

Financial Statements

AgReserves Limited

For the Year Ended 31 December 2014



Registered number: 2947030

Company Information

Directors	D M Sleight T N Jones B M Conway (appointed 10 September 2015)
Company secretary	P Allen
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

Contents

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 6
Profit and Loss Account	7
Balance Sheet	8
Notes to the Financial Statements	9 - 17

Strategic Report

For the Year Ended 31 December 2014

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 products away from the harvest window which is well known to be a period of depressed prices.

Credit risk

In view of the recent 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 continue to be explored in regards to foreign currency accounts.

Financial key performance indicators

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

Other key performance indicators

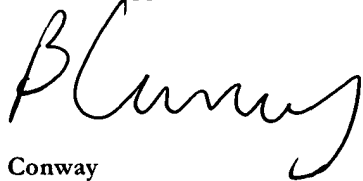
	2014	2013	2012	2011	2010
	£	£	£	£	£
Operating profit and profit on sale of fixed assets	986,374	2,271,179	2,921,955	2,664,092	1,914,629
Year end stock value	4,861,477	5,323,823	4,449,943	6,100,338	6,478,344

The Directors are satisfied with the above performance.

Strategic Report (continued)

For the Year Ended 31 December 2014

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

A handwritten signature in black ink, appearing to read 'B M Conway', with a large, stylized 'B' and a cursive 'M'.

B M Conway

Director

Date: 10 September 2015

Directors' Report

For the Year Ended 31 December 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

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 laws). 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.

Directors

The directors who served during the year were:

D M Sleight
M E Knight (resigned 10 September 2015)
T N Jones (appointed 1 October 2014)
J L Knight (resigned 15 January 2014)

B M Conway was appointed as a director on 10 September 2015.

Matters covered in the Strategic report

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

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 directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- directors 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.

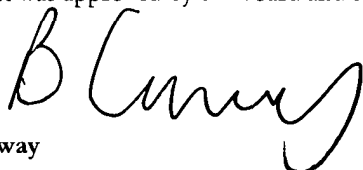
Directors' Report

For the Year Ended 31 December 2014

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 'B Conway', written over the printed name and title.

B M Conway
Director

Date: 10 September 2015

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 2014, 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/auditscopeukprivate.

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 2014 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.

Kathryn Godfree

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

10 September 2015

Profit and Loss Account

For the Year Ended 31 December 2014

	Note	2014 £	2013 £
Turnover	1,2	6,660,548	6,462,262
Cost of sales		(4,818,760)	(3,905,047)
Gross profit		1,841,788	2,557,215
Administrative expenses		(906,307)	(845,944)
Operating profit	3	935,481	1,711,271
Exceptional profit on sale of fixed assets		50,893	559,908
Interest receivable and similar income	6	49,143	75,849
Profit on ordinary activities before taxation		1,035,517	2,347,028
Tax on profit on ordinary activities	7	(232,934)	(547,061)
Profit for the financial year	16	802,583	1,799,967

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the profit and loss account.

The notes on pages 9 to 17 form part of these financial statements.

Balance Sheet

As at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Intangible assets	8		-		-
Tangible assets	9		2,078,758		2,297,695
Investments	10		5,176		5,176
			<u>2,083,934</u>		<u>2,302,871</u>
Current assets					
Stocks	11	4,861,477		5,323,823	
Debtors	12	1,040,763		1,461,746	
Cash at bank and in hand		15,656,793		13,807,316	
		<u>21,559,033</u>		<u>20,592,885</u>	
Creditors: amounts falling due within one year	13	(4,573,454)		(4,614,044)	
Net current assets			<u>16,985,579</u>		<u>15,978,841</u>
Total assets less current liabilities			<u>19,069,513</u>		<u>18,281,712</u>
Provisions for liabilities					
Deferred tax	14		(303,988)		(318,770)
Net assets			<u>18,765,525</u>		<u>17,962,942</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		9,315,525		8,512,942
Shareholders' funds	17		<u>18,765,525</u>		<u>17,962,942</u>

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


B M Conway
 Director

Date: 10 September 2015

The notes on pages 9 to 17 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2014

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 Going concern

The financial statements have been prepared on a going concern basis. Forecasts are prepared by the directors on an annual basis. The directors consider it appropriate to apply the going concern assumption given the significant cash balances and profits made by the company.

1.3 Turnover

Revenue from crop sales is recognised upon receipt of the goods by the customer. Whilst goods are in transit, the risk and reward of ownership remain with the company. Components of contract sales are recognised at the point of the relevant transaction, and in line with relevant accounting standards. Single farm payments and subsidy income are recognised in the period they relate to.

1.4 Intangible fixed assets and amortisation

Intangible assets are held at cost less amortisation. Amortisation is calculated to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Intangible assets have previously arisen from single farm payment entitlements. Single farm payment entitlements were officially going to be reviewed by the EU in 2012, however the review took place during 2013 and finalisation of the outcome of the review was ongoing at the prior year end. In light of this, entitlements have been amortised over the remaining review period.

1.5 Tangible fixed assets and depreciation

Individual fixed assets costing more than £5,000 are capitalised at cost.

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, 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.

Notes to the Financial Statements

For the Year Ended 31 December 2014

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' as 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 Related parties

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 and within the United Kingdom.

Notes to the Financial Statements

For the Year Ended 31 December 2014

3. Operating profit

The operating profit is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	504,281	568,042
Auditor's remuneration	13,000	12,550
Auditor's remuneration - non-audit	2,000	2,000
Amortisation of intangible assets	-	184,518
Operating lease rentals - other operating leases	13	10
	<u>519,294</u>	<u>767,120</u>

4. Staff costs

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

	2014	2013
	£	£
Wages and salaries	521,150	484,477
Social security costs	128,051	73,956
Other pension costs	109,156	109,571
	<u>758,357</u>	<u>668,004</u>

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

	2014	2013
	No.	No.
Production and administration	16	15
	<u>16</u>	<u>15</u>

5. Directors' remuneration

	2014	2013
	£	£
Remuneration	97,221	25,134
	<u>97,221</u>	<u>25,134</u>

During the year, no directors (2013: none) participated in respect of the defined benefit pension scheme.

No amounts were paid in respect of directors pension contributions during the year (2013: £nil).

Notes to the Financial Statements

For the Year Ended 31 December 2014

6. Interest receivable

	2014	2013
	£	£
Bank interest receivable	49,143	75,849

7. Taxation

	2014	2013
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	237,165	489,422
Adjustments in respect of prior periods	10,552	3,776
Total current tax	247,717	493,198
Deferred tax		
Origination and reversal of timing differences	(13,994)	84,981
Effect of change of tax rate on opening liability	-	(35,068)
Adjustment in respect of prior periods	(789)	3,950
Total deferred tax (see note 14)	(14,783)	53,863
Tax on profit on ordinary activities	232,934	547,061

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%). The differences are explained below:

	2014	2013
	£	£
Profit on ordinary activities before tax	1,035,517	2,347,028
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 - 23.25%)	222,565	545,604
Effects of:		
Expenses not deductible for tax purposes	-	42,894
Depreciation in excess of capital allowances	13,783	(98,776)
Adjustments to tax charge in respect of prior periods	10,552	3,776
Other short term timing differences	1,255	-
Exempt dividend income	(438)	(300)
Current tax charge for the year (see note above)	247,717	493,198

Notes to the Financial Statements

For the Year Ended 31 December 2014

8. Intangible fixed assets

	Single farm payment entitlements £
Cost	
At 1 January 2014 and 31 December 2014	315,356
Amortisation	
At 1 January 2014 and 31 December 2014	315,356
Net book value	
At 31 December 2014	-
At 31 December 2013	-

9. Tangible fixed assets

	Plant & machinery £
Cost	
At 1 January 2014	4,405,464
Additions	423,619
Disposals	(544,581)
At 31 December 2014	4,284,502
Depreciation	
At 1 January 2014	2,107,769
Charge for the year	504,281
On disposals	(406,306)
At 31 December 2014	2,205,744
Net book value	
At 31 December 2014	2,078,758
At 31 December 2013	2,297,695

Notes to the Financial Statements

For the Year Ended 31 December 2014

10. Fixed asset investments

	Listed investments £
Cost or valuation	
At 1 January 2014 and 31 December 2014	5,176
Net book value	
At 31 December 2014	5,176
At 31 December 2013	5,176

The market value of the listed investments at 31 December 2014 was £16,667 (2013: £18,175).

11. Stocks

	2014 £	2013 £
Cultivations	2,149,106	2,256,249
Crop in store	2,712,371	3,067,574
	<u>4,861,477</u>	<u>5,323,823</u>

12. Debtors

	2014 £	2013 £
Trade debtors	880,802	1,258,914
Amounts owed by group undertakings	115,567	-
Corporation tax repayable	44,394	-
Other debtors	-	83,215
Prepayments	-	119,617
	<u>1,040,763</u>	<u>1,461,746</u>

Notes to the Financial Statements

For the Year Ended 31 December 2014

13. Creditors:

Amounts falling due within one year

	2014	2013
	£	£
Trade creditors	47,646	14,109
Amounts owed to group undertakings	4,299,811	4,243,110
Corporation tax	-	215,957
Other taxation and social security	109,450	8,892
Other creditors	21,374	20,480
Accruals	95,173	111,496
	<u>4,573,454</u>	<u>4,614,044</u>

14. Deferred taxation

	2014	2013
	£	£
At beginning of year	318,770	264,907
(Released during)/charge for year (P&L)	(14,782)	53,863
	<u>303,988</u>	<u>318,770</u>

The provision for deferred taxation is made up as follows:

	2014	2013
	£	£
Accelerated capital allowances	274,705	288,319
Other short term timing differences	29,283	30,451
	<u>303,988</u>	<u>318,770</u>

15. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
4,100,000 Ordinary shares of £1 each	<u>4,100,000</u>	<u>4,100,000</u>

Notes to the Financial Statements

For the Year Ended 31 December 2014

16. Reserves

	Other reserves £	Profit and loss account £
At 1 January 2014	5,350,000	8,512,942
Profit for the year		802,583
At 31 December 2014	<u>5,350,000</u>	<u>9,315,525</u>

17. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	17,962,942	16,162,975
Profit for the financial year	<u>802,583</u>	<u>1,799,967</u>
Closing shareholders' funds	<u>18,765,525</u>	<u>17,962,942</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 £109,156 (2013: £109,571).

19. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014 £	2013 £	2014 £	2013 £
Expiry date:				
Within 1 year	3,450	8,854	-	-
Between 2 and 5 years	<u>-</u>	<u>7,590</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the Year Ended 31 December 2014

20. 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.

The largest and smallest group of undertakings for which group accounts are drawn up is the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints, which is a charity based in the USA.