

Financial Statements  
Farmland Reserve UK Limited  
(formerly The Church of Jesus Christ of  
Latter-day Saints (Welfare) Limited)

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**For the Year Ended 31 December 2011**

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**Company No. 1332670**  
**Charity No 274605**

**Farmland Reserve UK Limited (formerly The Church of Jesus Christ of Latter-day Saints (Welfare) Limited**

**Financial statements for the year ended 31 December 2011**

## Company information

<b>Company registration number:</b>	1332670
<b>Charity registered number:</b>	274605
<b>Registered office:</b>	Manor Farm Church End, Woodwalton Huntingdon Cambridgeshire PE28 5YU
<b>Bankers:</b>	Natwest 92 High Street Huntingdon PE29 3DT
<b>Solicitors:</b>	Devonshires Salisbury House London Wall London EC2M 5QY
<b>Auditors:</b>	Grant Thornton UK LLP Registered Auditors Chartered Accountants Colmore Plaza 20 Colmore Circus Birmingham B4 6AT

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## Report of the trustees

The trustees are pleased to present their report together with the consolidated financial statements of The Charity for the year ended 31 December 2011

### **Directors and trustees**

The directors of the charitable company (The Charity) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees

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

Robert John Mulligan (Resigned 22 November 2011)  
Rainer Herbert Gottlieb Wiborny (Resigned 22 November 2011)  
Joseph Bitner Wirthlin Jr (Resigned 22 November 2011)  
Paul Genho  
Don M Sleight (Appointed 22 November 2011)  
Jess Leo Knight (Appointed 22 November 2011 Resigned 9 August 2012)  
James Rodney Larson (Appointed 22 November 2011)

None of the trustees have qualifying third party indemnity insurance

### **Area controller**

Jerry Wamsley

### **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. During the year The Charity changed its name from The Church of Jesus Christ of Latter-day Saints (Welfare) Limited to Farmland Reserve UK Limited.

#### **Appointment of trustees**

As set out in the Articles of Association, new or additional directors (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 induction day they meet key employees and other trustees. Trustees are updated and advised on legal issues by Devonshires solicitors.

## Report of the trustees (continued)

### **Organisation**

The sole shareholder of The Charity is Farmland Reserve, Inc a non-profit corporation based in Utah, USA. Farmland Reserve, Inc is affiliated to The Church of Jesus Christ of Latter-day Saints.

Direction is channeled 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.

### **Employees**

The Charity has the policy of ensuring that its employees are those that 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.
- 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.

### **Related parties**

On 18 February 2011, land with a total value of £6,607,643 was transferred from The Charity, in the form of a donation, to a sister charity, The Church of Jesus Christ of Latter-day Saints (Great Britain).

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

## Report of the trustees (continued)

### Principal risks and uncertainties - financial risk and management

The following statements summarise The Charity's policy in managing identified forms of financial risk

- 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
- 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
- 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 company's bankers

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

### Objectives and principal activities

We have the general aim of assisting The Church of Jesus Christ of Latter-day Saints ("The Church") to grow its membership and to provide facilities for them and to reach out and work with and provide services to the wider community. We assist members of The Church and others in need of religious assistance or in conditions of need, hardship, sickness or distress

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

Up to the 31 December 2010 The Charity undertook the following activities to achieve this objective

- Acquired land and built purpose-built meetinghouses for The Church of Jesus Christ of Latter-day Saints (Great Britain) in which members of the Church and the public can meet together for religious worship and instruction
- Taught members, and non-members where possible, welfare and self-reliance principles for general living and emergency situations to provide for themselves and their families

On 1 January 2011 The Charity ceased to undertake the building of purpose-built meetinghouses for The Church of Jesus Christ of Latter-day Saints (Great Britain). From that date forward, The Charity has undertaken a formal change of focus from front line service delivery to the function of grant maker in order to fulfill its objects

## Report of the trustees (continued)

### **Objectives and principal activities (continued)**

The Trustees have determined to retain a portion of reserves for future possible agricultural land acquisitions, but to utilise a significant portion as a charitable grant in furtherance of The Charity's aims and purposes, which are to further the religious and other charitable work of The Church of Jesus Christ of Latter-day Saints

The Trustees considered various alternatives, including donations to various charitable organisations within the UK and internationally. Trustees met with representatives of The Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints ("CPB") regarding the possibility of making a significant donation in 2012 to support CPB building projects for religious purpose buildings which CPB and the Church have approved in various nations. The Trustees have reviewed the manner in which these projects are identified and approved by internal Church committees, the nature of the projects and their religious and charitable purposes, the infrastructure and controls that CPB has in place regarding the implementation of these projects, and the Trustees have come to the conclusion that making a significant donation to CPB is consistent with the aims and purposes of The Charity.

CPB has identified a number of specific projects for implementation internationally in pursuit of its purposes to the success of which The Charity now has the opportunity to contribute significantly.

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.

### **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.

### **Subsidiary undertakings**

AgReserves Limited's principal activity continued to be that of arable farming and operated 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. This process of consolidation began in 2008 and has continued through to 2011. During 2011 the trustees approved the purchase of parcels of land in this region to the value of £9,000,000. Sales of certain farm holdings in outlying regions were also approved by the Trustees resulting in a profit on disposal of £16,669,000.

The net income of the subsidiary AgReserves Limited included in the statement of financial activities was a profit of £2,019,936.

### **Financial results**

Each year the trustees carry out a detailed review of each department 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 an excellent financial result based on strong financial management.

Incoming resources saw an increase from £13,115,000 in 2010 to £26,461,000 in 2011. This was primarily due to the profit on disposal of £16,669,000 from the sale of the Lincolnshire farming properties and some small properties in Suffolk in 2011. Construction sales to GB ceased in 2011.

## Report of the trustees (continued)

### **Financial results (continued)**

The other incoming resources were income from trading subsidiaries (£8,995,000) and investment income (£378,000)

Costs were maintained within budget but increased from £8,266,000 in 2010 to £13,654,000 in 2011, primarily due to a donation of land to GB for the value of £6,607,643. In addition the general inflationary economic climate contributed to rising costs

Incoming resources exceeded resources expended for the year by £12,807,000

### **Investment powers and policy**

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

To achieve this objective, The Charity by the year end had invested £29.3 million of excess funds in an Instant Access Interest Bearing account with high security rating and achieved an average rate of 1.50% gross during 2011

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 2011 were £81,677,000 which is significantly above the trustees' target

It is the trustees' view that it is prudent to ensure that there are sufficient reserves to provide financial flexibility

The reserves policy is reviewed on an annual basis

### **Plans for future periods**

The goals for 2012 include plans to

1. Donate approximately £31.6m to the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints for the purpose of funding worldwide building projects related to the Charity's objective, as after significant consideration, it was determined that this charity is more appropriately set up to use the funds for the worldwide construction of buildings and facilities that meet the Charity's objective. The Charity has entered into an agreement under which the Corporation of the Presiding Bishop of the Church of Jesus Christ of Latter-day Saints will routinely report back on their performance, and provide explanation for any material variance from the proposed projects
2. Continue to enhance the profitability and efficiency of the farms through well reasoned acquisitions and sales to achieve, over time, a concentration on land holdings around one major farm. Any future acquisitions will be funded from retained reserves or future sales

## Report of the trustees (continued)

### Plans for future periods (continued)

- 3 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 in relation to the financial statements

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 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). Under company law the trustees must not approve the financial statements unless 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 company and group for that period.

In preparing those 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
- make judgements and 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company and group will continue in business

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


In so far as each of the trustees is aware

- there is no relevant audit information of which the charitable company's auditors are unaware, and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

### Auditors

Grant Thornton UK LLP are to be re-appointed as auditors to The Charity for the ensuing year

By order of the trustees



J R Lusson  
Trustee

Date

26/09/2012

## Report of the independent auditors to the members of Farmland Reserve UK Limited (formerly The Church of Jesus Christ of Latter-day Saints (Welfare) Limited)

We have audited the financial statements of Farmland Reserve UK Limited (formerly The Church of Jesus Christ of Latter-day Saints (Welfare) Limited) for the year ended 31 December 2011 which comprise the group and charitable company statement of financial activities, the group and charitable company balance sheet, the consolidated 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).

This report is made solely to the charitable 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 charitable 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 charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees' and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on pages 6 and 7, 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.

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**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the charitable company's affairs as at 31 December 2011 and of its 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.

### **Opinion on other matter prescribed by the Companies Act 2006**

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



## Report of the independent auditors to the members of Farmland Reserve UK Limited (formerly The Church of Jesus Christ of Latter-day Saints (Welfare) Limited

### **Matters on which we are required to report by exception**

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

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

*Grant Thornton UK LLP*

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

Date *26 September 2012*

## Statement of financial activities (including the income and expenditure account)

		GROUP		COMPANY	
	Note	Unrestricted Total funds 2011 £'000	Unrestricted Total funds 2010 £'000	Unrestricted Total funds 2011 £'000	Unrestricted Total funds 2010 £'000
<b>Incoming resources</b>					
<b>Income resources from generated funds</b>					
Voluntary income					
Donation from parent company		-	2,956	-	2,956
Income from trading subsidiaries	2a	8,995	7,428	-	-
<b>Investment income</b>					
Rental income		-	9	1,057	1,137
Interest receivable		378	142	288	94
<b>Incoming resources from charitable activities</b>					
New construction		-	2,376	-	2,376
		9,373	12,911	1,345	6,563
<b>Other incoming resources</b>					
Other operating income		11	8	11	21
Profit on disposal of tangible fixed assets	4	17,077	196	16,669	-
		17,088	204	16,680	21
<b>Total incoming resources</b>					
		26,461	13,115	18,025	6,584
<b>Resources expended</b>					
Expenses of trading subsidiaries		6,536	5,192	-	-
Charitable activities	3a	7,101	3,057	7,221	3,148
Governance costs	3d	17	17	17	17
<b>Total resources expended</b>					
		13,654	8,266	7,238	3,165
<b>Net incoming resources for the year</b>					
		12,807	4,849	10,787	3,419
Total funds brought forward		68,870	64,021	61,172	57,753
Total funds carried forward		81,677	68,870	71,959	61,172

All operations are continuing

There is no difference between the results above and the unmodified historical equivalents for this period

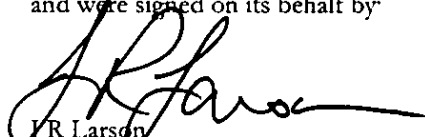
The statement of financial activities includes all gains and losses recognised in the year

## Balance sheet

		GROUP		COMPANY	
	Note	2011	2010	2011	2010
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	7	34	68	-	-
Tangible assets	8	46,980	54,420	44,675	52,069
Investments	9	5	5	9,450	4,100
		<b>47,019</b>	<b>54,493</b>	<b>54,125</b>	<b>56,169</b>
<b>Current assets</b>					
Stock	10	6,100	6,478	-	-
Debtors	11	937	2,039	3,808	3,683
Cash at bank and in hand		38,481	6,374	29,421	1,298
Cash equivalents	12	-	10,177	-	10,177
		<b>45,518</b>	<b>25,068</b>	<b>33,229</b>	<b>15,158</b>
<b>Creditors</b>					
Amounts falling due within one year	13	(735)	(644)	(45)	(155)
<b>Net current assets</b>		<b>44,783</b>	<b>24,424</b>	<b>33,184</b>	<b>15,003</b>
<b>Total assets less current liabilities</b>		<b>91,802</b>	<b>78,917</b>	<b>87,309</b>	<b>71,172</b>
<b>Provision for liabilities and charges</b>	14	<b>(125)</b>	<b>(47)</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>91,677</b>	<b>78,870</b>	<b>87,309</b>	<b>71,172</b>
<b>Capital and reserves</b>					
Unrestricted income funds					
Called up share capital		10,000	10,000	10,000	10,000
Other reserves	17	5,350	-	5,350	-
Unrestricted funds	16	76,327	68,870	71,959	61,172
<b>Total charity funds</b>		<b>91,677</b>	<b>78,870</b>	<b>87,309</b>	<b>71,172</b>

The principal accounting policies and notes on pages 14 to 27 form part of these accounts

The financial statements on pages 11 to 27 were approved by the board of directors on 24 September 2012 and were signed on its behalf by:

  
J R Larson  
Trustee

Company number 1332670

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

## Consolidated cash flow statement

	Note	2011 £'000	2010 £'000
Reconciliation of operating surplus to net cash inflow from operating activities			
Operating surplus	19a	13,163	5,239
Depreciation & amortization		1,002	1,004
Profit on disposal of fixed assets		(17,077)	(196)
Decrease/(increase) in stocks		378	(797)
(Increase)/decrease in debtors		1,102	2,121
Increase/(decrease) in creditors		33	(1,246)
Donation of land		6,608	-
<b>Net cash inflow from operating activities</b>		<b>5,209</b>	<b>6,125</b>
Tax paid		(599)	(343)
Returns on investments and servicing of finance	19a	378	142
Capital expenditure and financial investment	19a	16,942	(2,282)
Management of liquid resources	19a	10,177	1,075
<b>Increase in cash in the year</b>		<b>32,107</b>	<b>4,717</b>
Net funds at 1 January 2011		6,374	1,657
<b>Net funds at 31 December 2011</b>	19b	<b>38,481</b>	<b>6,374</b>

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

## Notes to the financial statements

### 1 Principal accounting policies

The financial statements are prepared in accordance with applicable Accounting Standards in the United Kingdom and in accordance with the Statement of Recommended Practice (SORP), Accounting and Reporting for Charities 2005. A summary of the significant accounting policies which have been applied consistently is set out below.

#### Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

#### Basis of consolidation

The consolidated financial statements incorporate those of Farmland Reserve UK Limited (formerly The Church of Jesus Christ of Latter-day Saints (Welfare) Limited) and all of its subsidiary undertakings for the year. All financial statements are made up to 31 December 2011. The consolidation has been prepared using the acquisition method of accounting. Under this method, the results of subsidiary undertakings acquired are included in the Statement of Financial Activities (SOFA) from the date of acquisition.

#### FRS18

The trustees have reviewed the accounting policies and confirmed that they are the most applicable.

#### Incoming resources

All incoming resources are included in the SOFA when the organisation is legally entitled to the income and the amount can be quantified with reasonable accuracy. Costs of constructing new buildings on behalf of The Church of Jesus Christ of Latter-day Saints (Great Britain) - "GB company" are recharged at each year end on the basis of total construction costs incurred to date. Rental income is recorded in accordance with the terms of the appropriate lease. Income from subsidiaries represents revenue recognised in respect of goods and services applied exclusive of VAT and trade discounts.

#### Resources expended

All expenditure is accounted for on an accruals basis under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with 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 are disclosed in note 3.

#### Tangible fixed assets and depreciation

Individual fixed assets costing £5,000 or more are capitalised at cost. Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write down each asset to its estimated residual value over its expected useful life, as follows:

Farm houses	over 10 to 40 years
Farm buildings and amenities	over 10 to 40 years
Equipment, fixtures and fittings	over 5 to 10 years
Plant and machinery	over 5 to 10 years

## Notes to the financial statements (continued)

### **Intangible fixed assets**

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 of 3 years.

### **Fixed asset investments**

Fixed asset investments are stated at cost. Provision is made for any permanent diminution in value.

### **Stocks**

Stocks and cultivations are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Government subsidies are no longer included as part of the net realisable value of the crops as directed by the Rural Payments Agency.

Provision is made for obsolete and slow-moving items. Costs include all direct costs and an appropriate proportion of fixed and variable overheads.

### **Operating leases**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the SOFA on a straight line basis over the lease term.

### **Foreign currency translations**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the SOFA.

### **Deferred taxation**

Deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more or less taxation in future. An asset is recognised to the extent that the transfer of economic benefits in future is more likely than not. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets and liabilities recognised are not discounted. This policy applies equally to subsidiary undertakings.

### **Pension costs**

The company is party to a defined benefit scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans (see note 19). The fund is valued every three years by a professionally qualified independent actuary, with rates of contributions payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of contributions made during the year or accrued at the year-end (i.e. on a defined contribution basis), as required by Financial Reporting Standard 17 "Retirement Benefits" in circumstances where the company cannot identify with any degree of accuracy its share of the scheme assets and liabilities. The company provides no other past retirement benefits to its employees.

Full details of the plan are provided in the financial statements of The Church of Jesus Christ of Latter-day Saints (Great Britain).

## Notes to the financial statements (continued)

### **Parent company donations and capital contributions**

Donations by the company's parent undertakings to fund certain aspects of the company's excess of expenditure over income are included within incoming resources in the year to which they relate

Capital contributions by the company's parent undertakings to provide funding are treated as an exceptional item in the statement of financial activities in the year in which they arise

### **Single farm payment**

Single payments are receivable on an annual basis. The annual payment is recognised in the year the application applies to. Due to the regular variation in when payment occurs, this is recognised either by accrual or upon receipt of payment.

### **Fund accounting**

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

### **Liabilities**

Liabilities are recognised when the group has a legal or constructive financial obligation that can be reliably estimated and for which there is an expectation that the payment will be made.

### **Investments**

Investments represent cash on short-term deposit. The company's objective is to maintain liquidity of funds while ensuring maximum security and achieving the highest possible return. Investment income is recognised on an accruals basis.

## Notes to the financial statements (continued)

### 2a Net income of trading activities of subsidiaries

At year end the charity owned two subsidiaries which are incorporated in England and Wales

AgReserves Limited operated farming activities while Anderson Farm (Buckworth) Limited was dormant during the year

The results of the subsidiaries included in the SOFA are as follows

	2011 £'000	2010 £'000
Turnover	9,115	7,528
Cost of sales	(4,601)	(2,419)
<b>Gross surplus</b>	4,514	5,109
Operating expenses	(2,258)	(3,368)
<b>Operating surplus</b>	2,256	1,741
Profit on disposal of tangible fixed assets	408	196
Interest receivable	90	48
Taxation	(734)	(532)
<b>Net income for the year</b>	2,020	1,453
Consolidation eliminations		
Rent payable to parent undertaking	1,057	1,127
Management fees receivable from parent undertaking	(120)	(100)
<b>Net income of trading subsidiaries included in the Statement of Financial Activities</b>	2,948	2,480

### 2b Assets and liabilities of subsidiaries

	2011 £'000	2010 £'000
Aggregate assets	18,441	15,888
Aggregate liabilities	(4,623)	(4,066)
<b>Net assets</b>	13,818	11,822

## Notes to the financial statements (continued)

### 3a Analysis of charitable activities

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Donation of land	6,608	-	6,608	-
Costs of generating funds	493	-	613	-
Cost of construction	-	2,601	-	2,592
Welfare provision	-	456	-	556
	<u>7,101</u>	<u>3,057</u>	<u>7,221</u>	<u>3,148</u>

### 3b Company charitable activities allocation

Activity	Activities undertaken directly £'000	Support costs £'000	Total £'000
Donation of land	6,608	-	6,608
Welfare provision	-	613	613
<b>Total</b>	<u>6,608</u>	<u>613</u>	<u>7,221</u>

### 3c Support costs allocation

Support cost	Construction £'000	Welfare provision £'000	Total £'000	Basis of allocation
Depreciation and amortization	-	345	345	Usage
Operating costs	-	268	268	Usage
<b>Total</b>	<u>-</u>	<u>613</u>	<u>613</u>	

The basis of allocation was determined by the actual usage in each of the cost categories which was attributable to that particular activity

### 3d Governance costs

	2011 £'000	2010 £'000
Company only audit	<u>17</u>	<u>17</u>
	<u>17</u>	<u>17</u>

## Notes to the financial statements (continued)

### 4 Net income for the year

	2011 £'000	2010 £'000
Net income is stated after charging:		
Operational leases - land and buildings	9	15
Amortisation of intangible assets	53	43
Depreciation of tangible assets	949	961
Profit on disposal of tangible assets	17,077	196
Auditors' remuneration – fees payable to the company's auditor in respect of group and company audit services	30	32

### 5 Employees

	2011 No.	2010 No.
The average weekly number of persons (including directors) employed by the group during the year was	22	25
	2011 £'000	2010 £'000
Staff costs for the above persons		
Wages and salaries	665	792
Social security costs	89	73
Other pension costs	155	173
	909	1,038

The Charity does not have any employees

The trustees received £nil (2010 £nil) remuneration, and £nil (2010 £nil) in expenses during the year

## Notes to the financial statements (continued)

### 6 Taxation

The company is a registered charity and as such is entitled to certain tax exemptions on income and profits carried on in furtherance of the charity's primary objectives if the profits and surpluses are applied solely for charitable purposes. Tax paid by the subsidiary companies is reconciled below.

#### (a) Analysis of charge in the year

	2011 £'000	2010 £'000
UK corporation tax based on results for the year at 26.5% (2010: 28%)	626	516
Over provision in prior year	30	(13)
Total current tax	<u>656</u>	<u>503</u>
Deferred tax		
Origination and reversal of timing differences	78	29
Tax on loss on ordinary activities	<u>734</u>	<u>532</u>

#### (b) Factors affecting current tax charge

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below.

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation	<u>2,754</u>	<u>1,985</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	727	556
Effects of		
Expenses not deductible for tax purposes	3	13
Capital allowances in excess of depreciation	(85)	(56)
Chargeable gain	15	-
Adjustments in respect of prior periods	30	(13)
Non-taxable income	(37)	
Other timing differences	3	3
Total current tax	<u>656</u>	<u>503</u>

## Notes to the financial statements (continued)

### 7 Intangible fixed assets

Group	Single farm payment entitlements £'000
<b>Cost</b>	
At 1 January 2011	101
Additions	19
At 31 December 2011	<u>120</u>
<b>Depreciation</b>	
At 1 January 2011	33
Charge	53
At 31 December 2011	<u>86</u>
<b>Net book amount at 31 December 2011</b>	<u>34</u>
Net book amount at 31 December 2010	<u>68</u>

### 8 Tangible fixed assets

Group	Land and buildings £'000	Plant and machinery £'000	Farms £'000	Total £'000
<b>Cost</b>				
At 1 January 2011	6,608	6,890	48,511	62,009
Additions	-	902	9,000	9,902
Disposals	(6,608)	(1,588)	(10,170)	(18,366)
At 31 December 2011	<u>-</u>	<u>6,204</u>	<u>47,341</u>	<u>53,545</u>
<b>Depreciation</b>				
At 1 January 2011	-	4,539	3,050	7,589
Charge	-	604	345	949
Eliminated on disposals	-	(1,244)	(729)	(1,973)
At 31 December 2011	<u>-</u>	<u>3,899</u>	<u>2,666</u>	<u>6,565</u>
<b>Net book amount at 31 December 2011</b>	<u>-</u>	<u>2,305</u>	<u>44,675</u>	<u>46,980</u>
Net book amount at 31 December 2010	<u>6,608</u>	<u>2,351</u>	<u>45,461</u>	<u>54,420</u>

A detailed analysis of the farm category is shown on page 21

All of the tangible fixed assets are used to generate income for charitable purposes

## Notes to the financial statements (continued)

### 8 Tangible fixed assets (continued)

Company	Freehold land £'000	Farms £'000	Total £'000
<b>Cost</b>			
At 1 January 2011	6,608	48,511	55,119
Additions	-	9,000	9,000
Disposals	(6,608)	(10,170)	(16,778)
At 31 December 2011	-	47,341	47,341
<b>Depreciation</b>			
At 1 January 2011	-	3,050	3,050
Charge	-	345	345
Eliminated on disposals	-	(729)	(729)
At 31 December 2011	-	2,666	2,666
<b>Net book amount at 31 December 2011</b>	-	44,675	44,675
Net book amount at 31 December 2010	6,608	45,461	52,069

A detailed analysis of the farms category is shown below

Company	Freehold land £'000	Farm houses and farm buildings £'000	Assets in the course of construction £'000	Land improve- ments £'000	Equipment fixtures & fittings £'000	Total £'000
<b>Cost</b>						
At 1 January 2011	37,362	9,821	128	244	956	48,511
Additions	7,090	1,750	1	-	159	9,000
Disposals	(7,143)	(2,632)	(128)	-	(267)	(10,170)
At 31 December 2011	37,309	8,939	1	244	848	47,341
<b>Depreciation</b>						
At 1 January 2011	-	2,744	-	61	245	3,050
Charge	-	302	-	8	35	345
Eliminated on disposals	-	(646)	-	-	(83)	(729)
At 31 December 2011	-	2,400	-	69	197	2,666
<b>Net book amount at 31 December 2011</b>	37,309	6,539	1	175	651	44,675
Net book amount at 31 December 2010	37,362	7,077	128	183	711	45,461

## Notes to the financial statements (continued)

### 9 Fixed asset investments

Group	Listed £'000	Total £'000
Cost and net book value		
1 January 2011 and 31 December 2011	5	5

The market value of listed investments, which are included above at cost of £5,000, as at 31 December 2011 was £11,222 (2010 £14,142)

Company	Investment in subsidiary undertakings £'000
At 1 January 2011	4,100
Additions	5,350
Disposals	-
At 31 December 2011	9,450

The company holds more than 10% of the share capital of the following undertakings

Name	Country of incorporation	Class of holding	Proportion directly held	Nature of business
AgReserves Limited	England	Ordinary	100%	Farming
Anderson Farm (Buckworth) Limited	England	Ordinary	100%	Dormant

On 10 December 2010 the assets of Anderson Farm (Buckworth) Limited were transferred to Farmland Reserve UK Limited and the company has been dormant since that date

### 10 Stocks

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Cultivations	2,258	2,399	-	-
Harvested crops	3,842	4,079	-	-
	6,100	6,478	-	-

### 11 Debtors

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade debtors	820	362	-	-
Other debtors	105	1,677	-	129
Prepayments and accrued income	12	-	-	-
Amounts owed by group undertakings	-	-	3,808	3,554
	937	2,039	3,808	3,683

## Notes to the financial statements (continued)

### 12 Investments

All investment income arises from interest bearing deposit account. These are short term high interest accounts.

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Fixed term deposit accounts	-	10,177	-	10,177

### 13 Creditors: amounts falling due within one year

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade creditors	6	-	1	-
Other taxes and social security costs	213	31	29	-
Corporation tax	414	357	-	-
Other creditors	54	211	-	138
Accruals and deferred income	48	45	15	17
	<u>735</u>	<u>644</u>	<u>45</u>	<u>155</u>

### 14 Deferred tax

The movement in deferred taxation provision during the year was

	2011 £'000	2010 £'000
Provision brought forward	47	18
Income and expenditure account movement	78	29
Provision carried forward	<u>125</u>	<u>47</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011 £'000	2010 £'000
Accelerated capital allowances	111	47
Other short term timing difference	14	-
	<u>125</u>	<u>47</u>

## Notes to the financial statements (continued)

### 15 Share capital

	2011 £'000	2010 £'000
<b>Authorised:</b>		
25 million ordinary shares of £1 each	25,000	25,000
<b>Allotted, issued and fully paid</b>		
10 million ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

### 16 Total charity funds

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Balance at 1 January 2011	68,870	64,021	61,172	57,753
Net income for the year	<u>12,807</u>	<u>4,849</u>	<u>10,792</u>	<u>3,419</u>
Balance at 31 December 2011	<u>81,677</u>	<u>68,870</u>	<u>71,964</u>	<u>61,172</u>

### 17 Reconciliation of movement in charity funds

#### Other reserves

	2011 £'000	2010 £'000
Opening other reserves	-	-
Transfer from unrestricted funds	<u>5,350</u>	-
Closing other reserves	<u>5,350</u>	-

#### Unrestricted funds

	2011 £'000	2010 £'000
Net income for the financial year	12,807	4,849
Opening unrestricted funds	68,870	64,021
Transfer to other reserves	<u>(5,350)</u>	-
Closing unrestricted funds	<u>76,327</u>	<u>68,870</u>

Other reserves represents funds contributed by The Charity's immediate parent company, Farmland Reserve, Inc for use by AgReserves Limited

All of the charity's funds are entirely attributable to equity interests

## Notes to the financial statements (continued)

### 18 Analysis of net assets between funds

	General funds £'000	Other reserves £'000	Total £'000
Fixed assets	47,019	-	46,980
Net current assets	39,433	5,350	44,783
Provision for liabilities and charges	(125)	-	(125)
Net assets at 31 December 2011	<u>86,327</u>	<u>5,350</u>	<u>91,677</u>

### 19 Notes to the cash flow statement

#### (a) Analysis of cash flows

Reconciliation of net movement in funds to operating surplus

	2011 £'000	2010 £'000
Net income for the year	12,807	4,849
Interest received	(378)	(142)
Tax charge	734	532
Operating surplus	<u>13,163</u>	<u>5,239</u>

Returns on investments and servicing of finance

	2011 £'000	2010 £'000
Interest received	<u>378</u>	<u>142</u>

Capital expenditure and fixed asset investment

	2011 £'000	2010 £'000
Purchase of intangible fixed assets	(19)	(3)
Purchase of tangible fixed assets	(9,902)	(2,582)
Proceeds from sale of tangible fixed assets	26,863	303
	<u>16,942</u>	<u>(2,282)</u>

Management of liquid resources

	2011 £'000	2010 £'000
Reduction in fixed term deposits	<u>10,177</u>	<u>1,075</u>

The group includes fixed term deposits as liquid resources

## Notes to the financial statements (continued)

### 19 Notes to the cash flow statement (continued)

#### (b) Analysis of cash flows

	At 1 January 2011 £'000	Cash flow £'000	Non cash flow £'000	At 31 December 2011 £'000
Cash at bank and in hand	6,374	32,107	-	38,481
Net funds	6,374	32,107	-	38,481

### 20 Pension and other post employment commitments

The company participates in a pension scheme operated by The Church of Jesus Christ of Latter-day Saints (Great Britain), the Deseret UK Benefit Plans ("the Plan"). The 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 company has accounted for the scheme as if it was a defined contribution scheme because it is not feasible to split the assets and liabilities of the scheme between all the companies whose employees are members. Contributions to the scheme for the year were £155,083 (2010 £173,000).

### 21 Related party transactions and ultimate holding company

The immediate parent company of the group is Farmland Reserve, Inc., a company incorporated in the United States of America. The ultimate holding company is the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints, a company incorporated in the state of Utah, United States of America.

Assurances of continued financial support have been received from the Corporation of the Presiding Bishop of The Church of Jesus Christ of Latter-day Saints.

During the prior year, the company contracted with another fellow subsidiary, The Church of Jesus Christ of Latter-day Saints (Great Britain) to carry out construction of church buildings on its behalf. The value of this work in the year was £nil (2010 £2,376,000). The Church of Jesus Christ of Latter-day Saints (Great Britain) previously provided accounting and administrative services free of charge to the company. The value of these services is estimated to be £nil (2010 £30,000).

On 10 February 2011, land with a total value of £6,607,000 was transferred to The Church of Jesus Christ of Latter-day Saints (Great Britain).

Transactions with subsidiary companies have been disclosed in note 2.

### 22 Capital commitments

The group had capital commitments at 31 December 2011 of £nil (2010 £nil).

## Notes to the financial statements (continued)

### 23 Leasing commitments

At 31 December 2011 the group had annual commitments under non-cancellable operating leases as set out below

Group	2011 £'000	2010 £'000
Land and buildings		
In one year or less	-	15
Within one to two years	9	-
	<u>9</u>	<u>15</u>