

# Financial Statements AgReserves Limited

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**For the Year Ended 31 December 2013**



**Registered number: 2947030**

## Company Information

<b>Directors</b>	D M Sleight J L Knight (resigned 15 January 2014) M E Knight (appointed 23 September 2013)
<b>Company secretary</b>	P Allen and B Conway
<b>Registered number</b>	2947030
<b>Registered office</b>	Manor Farm Church End Woodwalton Huntingdon Cambridgeshire PE28 5YU
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT

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# **Strategic Report**

**For the Year Ended 31 December 2013**

## **Introduction**

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.

## **Principal risks and uncertainties**

The following statements summarise The Company's policy in managing identified forms of financial risk:

### **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.

## Strategic Report (continued)

For the Year Ended 31 December 2013

### Financial key performance indicators

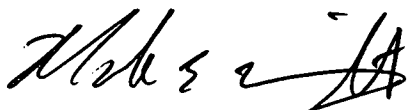
Monthly detailed reporting analysis is performed based on the company meeting budgets approved by the parent company, variances are monitored and if significant investigated, understood and reported.

### Other key performance indicators

	2013	2012	2011	2010	2009
Operating profit	2,271,179	2,921,955	2,664,092	1,914,629	1,595,021
YE Stock Value	5,323,823	4,449,943	6,100,338	6,478,344	5,681,617

The Directors are satisfied with the above performance

This report was approved by the board on 19 September 2014 and signed on its behalf.



**M E Knight**  
Director

# Directors' Report

## For the Year Ended 31 December 2013

The directors present their report and the financial statements for the year ended 31 December 2013.

### **Results**

The profit for the year, after taxation, amounted to £1,799,967 (2012 - £2,345,024).

### **Directors**

The directors who served during the year were:

D M Sleight  
J L Knight (resigned 15 January 2014)  
M E Knight (appointed 23 September 2013)

### **Matters covered in the Strategic report**

The business review, principal risks and uncertainties and key performance indicators have been included within the Strategic report.

### **Directors' responsibilities statement**

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 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.

### **Disclosure 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 relevant audit information and to establish that the company's auditor is aware of that information.

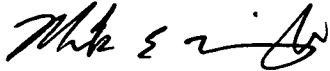
## Directors' Report

For the Year Ended 31 December 2013

### **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.

A handwritten signature in black ink, appearing to read 'M E Knight', written in a cursive style.

M E Knight  
Director

Date: 19 September 2014

## 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 2013, 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 Financial Reporting Council's website at [www.frc.org.uk/apb/scope/private.cfm](http://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 2013 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 and Strategic 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.

A handwritten signature in black ink, appearing to read "Kathryn Godfree".

Kathryn Godfree (Senior Statutory Auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Chartered Accountants  
Statutory Auditor  
Birmingham

23 September 2014

## Profit and Loss Account

For the Year Ended 31 December 2013

	Note	2013 £	2012 £
<b>Turnover</b>	1,2	<b>6,462,262</b>	9,104,929
Cost of sales		<u>(3,905,047)</u>	<u>(5,919,937)</u>
<b>Gross profit</b>		<b>2,557,215</b>	3,184,992
Administrative expenses		<b>(845,944)</b>	(934,343)
Exceptional profit on sale of fixed assets		<b>559,908</b>	671,306
Total administrative expenses		<u>(286,036)</u>	<u>(263,037)</u>
<b>Operating profit</b>	3	<b>2,271,179</b>	2,921,955
Interest receivable and similar income	6	<u>75,849</u>	<u>155,944</u>
<b>Profit on ordinary activities before taxation</b>		<b>2,347,028</b>	3,077,899
Tax on profit on ordinary activities	7	<u>(547,061)</u>	<u>(732,875)</u>
<b>Profit for the financial year</b>	16	<u><b>1,799,967</b></u>	<u>2,345,024</u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the profit and loss account.

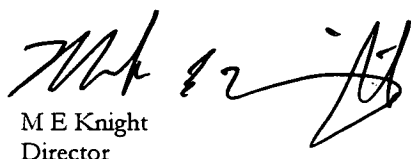
The notes on pages 9 to 16 form part of these financial statements.

## Balance Sheet

As at 31 December 2013

	Note	£	2013 £	£	2012 £
<b>Fixed assets</b>					
Intangible assets	8		-		-
Tangible assets	9		2,297,695		2,571,296
Investments	10		5,176		5,176
			<u>2,302,871</u>		<u>2,576,472</u>
<b>Current assets</b>					
Stocks	11	5,323,823		4,449,943	
Debtors	12	1,461,746		2,295,939	
Cash at bank and in hand		13,807,316		11,538,108	
		<u>20,592,885</u>		<u>18,283,990</u>	
<b>Creditors: amounts falling due within one year</b>	13	(4,614,044)		(4,432,580)	
<b>Net current assets</b>			<u>15,978,841</u>		<u>13,851,410</u>
<b>Total assets less current liabilities</b>			<u>18,281,712</u>		<u>16,427,882</u>
<b>Provisions for liabilities</b>					
Deferred tax	14		(318,770)		(264,907)
<b>Net assets</b>			<u>17,962,942</u>		<u>16,162,975</u>
<b>Capital and reserves</b>					
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		8,512,942		6,712,975
<b>Shareholders' funds</b>	17		<u>17,962,942</u>		<u>16,162,975</u>

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

  
M E Knight  
Director

Date: 19 September 2014

The notes on pages 9 to 16 form part of these financial statements.

# Notes to the Financial Statements

For the Year Ended 31 December 2013

## 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 Limited, has prepared consolidated financial statements, which include the results of the company for the year and 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, although the review has taken place during 2013, finalization of the outcome of the review is still ongoing. In light of this, entitlements are being amortised over the remaining review period and therefore additions during 2013 have been fully amortised within the year.

### 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
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### 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 2013

## **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.

# Notes to the Financial Statements

For the Year Ended 31 December 2013

## 1. Accounting Policies (continued)

### 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.

## 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):

	2013 £	2012 £
Depreciation of tangible fixed assets:		
- owned by the company	568,042	530,706
Auditor's remuneration	12,550	12,550
Auditor's remuneration - non-audit	2,000	2,000
Amortisation of intangible assets	184,518	43,829
Profit on disposal of fixed assets	(559,908)	(671,306)
	<u>          </u>	<u>          </u>

## 4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013 £	2012 £
Wages and salaries	484,477	518,920
Social security costs	73,956	138,575
Other pension costs	109,571	103,158
	<u>          </u>	<u>          </u>
	<u>668,004</u>	<u>760,653</u>

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

	2013 No.	2012 No.
Production and administration	<u>15</u>	<u>18</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2013

## 5. Directors' remuneration

	2013	2012
	£	£
Remuneration	25,134	90,569

During the year, one director (2012: one) participated in respect of the defined benefit pension scheme.

## 6. Interest receivable

	2013	2012
	£	£
Bank interest receivable	75,849	155,944

## 7. Taxation

	2013	2012
	£	£
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	489,422	620,068
Adjustments in respect of prior periods	3,776	(27,398)
<b>Total current tax</b>	<b>493,198</b>	<b>592,670</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	84,981	146,702
Effect of change of tax rate on opening liability	(35,068)	(10,279)
Adjustment in respect of prior periods	3,950	3,782
<b>Total deferred tax</b> (see note 14)	<b>53,863</b>	<b>140,205</b>
<b>Tax on profit on ordinary activities</b>	<b>547,061</b>	<b>732,875</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2013

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

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	<u>2,347,028</u>	<u>3,077,899</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 - 24.5%)	545,604	754,001
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	42,894	27,083
Capital allowances for year in excess of depreciation	(98,776)	(132,347)
Adjustments to tax charge in respect of prior periods	3,776	(27,398)
Non-taxable income	(300)	(4,247)
Other short term timing differences	-	(24,249)
Adjustment for FII income	-	(173)
<b>Current tax charge for the year</b> (see note above)	<u><u>493,198</u></u>	<u><u>592,670</u></u>

**8. Intangible fixed assets**

	Single farm payment entitlements £
<b>Cost</b>	
At 1 January 2013	130,838
Additions	184,518
At 31 December 2013	<u>315,356</u>
<b>Amortisation</b>	
At 1 January 2013	130,838
Charge for the year	184,518
At 31 December 2013	<u>315,356</u>
<b>Net book value</b>	
At 31 December 2013	<u><u>-</u></u>
At 31 December 2012	<u><u>-</u></u>



# Notes to the Financial Statements

For the Year Ended 31 December 2013

## 9. Tangible fixed assets

	Plant & machinery £
<b>Cost</b>	
At 1 January 2013	5,540,240
Additions	1,121,565
Disposals	(2,256,341)
At 31 December 2013	<u>4,405,464</u>
<b>Depreciation</b>	
At 1 January 2013	2,968,944
Charge for the year	568,042
On disposals	(1,429,217)
At 31 December 2013	<u>2,107,769</u>
<b>Net book value</b>	
At 31 December 2013	<u>2,297,695</u>
At 31 December 2012	<u>2,571,296</u>

## 10. Fixed asset investments

	Listed investments £
<b>Cost or valuation</b>	
At 1 January 2013 and 31 December 2013	<u>5,176</u>
<b>Net book value</b>	
At 31 December 2013	<u>5,176</u>
At 31 December 2012	<u>5,176</u>

The market value of the listed investments at 31 December 2013 was £18,175 (2012: £13,008).

## 11. Stocks

	2013 £	2012 £
Cultivations	2,256,249	1,993,667
Crop in store	3,067,574	2,456,276
	<u>5,323,823</u>	<u>4,449,943</u>

# Notes to the Financial Statements

For the Year Ended 31 December 2013

## 12. Debtors

	2013	2012
	£	£
Trade debtors	1,258,914	802,333
Other debtors	83,215	1,485,506
Prepayments	119,617	8,100
	<u>1,461,746</u>	<u>2,295,939</u>

## 13. Creditors: Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	14,109	123,461
Amounts owed to group undertakings	4,243,110	3,982,511
Corporation tax	215,957	200,105
Other taxation and social security	8,892	66,177
Other creditors	20,480	33,183
Accruals	111,496	27,143
	<u>4,614,044</u>	<u>4,432,580</u>

## 14. Deferred taxation

	2013	2012
	£	£
At beginning of year	264,907	124,702
Charge for year (P&L)	53,863	140,205
	<u>318,770</u>	<u>264,907</u>

The provision for deferred taxation is made up as follows:

	2013	2012
	£	£
Accelerated capital allowances	264,907	229,888
Other short term timing differences	53,863	35,019
	<u>318,770</u>	<u>264,907</u>

## Notes to the Financial Statements

For the Year Ended 31 December 2013

**15. Share capital**

	2013 £	2012 £
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 2013	5,350,000	6,712,975
Profit for the year		1,799,967
At 31 December 2013	<u>5,350,000</u>	<u>8,512,942</u>

**17. Reconciliation of movement in shareholders' funds**

	2013 £	2012 £
Opening shareholders' funds	16,162,975	13,817,951
Profit for the financial year	<u>1,799,967</u>	<u>2,345,024</u>
Closing shareholders' funds	<u>17,962,942</u>	<u>16,162,975</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 £109,606 (2012: £103,158).

**19. Ultimate parent undertaking and controlling party**

The immediate parent company is Farmland Reserve UK Limited. The ultimate holding company is the Farmland Reserve Inc., a company incorporated in the state of Utah, United States of America.