

Registration number 07798230

Agricultural Finance Plc

Directors' report and financial statements

for the period from 5 October 2011 to 31
March 2013



Agricultural Finance Plc
Contents

Directors' report	1 to 2
Statement of directors' responsibilities	3
Independent auditors' report	4 to 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 to 11
 The following page does not form part of the statutory financial statements	
Detailed profit and loss account	12

Agricultural Finance Plc
Directors' report for the period from 5 October 2011 to 31 March 2013

The directors present their report and the financial statements for the period from 5 October 2011 to 31 March 2013

Incorporation

The company was incorporated and commenced trading on 5 October 2011

Directors of the company

The directors who held office during the period were as follows

Mr N J D Kidd (appointed 5 October 2011)

Dr A L Kerbey (appointed 25 November 2011)

Mr M J Lucas (appointed 13 March 2013)

Mr D M Wills (appointed 5 October 2011)

Mr M A Sanders (appointed 5 October 2011)

Ms K Phillips (appointed 13 March 2013)

Principal activity

The principal activity of the company is the raising of finance through the £500,000,000 Secured Fixed Rate Note Programme and the use of that funding to lend to the UK agricultural sector (based upon eligibility criteria set out in the prospectus). The Company is a special purpose entity, wholly owned by Agricultural Corporation plc

The first issuance under the Programme was admitted to the Irish Stock Exchange on 25 February 2013, and loans have been made in accordance with the terms of the prospectus. The loan portfolio is being administered by a sister company within the Agricultural Corporation plc group, Acorn Agricultural Finance Limited. Profits after priority payments have been made in accordance with the terms of the prospectus will be passed to Agricultural Corporation Plc by way of dividend.

The company incurred a loss for the period of £45,729. This is made up of the issue costs for the Programme, and has been funded by Agricultural Corporation plc by way of a capital contribution. Agricultural Corporation plc has agreed to fund further issue costs relating to the second issuance scheduled for summer 2013.

Business review

Fair review of the business

The management team of Agricultural Corporation plc group has experience of lending to and supporting agriculture and rural businesses for over 30 years.

Since the major UK banks have pulled back from lending to smaller businesses a gap in lending to the sector has opened, and it is this gap that the group is seeking to fill.

The group aims to advance up to £500,000,000 of secured finance to the agricultural sector over the next five years, with a target of 4% market share.

Agricultural Finance Plc
Directors' report for the period from 5 October 2011 to 31 March 2013

..... *continued*

Principal risks and uncertainties

The directors consider that the principal risk to the business is in borrowers' default, although the secured nature of the loans and the conservative loan-to-value ratios employed give protection against bad debt exposure

Interest rate risks are mitigated by the fixed rates applied to funds raised as well as funds advanced

Financial instruments

Objectives and policies

The company seeks to manage its financial risk through the issue of fixed rate Agribonds to finance its loan book

Price risk, credit risk, liquidity risk and cash flow risk

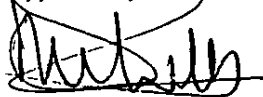
Fixed interest loans and borrowings are used to provide certainty on price risk

The directors consider that liquidity risk is largely mitigated by fixed payment intervals giving predictability of cash flow

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of

Approved by the board on 25/6/13 and signed on its behalf by

A handwritten signature in black ink, appearing to be 'D M Wills', is written over a horizontal line. The signature is enclosed within a hand-drawn oval.

Mr D M Wills
Director

Agricultural Finance Plc

Statement of directors' responsibilities

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

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

- select suitable accounting policies and apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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.

Independent auditors' report to the members of Agricultural Finance Plc

We have audited the financial statements of Agricultural Finance Plc for the period from 5 October 2011 to 31 March 2013, set out on pages 6 to 11. 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 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 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 Statement of directors' responsibilities (set out on page 3), 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 (APB'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 Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the 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 March 2013 and of its loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

**Independent auditors' report to the members of
Agricultural Finance Plc**

..... continued

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

Milsted Langdon LLP

Mr Jonathan Langdon (Senior Statutory Auditor)
For and on behalf of Milsted Langdon LLP
Chartered Accountants and Statutory Auditors
Taunton

Date *26 June 2013*

Agricultural Finance Plc
Profit and loss account for the period from 5 October 2011 to 31 March 2013

	5 October 2011 to 31 March 2013	
	£	Note
Turnover	17,590	
Administrative expenses	<u>(63,310)</u>	
Operating loss	(45,720)	
Interest payable and similar charges	3 <u>(9)</u>	
Loss on ordinary activities before taxation	<u>(45,729)</u>	
Loss for the financial period	9 <u><u>(45,729)</u></u>	

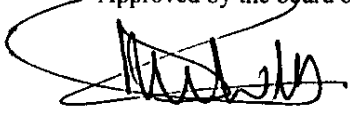
Turnover and operating loss derive wholly from continuing operations


The company has no recognised gains or losses for the period other than the results above

Agricultural Finance Plc
(Registration number: 07798230)
Balance sheet at 31 March 2013

	Note	31 March 2013 £
Current assets		
Debtors	4	1,025,224
Cash at bank and in hand		<u>406,873</u>
		1,432,097
Creditors: amounts falling due within one year	5	<u>(432,097)</u>
Total assets less current liabilities		1,000,000
Creditors: amounts falling due after more than one year	6	<u>(950,000)</u>
Net assets		<u>50,000</u>
Capital and reserves		
Called up share capital	8	<u>50,000</u>

Approved by the board on 25/6/13 and signed on its behalf by


Mr D M Wills
Director


Mr M A Sanders
Director

Agricultural Finance Plc

Notes to the financial statements for the period from 5 October 2011 to 31 March 2013

1 Accounting policies

Basis of preparation

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

The company is exempt from preparing a cash flow statement as 90% or more of the voting rights are held within the group

Turnover

Turnover represents commissions and interest chargeable in respect of loans issued to customers

Deferred tax

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

2 Auditors' remuneration

	5 October 2011 to 31 March 2013 £
Audit of the financial statements	<u>8,500</u>

3 Interest payable and similar charges

	5 October 2011 to 31 March 2013 £
Interest on bank borrowings	<u>9</u>
	<u>9</u>

Agricultural Finance Plc

Notes to the financial statements for the period from 5 October 2011 to 31 March 2013

..... continued

4 Debtors

	31 March 2013 £
Trade debtors	736,500
Amounts owed by group undertakings	<u>288,724</u>
	<u>1,025,224</u>

5 Creditors: amounts falling due within one year

	31 March 2013 £
Trade creditors	333,888
Bank overdraft	21
Other creditors	89,688
Accruals and deferred income	<u>8,500</u>
	<u>432,097</u>

6 Creditors: amounts falling due after more than one year

	31 March 2013 £
Agribonds	<u>950,000</u>

Creditors amounts falling due after more than one year includes the following liabilities on which security has been given by the company

	31 March 2013 £
Agribonds	<u>950,000</u>

Agricultural Finance Plc

Notes to the financial statements for the period from 5 October 2011 to 31 March 2013

..... continued

7 Financial instruments

On 26 February 2013 the company issued £950,000 secured fixed rate notes, bearing a 9% coupon, to mature in 2015 on the Irish Stock Exchange. These bonds are tradeable and are listed on the Exchange. The purpose of the issue was to raise funds as part of a £500,000,000 total programme, for lending to UK agriculture and rural businesses. At the balance sheet date £736,500 had been advanced to borrowers over periods of two years or less, at interest rates between 12% and 21% per annum.

8 Share capital

Allotted, called up and fully paid shares

	31 March 2013	
	No	£
Ordinary shares of £1 each	50,000	50,000

New shares allotted

During the period 50,000 Ordinary shares having an aggregate nominal value of £50,000 were allotted for an aggregate consideration of £50,000.

9 Reserves

	Profit and loss account £	Total £
Loss for the period	(45,729)	(45,729)
Capital contribution from parent company	45,729	45,729
At 31 March 2013	-	-

10 Reconciliation of movement in shareholders' funds

	5 October 2011 to 31 March 2013 £
Loss attributable to the members of the company	(45,729)
Capital contribution from the parent company relating to the period	45,729
New share capital subscribed	50,000
Net addition to shareholders' funds	50,000
Shareholders' funds at end of period	50,000

Agricultural Finance Plc

Notes to the financial statements for the period from 5 October 2011 to 31 March 2013

..... continued

11 Related party transactions

The company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group

12 Control

The company is controlled by Agricultural Corporation PLC (parent company) The ultimate controlling party is the Phillips Family Limited Partnership