

Company Registered No: 00436088

FARMING AND AGRICULTURAL FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 30 September 2015

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:

**T D Crome
A Holden
I J Isaac**

SECRETARY:

RBS Secretarial Services Limited

REGISTERED OFFICE:

**135 Bishopsgate
London
EC2M 3UR**

AUDITOR:

**Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom**

Registered in England and Wales

DIRECTORS' REPORT

The directors of Farming and Agricultural Finance Limited ("the Company") present their report and the audited financial statements for the year ended 30 September 2015.

ACTIVITIES AND BUSINESS REVIEW

This directors' report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption and therefore does not include a strategic report.

Activity

Historically, the principal activity of the Company was that of a holding company and the provision of credit finance by way of instalment credit and leasing.

Review of the year**FINANCIAL PERFORMANCE**

The Company made neither a profit nor a loss in the current year (2014: £nil).

At the end of the year, the balance sheet showed total assets of £1 (2014: £12,204).

PRINCIPAL RISKS AND UNCERTAINTIES

The Company seeks to minimise its exposure to financial risks.

Management focuses on both the overall balance sheet structure and the control, within prudent limits, of risk arising from mismatches, including currency, maturity, interest rate and liquidity. It is undertaken within limits and other policy parameters set by the RBS Asset and Liability Management Committee (RBS ALCO).

The Company is funded by facilities from Lombard North Central PLC. These are denominated in the functional currency and carry no significant financial risk.

The principal risks associated with the Company are as follows:

Interest rate risk

Interest rate risk arises where assets and liabilities have different repricing maturities. The Company has no interest rate risk as it has no interest bearing balances.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

DIRECTORS' REPORT**PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Credit risk**

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

All loans and receivables are with the parent undertaking. Although credit risk arises this is not considered to be significant and no amounts owed are past due.

Market risk

Market risk is the potential for loss as a result of adverse changes in risk factors including interest rates, foreign currency and equity prices together with related parameters such as market volatilities.

Liquidity risk

The Company has no material liquidity risk as it has access to group funding.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

GOING CONCERN

The directors, having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, have prepared the financial statements on a going concern basis.

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1.

From 1 October 2014 to date the following changes have taken place:

	Appointed	Resigned
Directors		
N T J Clibbens	-	27 February 2015
T D Crome	27 February 2015	-
I J Isaac	27 February 2015	-
A P Gadsby	-	11 May 2015
A Holden	11 May 2015	-

DIRECTORS' REPORT**DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Directors' Report and financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), and must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and 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 judgements and estimates that are reasonable and prudent;
- state whether FRS 101 has been followed; and
- make an assessment of the Company's ability to continue as a going concern.

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 to enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

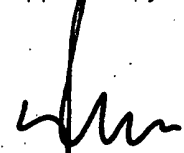
This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AUDITOR

The Royal Bank of Scotland Group plc has appointed Ernst & Young LLP as auditor for the year ending 31 December 2016.

A resolution to appoint Ernst & Young LLP as the company's auditor will be proposed at the forthcoming meeting of the Board of Directors.

Approved by the Board of Directors and signed on behalf of the Board.



I J Isaac
Director
Date: 14 June 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARMING AND AGRICULTURAL FINANCE LIMITED

We have audited the financial statements of Farming and Agricultural Finance Limited ('the Company') for the year ended 30 September 2015 which comprise the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (FRS) 101 Reduced Disclosure Framework.

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, 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

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 Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual 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 Company's affairs as at 30 September 2015 and of its result for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

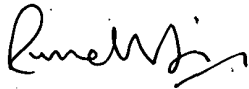
Opinion on other matter prescribed by the Companies Act 2006

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

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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report.



Russell Davis, FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor,
London, United Kingdom

14 June 2016

BALANCE SHEET
as at 30 September 2015

	Notes	2015 £	2014 £
Current assets			
Loans and receivables	7	1	12,204
Total assets		<u>1</u>	<u>12,204</u>
Equity: capital and reserves			
Called up share capital	8	1	1
Profit and loss account		-	12,203
Total shareholders' funds		<u>1</u>	<u>12,204</u>
Total shareholders' funds		<u>1</u>	<u>12,204</u>

The accompanying notes form an integral part of these financial statements.

The financial statements of the Company were approved by the Board of Directors on 14 June 2016 and signed on its behalf by:


I J Isaac
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2015

	Note	Share capital £	Profit and loss account £	Total £
At 1 October 2013		1	12,203	12,204
Profit for the year		-	-	-
At 30 September 2014		1	12,203	12,204
Dividends paid	6	-	(12,203)	(12,203)
At 30 September 2015		1	-	1

Total comprehensive income for the year of £nil (2014: £nil) was wholly attributable to the owners of the Company.

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies****a) Preparation and presentation of financial statements**

These financial statements are prepared on a going concern basis and have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the EU (together IFRS) and under Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The Company meets the definition of a qualifying entity under FRS 100: Application of Financial Reporting Requirements issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital resources, presentation of a cash flow statement, standards not yet effective, financial instruments and related party transaction. Where required, equivalent disclosures are given in the group accounts of The Royal Bank of Scotland Group plc, these accounts are available to the public and can be obtained as set out in the note 9.

The financial statements are prepared on the historical cost basis.

The Company's financial statements are presented in Sterling which is the functional currency of the Company.

The Company is incorporated in the United Kingdom ("UK") and registered in England and Wales. The Company's financial statements are presented in accordance with the Companies Act 2006.

There are number of changes to IFRSs that were effective from 1 October 2014. They have had no material effect on the Company's financial statement for the year ended 30 September 2015.

b) Revenue recognition

Interest income on financial assets that are classified as loans and receivables are determined using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the expected life of the asset or liability.

c) Taxation

Income tax expense, comprising current tax, is recorded in the income statement except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

d) Loans and receivables

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS**1. Accounting policies (continued)****e) Impairment of financial assets**

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

f) Derecognition

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when it has been transferred and the transfer qualifies for derecognition.

2. Critical accounting policies and key sources of estimation uncertainty

The reported results of the Company are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the Company's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. In the absence of an applicable standard or interpretation, IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', requires management to develop and apply an accounting policy that results in relevant and reliable information in the light of the requirements and guidance in IFRS dealing with similar and related issues and the IASB's Framework for the Preparation and Presentation of Financial Statements. The judgements and assumptions involved in the Company's accounting policies that are considered by the directors to be the most important to the portrayal of its financial condition are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Company would affect its reported results.

Loan impairment provisions

The Company's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans classified as loans and receivables and carried at amortised cost. A loan is impaired when there is objective evidence that events since the loan was granted have affected expected cash flows from the loan. The impairment loss is the difference between the carrying value of the loan and the present value of estimated future cash flows at the loan's original effective interest rate.

3. Profit and Loss Account

The Company has not traded during the current and prior accounting periods. It received no income and incurred no expenditure and consequently has made neither a profit nor a loss. A Profit and Loss Account is therefore not presented. No items of other comprehensive income were recognised during both the current and prior periods, and consequently no Statement of Other Comprehensive Income was prepared.

4. Staff costs, number of employees and directors' emoluments

All staff and directors were employed by The Royal Bank of Scotland plc, the accounts for which contain full disclosure of employee benefit expenses incurred in the period including share-based payments and pensions. The directors of the Company do not receive remuneration for specific services provided to the Company.

5. Auditor's remuneration

There was no charge in either the current or prior year's financial statements for auditor's remuneration as the fees of £6,000 (2014: £6,000) were charged in the financial statements of Lombard North Central PLC.

NOTES TO THE FINANCIAL STATEMENTS

6. Ordinary dividends

	2015 £	2014 £
Dividend paid	<u>12,203</u>	-

7. Loans and receivables

	2015 £	2014 £
Current		
Amounts owed by group undertakings	<u>1</u>	<u>12,204</u>

The fair value of loans and receivables is considered not to be materially different to the carrying amounts in the balance sheet.

8. Share capital

	2015 £	2014 £
Authorised:		
500,000 ordinary shares of £1	<u>500,000</u>	<u>500,000</u>
Allotted, called up and fully paid:		
Equity shares		
1 ordinary shares of £1	<u>1</u>	<u>1</u>

The Company has one class of ordinary shares which carry no right to fixed income.

9. Related parties

UK Government

The UK Government through HM Treasury is the ultimate controlling party of The Royal Bank of Scotland Group plc. Its shareholding is managed by UK Financial Investments Limited, a company it wholly-owns and as a result, the UK Government and UK Government controlled bodies are related parties of the Company.

The Company enters into transactions with these bodies on an arm's-length basis, they consist solely of the payment of taxes including UK corporation tax.

Group undertakings

The Company's immediate parent company is Lombard North Central PLC, a company incorporated in the UK and registered in England and Wales. As at 30 September 2015, The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated, a company incorporated in UK and registered in Scotland. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc, a company incorporated in the UK and registered in Scotland. As at 30 September 2015, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated. Copies of the consolidated accounts may be obtained from Corporate Governance and Secretariat, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh, EH12 1HQ.