity risk and credit risks are not material, given the healthy current asset position of the Group and the high proportion of cash based transactions. The Group has bank borrowings and adopts a policy of maintaining long-term facilities at a fixed rate so as to mitigate the associated interest rate risk.

Provision of information to Auditor

So far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware. Each Director has taken all the steps that he/she ought to have taken in his/her duty as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Auditor

Ernst & Young LLP have resigned as external auditors and tax advisers. The Directors are proposing that they are replaced by Nexia Smith & Williamson Audit Ltd.

On behalf of the Board,

Bruce Korican
Company Secretary
12 May 2020

Statement of Directors' Responsibilities

Mole Valley Farmers Ltd

Co Reg Number 679848

The Directors are responsible for preparing the Strategic Report; the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Group and Parent Company Financial Statements, in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements 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
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records, that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Mole Valley Farmers

Mole Valley Farmers Ltd

Co Reg Number 679848

Opinion

We have audited the financial statements of Mole Valley Farmers Limited ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2019 which comprise the Group Statement of Comprehensive Income, the Group and Parent Statement of Changes in Equity, the Group and Parent Company Statement of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 29, 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 Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's 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 below. We are independent of the Group and Parent 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.

Emphasis of matter – Effects of COVID-19

We draw attention to Note 1 and 28 of the financial statements, which describes the economic and social consequences the Company is facing as a result of COVID-19, which is impacting consumer demand and introducing operation constraints on the business. Our opinion is not modified in respect of this matter.

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 Group's or the Parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

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. 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 the other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report to the Members of Mole Valley Farmers (continued)

Mole Valley Farmers Ltd

Co Reg Number 679848

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 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 12, 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 Group's and the Parent 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 Group or the Parent 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.

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.

Notes for Independent Auditor's Report:

1. The maintenance and integrity of the Mole Valley Farmers Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ernst & Young LLP

Paul Mapleston
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Bristol, BS1 6BX
12 May 2020

Consolidated Statement of Income and Retained Earnings

For the year ended 30 September 2019

		2019			2018 (restated)		
		Group	Interest in Joint Ventures	Total	Group	Interest in Joint Ventures	Total
	Notes	£000's	£000's	£000's	£000's	£000's	£000's
TURNOVER	2	492,945	2,429	495,374	488,477	2,046	490,523
Cost of sales		(423,158)	(1,256)	(424,414)	(423,841)	(1,126)	(424,967)
GROSS PROFIT		**69,787**	**1,173**	**70,960**	**64,636**	**920**	**65,556**
Administrative expenses		(67,184)			(64,763)		
		2,603			**(127)**		
Amortisation		(951)			(978)		
Other operating income	3	783			1,004		
Group operating profit/(loss) before non underlying items		**2,435**			**(101)**		
Non underlying items	5	(300)			(1,733)		
Group operating profit/(loss)		**2,135**			**(1,834)**		
Net profit on financial liabilities at fair value through profit and loss account		21			101		
Share of loss in Joint Ventures		-			(47)		
(Loss)/profit on disposal of tangible fixed assets		(43)			190		
Net interest payable and similar charges	6	(1,186)			(853)		
Profit/(loss) on ordinary activities before taxation		**927**			**(2,443)**		
Tax on profit/(loss) on ordinary activities	9	(483)			20		
RETAINED PROFIT/(LOSS) FOR THE YEAR		**444**			**(2,423)**		

Statement of Comprehensive Income

For the year ended 30 September 2019

Group	2019	2018 (restated)
	£000's	£000's
Profit/(loss) for the financial year	444	(2,423)
Total other comprehensive income/(loss)	-	-
Total comprehensive income/(loss) for the year	**444**	**(2,423)**
Income/(loss) for the financial year attributable to:		
Owners of the parent	366	(2,521)
Non-controlling interests	78	98
Company		
Loss for the financial year	(2,547)	(5,178)
Total other comprehensive income/(loss)	-	-
Comprehensive income/(loss) for the year	**(2,547)**	**(5,178)**

Mole Valley Farmers Ltd

Statement of Changes in Equity

for the year ended 30 September 2019

Group	Called-up capital	Share premium	Capital redemption reserve	Profit and loss account	Amount attributable to owners of the parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 1 October 2017	**2,772**	**848**	**67**	**41,409**	**45,096**	**(169)**	**44,927**
Profit for the year	-	-	-	604	604	98	702
Repurchase of shares	(5)	-	5	-	-	-	-
Issue of shares	3	29	-	-	32	-	32
Total comprehensive income/(loss) for the year	**(2)**	**29**	**5**	**604**	**636**	**98**	**734**
At 30 September 2018 (as previously reported)	**2,770**	**877**	**72**	**42,013**	**45,732**	**(71)**	**45,661**
Prior year adjustment (note 29)	-	-	-	(3,125)	(3,125)	-	(3,125)
At 30 September 2018 (Restated)	**2,770**	**877**	**72**	**38,888**	**42,607**	**(71)**	**42,536**
Profit for the year	-	-	-	366	366	78	444
Repurchase of shares	(5)	-	3	-	(2)	-	(2)
Issue of shares	2	23	-	-	25	-	25
Total comprehensive income/(loss) for the year	(3)	23	3	366	389	78	467
At 30 September 2019	**2,767**	**900**	**75**	**39,254**	**42,996**	**7**	**43,003**

Company	Called-up capital	Share premium	Capital redemption reserve	Profit and loss account	Total equity
At 1 October 2017	**2,772**	**848**	**67**	**32,100**	**35,787**
Profit/(loss) for the year	-	-	-	(2,053)	(2,053)
Issue of shares	3	29	-	-	32
Repurchase of shares	(5)	-	5	-	-
Total comprehensive income/(loss) for the year	(2)	29	5	(2,053)	(2,021)
At 30 September 2018 (as previously reported)	**2,770**	**877**	**72**	**30,047**	**33,766**
Prior year adjustment	-	-	-	(3,125)	(3,125)
At 30 September 2018 (Restated)	**2,770**	**877**	**72**	**26,922**	**30,641**
Profit/(loss) for the year	-	-	-	(2,547)	(2,547)
Issue of shares	2	23	-	-	25
Repurchase of shares	(5)	-	3	-	(2)
Total comprehensive income/(loss) for the year	(3)	23	3	(2,547)	(2,524)
At 30 September 2019	**2,767**	**900**	**75**	**24,375**	**28,117**

Mole Valley Farmers Ltd

Group Statement of Financial Position

for the year ended 30 September 2019

		2019	2018 (restated)
		£000's	£000's
	Notes*	Group	Group
FIXED ASSETS			
Intangible Assets	10	14,519	14,677
Tangible Assets	11	27,183	28,651
Investments	12	2	8
Investment in Joint Ventures and Associates	12	-	15
		41,704	**43,351**
CURRENT ASSETS			
Stocks	13	37,394	40,010
Debtors	14	67,481	68,481
Cash at bank and in hand		5,509	39
		110,384	**108,530**
CREDITORS: Amounts falling due within one year	15	(91,573)	(98,148)
NET CURRENT ASSETS		**18,811**	**10,382**
TOTAL ASSETS LESS CURRENT LIABILITIES		**60,515**	**53,733**
CREDITORS: Amounts falling due after more than one year	16	(14,854)	(8,539)
NET ASSETS		**45,661**	**45,194**
CAPITAL AND RESERVES			
Called up share capital	19	2,767	2,770
Share premium	20	900	877
Capital redemption reserve	20	75	72
Profit and loss account		39,254	38,888
Equity attributable to owners of the parent		**42,996**	**42,607**
Non-controlling interest		7	(71)
Total Equity		**43,003**	**42,536**
Members' loan capital		2,658	2,658
TOTAL FUNDS EMPLOYED		**45,661**	**45,194**
Analysis of Shareholders' funds			
Non-equity		2,632	2,637
Equity		40,364	39,970
		42,996	**42,607**

Graeme Cock
Chairman
12 May 2020

Parent Company Statement of Financial Position

For the year ended 30 September 2019

	Notes*	2019 £000's	2018 (restated) £000's
FIXED ASSETS			
Intangible Assets	10	7,201	5,184
Tangible Assets	11	16,251	17,891
Investments	12	21,295	23,895
		44,747	**46,970**
CURRENT ASSETS			
Stocks	13	30,627	31,740
Debtors	14	38,087	34,359
Cash at bank and in hand		2,196	33
		70,910	**66,132**
CREDITORS: Amounts falling due within one year	15	(72,648)	(74,110)
NET CURRENT ASSETS		**(1,738)**	**(7,978)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**43,009**	**38,992**
CREDITORS: Amounts falling due after more than one year	16	(12,234)	(5,693)
NET ASSETS		**30,775**	**33,299**
CAPITAL AND RESERVES			
Called up share capital	19	2,767	2,770
Share premium	20	900	877
Capital redemption reserve	20	75	72
Profit and loss account		24,375	26,922
Shareholders' funds		**28,117**	**30,641**
Members' loan capital		2,658	2,658
TOTAL FUNDS EMPLOYED		**30,775**	**33,299**
ANALYSIS OF SHAREHOLDERS' FUNDS			
Non-equity		2,632	2,637
Equity		25,485	28,004
		28,117	**30,641**

The Parent Company has taken exemption from presenting its unconsolidated profit and loss account under section 408 of Companies Act 2006. In the year ended 30 September 2019 Mole Valley Farmers Limited generated a loss of £2,547,000 (2018: £5,178,000).

Graeme Cock
Chairman
12 May 2020

**The full Annual Report and Accounts will be available on the Company's website.*

Mole Valley Farmers Ltd

Group Statement of Cash Flow

for the year ended 30 September 2019

	Notes'	2019 £000's	2018 (restated) £000's
Group OPERATING PROFIT/(LOSS)		**2,135**	**(1,834)**
Adjustments for:			
Amortisation of intangible assets	10	951	978
Depreciation of tangible assets	11	4,318	4,267
Decrease/(Increase) in trade and other debtors	14	646	(11,376)
(Increase)/Decrease in stocks	13	2,616	(4,197)
Increase/(Decrease) in trade and other creditors	15	164	15,023
Cash from operations		**10,830**	**2,861**
Taxation		(920)	(342)
Net cash generated from operating activities		**9,910**	**2,519**
CASH GENERATED FROM INVESTING ACTIVITIES			
Proceeds from sale of tangible assets		114	137
Purchases of tangible assets	11	(3,006)	(3,623)
Purchases of intangible assets	10	(794)	(1,680)
Proceeds from sale of investments		6	183
Loan notes issued to Joint Ventures		41	10
Increase in balance owed to Joint Ventures		(7)	19
Purchase of subsidiary undertaking		(15)	(2,762)
Net cash acquired with subsidiary undertaking		33	72
Cash flows from investing activities		**(3,628)**	**(7,644)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of ordinary share capital		23	32
Repayment of bank loans		(1,688)	(1,809)
New bank loans		8,571	-
Repayment of finance lease obligations		(1,737)	(782)
New finance leases		1,414	1,950
Interest paid	6	(1,186)	(853)
Cash flows from financing activities		**5,397**	**(1,462)**
Net increase/(decrease) in cash and cash equivalents		**11,679**	**(6,587)**
Cash and cash equivalents at the beginning of period		(21,104)	(14,517)
Cash and cash equivalents at end of period		**(9,425)**	**(21,104)**
Overdraft	17	(14,934)	(21,143)
Cash at bank and in hand		5,509	39
		(9,425)	**(21,104)**

Notes to the Accounts

for the year ended 30 September 2019

1 Accounting policies

Statement of compliance

Mole Valley Farmers Group Limited is a limited liability company incorporated in England. The Registered Office is Exmoor House, Pathfields Business Park, South Molton, EX36 5LH.

The Group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the Group for the year ended 30 September 2019.

Basis of preparation and change in accounting policy

The financial statements of Mole Valley Farmers Group Limited were authorised for issue by the Board of Directors 12 May 2020. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £'000.

Basis of consolidation

The Group financial statements consolidate the financial statements of Mole Valley Farmers Group Limited and all its subsidiary undertakings drawn up to 30 September each year. No profit and loss account is presented for Mole Valley Farmers Group Limited as permitted by section 408 of the Companies Act 2006.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Entities in which the Group holds an interest and which are jointly controlled by the Group and one or more other ventures under a contractual arrangement are treated as Joint Ventures.

In the Group financial statements, Joint Ventures are accounted for using the equity method. In the Parent Company financial statements investments in subsidiaries, Joint Ventures and associates are accounted for at cost less impairment.

Mole Valley Forage Services Ltd has been included in the Group financial statements using the purchase method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include the results and cash flows of Mole Valley Forage Services Ltd for the nine month period from its acquisition on 28 December 2018. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

Consideration of Going Concern

In assessing the going concern position of the Group for the year ended September 2019, the Directors have considered the Group's cash flows, liquidity and business activities. As at September 2019, the Group's funding was mainly provided by Lloyds Bank plc and consisted of a £20 million overdraft with £14.9 million utilised and other loans of £14.6 million. On 7 May 2020, the Group completed a refinancing of its funding facilities and entered into an agreement for five year committed facilities with PNC Financial Services UK Ltd. These facilities fully extinguish the funding provided by Lloyds Bank plc and provide a more flexible basis for the funding of working capital requirements in line with seasonal revenue patterns. The PNC facilities are secured on trade receivables and freehold property.

Based on the Group's forecasts and funding arrangements, the Directors have adopted the Going Concern basis in preparing the Financial Statements. The Directors have made this assessment after consideration of the Group's cash flows and related assumptions with due consideration of the potential impact of the Covid-19 pandemic on the operating performance of the Group over the next 12 month period. This assessment has taken into account recent business performance achieved in the period leading up to and beyond the point of Government imposed restrictions ("lockdown"). For the eight week period from 1 March to 2 May 2020, despite reduced trading days and hours, activity in the Retail division has increased 10.5% on last year and 7.2% ahead of budget expectations. Trading in the Agricultural division has followed the seasonal pattern experienced since October 2019, which has been influenced by a mild and exceptionally wet autumn and winter period. Total feed volumes were down by 8.3% in March 2020 against the previous year. On this basis, the Covid-19 pandemic has not had a material adverse impact on the operations and financial performance of the Group.

Operationally, the Group has also implemented a number of actions to manage costs and cash, in order to maintain sufficient working capital within secured funding facilities. These include, but are not limited to:

- Making claims for deferment and time to pay in respect of taxes in agreement with HMRC;
- Claims associated with Retail Business Rates;
- Appropriate utilisation of the Job Retention Scheme (JRS);
- Deferment of capital expenditure where appropriate;
- Delay and or deferment of non-essential operating costs.

The Group's financial modelling recognises performance to date and further assumes that Retail division revenues will return, to be in line with our internal budget expectations by September 2020 and that there will be no material improvement in total feed volumes. On this basis, the Directors currently believe the Group can generate sufficient working capital and EBITDA to operate within its available funding and satisfy its financial covenants over the next 12 months.

In arriving at their assessment, the Directors have also considered the impact of more severe trading conditions and considered downside scenarios in respect of unanticipated reductions in business activity and volumes. These downside scenarios incorporate a reduction in revenues and or gross margin that would combine to deliver a 100% reduction in operating profits and the consequential adverse impact that would have on cashflow and EBITDA. The financial modelling of these downside scenarios indicates that the Group would continue to operate within its available funding and satisfy its financial covenants over the next 12 months.

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 following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Development expenditure

Development expenditure is capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technical and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management, makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Operating lease commitments

The Group has entered into commercial property leases as a lessor on its investment property portfolio and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

The following are the Group's key sources of estimation uncertainty.

Goodwill and intangible assets

The Group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Taxation

The Group establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the statement of financial position and amortised on a straight line basis over its useful life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash generating unit that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets acquired as part of an acquisition are not recognised where they arise from legal or other contractual rights, and where there is no history of exchange transactions.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and accumulated impairment. Intangible assets are amortised on a straight line basis over their estimated useful lives. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The useful economic lives of intangible assets are as follows:

Software development costs	7-10 years
Software	3 years
Patents	10 years
Customer lists	10 years

If there are indicators that the residual value or useful life of an intangible asset has changed since the most recent annual reporting period previous, estimates shall be reviewed and, if current expectations differ the residual value, amortisation method or useful life shall be amended. Changes in the expected useful life or the expected pattern of consumption of benefit shall be accounted for as a change in accounting estimate.

Impairment of non-financial assets

The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold property:	40 - 50 years straight line
Leasehold property:	straight line over the length of lease
Plant and equipment:	3 - 13 years straight line
Lorries and motor vehicles:	4 - 5 years straight line

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.

1 Accounting policies - continued

Joint Ventures and associates

The Group's share of the results of Joint Ventures and associates is included in the Group income statement and Group statement of comprehensive income/(loss) using the equity method of accounting. Investments in Joint Ventures and associates are carried in the Group balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value. The carrying values of investments in Joint Ventures and associates include acquired goodwill.

If the Group's share of losses in a Joint Venture or associate equals or exceeds its investment in the Joint Venture or associate, the Group does not recognise further losses unless it has incurred obligations to do so or made payments on behalf of the Joint Venture or associate. Dividends received from Joint Ventures or associates with nil carrying value are recognised in the income statement as part of the Group's share of post-tax profits/(losses) of Joint Ventures and associates.

Unrealised gains arising from transactions with Joint Ventures and associates are eliminated to the extent of the Group's interest in the entity.

Revenue Recognition

Revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Sale of goods

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 the goods, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the construction and installation of farm buildings fabrics is recognised by reference to the stage of completion. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Dividends

Revenue is recognised when the Group's right to receive payment is established.

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, as follows:

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

Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Onerous Lease contracts

The Group reviews future net lease obligations of leasehold property where space is vacant, ongoing loss-making with no prospect of future profitability, or not planned to be used for ongoing operations. Where applicable a provision is made for the present value of unavoidable future net lease obligations.

Deferred tax

Deferred tax is recognised in respect of all timing differences which are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and Joint Ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities compared with the amounts that are recognised for those assets and liabilities in a business combination a deferred tax liability/(asset) shall be recognised. The amount attributed to goodwill is adjusted by the amount of the deferred tax recognised; and
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. 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.

Forgeign currencies

Company

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Derivative instruments

The Group uses interest rate swaps to adjust interest rate exposures.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves. The company does not undertake any currency hedge accounting transactions.

Equity investments

Equity investments are recognised initially at fair value which is normally the transaction price (but excludes any transaction costs, where the investment is subsequently measured at fair value through profit and loss. Subsequently, they are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available. If a reliable measure of fair value is no longer available, the equity instrument's fair value on the last date the instrument was reliably measurable is treated as the cost of the instrument.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loan notes

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and the asset's useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When shares are issued, any component that creates a financial liability of the company or Group is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Discontinued operations

The Group recognises as discontinued operations components which have been disposed of which represented a separate major line of business of geographical area of operation, which were part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or a subsidiary which was acquired exclusively for resale.

2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

The Group operates in two principal areas of activity, turnover is analysed as follows:

Segmental reporting	2019	2018
	£000's	£000's
Retail	222,050	218,053
Agriculture	246,865	246,624
Other	24,030	23,800

Notes to the Accounts (continued)

for the year ended 30 September 2019

Substantially all turnover, net profit before taxation and net assets arise in the United Kingdom. Retail activities represent operations from the Groups retail outlets. Agricultural activities represent the manufacture and distribution of animal feeds, minerals and arable products. Other activities include the fabrication of agricultural buildings, the sale of agricultural products direct from our partner suppliers as well as the Group's head office functions.

3 Other operating income

	2019	2018
	£000's	£000's
Rents received	59	294
Trade interest received	510	534
Commissions received	-	2
Country Membership fees	214	174
	783	**1,004**

4 Employees and Directors

				Company
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Wages and salaries	39,382	38,095	27,044	24,955
Social security costs	3,266	3,113	1,997	1,768
Other pension costs	1,087	909	638	486
	43,735	**42,117**	**29,679**	**27,209**

All pension costs relate to the Group defined contribution pension scheme.

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

		Group		Company
	2019	2018	2019	2018
Purchasing and sales staff	1,192	1,164	1,040	987
Production and distribution	401	405	159	155
Management and administration	480	449	442	411
	2,073	**2,018**	**1,641**	**1,553**

Aggregate remuneration in respect of qualifying services

	2019	2018
	£000's	£000's
Wages and salaries	192	200
Other pension costs	-	-
	192	**200**
Aggregate remuneration in respect of the highest paid Director:	70	70

None of the Directors have any retirement benefits accruing.

5 Non-Underlying items

	2019 £000's	2018 £000's
Cost of the aborted acquisition of Countrywide Farmers PLC		1,733
Cost of the closure of Calne Mill	300	

The Lease of Calne Mill is expiring in 2020, and a provision has been made for the cost associated with the closure of this site. The production facilities at the continuing mill sites have been restructured to absorb the production output lost through the closure of the Calne Mill.

6 Net interest payable and similar charges

	2019 £000's	2018 £000's
Bank loans and overdrafts	1,016	770
Finance charges payable under finance leases and hire purchase contracts	170	83
Group interest payable and similar charges	**1,186**	**853**

7 Group operating profit

This is stated after charging/(crediting):		2019 £000's	2018 £000's
Depreciation	- Owned assets	3,475	3,561
	- Leased assets	843	706
Amortisation	- Goodwill	699	725
	- Other intangibles	252	253
Total depreciation and amortisation charge		**5,269**	**5,245**
Operating lease rentals	- Hire of equipment	1,539	1,512
	- Land and buildings	3,800	3,881
Foreign exchange		43	71
(Profit)/loss on disposal of fixed assets		43	(190)

8 Auditor's remuneration

The remuneration of the Auditors or its associates is further analysed as follows:	2019 £000's	2018 £000's
Audit of the Financial Statements and subsidiaries	133	123
Taxation compliance services	32	10
All taxation advisory services	4	3
Corporate finance services (excluding amounts covered above in other assurance services and taxation advisory services)	-	196
Total non-audit services	36	209
	169	**332**

9 Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:	Notes	2019 £000's	2018 £000's
Current tax: UK corporation tax at 19% (2018: 19%)		476	829
Tax overprovided in previous years		(676)	(41)
Group relief under provided in previous years		8	16
Group current tax		(192)	804
Share of Joint Ventures' current tax		-	-
Share of associate's current tax		-	-
Total current tax		**(192)**	**804**
Deferred tax:			
Origination and reversal of timing differences		24	(751)
Tax overpaid in previous years		654	(73)
Effect of decreased tax rate on opening liability		(3)	-
Group deferred tax		675	(824)
Share of Joint Venture's deferred tax		-	-
Tax on profit on ordinary activities	9(b)	483	(20)

(b) Factors affecting the total tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:	Notes	2019 £000's	2018 £000's
Profit on ordinary activities before tax		927	(2,443)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)		176	(464)
Expenses not deductible for tax purposes (including goodwill amortisation)		327	533
Income not taxable		(3)	-
Share of tax of associates		-	-
Share of tax of Joint Ventures		-	-
Tax over provided in previous years		(14)	(98)
Change in tax laws and rates		(3)	-
Unrecognised deferred tax/elimination on cessation of trade		-	13
Government incentives		-	(4)
Total tax expense		**483**	**(20)**

(c) Factors that may affect future tax charges

During 2016, the UK Government enacted a reduction in the rate of corporation tax from 19% to 17% from 1 April 2020. The deferred tax balance has been calculated at a rate of 17% based on the rates substantively enacted at balance sheet date.

(d) Deferred Tax

			Group
The deferred tax included in the balance sheet is as follows:		**2019**	**2018 (Restated)**
	Notes	**£000's**	**£000's**
Included in debtors/(creditors)	14/15	64	(612)
Accelerated capital allowances		85	62
Short term timing differences		(21)	(26)
Losses		-	(648)
Provision for deferred tax (asset)/liability		64	(612)
At 1 October 2018 (Restated)		**(612)**	
Additions		-	
Deferred tax charge in Group profit and loss account		*676*	
Rounding		-	
At 30 September 2019		**64**	

		Parent Company
The deferred tax (asset)/liability included in the balance sheet is as follows:	**2019**	**2018 (Restated)**
	£000's	**£000's**
Included in (debtors)/creditors	(77)	(672)
Accelerated capital allowances	(57)	(8)
Short term timing differences	(20)	(16)
Losses	-	(648)
Provision for deferred tax (asset)/liability	(77)	(672)
At 1 October 2018 (Restated)	**(672)**	
Deferred tax charge in Group profit and loss account	589	
Transfer in	6	
At 30 September 2019	**(77)**	

Corporation tax:	Group 2019 £000's	Group 2018 (Restated) £000's	Company 2019 £000's	Company 2018 (Restated) £000's
Corporation tax creditor/(debtor)	(299)	814	(94)	(9)
Group relief creditor	(92)	84	(656)	194

10 Intangible assets

Group	Purchased Goodwill	Software Development	Total
Cost:	**£000's**	**£000's**	**£000's**
As at 1 October 2018	**15,113**	**6,818**	**21,931**
Reclassified to tangible fixed assets	-	(2)	(2)
Additions	-	794	794
Disposals	-	(2,279)	(2,279)
As at 30 September 2019	**15,113**	**5,331**	**20,444**
Amortisation:			
As at 1 October 2018	**4,510**	**2,744**	**7,254**
Reclassified to tangible fixed assets	-	(1)	(1)
Charge for the year	699	252	951
Disposals	-	(2,279)	(2,279)
As at 30 September 2019	**5,209**	**716**	**5,925**
Net book value at 30 September 2019	**9,904**	**4,615**	**14,519**
Net book value at 30 September 2018	10,603	4,074	14,677

Company			
Cost:	**£000's**	**£000's**	**£000's**
As at 1 October 2018	**1,447**	**6,329**	**7,776**
Reclassified to tangible fixed assets	-	(2)	(2)
Additions	1,925	755	2,680
Disposals	-	(1,878)	(1,878)
As at 30 September 2019	**3,372**	**5,204**	**8,576**
Amortisation:			
As at 1 October 2018	263	2,329	2,592
Reclassification to tangible fixed assets	-	(1)	(1)
Charge for the year	440	219	659
Disposals	-	(1,875)	(1,875)
As at 30 September 2019	**703**	**672**	**1,375**
NET BOOK VALUE:			
As at 30 September 2019	**2,669**	**4,532**	**7,201**
As at 30 September 2018	**1,184**	**4,000**	**5,184**

Goodwill is being amortised as follows:

Goodwill arising on the acquisition of subsidiaries is being amortised evenly over the Directors' estimate of its useful life of 20 years.

The estimated useful life is based on a variety of factors such as the expected use of the acquired business, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses. Having considered these factors the Directors believe that a useful life of 20 years is appropriate for goodwill. Software and software development assets are amortised evenly over their useful lives of 3-10 years. Amortisation is included in administration expenses in the profit and loss account.

11 Tangible fixed assets

	Freehold property	Leasehold property	Plant & equipment	Motor vehicles owned	Total
Cost:	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
As at 1 October 2018	21,863	3,377	44,204	8,948	78,392
Reclassification from intangible assets	-	-	2	-	2
Reclassification between asset classes	(1)	1	-	-	-
Additions	-	82	1,532	1,392	3,006
Disposals	-	(1,097)	(23,944)	(1,451)	(26,492)
As at 30 September 2019	**21, 862**	**2,363**	**21,794**	**8,889**	**54,908**
Depreciation:					
As at 1 October 2018	8,218	2,182	32,623	6,718	49,741
Reclassification from intangible assets	-	-	1	-	1
Charge for the year	536	247	2,393	1,142	4,318
Eliminated on disposals	-	(1,075)	(23,827)	(1,433)	(26,335)
As at 30 September 2019	**8,754**	**1,354**	**11,190**	**6,427**	**27,725**
NET BOOK VALUE:					
As at 30 September 2019	**13,108**	**1,009**	**10,604**	**2,462**	**27,183**
As at 30 September 2018	13,645	1,195	11,581	2,230	28,651

Included in the amounts for plant and machinery above are the following amounts relating to assets acquired under hire purchase contracts with a net book value of £3,687,000 (2018: £3,178,000). Included in the amounts for freehold property are the following amounts relating to assets used as security against bank loans with a net book value of £11,894,000 (2018: £13,645,000).

11 Tangible fixed assets - continued

Parent Company	Freehold property	Leasehold property	Plant & equipment	Motor vehicles owned	Total
Cost:	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
As at 1 October 2018	19,468	3,188	30,109	932	53,697
Reclassification from intangible assets	-	-	2	-	2
Reclassification between asset classes	(1)	1	-	-	-
Additions	-	79	604	49	732
Disposals	-	(1,066)	(20,583)	(707)	(22,356)
As at 30 September 2019	**19,467**	**2,202**	**10,132**	**274**	**32,075**
Depreciation:					
As at 1 October 2018	7,890	2,124	24,971	821	35,806
Reclassification from intangible fixed assets	-	-	1	-	1
Charge for the year	484	234	1,438	95	2,251
Eliminated on disposals	-	(1,045)	(20,478)	(711)	(22,234)
As at 30 September 2019	**8,374**	**1,313**	**5,932**	**205**	**15,824**
NET BOOK VALUE:					
As at 30 September 2019	**11,093**	**889**	**4,200**	**69**	**16,251**
As at 30 September 2018	11,578	1,064	5,138	111	17,891

Included in the amounts for freehold property in both the Parent Company are the following amounts relating to assets used as security against bank loans with a net book value of £9,885,000 (2018: £11,578,000).

12 Fixed asset investments

	Group		Company	
	2019	**2018**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**
Investments in subsidiaries and Joint Ventures:				
At 1 October	-	-	23,889	18,313
Additions	-	-	15	5,576
Disposals	-	-	(2,609)	-
At 30 September	-	-	21,295	23,889
Other investments:				
At 1 October	8	8	6	6
Disposals	(6)	-	(6)	-
At 30 September	2	8	0	6
Total investments	**2**	**8**	**21,295**	**23,895**

The Disposal of Investments in the Company relates to the Hive Up of the trading activities of Cox & Robinson (Agricultural) Ltd and TCS Country Supplies Ltd. There is no overall disposal for the Group.

Investments in Joint Ventures:	Group £000's
Share of net assets as at 1 October	**15**
Investment in Mole Energy Switching Ltd	-
Share of loss in Mole Energy Switching Ltd	-
Share of loss in Mole Energy Ltd	-
Mole Valley Forage Services Ltd, Transfer from Joint Venture to Subsidary	(15)
Share of loss in Molecare Veterinary Services Ltd	-
Share of net assets as at 30 September	**0**

Mole Valley Farmers Ltd owned 150,000 (50%) of the ordinary shares of Mole Valley Forage Services Ltd. This Joint Venture was not actively trading in 2019 and on 28 December 2018 Mole Valley Farmers Ltd purchased the remaining 50% of ordinary shares for £15k, being 50% of the Net Assets of the Company.

On 1 August 2014 the company entered into a 50:50 Joint Venture arrangement with St David's Farm Practice Ltd. The Joint Venture, Molecare Veterinary Services Ltd is a company incorporated in England and Wales. The consideration given was £185,000 by way of the transfer of assets into the Joint Venture, with each company owning an equal share.

On 1 August 2015 Mole Valley Farmers Ltd entered into an agreement with Mole Energy Ltd (formerly Molesolar Plus Ltd). Mole Energy Ltd is incorporated in England and Wales. The consideration given was £50,000 by way of a transfer of cash into the company, with Mole Valley Farmers Ltd owning 45% of the shares.

On 19 December 2017 Mole Valley Farmers Ltd entered into an agreement with Mole Energy Switching Ltd. Mole Energy Switching Ltd is incorporated in England and Wales. The consideration given was £90, with Mole Valley Farmers Ltd owning 45% of the shares. In December 2018 the shares were transferred to Mole Energy Ltd.

On 20 January 2018 100% of the share capital of John C Fergusson Ltd was acquired by Mole Valley Farmers Limited for a total consideration of £5,582,883.

Details of the investments in which the Group and the Parent Company (unless indicated) hold 20% or more of the nominal value of any class of share capital are as follows:

Company	Business	%
Mole Valley Feed Solutions Ltd	Supply and manufacture of animal feedstuffs	100
D&I Bridgman and Son Ltd	Agricultural supplies	100
Three Counties Feeds Ltd	Supply of animal feedstuffs	100
Cox & Robinson (Agricultural) Ltd	Agricultural supplies. Non Trading	100
John C Fergusson Ltd [1]	Supply of animal feedstuffs	100
Mole Valley Wholesale Ltd	Dormant	100
Mole Trading Ltd	Dormant	100
Mole Valley Forage Services Ltd	Fertiliser supply and manufacture. Non Trading	100
Molecare Veterinary Services Ltd	Veterinary services	50
SCATS Countrystores Ltd	Dormant	100
Mole Valley Financial Services Ltd	Dormant	100
Mole Country Stores Ltd	Dormant	100
Mole Energy Ltd	Solar PV projects	45
Mole Energy Switching Ltd[4]	Energy contract comparison	100
Blackness Lane Ltd [2]	Data management	51
W B Publishing Ltd [3]	Publishing	100
TCS Country Supplies Ltd	Agricultural supplies. Non Trading	100

Notes to the Accounts (continued)

for the year ended 30 September 2019

The registered office of all subsidiary undertakings unless indicated otherwise is: Exmoor House, Pathfields Business Park, South Molton, EX36 5LH

1. John C Fergusson Ltd registered office is: Sheildmains Mill Coalhall, Coylton, Ayr, United Kingdom, KA6 6LZ
2. Blackness Lane Ltd registered office is: Suite A1 Priory Park Blackham Court Beech Green Lane Withyham, Hartfield, England, TN7 4DB
3. W B Publishing Ltd registered office is: Suite A1 Priory Park Blackham Court Beech Green Lane Withyham, Hartfield, England, TN7 4DB. W B Publishing Ltd is 100% owned by Blackness Lane Ltd, which in turn is 51% owned by Mole Valley Farmers Ltd.
4. Mole Energy Switching Ltd is 100% owned by Mole Energy Ltd, which in turn is 45% owned by Mole Valley Farmers Ltd.

The wholly owned subsidiaries of the Group operate with shared resources and funding for solvency.

The following subsidiary entities are exempt from audit by virtue of s479A of Companies Act 2006:

Blackness Lane Ltd

W B Publishing Ltd

TCS Country Supplies Ltd

Mole Valley Forage Services Ltd

13 Stocks

	Group		Company	
	2019	2018 (Restated)	2019	2018 (Restated)
	£000's	£000's	£000's	£000's
Branch stocks for resale	27,155	34,097	24,992	30,737
Feed and fertiliser	9,247	4,910	4,643	-
Engineering stock	992	1,003	992	1,003
	37,394	**40,010**	**30,627**	**31,740**

14 Debtors

	Group		Company	
	2019	2018 (Restated)	2019	2018 (Restated)
	£000's	£000's	£000's	£000's
Trade debtors	61,663	62,801	25,119	22,302
Other debtors	35	33	30	30
Amounts due from Joint Ventures	854	895	867	895
Deferred taxation	-	612	77	672
Corporation tax	299	-	94	9
Amounts due from Group undertakings	-	-	9,060	8,323
Prepayments and accrued income	4,630	4,140	2,840	2,128
	67,481	**68,481**	**38,087**	**34,359**

15 Creditors: amounts falling due within one year

		Group		Company	
		2019	2018 (Restated)	2019	2018 (Restated)
	Notes	£000's	£000's	£000's	£000's
Bank loans and overdraft	17	16,975	22,998	12,304	16,113
Trade creditors		62,790	60,200	40,375	34,298
Corporation tax	9	-	814	-	-
Deferred taxation		64	-	-	-
Balance due to Joint Ventures		12	19	-	-
Other taxes and social security		2,409	1,005	1,684	1,242
Amounts due to Group undertakings		-	-	13,200	13,889
Financial instruments	24	289	310	289	310
Accruals and deferred income		7,698	11,525	4,512	7,974
Finance leases	17	1,336	1,277	284	284
		91,573	**98,148**	**72,648**	**74,110**

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Bank loans	12,583	5,886	11,981	5,143
Finance leases	2,271	2,653	253	550
	14,854	**8,539**	**12,234**	**5,693**

Notes to the Accounts (continued)

for the year ended 30 September 2019

17 Bank loans and other borrowings

	Group		Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Amounts due within one year:				
Overdraft	14,934	21,143	10,404	14,399
Bank loans	2,041	1,855	1,900	1,714
Finance leases	1,336	1,277	284	284
	18,311	**24,275**	**12,588**	**16,397**
Amounts falling due after more than one year:				
Bank loans and finance leases repayable by installments are:				
Between one and two years	3,256	2,980	2,153	1,997
Between two and five years	11,559	5,029	10,081	3,696
After five years	39	530	-	-
	14,854	**8,539**	**12,234**	**5,693**
Aggregate amounts	33,165	32,814	24,822	22,090

The following loans were outstanding at 31 September 2019

Amount of loan	Repayment terms	Interest
£6,310,246	Quarterly over 5 years	LIBOR + 2.5%
£2,571,424	Quarterly over 5 years	Fixed rate 3.184%
£5,000,000	N/A	LIBOR +2.25%
£742,574	Monthly over 11 years	2.75% over base rate

The Company has entered into an interest rate swap transaction for the purpose of hedging the Company's future interest liability by replacing floating interest rate risk with fixed interest commitments.

The details are as follows:

Commencement date	Amount	Rate %	Term	Market Value (liability) at 30 Sept 2019	Market Value (liability) at 30 Sept 2018
17 December 2007	£2,000,000	5.05	Fixed over 15 years	£289,171	£309,763

18 Operating leases

The following payments are committed to be paid:

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Parent Company	
	2019	2018	2019	2018
	£000's	£000's	£000's	£000's
Not later than one year	5,708	4,437	4,788	3,480
Later than one year and not later than five years	18,226	13,835	16,052	11,645
Later than five years	18,773	12,596	17,638	11,287
	42,707	**30,868**	**38,478**	**26,412**

19 Called up share capital

Allotted, issued and fully paid:

	Group and Parent Company	
	2019	**2018**
Ordinary shares	**No. & £'s**	**No. & £'s**
As at 1 October 2018	132,960	129,930
Issued in the year	2,565	3,030
As at 30 September 2019	**135,525**	**132,960**
Trading shares	**No. & £'s**	**No. & £'s**
As at 1 October 2018	2,636,747	2,642,243
Repurchased in the year	(4,811)	(5,496)
As at 30 September 2019	**2,631,936**	**2,636,747**
Special share	**No. & £'s**	**No. & £'s**
As at 1 October 2018 and 30 September 2019	1	1
Called up Share Capital	**2,767,462**	**2,769,708**

Neither the non equity special share nor the non equity trading shares have the right to participate in any dividend, distribution of profits or distribution of assets of the Company amongst the Members, save on a repayment of capital whereupon the holders shall be entitled to be repaid the par value but shall not be entitled to participate further or otherwise.

The holders of the special share shall be entitled to:

- Receive notice of and attend all general meetings and meetings of the holders of other classes of shares in the Company
- Demand a poll
- On a poll the special share shall (subject to the provisions of Clause 55 in table A) confer on the holders thereof, the right to exercise a number of votes equal to the aggregate of all other votes cast and one additional vote.

The trading shares:

- Entitle the holder to apply for a trading account for a period of up to 12 months
- Are non transferable
- Give the holder the right to receive notice of, attend, speak, but not vote, at general meetings of the Company and are entitled to receive a copy of the annual Financial Statements
- Are only repayable on the formal liquidation of the Company after ordinary Shareholders have received the face value of their shares
- Are redeemable by the Company at the request of the trading shareholder (and/or her or his personal representatives or their successors in title) only on the death or bankruptcy of the shareholder, or the formal dissolution of a trading shareholder being a partnership, or on the insolvency or winding-up of a trading shareholder being a body corporate. In all cases the redemption amount payable by the company is 10 pence per trading share.

During the year 2,565 shares were issued for consideration totalling £25,650.

20 Reserves

Share premium account

£899,668 (2018: £876,583) - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

£75,327 (2018: £71,997) - This reserve records the nominal value of shares repurchased by the company.

21 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £nil for the Group and £nil for the Company (2018: £1,188,750 and £nil respectively).

22 Contingent liabilities

There are no material contingent liabilities.

23 Off-balance sheet arrangements

The Group and Parent Company enters into operating lease arrangements for the hire of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The Group lease rental expense for the year is disclosed in Note 7 and the annual Group and company commitments under these arrangements are disclosed in Note 18. There are no other material off-balance sheet arrangements.

24 Financial instruments

	Group	
	2019	**2018**
Financial liabilities at fair value through profit or loss	**£000's**	**£000's**
Interest rate swaps	289	310
	289	**310**

The Group purchases interest rate swaps to manage interest rate risk volatility and forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices. Where quoted prices are not available for derivatives the fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of interest rate swap derivatives at 30 September 2019 was £289,171 (2018: £309,763) and the forward foreign currency contracts at 30 September 2019 were £nil (2018: £nil).

25 Pension commitments

As noted in the accounting policies set out in Note 1, the Group operates a Group Personal Pension scheme.

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**
Pension commitments outstanding	125	106	118	97

26 Related party transactions

GROUP

During the year the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 September 2019, are as follows:

Entities over which the Group has joint control or significant influence	Sales to related parties	Purchases from related parties	Amounts owed from related parties	Amounts owed to related parties
	£000's	**£000's**	**£000's**	**£000's**
2019	117	85	35	3
2018	116	64	76	201
Entities controlled by a member (or close member of that person's family) of key management personnel				
2019	2,188	-	350	-
2018	2,159	-	312	-

Terms and conditions of transactions with related parties

Sales and purchases between related parties are made under normal commercial terms as applied to third party transactions, including interest on overdue balances, credit terms, and price. Outstanding balances are unsecured.

During the year the Group entered into loans with other related parties.
Balances outstanding at 30 September 2019, are as follows:

	Interest free loans owed from related parties	**Interest bearing loans owed from related parties**
	£000's	**£000's**
Entities over which the Group has joint control or significant influence		
2019	547	280
2018	788	400

Terms and conditions of transactions with related parties
Loans to related parties are unsecured, either interest free or bear interest at 5% and have no fixed terms of repayment. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 30 September 2019, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2018: nil).

26 Related party transactions - continued

PARENT COMPANY

During the year the Parent Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 30 September 2019, are as follows:

Entities over which the Parent Company has joint control or significant influence	**Sales to related parties** £000's	**Purchases from related parties** £000's	**Amounts owed from related parties** £000's	**Amounts owed to related parties** £000's
2019	117	85	35	3
2018	116	64	76	201
Entities controlled by a member (or close member of that person's family) of key management personnel				
2019	556	-	74	-
2018	449	-	46	-

Terms and conditions of transactions with related parties
Sales and purchases between related parties are made under normal commercial terms as applied to third party transactions, including interest on overdue balances, credit terms, and price. Outstanding balances are unsecured.

During the year the Parent Company entered into loans with other related parties.
Balances outstanding at 30 September 2019, are as follows:

	Interest free loans owed from related parties	Interest bearing loans owed from related parties
	£000's	£000's
Entities over which the Parent Company has joint control or significant influence		
2019	766	280
2018	788	400

Terms and conditions of transactions with related parties

Loans to related parties are unsecured, either interest free or bear interest at 5% and have no fixed terms of repayment.

The Parent Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 30 September 2019, the Parent Company has not made any provision for doubtful debts relating to amounts owed by related parties (2018: nil)

27 Controlling party

The Company is owned by a number of private shareholders, none of whom own more than 20% of the issued share capital of the Company. Accordingly there is no parent entity nor ultimate controlling party.

28 Events after the reporting period

1. The Directors are sad to report that one of its Directors, F B Jennings, passed away after the end of the Financial year.
2. Coronavirus/Covid-19. The Coronavirus pandemic poses an unprecedented set of circumstances for the Mole Valley Farmers Group. Our key priority is the health and safety of staff, customers and business partners. The Group falls within the definition of an "Essential Business" and has therefore maintained its trading activities within the context of new working protocols and social distancing.
3. At the beginning of April 2020, the Group agreed a temporary one month increase in the overdraft facilities of £2 million with Lloyds Bank plc. The purpose was to provide additional short-term working capital to support the retail supply chain. No additional security has been provided to support the one-month extension.
4. On 7 May 2020, the Group completed a refinancing of its funding facilities and entered into an agreement for five year committed facilities with PNC Financial Services UK Ltd. These facilities replace the existing bank overdraft and term loans provided by Lloyds Bank plc and provide additional working capital to the Group. The facilities are secured on trade receivables and freehold property. PNC Financial Services UK Ltd is a subsidiary of The PNC Financial Services Group Inc, which is a financial institution with operations in the USA, Canada, Germany and the UK, covering retail and commercial banking and finance. PNC was in founded in 1863 and has its headquarters in Pittsburgh, USA. For the year to 31 December 2019, PNC group revenue was $17.8 billion, with total assets in excess of $410 billion.

29 Correction of error

The Group and Company accounts have been restated to correct for an accounting error relating to the treatment of intercompany cost recharges and other payroll related items. Detailed analysis revealed that amounts retained on the balance sheet and reported within accruals and deferred income at September 2018 totalling £2,341,000 (included within fig. A in the table below) should have been charged to the profit and loss account for the year ended 30 September 2018.

The Group and Company accounts have also been restated to correct for an accounting error relating to the carrying value of inventory. Detailed analysis has revealed that reconciling items with a total value of £1,944,000 were incorrectly included within the year end inventory valuation. A detailed review of the reconciling items indicated that £1,517,000 (included within fig. A in the table below) should have been charged to the profit and loss account and £427,000 (fig. B) reclassified within Trade and Other Creditors.

The amounts involved are material to the accounts and therefore, in accordance with FRS102, s10.19, (Corrections of prior period errors), comparatives for 2018 have been restated. The change has resulted in after tax profits available for distribution as at 30 September 2018 decreasing by £3,125,000.

Impact on parent and Group equity (increase/(decrease) in equity)

	Notes	2018 £000's
Deferred taxation		648
Stock		(1,944)
Total assets		**(1,296)**
Accruals and deferred income		(2,341)
Corporation tax		85
Trade creditors	Fig B.	501
Other taxes and social security		(74)
Total liabilities		**(1,829)**
Net impact on equity		**(3,125)**

Impact on consolidated statement of income and retained earnings (increase/ (decrease) in profit)

	Notes	2018 £000's
Cost of sales		(3,356)
Administrative expenses		(502)
Profit on ordinary activities before taxation	Fig A.	**(3,858)**
Tax on profit/(loss) on ordinary activities		733
Net impact on profit for the year		**(3,125)**
Attributable to:		
Equity holders of the parent		(3,125)
Non-controlling interest		-

Mole Valley Farmers Ltd
Exmoor House
Lime Way
Pathfields Business Park
South Molton
Devon
EX36 3LH

Tel: 01769 573431

Email: info@molevalleyfarmers.com

For further information, please visit moleonline.com