

Financial Statements AgReserves Limited

For the Year Ended 31 December 2012

Registered number: 2947030



Company Information

Directors	D M Sleight J R Larson (resigned 1 March 2013) J L Knight M E Knight (appointed 23 September 2013)
Company secretary	P Allen and B Conway
Registered number	2947030
Registered office	Manor Farm Church End Woodwalton Huntingdon Cambridgeshire PE28 5YU
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT

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Directors' Report

For the Year Ended 31 December 2012

The directors present their report and the financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the company during the year was that of arable farming

Business review

The company continues to pursue the goals laid out in the business plan, which include improving yields of the various crops by best practice methods, and reducing costs using economies of scale wherever possible and by strict numerical comparisons and control. Improving present holdings and areas of focus are under constant review. The policies set out by the Board are implemented by the Finance department which is closely supervised in this respect. The company is exposed to various risks as defined below

Price risk

As part of the nature of agriculture the company is subject to price variations, but active efforts are made to manage this risk by taking advantage of regular market information, forward contracts, and owning sufficient storage. These storage facilities allow the company to price and deliver product away from the harvest window which is well known to be a period of depressed prices

Credit risk

In view of the present economic downturn the company is making every effort to minimise exposure to customer credit risks and all appropriate steps are taken to reduce this risk

Interest/currency rate risks

With the present banking interest rates being so low there is a risk that the company does not make the best use of surplus cash and therefore every effort is being made to review all options that would bring the highest rates possible. Forward dealing facilities are also being explored in regards to foreign currency accounts

Key performance review

Monthly detailed reporting analysis is performed based on the company meeting budgets approved by the parent company, variances are monitored and if significant investigated, understood and reported

Results

The profit for the year, after taxation, amounted to £2,345,024 (2011 - £2,019,936). The directors have not recommended a dividend (2011 - £Nil)

Directors

The directors who served during the year were

D M Sleight
J R Larson (resigned 1 March 2013)
J L Knight

Directors' Report

For the Year Ended 31 December 2012

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to auditor

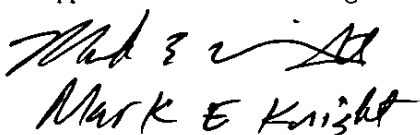
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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


Director

Date 23/09/2013

Independent Auditor's Report to the Members of AgReserves Limited

We have audited the financial statements of AgReserves Limited for the year ended 31 December 2012, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of AgReserves Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Grant Thornton UK LLP

Kathryn Godfree (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Birmingham

Date *27 September 2013*

Profit and Loss Account

For the Year Ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	9,104,929	8,706,879
Cost of sales		(5,919,937)	(5,336,132)
Gross profit		3,184,992	3,370,747
Administrative expenses		(934,343)	(1,114,727)
Exceptional profit on sale of fixed assets		671,306	408,072
Total administrative expenses		(263,037)	(706,655)
Operating profit	3	2,921,955	2,664,092
Interest receivable and similar income	6	155,944	90,231
Profit on ordinary activities before taxation		3,077,899	2,754,323
Tax on profit on ordinary activities	7	(732,875)	(734,387)
Profit for the financial year	16	2,345,024	2,019,936

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 7 to 15 form part of these financial statements

Balance Sheet

As at 31 December 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Intangible assets	8		-		33,628
Tangible assets	9		2,571,296		2,304,339
Investments	10		5,176		5,176
			<u>2,576,472</u>		<u>2,343,143</u>
Current assets					
Stocks	11	4,449,943		6,100,338	
Debtors	12	2,295,939		937,703	
Cash at bank and in hand		11,538,108		9,059,666	
		<u>18,283,990</u>		<u>16,097,707</u>	
Creditors amounts falling due within one year	13	(4,432,580)		(4,498,197)	
Net current assets			<u>13,851,410</u>		<u>11,599,510</u>
Total assets less current liabilities			<u>16,427,882</u>		<u>13,942,653</u>
Provisions for liabilities					
Deferred tax	14		(264,907)		(124,702)
Net assets			<u>16,162,975</u>		<u>13,817,951</u>
Capital and reserves					
Called up share capital	15		4,100,000		4,100,000
Other reserves	16		5,350,000		5,350,000
Profit and loss account	16		6,712,975		4,367,951
Shareholders' funds	17		<u>16,162,975</u>		<u>13,817,951</u>

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

Mark E. Knight
 Director

Date *23/09/2013*

The notes on pages 7 to 15 form part of these financial statements

Notes to the Financial Statements

For the Year Ended 31 December 2012

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Cash flow statement

Under the provisions of Financial Reporting Standard 1 (revised) 'Cash Flow Statements', the company has not prepared a cash flow statement because its parent undertaking, Farmland Reserve UK Ltd, has prepared consolidated financial statements which include the results of the company for the year and which are publicly available

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Revenue is recognised when the goods are received by the customer

1.4 Intangible assets and amortisation

Intangible assets are held at cost less amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Single farm payment entitlements were officially going to be reviewed by the EU in 2012, these negotiations are still on-going, in light of this entitlements are being amortised as follows

Single farm payment entitlements - Straight line over 3 years

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery - Straight line over 3 to 10 years

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment

1.7 Operating leases

Rentals under operating leases, where substantially all risks and rewards of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

Notes to the Financial Statements

For the Year Ended 31 December 2012

1. Accounting Policies (continued)

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Pensions

The company is part of a defined benefit scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans. The fund is valued every three years by a professionally qualified independent actuary, with rates of contributions payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates.

Pension costs are accounted for on the basis of contributions made in the year or accrued at the year end, on a defined contribution basis, as requested by Financial Reporting Standard 17 'Retirement Benefits' in circumstances where the company is unable to identify its share of the underlying assets and liabilities of the scheme. Full details of the plan are provided in the financial statements of The Church of Jesus Christ of Latter-day Saints (Great Britain).

1.11 Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.12 Single farm payment

Single farm payment is receivable on an annual basis, the annual payment is recognised in the year the application applies to. Due to the regular variation in when the payment occurs, this is recognised either by accrual or upon receipt of payment.

1.13 Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with entities that are part of the Farmland Reserve UK Limited group, where entities are wholly owned.

Notes to the Financial Statements

For the Year Ended 31 December 2012

2. Turnover

All turnover arose from the one principal activity of the company within the United Kingdom

3. Operating profit

The operating profit is stated after charging/(crediting)

	2012 £	2011 £
Depreciation of tangible fixed assets - owned by the company	530,706	604,521
Auditor's remuneration	12,550	12,000
Auditor's remuneration - fees payable to the company's auditor in respect of non-audit services	2,000	2,000
Amortisation of intangible assets	43,829	53,381
Profit on disposal of fixed assets	(671,306)	(408,072)

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	518,920	664,676
Social security costs	138,575	89,164
Other pension costs	103,158	155,083
	760,653	908,923

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

	2012 No	2011 No
Production and administration	18	22

5. Directors' remuneration

	2012 £	2011 £
Emoluments	90,569	25,053

During the year, one director (2011 - one) participated in respect of the defined benefit pension scheme

Notes to the Financial Statements

For the Year Ended 31 December 2012

6. Interest receivable

	2012	2011
	£	£
Bank interest receivable	155,944	90,231

7. Taxation

	2012	2011
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	620,068	625,874
Adjustments in respect of prior periods	(27,398)	31,204
Total current tax	592,670	657,078
Deferred tax		
Origination and reversal of timing differences	146,702	77,309
Effect of change of tax rate on opening liability	(10,279)	-
Adjustment in respect of prior periods	3,782	-
Total deferred tax (see note 14)	140,205	77,309
Tax on profit on ordinary activities	732,875	734,387

Notes to the Financial Statements

For the Year Ended 31 December 2012

7. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before tax	<u>3,077,899</u>	<u>2,754,323</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26%)	754,001	727,176
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	27,083	2,679
Capital allowances for year in excess of depreciation	(132,347)	(84,725)
Chargeable gain	-	15,112
Adjustments to tax charge in respect of prior periods	(27,398)	31,204
Non-taxable income	(4,247)	(37,218)
Other short term timing differences	(24,249)	3,023
Adjustment for FII income	(173)	(173)
Current tax charge for the year (see note above)	<u><u>592,670</u></u>	<u><u>657,078</u></u>

8. Intangible fixed assets

	Single farm payment entitlements £
Cost	
At 1 January 2012	120,637
Additions	10,201
At 31 December 2012	<u>130,838</u>
Amortisation	
At 1 January 2012	87,009
Charge for the year	43,829
At 31 December 2012	<u>130,838</u>
Net book value	
At 31 December 2012	<u><u>-</u></u>
At 31 December 2011	<u><u>33,628</u></u>

Notes to the Financial Statements

For the Year Ended 31 December 2012

9. Tangible fixed assets

	Plant & machinery £
Cost	
At 1 January 2012	6,203,751
Additions	1,062,109
Disposals	(1,725,620)
At 31 December 2012	<u>5,540,240</u>
Depreciation	
At 1 January 2012	3,899,412
Charge for the year	530,706
On disposals	(1,461,174)
At 31 December 2012	<u>2,968,944</u>
Net book value	
At 31 December 2012	<u>2,571,296</u>
At 31 December 2011	<u>2,304,339</u>

10. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2012 and 31 December 2012	<u>5,176</u>
Net book value	
At 31 December 2012	<u>5,176</u>
At 31 December 2011	<u>5,176</u>

The market value of the listed investments at 31 December 2011 was £11,222 (2010 - £14,142)

11. Stocks

	2012 £	2011 £
Cultivations	1,993,667	2,258,470
Crop in store	2,456,276	3,841,868
	<u>4,449,943</u>	<u>6,100,338</u>

Notes to the Financial Statements

For the Year Ended 31 December 2012

12. Debtors

	2012	2011
	£	£
Trade debtors	802,333	820,031
Other debtors	1,485,506	105,522
Prepayments	8,100	12,150
	<u>2,295,939</u>	<u>937,703</u>

13. Creditors:

Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	123,461	5,012
Amounts owed to group undertakings	3,982,511	3,807,806
Corporation tax	200,105	414,336
Social security and other taxes	66,177	157,387
Other creditors	33,183	81,234
Accruals	27,143	32,422
	<u>4,432,580</u>	<u>4,498,197</u>

14. Deferred taxation

	2012	2011
	£	£
At beginning of year	124,702	47,393
Charge for year	140,205	77,309
	<u>264,907</u>	<u>124,702</u>

The provision for deferred taxation is made up as follows

	2012	2011
	£	£
Accelerated capital allowances	229,888	111,034
Other short term timing differences	35,019	13,668
	<u>264,907</u>	<u>124,702</u>

Notes to the Financial Statements

For the Year Ended 31 December 2012

15. Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
4,100,000 Ordinary shares of £1 each	<u>4,100,000</u>	<u>4,100,000</u>

16. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2012	5,350,000	4,367,951
Profit for the year		2,345,024
At 31 December 2012	<u>5,350,000</u>	<u>6,712,975</u>

17. Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Opening shareholders' funds	13,817,951	11,798,015
Profit for the year	<u>2,345,024</u>	<u>2,019,936</u>
Closing shareholders' funds	<u>16,162,975</u>	<u>13,817,951</u>

18. Pension commitments

The company participates in a pension scheme operated by the Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans ("the Plan"). This scheme is of the defined benefit type and are funded by contributions from the participating companies and their employees at rates determined by independent actuaries in the light of regular valuations. Such contributions are held in trustee-administered funds completely independent of group finances. Full disclosure of the valuation is shown in the accounts of The Church of Jesus Christ of Latter-day Saints (Great Britain). The company has accounted for the scheme as if it was a defined contribution scheme because it is not feasible to split the assets and liabilities of the scheme between all the companies whose employees are members. Contributions to the scheme for the year were £103,158 (2011 - £155,083).

19. Post balance sheet events

At the year end 31 December 2012 Farmland Reserve UK Limited, the parent company of AgReserves Limited, was in the midst of negotiating a land swap, which consisted of trading its Norfolk farm property for farm properties near its headquarters in Cambridgeshire plus a differential payment. The transaction completed on 25 February 2013. The effect of this on AgReserves is that as owner of the entitlements it sold the relevant entitlements for the Norfolk farm property to the purchaser.

AgReserves Limited

Notes to the Financial Statements

For the Year Ended 31 December 2012

20. Ultimate parent undertaking and controlling party

The company is owned by Farmland Reserve UK Ltd