

Company Registration No. 01053837

FARMERS BOY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 FEBRUARY 2020

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FARMERS BOY LIMITED

COMPANY INFORMATION

Directors

A Thornber
M Stitson
A Clappen

Secretary

J Burke

Company number

01053837

Registered office

Hilmore House
Gain Lane
Bradford
West Yorkshire
England
BD3 7DL

Independent auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
West Yorkshire
England
LS1 4DL

FARMERS BOY LIMITED

CONTENTS

	Page(s)
Strategic report	1
Directors' report	2 - 4
Independent auditors' report	5 - 7
Profit and loss account	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 23

FARMERS BOY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 2 FEBRUARY 2020

The Directors present the Strategic report and the Company's audited financial statements for the 52 weeks ended 2 February 2020. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102).

The term 'Company' refers to Farmers Boy Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

Principal activities and future developments

The principal activity of the Company is the manufacture, distribution and sale of fresh food products to Wm Morrison Supermarkets PLC and its associated companies. As a subsidiary of Wm Morrison Supermarkets PLC the Company will benefit from the Group's commitment to developing its customer proposition, facilitating the Company's successful performance in future.

Results and dividends

The Group manages its manufacturing business using a cost centre model. Goods sold between the manufacturing and retail operations are transferred at cost plus a standard margin. This reflects the way the business is operated.

The results for the Company show a profit for the financial period of £11,272,000 (2019: profit of £22,600,000). The Directors did not authorise a dividend during the period (2019: £nil).

As at 2 February 2020 the Company had net assets of £304,711,000 (2019: £293,439,000).

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are disclosed on pages 28 and 29 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2019/20, which does not form part of this report.

Key performance indicators (KPIs)

The KPIs of the Company are integrated with those of the Group and are not managed separately. The KPIs of the Group, which include those of the Company, are disclosed on pages 1, 5, 20, 21 and 22 of the Wm Morrison Supermarkets PLC Annual report and Financial Statements 2019/20, which does not form part of this report.

S172 statement

The Board of Directors consider that they have acted in the way they believe, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and having due regard to the requirements of section 172 of the Companies Act 2006, in the decisions taken during the period ended 2 February 2020.

In doing so, the Directors have regard (amongst other matters) to the likely consequences of any decision in the long term; the interests of employees; the need to foster relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a reputation for high standards of business conduct; and the need to act fairly between Directors of the Company. There were no significant developments during the period ended 2 February 2020 requiring specific consideration of the long-term consequences on stakeholders, of decisions made.

Approval of Strategic report

The Strategic report was approved by the Board and signed on its behalf by:



A Thornber
Director

20.... November 2020

FARMERS BOY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 2 FEBRUARY 2020

The Directors present their Annual Report and the Company's audited financial statements for the period ended 2 February 2020. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' (FRS 102).

The term 'Company' refers to Farmers Boy Limited and the term 'Group' refers to Wm Morrison Supermarkets PLC and its subsidiary undertakings.

Matters discussed in the Strategic report

The Directors have chosen to present certain requirements of the Directors report within the Strategic report on page 1 of the Annual Report and Financial Statements, including the Company's principal activity, business review, future developments and details of proposed dividends.

Directors and their interests

The Directors who held office during the period and up to the date of signing of the financial statements were as follows:

A Thornber

M Stitson

J Reed

A Clappen

(Resigned 10 June 2020)

The Company is ultimately wholly owned by Wm Morrison Supermarkets PLC and none of the Directors who held office at the period end held any interest in the shares of the Company or of its subsidiary. The interest in the shares of the ultimate parent undertaking held by Directors of that company is disclosed in the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2019/20, which does not form part of this report.

At no time during the period or subsequently did any Director have a material interest in any contract or arrangement with the Company or of its subsidiary which was significant in relation to the Group's business.

Directors' and Officers' liability insurance

The Group maintains insurance cover for the protection of Directors and senior management from personal liabilities and costs which may arise in the course of fulfilling their duties. This insurance was in force during the 52 weeks ended 2 February 2020 and up to the date of approval of the Company financial statements.

Going concern

The Directors' assessment of the Company's ability to continue as a going concern as set out in note 1 of these financial statements, has taken into consideration the effect that the current economic climate has on the Group and any implications this may have on the Company.

The Company is a subsidiary undertaking of Wm Morrison Supermarkets PLC. The Company has obtained a letter of support from Wm Morrison Supermarkets PLC that confirms financial support will be provided where required, for the foreseeable future and at least twelve months from the date of signing the financial statements and, in particular, it will not demand repayment of any amounts currently outstanding.

Based on the Directors' assessment, these financial statements have been prepared on a going concern basis.

Internal control

The Board is responsible for the system of internal control within the Company and for reviewing its effectiveness. The control system is intended to manage rather than eliminate the risk of not meeting the Company's strategic objectives. Any such system can only provide reasonable, not absolute, assurance against material misstatement or loss.

FARMERS BOY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

Political donations

There were no political donations for the period (2019: none) and the Company did not incur any political expenditure (2019: £nil).

Employees interests

The Company recognises the importance of having engaged and motivated colleagues, that share in the success of the business and receive a fair day's pay for a fair day's work. The Company's comprehensive employment policies cover recruitment, selection, retention, remuneration, education, development and equality.

Employee engagement

Employees have their say on what matters to them through monthly 'Your Say' forums and the annual 'Your Say' survey. They are kept as fully informed as possible about the activities of the business, through internal publications, communications programmes, notice boards, briefings and local, regional and national consultative committees. The Company recognises a number of trade unions and has a partnership agreement with USDAW.

The Company encourages employee involvement in the financial performance of the business through participation in either the Morrisons Group colleague bonus scheme, management bonus plan or the savings related share option schemes.

Equal opportunity

Equal opportunities are offered to all regardless of race, colour, nationality, religion, sex, marital status, disability or age. All applicants and employees are treated equally in respect of recruitment, promotion, training, pay and other employment policies and practices. All decisions are based on merit. Reasonable adjustments will be made to accommodate those with special needs. Under no circumstances will discrimination against any individual or group be tolerated. All employees have access to confidential counselling provided by trained counsellors as part of our special complaints procedure and occupational health team.

The Company is conscious of its responsibility to society and to the local community in particular and we aim to provide employment opportunities which are compatible with work and family responsibilities. Management is required to apply all of the Company's policies fully and diligently to ensure that the highest standards are maintained.

For more information of how the Company looks to operate in the best interests of its employees, see the "Our Colleagues" section of the Group's Annual Report and Financial Statements which do not form part of this report.

Relationships with suppliers

The Company looks to foster strong and lasting relationships with its suppliers, based on mutual respect and benefit. As such, the Directors consider it appropriate to operate in accordance with Group policies, which are described in the Group's Annual Report and Financial Statements which do not form part of this report. These policies look to ensure that the Company is working closely with its suppliers, listening and responding to them, paying them on time, simplifying terms and adhering to ways of working that comply with the Groceries Supply Code of Practice.

Relationships with customers

The Company is a wholly owned subsidiary of Wm Morrison Supermarkets PLC, with it also being its primary and largest customer. As such, the Company is effectively integrated with the Group, to ensure that it is acting and responding in the best interests of the Group in manufacturing high quality products at the lowest possible cost to be attractive to the end customer of Wm Morrison Supermarkets PLC and to those customers external to the Group. For more information on how the Company and Group engage with its customers see the "Our Customers" section of the Group's Annual Report and Financial Statements which do not form part of this report.

FARMERS BOY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

Community and environment

The Company recognises the importance of its social and environmental responsibilities. As such, the Directors consider it appropriate to operate in accordance with Group policies, which are described in the Group's Annual Report and Financial Statements which do not form part of this report. These policies look to monitor the Group's impact on the environment and minimise any damage that might be caused by the impact of business activities. Initiatives designed to minimise the Company's impact on the environment include recycling and reducing energy consumption.

Financial risk management

The financial risk management and policies of the Company are consistent with those of the Group. For further details, see pages 113 and 114 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2019/20, which does not form part of this report.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Statement of disclosure of information to auditors:

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the Board and signed on its behalf by:



A Thornber

Director

20 November 2020

FARMERS BOY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF FARMERS BOY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Farmers Boy Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 February 2020 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), which comprise: the balance sheet as at 2 February 2020; the profit and loss and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

FARMERS BOY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE DIRECTORS OF FARMERS BOY LIMITED

Reporting on other information.

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 2 February 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

FARMERS BOY LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE DIRECTORS OF FARMERS BOY LIMITED

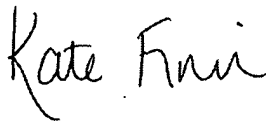
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Kate Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
...20... November 2020

FARMERS BOY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 2 FEBRUARY 2020

		52 Weeks ended 2 February 2020 £000	52 Weeks ended 3 February 2019 £000
	Note		
Turnover	3	650,336	674,581
Cost of sales		(598,299)	(617,535)
Gross profit		52,037	57,046
Administrative expenses		(41,271)	(34,541)
Other operating income		1,043	1,026
Operating profit	4	11,809	23,531
Interest payable and similar expenses	5	(57)	(77)
Profit on ordinary activities before taxation		11,752	23,454
Tax on profit on ordinary activities	6	(480)	(854)
Profit for the financial period		11,272	22,600

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There were no amounts recognised in other comprehensive income other than those included in the profit and loss account.

The notes on pages 11 to 23 form part of these financial statements.

FARMERS BOY LIMITED

BALANCE SHEET

AS AT 2 FEBRUARY 2020

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	7	10,371	12,389
Tangible assets	8	120,775	122,701
Investments	9	20,579	20,579
		<u>151,725</u>	<u>155,669</u>
Current assets			
Stock	11	22,252	20,433
Debtors	12	1,149,100	793,341
Cash at bank and in hand		3,757	5,759
		<u>1,175,109</u>	<u>819,533</u>
Creditors: amounts falling due within one year	13	(1,014,603)	(671,528)
Net current assets		<u>160,506</u>	<u>148,005</u>
Total assets less current liabilities		<u>312,231</u>	<u>303,674</u>
Creditors: amounts falling due after more than one year	13	(514)	(2,867)
Deferred tax liabilities	14	(7,006)	(7,368)
		<u>(7,520)</u>	<u>(10,235)</u>
Net assets		<u>304,711</u>	<u>293,439</u>
Capital and reserves			
Called-up share capital	15	1,000	1,000
Profit and loss account		303,711	292,439
Total equity		<u>304,711</u>	<u>293,439</u>

The notes of pages 11 to 23 form part of these financial statements.

The financial statements on pages 8 to 23 were approved by the Board of Directors and authorised for issue on 20 November 2020 and are signed on its behalf by:



M Stitson
Director

Company Registration No. 01053837

FARMERS BOY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 2 FEBRUARY 2020

	Called-up share capital £000	Profit and loss account £000	Total equity £000
Balance at 5 February 2018	1,000	269,839	270,839
Profit for the financial period	-	22,600	22,600
	<hr/>	<hr/>	<hr/>
Balance at 3 February 2019	1,000	292,439	293,439
Profit for the financial period	-	11,272	11,272
	<hr/>	<hr/>	<hr/>
Balance at 2 February 2020	1,000	303,711	304,711
	<hr/>	<hr/>	<hr/>

The notes of pages 11 to 23 form part of these financial statements

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

Company information

Farmers Boy Limited is a limited company incorporated in the United Kingdom, limited by shares, under the Companies Act 2006 (Registration number 01053837). The Company is domiciled in the United Kingdom and its registered address is Hilmore House, Gain Lane, Bradford, West Yorkshire, England, BD3 7DL.

Basis of preparation

These financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the Companies Act 2006 (the Act). The financial statements have been prepared on the historical cost basis.

The Company is a qualifying entity for the purposes of FRS 102 as its shareholders have been notified and have not objected to the use of the exemptions; it has applied the recognition, measurement and disclosure requirements of FRS 102; and it has disclosed in the notes to these financial statements a brief summary of the disclosure exemptions adopted (see below) and the name of the parent of the group in whose consolidated accounts its financial statements are adopted and from where those financial statements may be obtained (see note 16).

Going concern

These financial statements, which have been prepared on a going concern basis, under the historic cost convention and in accordance with applicable accounting standards in the United Kingdom, are presented as required by the Companies Act.

The Directors' assessment of the Company's ability to continue as a going concern has taken into consideration the effect that the current economic climate has on the Group and any implications this may have on the Company. The assessment specifically considered the impact that Covid-19 has had on the Group during the period since the reporting date and the ongoing economic uncertainty that exists, as set out in the Group's interim financial results for the 26 weeks ended 2 August 2020.

Whilst the pandemic has had a temporary impact on the Group's performance during the period through to the approval of these financial statements, the Group has continued to trade strongly, maintains a robust financial position providing it with sufficient access to liquidity to meet its needs in the short and medium-term, and has modelled its ability to absorb a number of more extreme downside scenarios than those experienced. Considering the nature of the Company's principal activities in the context of the Group, the Directors conclude that the Covid-19 pandemic does not present a significant risk to the going concern of the Company.

Further to this, the Company has obtained a letter of support from Wm Morrison Supermarkets PLC that confirms financial support will be provided where required, for the foreseeable future and at least twelve months from the date of signing the financial statements and, in particular, it will not demand repayment of any amounts currently outstanding.

Based on the Directors' assessment above these financial statements have been prepared on a going concern basis.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

(Continued)

Basis of preparation (continued)

Disclosure exemptions

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Wm Morrison Supermarkets PLC, includes the Company's cash flows in its own consolidated financial statements

In addition, the disclosure exemptions adopted by the Company in preparation of these financial statements in accordance with FRS 102 are as follows:

- a) a reconciliation of the number of shares outstanding at the beginning and end of the period;
- b) certain financial instrument disclosures as equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated;
- c) certain disclosure requirements in respect of share based payments equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated; and
- d) the non-disclosure of key management personnel compensation in total.

The Directors have chosen not to prepare consolidated financial statements for the Company in accordance with the provisions of section 400 of the Act. The results of the Company are included in the consolidated financial statements of Wm Morrison Supermarkets PLC.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are impairment of non-financial assets. The Company has considered whether there have been any indicators of impairment during the 52 weeks ended 2 February 2020, which would require an impairment review to be performed. Based upon this review, the Company has concluded that there are no such indicators of impairment as at 2 February 2020. For further details, see pages 83 to 84 of the Wm Morrison Supermarkets PLC Annual Report and Financial Statements 2019/20, which does not form part of this report. The Directors do not expect Covid-19 to have a material impact on the judgements and estimates impacting the balance sheet as at 2 February 2020.

The following accounting policies have, unless otherwise stated, been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Accounting reference date

The accounting period of the Company ends on the Sunday falling between 29 January and 4 February each year.

Turnover

Turnover comprises the fair value of consideration received or receivable for sale of goods in the ordinary course of the Company's activities. It is recognised when significant risks and rewards of ownership have been transferred to the buyer, there is reasonable certainty of recovery of the consideration and the amount of revenue, associated costs and possible return of goods can be estimated reliably.

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period. All turnover is to customers based in the United Kingdom.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

(Continued)

Cost of sales

Cost of sales consists of all costs to the point of sale including warehouse and transportation costs. Depreciation, production overheads and production-based employee costs are also allocated to cost of sales, the latter based on the size of production space and number of production-based employees as a proportion of the total.

Other operating income

Other operating income primarily consists of income not directly related to the principal activity of the Company, mainly staff canteen income.

Current taxation

Current tax payable is based on the taxable profit for the year using tax rates in effect throughout the year. Taxable profit differs from the profit as reported in the profit and loss account as it is adjusted both for items that will never be taxable or deductible and timing differences.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on tax rates enacted or substantively enacted at the balance sheet date. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised.

Goodwill is amortised over its useful economic life which is 15 years from the acquisition date.

Software development costs

Costs that are directly attributable to the creation of identifiable software, which meet the development asset recognition criteria as laid out in Section 18 of FRS 102 are recognised as intangible assets.

Direct costs include consultancy costs, the employment costs of internal software developers, and borrowing costs. All other software development and maintenance costs are recognised as an expense as incurred. Software development assets are held at historic cost less accumulated amortisation and impairment, and are amortised over their estimated useful lives (3 to 10 years) on a straight-line basis.

Licences

Separately acquired software licences are recognised at historic cost less accumulated amortisation and impairment.

Those acquired in a business combination are recognised at fair value at the acquisition date. Software licences are amortised over their useful lives (3 to 10 years) on a straight-line basis or over the life of the licence if shorter.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

(Continued)

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include directly attributable costs. Annual reviews are made of estimated useful lives and material residual values. Depreciation rates used to write off cost less residual value on a straight line basis are:

Freehold land	0%
Freehold buildings	2.5%
Plant, equipment, fixtures and vehicles	10 to 33%

Depreciation expense is primarily charged in cost of sales with an immaterial amount in administration expenses.

Impairment of non-financial assets

The Company tests non-financial assets if events or changes in circumstances indicate that the carrying amount may not be recoverable. Testing is performed at the level of a cash generating unit (CGU) in order to compare the CGU's recoverable amount against its carrying value. An impaired CGU is written down to its recoverable amount, which is the higher of value in use or its fair value less costs to dispose. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

Investments

Investments comprise investments in equity instruments held for long term investment. They are measured at fair value through other comprehensive income, where the fair value can be measured reliably. Where the fair value of the instruments cannot be measured reliably, for example, when there is variability in the range of estimates, the investments are recognised at cost less accumulated impairment losses.

Stock

Stock represents raw materials, work in progress and finished goods and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is calculated on a weighted average basis and comprises purchase price, import duties, and other non-recoverable taxes and a provision for estimated losses relating to obsolete and slow moving items.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases; all other leases are classified as finance leases.

Rental payments in relation to operating leases are taken to profit for the period on a straight line basis over the life of the lease. Property leases are analysed into separate components for land and buildings and tested to establish whether the components are operating leases or finance leases.

Assets funded through finance leases are capitalised as tangible assets and depreciated over their useful economic life or lease term, whichever is shorter. The amount capitalised is the lower of the fair value and the present value, calculated using the interest rate implicit in the lease, of the future minimum lease payments. The obligations to pay future rentals are included within liabilities. Rental payments are apportioned between the finance charge and the outstanding obligation so as to produce a constant rate of finance charge on the remaining balance.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

(Continued)

Retirement benefits

The Group operated a cash balance scheme called the Retirement Saver Plan (the 'RSP') that the Company's employees could join. This scheme provides a lump sum benefit based upon a defined proportion of an employee's earnings each year. The RSP was closed to future accrual in September 2018.

The Group accounts for the RSP as a defined benefit scheme. Group has chosen not to put in place a contractual agreement or stated policy for sharing across its group the net defined benefit cost, which is recognised in the individual financial statements of the sponsoring employer for the plan (Wm Morrison Supermarkets PLC). Each of the other Group entities, including those within the Company, recognises a cost equal to its contribution payable for the period.

Payments by the Company to the RSP are charged to profit for the period as they arise.

The Group also operates a defined contribution pension scheme called the Morrisons Personal Retirement Scheme ('MPRS') for colleagues. As the MPRS is a defined contribution scheme, the Group is not subject to the same investment, interest rate, inflation or longevity risks as for the RSP. The benefits the employees receive are dependent on the contributions paid, investment returns and the form of benefit chosen at retirement. The cost of the MPRS is charged to profit in the period as they arise.

Share-based payments

Wm Morrison Supermarkets PLC, the ultimate parent company, issues equity-settled share-based payments to certain employees in exchange for services rendered by them. The fair value of the share-based award is calculated at the date of grant and is expensed on a straight line basis over the vesting period. This is based on an estimate of share options that will eventually vest. This takes into account movement of non-market conditions, being service conditions and financial performance, if relevant.

Fair value is measured by use of a binomial stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of the share-based award relating to each company's employees is calculated based on an appropriate apportionment and recharged through intercompany. The charge to reserves is retained within Wm Morrison Supermarkets PLC retained earnings.

Trade and other debtors

Trade and other debtors are initially recognised at fair value, which is generally equal to face value, and subsequently held at amortised cost. Provision is made when there is objective evidence that will not be able to recover balances in full, with the charge being included in administrative expenses.

Cash and cash equivalents

Cash and cash equivalents for cash flow purposes include cash-in-hand, cash-at-bank and bank overdrafts. In the balance sheet bank overdrafts that do not have a right of offset are presented within current liabilities.

Trade and other creditors

Trade and other creditors are initially recognised at fair value, which is generally equal to face value of the invoices received, and subsequently held at amortised cost.

Amounts owed to/by Group undertakings

Amounts owed to/by Group undertakings are initially recorded at fair value, which is generally the proceeds received. They are subsequently carried at amortised cost.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

1 Accounting policies

(Continued)

Related parties

All related party transactions are with wholly owned subsidiaries of the group unless otherwise disclosed.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Employees and Directors

Average monthly number of persons employed by the Company during the period was:

	2020 No.	2019 No.
Selling and administration	1,038	1,004
Production	2,207	2,133
	<u>3,245</u>	<u>3,137</u>

Employee benefit expense for the Company during the period:

	2020 £000	2019 £000
Wages and salaries	65,813	64,998
Social security costs	5,546	5,343
Other pension costs	2,780	2,462
Share-based payments	283	306
	<u>74,422</u>	<u>73,109</u>

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

2 Employees and Directors

(Continued)

Share-based payments

The share-based payment cost has been recharged from Wm Morrison Supermarkets PLC in respect of shares it has granted to employees of the Company. The fair value assumptions, method of accounting and financial models used in determining the share-based payment charge are consistent with those adopted in the Wm Morrison Supermarkets PLC Annual Report and Financial Statements. The charge in the period in respect of the Company amounted to £283,000 (2019: £306,000).

Directors' emoluments

The emoluments of the Directors are paid by Wm Morrison Supermarkets PLC which makes no recharge to the Company. It is not possible to make an accurate apportionment of the emoluments of the Directors between Wm Morrison Supermarkets PLC and fellow subsidiaries. Accordingly, the above details include no emoluments in respect of Directors.

Pension costs

The Company was party to a cash balance scheme operated by the Group (the Retirement Saver Plan, RSP) which was closed to future accrual in September 2018, and to a defined contribution scheme (MPRS). The pension cost charge for the period represents contributions payable by the Company to the scheme and amounts to £2,780,000 (2019: £2,462,000). There are no outstanding or prepaid contributions at either the beginning or end of the financial year.

3 Turnover

All turnover relates to the principal activity of the Company and all turnover is derived in the UK.

4 Operating profit

	2020 £000	2019 £000
The following items have been included in arriving at operating profit:		
Employee costs (see note 2)	74,422	73,109
Amortisation of intangible assets (note 7)	2,443	2,309
Depreciation of tangible assets (note 8)	14,814	14,005
Impairment charge of tangible assets (note 8)	4	113
Value of stock expensed	479,960	499,855

Fees to the auditors of £6,000 (2019: £6,000) in relation to audit services were paid by Wm Morrison Supermarkets PLC on the Company's behalf. No fees were paid in relation to non-audit services (2019: none).

5 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on finance leases	57	77

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

6 Tax on profit on ordinary activities

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	-	5,018
Adjustment in respect of prior periods	842	(3,853)
	<u>842</u>	<u>1,165</u>
Deferred tax		
Current period	(354)	(308)
Adjustment in respect of prior periods	(8)	(3)
	<u>(362)</u>	<u>(311)</u>
Total tax charge for the period	<u>480</u>	<u>854</u>

The tax for both periods is different to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Profit on ordinary activities before taxation	<u>11,752</u>	<u>23,454</u>
	2020 £000	2019 £000
Profit before charge based on a corporation tax rate of 19% (2019: 19%)	2,233	4,456
Expenses not deductible for tax purposes	146	63
Adjustments in respect of prior periods - current tax	842	(3,853)
Group relief	(3,675)	-
Adjustments in respect of prior periods - deferred tax	(8)	(3)
Fixed asset differences	543	560
Change in rate	42	36
Transfer pricing adjustments	357	(405)
Total tax charge for the period	<u>480</u>	<u>854</u>

Factors affecting current and future tax charges

Legislation to reduce the standard rate of corporation tax to 17% from 1 April 2020 was included in Finance Act 2016 and was enacted in a previous period. Accordingly, deferred tax has been provided at 19% or 17% depending upon when the temporary difference is expected to reverse (2019: 19% or 17%).

The March 2020 Budget cancelled the planned reduction to 17% so the UK statutory tax rate will remain at 19% from 1 April 2020. The legislation was not enacted during the year so deferred tax has been provided using the 17% rate. If deferred tax was calculated using the 19% rate, the net deferred tax liability recognised at the reporting date would be increased from £7,006,000 to £7,380,000.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

7 Intangible assets

	Goodwill	Software development costs	Licences	Total
	£000	£000	£000	£000
Cost				
At 4 February 2019	16,742	3,268	523	20,533
Additions	-	421	4	425
Fully written down assets	-	(324)	(194)	(518)
At 2 February 2020	16,742	3,365	333	20,440
Accumulated amortisation and impairment				
At 4 February 2019	6,696	1,152	296	8,144
Amortisation charge	1,116	1,209	118	2,443
Fully written down assets	-	(324)	(194)	(518)
At 2 February 2020	7,812	2,037	220	10,069
Carrying amount				
At 2 February 2020	8,930	1,328	113	10,371
At 3 February 2019	10,046	2,116	227	12,389

The Company has performed its annual assessment of its amortisation policies and asset lives and deemed them to be appropriate. No changes have been made to asset lives during the year.

Fully amortised assets have been retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual amortisation charge, these assets have been removed from both cost and accumulated amortisation.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

8 Tangible assets

	Freehold land	Freehold buildings	Plant, equipment, fixtures and vehicles	Total
	£000	£000	£000	£000
Cost				
At 4 February 2019	9,058	82,368	113,387	204,813
Additions	-	-	12,892	12,892
Disposals	-	-	(8)	(8)
Fully written down assets	-	-	(927)	(927)
At 2 February 2020	9,058	82,368	125,344	216,770
Accumulated depreciation and Impairment				
At 4 February 2019	-	21,477	60,635	82,112
Depreciation charge	-	2,145	12,669	14,814
Impairment charge	-	-	4	4
Disposals	-	-	(8)	(8)
Fully written down assets	-	-	(927)	(927)
At 2 February 2020	-	23,622	72,373	95,995
Carrying amount				
At 2 February 2020	9,058	58,746	52,971	120,775
At 3 February 2019	9,058	60,891	52,752	122,701

The Company has performed its annual assessment of its depreciation policies and asset lives and deemed them to be appropriate. No changes have been made to asset lives during the year. Fully depreciated assets have been retained in the Company's fixed asset register. In order to provide greater understanding of the Company's annual depreciation charge, these assets have been removed from both cost and accumulated depreciation.

The totals in Plant, equipment, fixtures and vehicles above include a cost of £2,867,000 (2019: £7,577,000) and depreciation of £1,484,000 (2019: £4,013,000) in relation to property, plant and equipment held under finance lease.

9 Investments

	2020 £000	2019 £000
Cost and net book value	20,579	20,579

The Directors believe that the carrying value of the investment is supported by the underlying net assets of the subsidiary.

See note 10 for details of investments held by the Company.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

10 Related undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings including the country of incorporation, the principal activity and the effective percentage of equity owned as at 2 February 2020 is disclosed below. The registered address of the Company's related undertaking is Hilmore House, Gain Lane, Bradford, BD3 7DL.

Related undertaking	Country of incorporation	Principal activity	Interest
Farmers Boy (Deeside) Limited	United Kingdom	Dormant	100%

11 Stock

	2020 £000	2019 £000
Raw materials	15,425	13,100
Work in progress	1,842	2,346
Finished goods	4,985	4,987
	<u>22,252</u>	<u>20,433</u>

There is no significant difference between the balance sheet value and replacement cost of stock. Stock is stated after provisions for impairment of £nil (2019: £nil).

12 Debtors

	2020 £000	2019 £000
Trade debtors	719	2,267
Amounts owed by Group undertakings	1,146,918	790,420
Prepayments and accrued income	1,463	654
	<u>1,149,100</u>	<u>793,341</u>

No provisions have been made against trade debtors in the period.

Amounts owed by Group undertakings are non-interest bearing, unsecured and repayable on demand.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

13 Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2020 £000	2019 £000	2020 £000	2019 £000
Trade payables	29,795	33,535	-	-
Amounts owed to Group undertakings	977,179	625,959	514	2,867
Other payables	634	1,166	-	-
Accruals and deferred income	6,995	10,868	-	-
	<u>1,014,603</u>	<u>671,528</u>	<u>514</u>	<u>2,867</u>

Amounts owed to Group undertakings are non-interest bearing, unsecured and repayable on demand.

Also included in amounts owed to Group undertakings are net obligations under finance lease which are interest-bearing and unsecured. These are split between payable within one year of £2,353,000 (2019: £4,710,000) and payable within two to five years of £514,000 (2019: £2,867,000).

14 Deferred tax liabilities

The movements in deferred tax liabilities during the period are shown below.

	Property, plant and equipment £000
Deferred tax liability at 5 February 2018	7,679
Credited to profit or loss (note 6)	(311)
Deferred tax liability at 3 February 2019	7,368
Credited to profit or loss (note 6)	(362)
Deferred tax liability at 2 February 2020	<u>7,006</u>

15 Called-up share capital

	2020 £000	2019 £000
1,000,000 (2019: 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

All issued shares are fully paid.

FARMERS BOY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 2 FEBRUARY 2020

16 Post balance sheet events

Impact of the Covid-19 pandemic

The Covid-19 outbreak was largely confined to China as at the 2 February 2020, but developed quickly in the weeks following this. On 11 March the World Health Organisation declared the virus a pandemic, and from 16 March the UK Government announced social distancing measures which impacted day-to day life, with additional, stay at home measures being enforced later. As the subsequent impact on the UK was not apparent at the balance sheet date it has been concluded this represents a non-adjusting post balance sheet event. The Directors have reassessed the position as at the date of signing these financial statements and there is no change in view regarding the pandemic being considered a non-adjusting event.

17 Ultimate holding company

The Company's immediate parent undertaking is Wm Morrison Supermarkets Holdings Limited. The ultimate parent undertaking and controlling party is Wm Morrison Supermarkets PLC. This is the smallest and largest group in which these results of the Company are consolidated. Wm Morrison Supermarkets PLC is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Wm Morrison Supermarkets PLC are available from:

The Company Secretary
Wm Morrison Supermarkets PLC
Hilmore House
Gain Lane
Bradford
West Yorkshire
BD3 7DL