



financial statements

Farmland Reserve UK Limited

For the year ended: 31 December 2016

Company registration number: 1332670

Charity number: 274605

FARMLAND RESERVE UK LIMITED

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FARMLAND RESERVE UK LIMITED

**REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Trustees

D M Sleight, Trustee
T N Jones, Trustee
B M Conway, Trustee

Company registered number

1332670

Charity registered number

274605

Principal and Registered office

Manor Farm, Church End, Wood Walton, Huntingdon, Cambridgeshire, PE28 5YU

Company secretary

B J Garlick

Independent auditors

MHA MacIntyre Hudson, 1 The Forum, Minerva Business Park, Lynch Wood, Peterborough, PE2 6FT

Bankers

NatWest, 92 High Street, Huntingdon, PE29 3DT

Solicitors

Devonshires, 30 Finsbury Circus, London, EC2M 7DT

**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Trustees, who are also directors for the purposes of the Companies Act of the company (The Charity), present their annual report together with the audited financial statements of Farmland Reserve UK Limited and its subsidiaries (The Charity and The Group) for the year ended 31 December 2016. The Trustees confirm that the financial statements of The Charity and The Group comply with the current provisions of FRS 102 and the Charities SORP 2015 (FRS 102).

Objectives and Activities

Objectives and principal activities

The object of The Charity is:

To promote and further the religious and other charitable work of The Church of Jesus Christ of Latter-day Saints in the United Kingdom and elsewhere and to assist members and other persons who are in conditions of need, hardship, sickness and distress, to all ages and denominations.

The Charity will support charitable organisations, trusts, associations or institutions formed for any of the charitable purposes included in the Objects, through the provision of sponsorship, grants or other financial or in kind contributions.

In 2012 the Trustees met with representatives of The Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints ("CPB") to discuss making a significant donation to support CPB's international building projects for religious purpose buildings and other projects which both CPB and the Church had approved around the world. It was decided that this would be a better match (and easier to monitor) to the Charity's objectives rather than making individual donations to various charitable organisations within the UK and elsewhere.

The Trustees investigated the way in which these projects were identified and approved by internal Church committees, the type of projects and their religious and charitable purposes. Furthermore, they were happy with the infrastructure and controls that CPB had in place to ensure proper implementation of these projects.

Following discussion amongst the Trustees, it was agreed that making a significant donation to CPB was consistent with the aims and purposes of The Charity. During 2012 a donation of £31.6m was made to CPB.

The projects supported by this investment have been closely monitored each year and the Trustees have received regular updates and reports.

Future developments

Between 2013 and 2016 no donations have been made as funds were being reserved consistent with the plan of 'blocking up' which was the Charity's objective to make its land investment more efficient. Significant progress has been made in the period of 2013 and 2016 to which the trustees have felt confident to consider donations again and, donations to viable projects have already occurred during 2017 to date, with a further large donation currently planned.

Public Benefit

The Trustees have read and given due regard to the guidance on public benefit published by The Charity Commission in exercising their powers and duties.

FARMLAND RESERVE UK LIMITED

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

Financial Review

Financial results

Each year The Trustees carry out a detailed review of The Charity. They review the previous year's achievements and review and approve the budgets for next year.

The end of the year saw a reduced profitability year driven by depressed commodity prices, whereas in recent prior years The Charity has seen the benefit from better commodity prices and the selling of the outlying properties previously mentioned as part of their blocking-up process.

Incoming resources stayed fairly level slightly reducing from £5,329k in 2015 to £5,324k in 2016. Income from trading subsidiary increased to £5,214k (2015: £5,149k) and investment income decreased to £52k (2015: £103k).

Costs, excluding tax, were maintained within budget but increased from £3,940k in 2015 to £4,493k in 2016. No donation has been made in the current or prior year, but donations to viable projects have already occurred during 2017 to date, with a further large donation currently planned.

Incoming resources exceeded resources expended for the year by £770k (2015: £1,287k).

Investment policy and performance

Under the Articles of Association, The Charity has the power to invest in any way the Trustees deem to be in the best interests of The Charity.

The Charity's objective is to maintain high liquidity while ensuring maximum security and achieving the highest possible return. This will help facilitate future farm acquisition as listed in the future plans section of this Trustee Report.

To achieve this objective, The Charity by the year end had invested £30.6 million (2015: £33.4 million) of excess funds in an Instant Access Interest Bearing account with high security rating and achieved an average interest rate of 0.40% (2015: 1.50% gross) during 2016.

Investment income is recognised on a receivable basis.

Reserves policy

The Trustees have established the level of reserves (that is those funds that are freely available) that The Charity and its subsidiary companies ought to have ready access to. Reserves are needed to bridge any funding gap between spending and receiving resources through shareholder grants and leasing of farmland.

The Trustees' policy is to hold, as a minimum, the equivalent of approximately 12 months charitable expenditure in reserves.

The actual reserves at 31 December 2016 were £90,396k (2015: £89,626k) which is significantly above the Trustees' target due to retaining a portion for possible future agricultural acquisitions as part of its ongoing consolidation efforts.

In addition the Trustees wish to observe that during 2017 to date charitable donations have been made to causes that meet The Charity's objectives with a larger donation under current proposal and review.

It is the Trustees' view that it is prudent to ensure that there are sufficient reserves to provide financial flexibility. The Trustees consider it appropriate to adopt a going concern basis of accounting as there are sufficient reserves in place and an ongoing income stream is anticipated.

FARMLAND RESERVE UK LIMITED

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

The reserves policy is reviewed on an annual basis.

Structure, governance and management

Governing document

The Charity continues to be both a limited company and a registered charity. In conjunction with this, The Charity is governed by its Memorandum and Articles of Association which were last amended on 22 November 2011.

The purpose of The Charity as set out in the government document as laid out in the Objectives and Activities section of this report, with the main activities undertaken in relation to those purposes.

Appointment of Trustees

As set out in the Articles of Association, new or additional trustees are to be appointed by the shareholder (Farmland Reserve, Inc.) or by decision of the Trustees, providing such persons are willing so to act either to fill a vacancy or as an additional trustee.

Trustee induction and training

New trustees undergo an orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and recent financial performance of The Charity.

During the orientation day they meet key employees and other trustees. Trustees are updated and advised on legal issues by Devonshires solicitors.

Organisation

The sole shareholder of The Charity is Farmland Reserve, Inc. a non-profit corporation based in Utah, USA.

Direction is channelled to The Charity via the shareholder and is reflected in the various department budgets/plans which are reviewed by the Trustees annually.

Within this framework, the board of trustees administers the affairs of The Charity. The Trustees monitor progress and achievements throughout the year and other trustee meetings are held as necessary. The Trustees direct the Charity and the operation of the Charity on a day to day basis is delegated to the Senior Management Team. The pay of the Senior Management Team is reviewed annually by Trustees benchmarked against the pay of others in similar charitable roles.

Related parties

The Charity holds 100% of the share capital of its subsidiary company, AgReserves Limited.

Subsidiary undertakings

AgReserves Limited's principal activity continued to be that of arable farming and it operates a policy of generating the highest profits feasible from efficient farming techniques that utilise the latest technology.

AgReserves Limited leases all of the farmland owned by Farmland Reserve UK Limited and then farms that land. The Trustees are mindful that the small and somewhat scattered nature of some of the parcels of land do lead to some labour and equipment inefficiencies. The Trustees believe that this weakness in the operations of the farms can be overcome by consolidating land holdings around one major farm centre in Cambridgeshire.

FARMLAND RESERVE UK LIMITED

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

This process of consolidation began in 2008 and has continued through to 2016.

The profit for the year of the subsidiary AgReserves Limited included in the statement of financial activities was a profit of £43k (2015: £621k).

Risk management

The Trustees have assessed the major risks to which The Charity and the group are exposed, in particular those related to the operations and finances of The Charity and the group, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks. The risk management strategy of Trustees includes an annual review of the principal risks, which identified active management of the investment properties as a major risk. The trustees regularly review the procedures in place to mitigate investment risk.

Employees

The Charity has the policy of ensuring that its employees are able to meet the necessary requirements of their position and are up to date on any developments required for their position. This is achieved in a variety of ways:

Applications for new positions in The Charity are invited from anyone with the relevant qualifications - the key emphasis is on their ability to meet the requirements of the position although the application form does request the applicant to mention if they have any illness or medical condition which the employer would need to be aware of in order to make reasonable adjustments should they be successful.

The Charity utilises regular staff meetings during the year which help to ensure that the employees' input is received regarding any decisions which affect their interests. In addition, there are websites and e-mail facilities available to enable more effective communication and training. This helps to ensure that employees receive systematic updates on matters concerning them as employees and ensures their involvement in relation to the financial and economic factors that affect the performance of The Charity and The Group.

In addition to the above points, The Charity is mindful of the need to cater for those with disabilities. Where any employees become incapacitated during their employment they are entitled to receive long-term disability benefits from The Charity. Where an employee becomes disabled but not incapacitated the employer will make any reasonable adjustments necessary. The same opportunities are available to all staff, irrespective of disability. The key emphasis is on the technical ability of each employee.

Reference and administrative details

Registered name and number

The registered name of The Charity is Farmland Reserve UK Limited. The Charity does not use any other names.

The charity registration number is 274605. The Charity is registered with the Charity Commission in England and Wales. The company registration number is 1332670.

Office

The principal and registered office address is Manor Farm, Church End, Wood Walton, Huntingdon, Cambridgeshire, PE28 5YU.

FARMLAND RESERVE UK LIMITED

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Directors and trustees

The trustees who served during the year and subsequent to the year end and up to the date of signing the report were as follows:

D M Sleight
T N Jones
B M Conway

None of the trustees have qualifying third party indemnity insurance.

Funds held as custodian trustee on behalf of others

The Charity does not hold funds as custodian trustee on behalf of others.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

Strategic Report

Principal risks and uncertainties

Financial risk and management

The main risk The Charity faces is that it relies on income from the leasing of all the farmland it owns to its subsidiary undertaking. The Charity has sufficient reserves to meet the needs of its charitable activities for the foreseeable future and has assurances of continuing support from the parent company.

Other forms of risks and the management of these risks are:

Price risk

Salary costs are communicated to staff during the formal annual review of salaries. Prices of materials purchased are subject to contracts with suppliers, based on current market prices.

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

Credit risk on amounts owed to The Charity by its customers is low as the main debtor is AgReserves Limited which is a wholly owned subsidiary. Credit risks on amounts owed to the group are actively monitored.

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

Liquidity risk

The Charity has no long-term borrowings. Assurances of continuing financial support have been received from the parent company.

Interest rate cash flow risk

The Charity is able to place surplus funds on short term deposit with the Charity's bankers. With the present banking interest rates being so low there is a risk that the Charity 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.

Currency rate risk

Forward dealing facilities continue to be explored in regards to foreign currency accounts.

The Trustees have a risk management strategy which encompasses:

- An annual review of the risks The Charity may face;
- The establishment of systems and procedures to mitigate those risks identified in the strategy; and
- The implementation of procedures designed to minimise any potential impact on The Charity should those risks materialise.

FARMLAND RESERVE UK LIMITED

TRUSTEES' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2016

Key performance Indicators (KPI)

To measure the effectiveness of The Charity's strategy and its implementation The Trustees have identified the following KPI's:

	2016	2015	2014	2013	2012
Profitability of farming Operations	£1.1M	£1.6M	£1.8M	£3.0M	£1.7M
Resources expended on charitable activities	£0.4M	£0.4M	£0.3M	£0.3M	£31.9M
Unrestricted Funds	£100.4M	£99.6M	£98.3M	£96.5M	£79.1M

Plans for future periods

The goals for 2017 include plans to:

1. Continue to enhance the profitability and efficiency of the farms through well reasoned acquisitions to achieve, over time, a concentration of land holdings around one major farm. Any future acquisitions will be funded from retained reserves.
2. Due to the success and now completion of the projects funded from the significant donation made in 2012, explore further opportunity to donate to CPB for further building projects that meet The Charity's objectives. This will occur through formal meetings between the Trustees and CPB.
3. To carefully monitor the balance of unrestricted funds while striving to achieve the concentration efforts identified in goal one, so that funds can be put to the use of The Charity's objectives as swiftly as possible.
4. Identify other charitable organisations, trusts, associations or institutions formed for any of the charitable purposes included in the Objects, to support through the provision of sponsorship, grants or other financial or in kind contributions.

Trustees' responsibilities statement

The trustees (who are also directors of Farmland Reserve UK Limited for the purposes of company law) are responsible for preparing the report of the trustees (incorporating the strategic report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law, the trustees have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the trustees 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- 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 charitable group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company and the group's transactions and disclose with reasonable accuracy at any time the

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

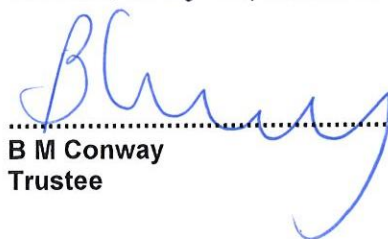
The Trustees confirm that:

- So far as each Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware, and
- The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Auditors

The auditor, MHA MacIntyre Hudson, has indicated its willingness to continue in office. The Designated Trustees will propose a motion re-appointing the auditor at a meeting of the Trustees.

This report, incorporating the strategic report, was approved by the Trustees, in their capacity as company directors, on 26 September 2017 and signed on their behalf by:



.....
B M Conway
Trustee

FARMLAND RESERVE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF FARMLAND RESERVE UK LIMITED

We have audited the financial statements of Farmland Reserve UK Limited for the year ended 31 December 2016 which comprise the group Statement of financial activities, the group and company Balance sheets, the group Cash flow statement 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

This report is made solely to the charitable company's Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, section 151 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's Trustees those matters we are required to state to them in an Auditors' 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 charitable company and its Trustees, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report to you in accordance with those Acts. 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, 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 and the Charities Act 2011.

FARMLAND RESERVE UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF FARMLAND RESERVE UK LIMITED

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

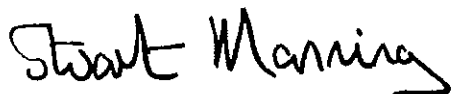
In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with those financial statements and the report has been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustee's Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

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



Stuart Manning FCA (Senior statutory auditor)
for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

1 The Forum

Minerva Business Park

Lynch Wood

Peterborough

PE2 6FT

Date:

27th September 2017

MHA MacIntyre Hudson are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

FARMLAND RESERVE UK LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
INCOME FROM:				
Other trading activities: Income from trading subsidiaries	2	5,214	5,214	5,149
Investments	3	52	52	103
Other income	4	58	58	77
TOTAL INCOMING RESOURCES		5,324	5,324	5,329
EXPENDITURE ON:				
Raising funds				
Trading activities	5	4,116	4,116	3,545
Other	5	377	377	395
TOTAL EXPENDITURE	8	4,493	4,493	3,940
Net income before taxation		831	831	1,389
Tax on trading activities	12	5	5	(109)
NET INCOME BEFORE INVESTMENT GAINS/(LOSSES)		836	836	1,280
Other recognised gains / (losses)		(66)	(66)	7
NET INCOME		770	770	1,287
NET MOVEMENT IN FUNDS		770	770	1,287
RECONCILIATION OF FUNDS:				
Total funds brought forward		99,626	99,626	98,339
TOTAL FUNDS CARRIED FORWARD		100,396	100,396	99,626

The notes on pages 16 to 39 form part of these financial statements.

FARMLAND RESERVE UK LIMITED
REGISTERED NUMBER: 1332670

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	£000	2016 £000	£000	2015 £000
FIXED ASSETS					
Intangible assets	13		79		7
Tangible assets	14		61,144		58,370
Investments	16		21		23
			<u>61,244</u>		<u>58,400</u>
CURRENT ASSETS					
Stocks	18	5,423		5,609	
Debtors	19	908		1,852	
Cash at bank and in hand	27	33,524		34,371	
		<u>39,855</u>		<u>41,832</u>	
CREDITORS: amounts falling due within one year	20	(431)		(280)	
NET CURRENT ASSETS			<u>39,424</u>		<u>41,552</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>100,668</u>		<u>99,952</u>
Deferred tax	21		(272)		(326)
NET ASSETS			<u>100,396</u>		<u>99,626</u>
CHARITY FUNDS					
Unrestricted funds:					
Share capital	28	10,000		10,000	
Unrestricted funds	24	90,396		89,626	
Total unrestricted funds			<u>100,396</u>		<u>99,626</u>
SHAREHOLDERS' AND CHARITY'S FUNDS			<u>100,396</u>		<u>99,626</u>

The financial statements were approved by the Trustees on 26.09.2017 and signed on their behalf, by:

.....
B M Conway, Trustee

The notes on pages 16 to 39 form part of these financial statements.

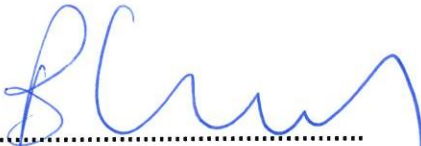
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	£000	2016 £000	2015 (As restated, see note 22) £000
FIXED ASSETS				
Tangible assets	14	267		94
Investment property	15	113,133		110,790
Total tangible assets			113,400	110,884
Investments	16		9,450	9,450
			122,850	120,334
CURRENT ASSETS				
Debtors	19	4,300		4,790
Cash at bank		17,416		19,177
		21,716		23,967
CREDITORS: amounts falling due within one year	20	(157)		(178)
NET CURRENT ASSETS			21,559	23,789
NET ASSETS			144,409	144,123
CHARITY FUNDS				
Unrestricted funds:				
Share capital	28	10,000		10,000
Unrestricted income funds	24	80,405		79,678
Revaluation reserve		54,004		54,445
Total unrestricted funds			144,409	144,123
SHAREHOLDERS' AND CHARITY'S FUNDS			144,409	144,123

The financial statements were approved by the Trustees on behalf, by:

26.09.17

and signed on their


B M Conway, Trustee

The notes on pages 16 to 39 form part of these financial statements.

FARMLAND RESERVE UK LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Net cash provided by operating activities	26	<u>2,759</u>	<u>408</u>
Cash flows from investing activities:			
Interest received	3	52	103
Proceeds from the sale of tangible fixed assets		247	128
Purchase of tangible fixed assets	14	(3,823)	(10,590)
Purchase of intangible assets	13	(82)	(8)
Net cash used in investing activities		<u>(3,606)</u>	<u>(10,367)</u>
Change in cash and cash equivalents in the year		(847)	(9,959)
Cash and cash equivalents brought forward		<u>34,371</u>	<u>44,330</u>
Cash and cash equivalents carried forward	27	<u><u>33,524</u></u>	<u><u>34,371</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

1.1 Company information

Farmland Reserve UK Limited is a charitable company limited by shares, incorporated in the United Kingdom, and the address of its registered office is Manor Farm, Church End, Wood Walton, Huntingdon, Cambridgeshire, PE28 5YU.

1.2 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015.

Farmland Reserve UK Limited meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The financial statements have been prepared under the historical cost convention except for modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

The financial statements are presented in Sterling (£) and in round thousands (£'000).

1.3 Basis of consolidation

The financial statements consolidate the accounts of Farmland Reserve UK Limited and all of its subsidiary undertakings ('subsidiaries'). The results of the subsidiary are consolidated on a line by line basis.

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Income and expenditure account.

1.4 Going concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements.

The budgeted income and expenditure is sufficient with the level of reserves for the Group to be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.5 Funds

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the General fund.

1.6 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

1.7 Income

All income is recognised when the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Rental income is recognised on a straight line basis over the period of the lease.

Income from subsidiaries represents revenue recognised in respect of goods and services. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from crop sales is recognised upon receipt of the goods by the customers. Whilst goods are in transit, the risk and reward of ownership remain with the company.

Single farm payments are receivable on an annual basis. The annual payment is recognised in the year that 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.

1.8 Operating leases

Rentals under operating leases are charged to the Statement of financial activities on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.9 Operating leases - lessor

Rental income is recognised on a straight line basis over the period of the lease, unless the rental payments are structured to increase in line with expected inflation, in which case the annual rental income equals the amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the income recognised over the lease term on a straight line basis.

1.10 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Costs of raising funds: trading activities comprise the expenses of the trading subsidiary in undertaking its income generating activities.

Other expenditure represents the expenses of parent company in renting the tangible fixed assets. These expenses are not considered to be directly attributable to either costs of raising funds or charitable expenditure to further the charity's aims.

Where costs cannot be reliably attributed to particular activities they have been allocated on a basis consistent with the use of the resources. Direct charitable expenditure comprises expenditure directly relating to the objects of The Charity.

Governance costs incorporate those costs of governance arrangements which relate to the general running of The Charity as opposed to the direct management functions. The costs relating to these activities provide the governance infrastructure which allows The Charity to operate and to generate the information required for public accountability. An analysis of these costs is disclosed in note 7.

Support costs are those functions that assist the work of The Charity but do not directly undertake charitable activities. Support costs include finance, professional and governance costs which support The Charity's activities. As there is only one activity in The Charity, the support costs have been allocated there in full.

1.11 Intangible fixed assets and amortisation

Intangible fixed assets represent purchased entitlements to receive the single farm payment subsidy. These are held at cost and amortised over their expected useful life.

The amortisation charge is included within expenditure on raising funds: trading activities line in the SOFA.

Amortisation is provided at the following rates:

Single farm payment entitlements - Remaining review period to 2020

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.12 Tangible fixed assets and depreciation

All assets costing more than £10,000 are capitalised.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of financial activities.

Tangible fixed assets are carried at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land	-	not depreciated
Land improvements	-	over 10 to 40 years
Assets under construction	-	not depreciated
Plant and machinery	-	over 5 to 10 years
Equipment fixtures and fittings	-	over 5 to 10 years
Farm houses and farm buildings	-	over 25 to 40 years

1.13 Investments

Fixed asset investments in listed securities are held at fair value and revalued annually with any gains or loss going to the Consolidated Statement of Financial Activities.

Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

Investment property held by the Charity is measured initially at cost and subsequently at fair value at each reporting date, with the gain or loss on revaluation going to the charitable company's net surplus for the year. The land and buildings rented to group companies are held as investment property within the financial statements of the Charity but remain as tangible fixed assets in the group consolidated financial statements at depreciated cost.

1.14 Stocks

Agriculture produce is held under cost model, being stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on an allocation of costs. Cultivations and crop in store include labour and attributable overheads.

Cultivations cost is determined on an overhead allocation basis. Cultivations are in the early stages of growth at the year end and therefore their market value cannot be determined.

Crop in store are valued at the lower of cost and net realisable value, with reference to market value and contracted future sales.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.15 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.16 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.17 Liabilities and provisions

Liabilities are recognised when there is an obligation at the Balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

1.18 Derivative financial instruments

The Group enters into non-basic financial instrument transactions such as forward foreign currency contracts, that result in the recognition of financial assets and liabilities. Derivative financial instruments are recognised at fair value through profit and loss, and are revalued to fair value at the end of each reporting period using a valuation technique with any gains or losses being reported in profit or loss. Outstanding derivatives at the reporting date are included under the appropriate format heading depending on the nature of the derivative.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.19 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1. ACCOUNTING POLICIES (continued)

1.20 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.21 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.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

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.

1.22 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of financial activities.

1.23 Pensions

The Group is part of a defined benefit pension scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plan. The fund is valued every three years by a professionally qualified independent actuary, with rates of contributions payable being determined by the actuary. In 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 FRS 102 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).

The Group is not liable to the plan for other entities obligations under the terms and conditions of the multi employer pension plan.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (continued)

1.24 Prior year adjustment

There is a prior period adjustment to the financial statements and the comparatives have been restated. See note 22.

1.25 Critical accounting estimates and areas of judgement

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

Trade debtors

Trade debtors consist of amounts due from customers. An allowance for doubtful debts is maintained for estimated losses resulting from the inability of The Group's customers to make required payments. The allowance is based on the company's regular assessment of the credit worthiness and financial conditions of the customer.

Stock

Stock is valued at the lower of cost and net realisable value. Cost is determined on an overhead allocation basis. Net realisable value is determined by management with reference to market value, considering contracted future sales. Certain factors could affect the net realisable value of The Group's stocks, including customer demand and market conditions.

Tangible and Intangible assets

Depreciation and amortisation are provided on fixed assets based on the estimated useful economic life of those assets. This is based on management's knowledge of the business, assets and prior experience.

Investment property

The freehold land, farm houses and farm buildings owned by The Charity are recognised as investment properties in The Charity's own balance sheet, and revalued to fair value at each balance sheet date. The valuation is based on management's assessment of the market value of land and buildings held as investment property at the year end. It takes into consideration market reports and their knowledge of the property and the local market. The property is carried at depreciated cost in the group accounts.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. TRADING ACTIVITIES

	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Charity trading income			
Trading subsidiary	5,214	5,214	5,149
Net income from trading activities	5,214	5,214	5,149

In 2015, income from the trading subsidiary was unrestricted income.

3. INVESTMENT INCOME

	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Interest receivable from interest bearing accounts	52	52	103

In 2015, £103k of the total investment income was to unrestricted funds.

4. OTHER INCOMING RESOURCES

	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Other	-	-	17
Profit on disposal of tangible fixed assets	52	52	60
Gain on foreign exchange	6	6	-
	58	58	77

In 2015, £77k of the total other incoming resources was to unrestricted funds.

5. ANALYSIS OF RESOURCES EXPENDED BY ACTIVITIES

	Activities undertaken directly 2016 £000	Support costs 2016 £000	Total 2016 £000	Total 2015 £000
Operating costs of parent company	351	26	377	395
Trading of subsidiary	4,116	-	4,116	3,545
Total	4,467	26	4,493	3,940

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. DIRECT COSTS

	Operating costs of parent £000	Trading of subsidiary £000	Total 2016 £000	Total 2015 £000
Trading activities	-	2,926	2,926	2,261
Other	11	-	11	47
Wages and salaries	-	498	498	508
National insurance	-	41	41	128
Pension cost	-	136	136	126
Depreciation	340	515	855	840
Subtotal	351	4,116	4,467	3,910
Other direct costs	-	-	-	1
	351	4,116	4,467	3,911

7. SUPPORT COSTS

	Operating costs of parent £000	Total 2016 £000	Total 2015 £000
Legal	13	13	2
Accounting	7	7	9
Outside services - other	6	6	18
	26	26	29

During the year ended 31 December 2016, the company incurred the following Governance costs:

The Charity only auditor remuneration - £7k (2015: £9k)
Subsidiary company auditor remuneration - £15k (2015: £13k)

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. ANALYSIS OF RESOURCES EXPENDED BY EXPENDITURE TYPE

	Staff costs 2016 £000	Depreciation 2016 £000	Other costs 2016 £000	Total 2016 £000	Total 2015 £000
Operating costs of the parent	-	340	37	377	395
Trading subsidiary	675	515	2,926	4,116	3,545
	<u>675</u>	<u>855</u>	<u>2,963</u>	<u>4,493</u>	<u>3,940</u>

9. NET INCOMING RESOURCES

This is stated after charging/(crediting):

	2016 £000	2015 £000
Amortisation of intangible assets	10	1
Depreciation of tangible fixed assets:		
- owned by the charitable group	855	840
Auditor's remuneration - audit	22	22
Auditor's remuneration - other services	4	4
Operating lease rentals	8	16
Profit on disposal of fixed assets	(52)	(60)
Changes in the fair value of investments	2	(6)
Changes in the fair value of derivatives	63	(1)
Pension costs	136	126

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

10. STAFF COSTS

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	498	508
Social security costs	41	128
Other pension costs	136	126
	<u>675</u>	<u>762</u>

The average number of persons employed by the company during the year was as follows:

	2016 No.	2015 No.
Production and administration	15	15

Average headcount expressed as a full time equivalent:

	2016 No.	2015 No.
Production and administration	15	15

The number of higher paid employees, excluding pension costs, was:

	2016 No.	2015 No.
In the band £70,001 - £80,000	1	0
In the band £100,001 - £110,000	0	1

The Charity does not have any employees. During both 2016 and 2015, no Trustees of The Charity received any remuneration, benefits in kind or reimbursement of expenses from The Charity, nor incurred any expenses. Trustees remuneration by the Group is disclosed in note 11.

Key management personnel of the group are the trustees and the senior managers of the subsidiary, AgReserves Limited. The total of employee benefits received by key management personnel of the group was £199k (2015: £282k).

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. TRUSTEES' REMUNERATION

One trustee (2015: two trustees), who is also a director, received remuneration from the subsidiary company in relation to services provided as a director of the subsidiary company. The remuneration paid is outlined below:

	2016 £000	2015 £000
Remuneration	<u>74</u>	<u>105</u>
Company pension contributions to defined contribution pension schemes	<u>17</u>	<u>4</u>

During the year retirement benefits were accruing to 1 Trustee (2015 - 2) in respect of defined contribution pension schemes.

12. TAXATION

	2016 £000	2015 £000
Current tax		
UK corporation tax (credit)/charge on surplus for the year	50	130
Adjustments in respect of prior years	-	(43)
Total current tax	<u>50</u>	<u>87</u>
Deferred tax		
Origination and reversal of timing differences	(37)	52
Effect of tax rate change on opening balance	(18)	(30)
Tax on surplus on ordinary activities	<u>(5)</u>	<u>109</u>

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £000	2015 £000
Surplus on ordinary activities before tax - Agreserves Limited	38	730
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	8	148
Adjustments to tax charge in respect of prior periods	-	(43)
Income not taxable for tax purposes	-	(2)
Other timing differences	2	3
Difference in tax rates	(15)	3
Total	<u>(5)</u>	<u>109</u>

13. INTANGIBLE FIXED ASSETS

	Single farm payment entitlements
Group	
Cost	
At 1 January 2016	323
Additions	82
At 31 December 2016	<u>405</u>
Amortisation	
At 1 January 2016	316
Charge for the year	10
At 31 December 2016	<u>326</u>
Carrying amount	
At 31 December 2016	<u>79</u>
At 31 December 2015	<u>7</u>

Amortisation of intangible fixed assets is included in expenditure on raising funds: trading activities.

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. TANGIBLE FIXED ASSETS

Group	Freehold land £000	Farm houses & Farm buildings £000	Plant and machinery £000	Land improvements, Equipment and fixtures and fittings £000	Assets in the course of construction £000
Cost or valuation					
At 1 January 2016	46,929	11,458	4,372	418	32
Additions	2,781	169	526	180	168
Disposals	-	-	(580)	-	-
At 31 December 2016	<u>49,710</u>	<u>11,627</u>	<u>4,318</u>	<u>598</u>	<u>200</u>
Depreciation					
At 1 January 2016	-	2,239	2,487	113	-
Charge for the year	-	332	504	19	-
On disposals	-	-	(385)	-	-
At 31 December 2016	<u>-</u>	<u>2,571</u>	<u>2,606</u>	<u>132</u>	<u>-</u>
Net book value					
At 31 December 2016	<u>49,710</u>	<u>9,056</u>	<u>1,712</u>	<u>466</u>	<u>200</u>
At 31 December 2015	<u>46,929</u>	<u>9,219</u>	<u>1,885</u>	<u>305</u>	<u>32</u>

Group	Total £000
Cost or valuation	
At 1 January 2016	63,209
Additions	3,824
Disposals	(580)
At 31 December 2016	<u>66,453</u>
Depreciation	
At 1 January 2016	4,839
Charge for the year	855
On disposals	(385)
At 31 December 2016	<u>5,309</u>
Net book value	
At 31 December 2016	<u>61,144</u>
At 31 December 2015	<u>58,370</u>

FARMLAND RESERVE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

14. TANGIBLE FIXED ASSETS (continued)

The tangible fixed assets are held for the direct furtherance of the group's objects.

Company	Farm houses & Farm buildings £000	Equipment fixtures and fittings £000	Assets in the course of construction £000	Total £000
Cost or valuation				
At 1 January 2016	111	37	32	180
Additions	-	10	168	178
At 31 December 2016	111	47	200	358
Depreciation				
At 1 January 2016	53	33	-	86
Charge for the year	4	1	-	5
At 31 December 2016	57	34	-	91
Net book value				
At 31 December 2016	54	13	200	267
At 31 December 2015	58	4	32	94

The tangible fixed assets are held for the direct furtherance of the charity's objects.

15. INVESTMENT PROPERTY

Company	Investment property £000
Valuation	
At 1 January 2016	110,790
Additions at cost	2,949
Fair value movement	(606)
At 31 December 2016	113,133

The fair value of investment property is based on a valuation by management, determined with reference to market reports and management's knowledge of the property and the local market.

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. FIXED ASSET INVESTMENTS

Group	Listed securities £000
Market value	
At 1 January 2016	23
Fair value movement	(2)
	<hr/>
At 31 December 2016	21
	<hr/>

Group investments at market value comprise:

	2016 £000	2015 £000
Listed investments	21	23
	<hr/>	<hr/>

All the fixed asset investments are held in the UK.

Company	Shares in group undertakings £000
Cost and net book value	
At 1 January 2016 and 31 December 2016	9,450
	<hr/>

Details of the subsidiary undertakings are included in note 16.

17. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
AgReserves Limited (company no. 02947030)	United Kingdom	100%	Farming

All activities of the subsidiary have been consolidated on a line by line basis in the Statement of Financial Activities.

Relevant financial information regarding Agreserves Limited is as follows:

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Profit and loss account - AgReserves Limited

	2016 £000	2015 £000
Trading subsidiary		
Turnover	5,335	5,277
Cost of sales	(4,467)	(3,725)
Administration expenses	(845)	(928)
Other income	58	67
Other operating charges	(66)	-
Interest receivable and similar income	23	39
Taxation	5	(109)
	<u>43</u>	<u>621</u>
Agreserves - profit after tax		
	<u>43</u>	<u>621</u>
Consolidation adjustments		
Rent payable to parent undertaking	1,194	1,108
Management fees receivable from parent undertaking	(121)	(128)
	<u>1,073</u>	<u>980</u>
Net income of trading subsidiaries included in the Statement of Financial Activities	<u>1,116</u>	<u>1,601</u>

Assets, liabilities and funds - AgReserves Limited

	2016 £000	2015 £000
Aggregate assets	24,412	24,741
Aggregate liabilities	(4,972)	(5,343)
	<u>19,440</u>	<u>19,398</u>
Share capital and reserves	<u>19,440</u>	<u>19,398</u>

18. STOCKS

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Cultivations	2,393	2,690	-	-
Crops	3,030	2,919	-	-
	<u>5,423</u>	<u>5,609</u>	<u>-</u>	<u>-</u>

The amount of stock recognised as an expense during the year is £3,541k (2015: £3,289k).

An impairment loss of £1,407k (2015: £880k) was recognised against stock during the year due to damaged stock, and to ensure that stock is stated at the lower of cost and net realisable value.

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

19. DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade debtors	858	940	-	-
Amounts owed by parent	-	116	4,281	4,762
Financial assets	-	1	-	-
Other debtors	50	704	19	28
Prepayments and accrued income	-	61	-	-
Tax recoverable	-	30	-	-
	908	1,852	4,300	4,790

An impairment loss of £5k (2015: £8k) on trade debtors was recognised in expenditure on raising funds: trading activities against trade debtors during the year.

Amounts owed by group undertakings are interest free and repayable on demand.

**20. CREDITORS:
Amounts falling due within one year**

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	118	67	5	15
Amounts owed to group undertakings	-	-	145	153
Corporation tax	20	-	-	-
Other taxation and social security	126	112	-	-
Derivative financial liabilities	63	-	-	-
Other creditors	36	33	2	-
Accruals and deferred income	68	68	5	10
	431	280	157	178

Amounts owed to group undertakings are interest free and repayable on demand.

21. DEFERRED TAXATION

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
At beginning of year	326	304	-	-
(Released during)/charge for the year (P&L)	(54)	22	-	-
At end of year	272	326	-	-

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

21. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows:

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Accelerated capital allowances	232	275	-	-
Other short term differences	40	48	-	-
Derivative contracts	-	3	-	-
	272	326	-	-

22. PRIOR YEAR ADJUSTMENT

During the year, management have decided to classify all fair value gains on investment properties through the revaluation reserve by making an annual transfer from unrestricted income funds to the revaluation reserve for gains and losses going through the Charity Statement of Financial Activities. This has required a prior year adjustment between the revaluation reserve and the unrestricted income funds amounting to £5,722k which represents the cumulative gains on investment properties since transition to FRS 102.

The revaluation reserve as previously stated at 31 December 2015 totalled £48,723k and now amounts to £54,445k following this adjustment.

The unrestricted income funds as previously stated at 31 December 2015 totalled £85,400k and now amounts to £79,678k following this adjustment.

23. FINANCIAL INSTRUMENTS

	2016	2015
	£000	£000
Financial assets measured at fair value through income and expenditure	21	24
Financial assets measured at amortised cost	887	1,760
	908	1,784
Financial liabilities measured at fair value through income and expenditure	63	-
Financial liabilities measured at amortised cost	222	168
	285	168

FARMLAND RESERVE UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Derivative financial liabilities (2015: financial assets) measured at fair value through profit or loss comprise the fair value at the year end of forward contracts for foreign currency. Three contracts were entered into in 2016 to sell €900,000 on July 2017. The fair value at the year end has been determined with reference to the year end bank valuation. A loss of £63k (2015: gain of £1k) has been recognised in the Statement of Financial Activities during the year in relation to this derivative financial instrument.

Financial assets measured at fair value through income and expenditure comprise shares held in a listed investment. The fair value at the year end has been determined by reference to the year end market value. A loss of £2k (2015: gain of £6k) has been recognised in the Statement of Financial Activities.

Group financial assets measured at fair value through income and expenditure comprise derivative financial instruments (2015) and listed investments.

Group financial assets measured at amortised cost comprise trade debtors and other debtors.

Group financial liabilities measured at fair value through income and expenditure comprise derivative financial instruments.

Group financial liabilities measured at amortised cost comprise trade creditors, other creditors and accruals.

24. GROUP STATEMENT OF FUNDS

	Brought Forward £000	Income £000	Expenditure £000	Gains/ (Losses) £000	Carried Forward £000
Unrestricted funds					
Other General funds	99,626	5,324	(4,488)	(66)	100,396

The funds are held for the purpose of furthering the aims of the charitable Company.

There are no trust law restrictions imposed on the unrestricted funds.

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Statement of Financial Activities.

The net income for the year dealt with in the accounts of the parent charitable company was £288k (2015: £4,161k).

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted funds 2016 £000	Total funds 2016 £000	Total funds 2015 £000
Intangible fixed assets	79	79	7
Tangible fixed assets	61,144	61,144	58,370
Fixed asset investments	21	21	23
Current assets	39,853	39,853	41,832
Creditors due within one year	(430)	(430)	(280)
Provisions for liabilities and charges	(271)	(271)	(326)
	<u>100,396</u>	<u>100,396</u>	<u>99,626</u>

**26. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW
FROM OPERATING ACTIVITIES**

	2016 £000	2015 £000
Net income for the year (as per Statement of financial activities)	770	1,287
Adjustment for:		
Depreciation charges	855	840
Gains/(losses) on investments	66	(7)
Interest received	(52)	(103)
Decrease/(increase) in stocks	186	(748)
Decrease/(increase) in debtors	913	(824)
Increase/(decrease) in creditors	68	(15)
Profit on disposal of fixed assets	(52)	(60)
Amortisation of intangible assets	10	1
Taxation	(5)	109
Income taxes paid	-	(72)
Net cash provided by operating activities	<u>2,759</u>	<u>408</u>

27. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2016 £000	2015 £000
Cash in hand	33,524	34,371
Total	<u>33,524</u>	<u>34,371</u>

FARMLAND RESERVE UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

28. SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called up and fully paid		
10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

29. PENSION COMMITMENTS

The Group 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 is 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 Group 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 £136k (2015: £126k).

30. OPERATING LEASE COMMITMENTS

At 31 December 2016 the total of the group's future minimum lease payments under non-cancellable operating leases was:

	2016 £000	2015 £000
Group		
Amounts payable:		
Within 1 year	8	8
Between 1 and 5 years	-	8
Total	<u>8</u>	<u>16</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

31. FINANCIAL RISK MANAGEMENT

The Group holds shares in a listed investment. The change in value during the year is due to changes in market conditions that give rise to market risk only.

The risks arising from financial instruments to which the entity is exposed at the year end are as follows:

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.

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.

Market risk

The year end valuation, and resulting gain or loss in the Statement of Financial Activities, of financial instruments measured at fair value through income and expenditure, is subject to changes in the market value of the listed investments in which shares are held.

32. TURNOVER

All turnover arose within the United Kingdom.

33. RELATED PARTY TRANSACTIONS

The immediate and ultimate parent company of the Group is Farmland Reserve Inc, a not for profit company incorporated in the United States of America. This is the largest and smallest group of undertakings for which group accounts are drawn up. The Charity is directed by Farmland Reserve Inc, through budgets and plans reviewed by the Charity trustees.

The Company has taken advantage of disclosure exemptions available within FRS 102 section 33 and not included details of transactions with wholly owned group companies that are included in these consolidated accounts.