

Registration number: 07798230

Agricultural Finance Plc

Annual report and financial statements

for the year ended 31 March 2014

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Agricultural Finance Plc

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The following pages do not form part of the statutory financial statements:

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Agricultural Finance Plc

Strategic report for the year ended 31 March 2014

The directors present their strategic report for the year ended 31 March 2014.

Business review

Fair review of the business

The Directors of Agricultural Finance PLC and the other companies within the Agribonds group have reviewed the group's business strategy and have concluded that the emphasis will move away from raising debt to fund direct lending and for resources to be focused on continuing to grow the group's loan servicing business.

This refocusing of the business is in response to the changing dynamics in the alternative investment market with investors typically looking for double digit returns, particularly in the asset backed lending sector in which the Agribonds businesses operate. One of the consequences of that dynamic is that the group is seeing growth in its loan servicing business where it sources, underwrites and manages a portfolio of loans for other bespoke SPV lenders with assets of between £500k and £5m+ and where significantly higher investor returns are available. The Directors are confident that growth in this sector will continue.

Another consequence of the demand for higher yielding investments is that Agricultural Finance PLC has not been able to meet the Directors' expectations in terms of recruiting additional investment into its loan note programme. The result of this is that the overhead and regulatory costs associated with operating the loan note programme are disproportionately high relative to the funds employed within the business.

In consideration of the above the Directors have concluded that, unless there is specific demand from a particular investor at a level that achieves the economies of scale required to continue to operate the loan note programme, there will be no further issues of loan notes for the immediate future. This decision will be open for review and, if investment conditions change, the Directors will remain in a position to respond to that.

Agricultural Finance PLC has ceased writing any new lending business and the holders of the loan notes in its first issue will be repaid from the redemption proceeds of the current loans.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2014	2013
Turnover	£	139,689	17,590
Net assets	£	145,075	50,000

Principal risks and uncertainties

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

The loan book is not a liquid asset and therefore the collection process of realising cash from loans advanced to customers can be protracted. The directors aim to maintain control of the loan book to ensure that they are aware of any potential defaults and continuously communicate with and proactively manage the customers.

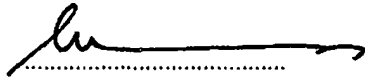
Interest rate risk is mitigated by fixed rates being applied to funds raised as well as funds advanced.

The directors also seek to actively manage the cash flow and liquidity risk inherent in the timing and length of loans issued and their redemption.

Agricultural Finance Plc
Strategic report for the year ended 31 March 2014

..... continued

Approved by the Board on 2/3/14 and signed on its behalf by:



.....
Mr M A Sanders
Director

Agricultural Finance Plc
Directors' report for the year ended 31 March 2014

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

Directors of the company

The directors who held office during the year were as follows:

Dr A L Kerbey (resigned 9 May 2014)

Mr M J Lucas (resigned 31 January 2014)

Mr D M Wills (resigned 17 January 2014)

Mr M A Sanders

Ms K D Phillips

Mr N J D Kidd (resigned 31 May 2013)

Mr P J Sobey (resigned 16 May 2013)

The following director was appointed after the year end:

Mr D V J Phillips (appointed 2 July 2014)

Financial instruments

Objectives and policies

The company manages its financial risk through the issue of fixed rate Agribonds to finance its loan book. Although this gives rise to a risk that the interest income is less liquid than the interest payments to the loan note holders, the management team believe their expertise in managing loan books has enabled this risk to be mitigated.

Credit risk, liquidity risk and cash flow interest rate risk

Credit risk

The company has lent money to small businesses who typically were unable to source finance from mainstream sources. The company is exposed to credit risk both in terms of default and also if the ultimate sales proceeds fail to cover the original loan plus the time and costs associated with enforcing security and achieving a sale.

The company manages this risk by lending only against security and seeking loan to value ratios to provide significant headroom to cover potential default costs.

Liquidity risk

Having adopted a strategy of seeking to realise the existing loan book in order to repay creditors and the loan note investors, the company faces significant liquidity risk. The company will only be able to repay its liabilities as cash is returned from loan redemptions and the timing of these redemptions is not always predictable. The directors are proactively managing each loan on a case by case basis to maximise the likelihood of achieving redemption at full value at the earliest possible opportunity.

Cash flow interest rate risk

The company receives fixed interest income in respect of its loans to customers. It pays a fixed interest coupon to investors in the Agribond loan notes. The interest income is intended to match the interest expense. In the event of customers' default, there will be a cash shortfall and potentially the company may be unable to pay its interest expense as it falls due.

The directors seek to mitigate this by proactively managing the customer accounts to maximise the likelihood of the loan interest being paid on time and in full. Where that is not possible, the directors will prioritise the redemption of loans to obtain payment of interest from the redemption proceeds.

Agricultural Finance Plc
Directors' report for the year ended 31 March 2014

..... *continued*

Future developments

The Agribonds loan note programme has not met the directors' expectations. Market conditions remain under review but until these change and there is investor demand for the loan notes there are no planned loan note issues. The focus of the group is on the growth of its specialist loan servicing business.


Disclosure of information to the auditor

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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

Reappointment of auditors

Milsted Langdon LLP have expressed their willingness to continue in office.

Approved by the board on 30/9/14 and signed on its behalf by:



.....
Mr M A Sanders
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 year ended 31 March 2014, set out on pages 8 to 16. 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 5), 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 annual report and financial statements 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 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The Agribonds loan notes are scheduled for repayment in February 2015. In order to repay these loan notes the company will need to have collected in all the outstanding loans it has advanced to customers. There is uncertainty regarding the timing of loan settlements, particularly if a sale of security is required or legal proceedings protracted. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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

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Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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.



.....
Mr Jonathan Langdon (Senior Statutory Auditor)
For and on behalf of
Milsted Langdon LLP
Chartered Accountants and Statutory Auditors
Winchester House
Deane Gate Avenue
Taunton
TA1 2UH

Date: 30 September 2014

Agricultural Finance Plc
Profit and loss account for the year ended 31 March 2014

		Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
	Note		
Turnover		139,689	17,590
Administrative expenses		(137,243)	(63,310)
Operating profit/(loss)		2,446	(45,720)
Other exceptional items	3	185,938	-
Interest payable and similar charges	5	(93,309)	(9)
Profit/(loss) on ordinary activities before taxation		95,075	(45,729)
Tax on profit/(loss) on ordinary activities	6	(9,900)	-
Profit/(loss) for the financial year	11	85,175	(45,729)


Turnover and operating profit derive wholly from continuing operations.

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

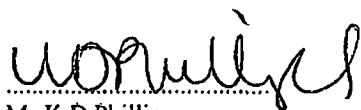
Agricultural Finance Plc
(Registration number: 07798230)
Balance sheet at 31 March 2014

	Note	31 March 2014 £	31 March 2013 £
Current assets			
Debtors	7	1,101,942	1,025,224
Cash at bank and in hand		<u>116,265</u>	<u>406,873</u>
		1,218,207	1,432,097
Creditors: amounts falling due within one year	8	<u>(1,083,032)</u>	<u>(432,097)</u>
Total assets less current liabilities		135,175	1,000,000
Creditors: amounts falling due after more than one year	9	<u>-</u>	<u>(950,000)</u>
Net assets		<u>135,175</u>	<u>50,000</u>
Capital and reserves			
Called up share capital	10	50,000	50,000
Profit and loss account	11	<u>85,175</u>	<u>-</u>
Shareholders' funds	12	<u>135,175</u>	<u>50,000</u>

Approved and authorised for issue by the board on 30/9/14 and signed on its behalf by:



Mr M A Sanders
Director



Ms K D Phillips
Director

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

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.

Going concern

The directors have carefully considered the future direction of the company. They note that the costs of the Agribonds issue to date were disproportionately high compared with the proceeds raised. They have decided in the short term to focus on collecting in the funds lent to trade finance customers in order to settle the outstanding liabilities of the company and return the investors' money.

At the balance sheet date the company holds cash totalling £116,265 including £114,332 in cash at the Bank of New York Mellon on trust for the investors and there is a further £876,408 of secured loans outstanding to be collected in and £190,019 due from the group and other associated companies. The company owes a total of £1,073,132. The company owes £41,570 to external creditors and £5,645 to group and associated companies. In addition to this there are £950,000 of Agribond loan notes which fall due for repayment in February 2015.

The directors recognise that they will only be able to settle their liabilities as they receive cash from repaid loans. There is always some uncertainty regarding the timing of the loan settlements, particularly if a sale of the security is required or legal proceedings are protracted. However, the loan to value ratios on which the original lending was based enable the directors to be confident that the capital and interest due will be recovered in full over time. The uncertainty over timing may be material if one or more of the three larger loans were not to redeem in a timely manner.

The directors have performed a case by case risk assessment of the loan book which comprises nine open loans at the year end with particular regard to the key risk identified above. They consider that it is reasonable for them to conclude that these amounts will be received in full and this will enable them to discharge the company's liabilities. Accordingly they have prepared these accounts on a going concern basis.

Turnover

Turnover represents commissions and interest chargeable in respect of loans issued to customers. Interest is accrued evenly over the period to which it relates.

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.

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

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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

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Audit of the financial statements	2,416	8,500
Fees payable to the company's auditor and its associates for other services:		
Other services	34,050	-
	<u>36,466</u>	<u>8,500</u>

3 Exceptional items

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Other exceptional	(185,938)	-

The directors challenged previously incurred legal costs relating to the first issue of Agribonds. The counterparty has agreed to credit these costs in full and accordingly they have been written back to the profit and loss account.

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

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4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2014 No.	5 October 2011 to 31 March 2013 No.
Administration and support	<u>5</u>	<u>4</u>

5 Interest payable and similar charges

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Loan note interest	<u>93,309</u>	<u>9</u>
	<u>93,309</u>	<u>9</u>

6 Taxation

Tax on profit/(loss) on ordinary activities

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Current tax		
Corporation tax charge	<u>9,900</u>	<u>-</u>

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

..... continued

Factors affecting current tax charge for the year

Tax on profit/(loss) on ordinary activities for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 20% (2013 - 20%).

The differences are reconciled below:

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Profit/(loss) on ordinary activities before taxation	95,075	(45,729)
Corporation tax at standard rate	19,015	(9,146)
Effect of losses carried forward	-	9,146
Utilisation of tax losses	(9,115)	-
Total current tax	9,900	-

7 Debtors

	31 March 2014 £	31 March 2013 £
Trade debtors	876,408	736,500
Amounts owed by group undertakings	176,519	288,724
Amounts owed by undertakings in which the company has a participating interest	13,500	-
Other debtors	7,265	-
Prepayments and accrued income	28,250	-
	1,101,942	1,025,224

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

..... continued

8 Creditors: amounts falling due within one year

	31 March 2014 £	31 March 2013 £
Trade creditors	41,570	333,888
Bank loans and overdrafts	90	21
Other loans	950,000	-
Amounts owed to participating interests	5,645	-
Corporation tax	9,900	-
Other creditors	5,430	89,688
Accruals and deferred income	70,397	8,500
	<u>1,083,032</u>	<u>432,097</u>

Creditors: amounts falling due within one year includes the following liabilities on which first legal charges are being held by the security trustee on behalf of loan note holders:

	31 March 2014 £	31 March 2013 £
Agribonds	<u>950,000</u>	<u>-</u>

9 Creditors: amounts falling due after more than one year

	31 March 2014 £	31 March 2013 £
Other loans	<u>-</u>	<u>950,000</u>

Creditors: amounts falling due after more than one year includes the following liabilities on which first legal charges are being held by the security trustee on behalf of loan note holders:

	31 March 2014 £	31 March 2013 £
Agribonds	<u>-</u>	<u>950,000</u>

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

..... continued

10 Share capital

Allotted, called up and fully paid shares

	31 March 2014		31 March 2013	
	No.	£	No.	£
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

11 Reserves

	Profit and loss account £	Total £
Profit for the year	85,175	85,175
At 31 March 2014	85,175	85,175

12 Reconciliation of movement in shareholders' funds

	Year ended 31 March 2014 £	5 October 2011 to 31 March 2013 £
Profit/(loss) attributable to the members of the company	85,175	(45,729)
Capital contribution relating to the year	-	45,729
New share capital subscribed	-	50,000
Net addition to shareholders' funds	85,175	50,000
Shareholders' funds at start of period	50,000	-
Shareholders' funds at end of period	135,175	50,000

13 Related party transactions

Other related party transactions

During the year the company entered into the following related party transactions:

Acorn Farm Finance Limited

(Director Ms K D Phillips is also a member of the ultimate controlling party)

During the year the company received a loan from Acorn Farm Finance Limited. The loan is interest free and repayable on demand. At the balance sheet date the amount due to Acorn Farm Finance Limited was £5,620 (2013 - £nil).

Agricultural Finance Plc

Notes to the financial statements for the year ended 31 March 2014

..... continued

Acorn Funding LLP

(Members - Mr M A Sanders, Ms K D Phillips and Dr A L Kerbey)

During the year the company received a loan from Acorn Funding LLP. The loan is interest free and repayable on demand. At the balance sheet date the amount due to Acorn Funding LLP was £25 (2013 - £nil).

Mudgley Farms Limited

(100% owned by UK Acorn Properties Limited which is controlled by the ultimate controlling party of which Ms K D Phillips is a member)

During the year the company loaned money to Mudgley Farms Limited. Interest has been charged on this loan on normal commercial terms. At the balance sheet date the amount due from Mudgley Farms Limited was £334,244 (2013 - £0).

UK Farm Finance Limited

(Director Ms K D Phillips is also a member of the ultimate controlling party)

During the year the company made a loan to UK Farm Finance Limited. The loan is interest free and repayable on demand. At the balance sheet date the amount due from UK Farm Finance Limited was £12,760 (2013 - £0).

Acorn Country Capital Limited

(Director Mr D V J Phillips is the father of the members of the ultimate controlling party)

During the year the company provided Acorn Country Capital Limited with a loan. This loan is interest free and repayable on demand. At the balance sheet date the amount due from Acorn Country Capital Limited was £740 (2013 - £0).

Mr V Phillips

(brother of director Ms K D Phillips, who is a member of the ultimate controlling party)

During the year the company provided a loan to Mr V Phillips on normal commercial terms. At the balance sheet date the amount due from Mr V Phillips was £52,681 (2013 - £0).

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

14 Control

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