

**Smailes Goldie Group**  
CREATING ADVANTAGE

REGISTERED NUMBER: 03430277

# **Magyar Farming Company Limited**

## **Consolidated Financial Statements**

**31 December 2017**

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for the year ended 31 December 2017**

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**Magyar Farming Company Limited**

**Company Information  
for the year ended 31 December 2017**

**DIRECTORS:**

D B Gunner  
S L Weaver  
W R N Tapp  
C G B Combe

**SECRETARY:**

W R N Tapp

**REGISTERED OFFICE:**

7 Abbey Court  
Fraser Road  
Priory Business Park  
Bedford  
MK44 3WH

**REGISTERED NUMBER:**

03430277 (England and Wales)

**ACCOUNTANTS:**

Smailes Goldie Turner Limited  
Chartered Accountants  
Regent's Court  
Princess Street  
Hull  
East Yorkshire  
HU2 8BA

**Magyar Farming Company Limited (Registered number: 03430277)**

**Group Strategic Report  
for the year ended 31 December 2017**

The directors present their strategic report of the company and the group for the year ended 31 December 2017.

**REVIEW OF BUSINESS**

Commodity prices were generally low during the year, but with milk prices recovering through the year across Europe. The business continues to monitor and manage cost of production to best advantage. The final distribution to shareholders of the proceeds of the sale of the business in Serbia was made during the year.

At 31 December 2017, the group held 51 bull calves (2016: 63), 536 heifers (2016: 693), 272 in-calf heifers (2016: 193), and 1,058 milking cows (2016: 1,048). During the year the group produced 8,854,999 litres of milk (2016: 8,300,951 litres); 3,405 tonnes of cereals and oilseed (2016: 4,373 tonnes), and 3,200 tonnes of potatoes (2016: 5,760 tonnes).

**PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors continue to assess the risks associated with an agricultural investment: the climate, commodity price volatility and continuing political interference. Variable weather events are expected to have an impact on production, and commodity price volatility affects gross revenues. However, the group mitigates some of this risk by growing a range of crops, and by exposure to the livestock sector, thus creating a diverse income stream. The bio-gas plant continues to provide an income stream uncorrelated to crop/commodity income.

The company continues to face legal and political challenges in Hungary, where retrospective changes to legislation around contractual property rights has seen the company lose access to some previously farmed land. The Directors continue to work towards achieving a satisfactory outcome with the Hungarian government. However, negotiations with the government have not progressed, and the Board of Directors have taken the decision to launch a claim against the Hungarian government in the International Court of Settlements. The cost of progressing the claim against the government is expected to have a negative impact on the ongoing profitability of the business.

**ON BEHALF OF THE BOARD:**



.....  
D B Gunner - Director

Date: **17TH DECEMBER 2018**

**Magyar Farming Company Limited (Registered number: 03430277)**

**Report of the Directors  
for the year ended 31 December 2017**

Magyar Farming Company Limited is a company incorporated in the United Kingdom. Its registered office is 7 Abbey Court, Fraser Road, Priory Business Park, Bedford, MK44 3WH.

**DIVIDENDS**

During the year, final dividends paid were £1,259,598.

**DIRECTORS**

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

D B Gunner  
S L Weaver  
W R N Tapp  
C G B Combe

**FINANCIAL INSTRUMENTS**

The group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk.

Companies within the group are engaged in the production of agricultural commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, potatoes and milk. All agricultural commodities are subject to the vagaries of the weather and fluctuations in local and world commodity prices. The group has invested to spread the geographic and climatic risk. Individual marketing strategies are selected as appropriate to the crop and the country to minimise risks associated with price volatility. The group does not use derivatives to manage commodity price risks but does enter into forward sales contracts for certain commodities, when appropriate.

Companies within the group also purchase and pack potatoes for supply to a major retailer. The group reviews major customer relationships from time to time and does not consider at present that any of these present a financial risk to the group.

The group began the year operating in two countries, Hungary and Ukraine, and is thus exposed to the risks of currency fluctuation. Most commodities are ultimately priced in major currencies (euros or US dollars), which affords some protection against local currency devaluation. The group has secured loans from its bankers in Hungary in a number of currencies to spread the risk from fluctuation.

The group has interest bearing liabilities. The group does not use derivative financial instruments to manage interest rate cost and, as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the operations change in size or nature.

**GOING CONCERN**

The group meets its day to day working capital requirements through its bank facilities. The directors continue to assess the risks associated with price movements for agricultural commodities and the potential impact of adverse weather events on output.

In addition the directors have reviewed the performance of the group for the current year, and considered the impact of the current high commodity prices on the budget for 2018, and have determined that the group will comfortably meet its obligations, in spite of the challenges facing the company regarding rights of tenure on state land in Hungary. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated accounts. Further information on the group's borrowings is given in note 18.

**ON BEHALF OF THE BOARD:**



D B Gunner - Director

Date: **17th DECEMBER 2018**

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2017**

	Notes	2017 £	2016 as restated £
<b>CONTINUING OPERATIONS</b>			
Revenue		5,839,893	5,137,366
Cost of sales		<u>(2,717,312)</u>	<u>(2,423,453)</u>
<b>GROSS PROFIT</b>		<b>3,122,581</b>	<b>2,713,913</b>
Administrative expenses		<u>(2,553,292)</u>	<u>(2,172,873)</u>
<b>OPERATING PROFIT</b>		<b>569,289</b>	<b>541,040</b>
Finance costs	4	(88,785)	(109,447)
Finance income	4	<u>1,383</u>	<u>7,242</u>
<b>PROFIT BEFORE INCOME TAX</b>	5	<b>481,887</b>	<b>438,835</b>
Income tax	6	<u>95,813</u>	<u>(65,215)</u>
<b>PROFIT FOR THE YEAR</b>		<b>577,700</b>	<b>373,620</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Item that will not be reclassified to profit or loss:			
Currency translation differences		277,212	1,111,000
Income tax relating to item that will not be reclassified to profit or loss		<u>(2,191)</u>	<u>10,310</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u><b>275,021</b></u>	<u><b>1,121,310</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>852,721</b></u>	<u><b>1,494,930</b></u>
Profit attributable to: Owners of the parent		<u><b>577,700</b></u>	<u><b>373,620</b></u>
Total comprehensive income attributable to: Owners of the parent		<u><b>852,721</b></u>	<u><b>1,494,930</b></u>

**Consolidated Statement of Financial Position**  
**31 December 2017**

	Notes	2017 £	2016 as restated £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	1,239,139	1,195,881
Property, plant and equipment	11	7,715,348	8,112,826
Investments	12	141	141
		<u>8,954,628</u>	<u>9,308,848</u>
<b>CURRENT ASSETS</b>			
Inventories	13	625,844	1,317,400
Trade and other receivables	14	953,847	639,033
Cash and cash equivalents	15	1,129,661	1,192,974
		<u>2,709,352</u>	<u>3,149,407</u>
<b>TOTAL ASSETS</b>		<u>11,663,980</u>	<u>12,458,255</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	2,438,857	2,438,857
Share premium	17	974,851	974,851
Revaluation reserve	17	133,928	133,928
Other reserves	17	2,087,159	1,809,947
Retained earnings	17	3,296,912	3,981,001
<b>TOTAL EQUITY</b>		<u>8,931,707</u>	<u>9,338,584</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	18	1,414,043	1,554,166
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	46,900	87,721
Deferred tax	21	163,287	315,909
		<u>1,624,230</u>	<u>1,957,796</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	1,060,341	923,499
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	47,702	238,376
		<u>1,108,043</u>	<u>1,161,875</u>
<b>TOTAL LIABILITIES</b>		<u>2,732,273</u>	<u>3,119,671</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>11,663,980</u>	<u>12,458,255</u>

The company and the group are entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2017.

The members have not required the company and the group to obtain an audit of its financial statements for the year ended 31 December 2017 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

Magyar Farming Company Limited (Registered number: 03430277)

**Consolidated Statement of Financial Position - continued**  
**31 December 2017**

- (b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company and the group.

The financial statements were approved by the Board of Directors on **17TH DECEMBER** and were signed on its behalf by: **2018**

  
.....  
D B Gunner - Director

The notes form part of these financial statements



**Magyar Farming Company Limited (Registered number: 03430277)**

**Company Statement of Financial Position  
31 December 2017**

	Notes	2017 £	2016 as restated £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	-	-
Property, plant and equipment	11	-	-
Investments	12	1,318,763	1,318,763
Deferred tax	21	254,544	246,216
		<u>1,573,307</u>	<u>1,564,979</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	14	29,836	74,186
Cash and cash equivalents	15	38,838	515,385
		<u>68,674</u>	<u>589,571</u>
<b>TOTAL ASSETS</b>		<u>1,641,981</u>	<u>2,154,550</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	16	2,438,857	2,438,857
Share premium	17	974,851	974,851
Retained earnings	17	(2,760,887)	(1,465,881)
<b>TOTAL EQUITY</b>		<u>652,821</u>	<u>1,947,827</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	19	46,900	46,900
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	942,260	159,823
<b>TOTAL LIABILITIES</b>		<u>989,160</u>	<u>206,723</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,641,981</u>	<u>2,154,550</u>


The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 December 2017.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2017 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Board of Directors on 17TH DECEMBER and were signed on its behalf by: 2018

  
D B Gunner - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity  
for the year ended 31 December 2017**

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Share premium £</b>
<b>Balance at 1 January 2016 as restated</b>	2,438,857	5,615,787	974,851
<b>Changes in equity</b>			
Dividends	-	(2,018,716)	-
Total comprehensive income	-	383,930	-
<b>Balance at 31 December 2016 as restated</b>	<u>2,438,857</u>	<u>3,981,001</u>	<u>974,851</u>
<b>Changes in equity</b>			
Dividends	-	(1,259,598)	-
Total comprehensive income	-	575,509	-
<b>Balance at 31 December 2017</b>	<u>2,438,857</u>	<u>3,296,912</u>	<u>974,851</u>
	<b>Revaluation reserve £</b>	<b>Other reserves £</b>	<b>Total equity £</b>
<b>Balance at 1 January 2016 as restated</b>	133,928	698,947	9,862,370
<b>Changes in equity</b>			
Dividends	-	-	(2,018,716)
Total comprehensive income	-	1,111,000	1,494,930
<b>Balance at 31 December 2016 as restated</b>	<u>133,928</u>	<u>1,809,947</u>	<u>9,338,584</u>
<b>Changes in equity</b>			
Dividends	-	-	(1,259,598)
Total comprehensive income	-	277,212	852,721
<b>Balance at 31 December 2017</b>	<u>133,928</u>	<u>2,087,159</u>	<u>8,931,707</u>

**Company Statement of Changes in Equity  
for the year ended 31 December 2017**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1 January 2016</b>	2,438,857	551,527	974,851	3,965,235
<b>Changes in equity</b>				
Dividends	-	(2,018,716)	-	(2,018,716)
Total comprehensive income	-	1,308	-	1,308
<b>Balance at 31 December 2016</b>	<u>2,438,857</u>	<u>(1,465,881)</u>	<u>974,851</u>	<u>1,947,827</u>
<b>Changes in equity</b>				
Dividends	-	(1,259,598)	-	(1,259,598)
Total comprehensive income	-	(35,408)	-	(35,408)
<b>Balance at 31 December 2017</b>	<u>2,438,857</u>	<u>(2,760,887)</u>	<u>974,851</u>	<u>652,821</u>

**Consolidated Statement of Cash Flows  
for the year ended 31 December 2017**

		<b>2017</b>	<b>2016</b>
		<b>£</b>	<b>as restated £</b>
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,779,403	1,570,264
Interest paid		(42,825)	(34,574)
Finance costs paid		(45,960)	(74,873)
Tax paid		(59,892)	(17,614)
<b>Net cash from operating activities</b>		<b>1,630,726</b>	<b>1,443,203</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(513,424)	(405,760)
Purchase of tangible fixed assets		(250,082)	(486,913)
Sale of intangible fixed assets		482,316	395,551
Sale of tangible fixed assets		63,359	53,550
Interest received		1,383	7,242
<b>Net cash from investing activities</b>		<b>(216,448)</b>	<b>(436,330)</b>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(240,649)	(285,771)
Equity dividends paid		(1,259,598)	(2,018,716)
<b>Net cash from financing activities</b>		<b>(1,500,247)</b>	<b>(2,304,487)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(85,969)</b>	<b>(1,297,614)</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<b>1,192,974</b>	<b>2,433,700</b>
Effect of foreign exchange rate changes		22,656	56,888
<b>Cash and cash equivalents at end of year</b>	2	<b>1,129,661</b>	<b>1,192,974</b>

**Notes to the Consolidated Statement of Cash Flows  
for the year ended 31 December 2017.**

**1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	2017	2016 as restated
	£	£
Profit before income tax	481,887	438,835
Depreciation charges	759,734	710,052
Loss/(profit) on disposal of fixed assets	1,222	(3,473)
Change in value of biological assets	114,481	99,913
Amortisation of intangible assets	1,611	838
Unrealised exchange (gains)/losses	(42,957)	(208,153)
Impairment of fixed assets	69,716	-
Government grants	(279,081)	(223,724)
Finance costs	88,785	109,447
Finance income	(1,383)	(7,242)
	<u>1,194,015</u>	<u>916,493</u>
Decrease in inventories	734,750	80,248
(Increase)/decrease in trade and other receivables	(289,032)	266,409
Increase in trade and other payables	<u>139,670</u>	<u>307,114</u>
<b>Cash generated from operations</b>	<u><b>1,779,403</b></u>	<u><b>1,570,264</b></u>

**2. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

**Year ended 31 December 2017**

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	<u>1,129,661</u>	<u>1,192,974</u>

**Year ended 31 December 2016**

	31.12.16	1.1.16
	as restated	
	£	£
Cash and cash equivalents	<u>1,192,974</u>	<u>2,433,700</u>

**Notes to the Consolidated Financial Statements  
for the year ended 31 December 2017**

**1. STATUTORY INFORMATION**

Magyar Farming Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements of Magyar Farming Company Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain biological assets.

The financial statements of the parent company have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework', as issued by the Financial Reporting Council and in accordance with applicable accounting standards.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

**Going concern**

The group meets its day to day working capital requirements through its bank facilities. The directors continue to assess the risks associated with price movements for agricultural commodities and the potential impact of adverse weather events on output

In addition the directors have reviewed the performance of the group for the current year, and considered the impact of the current high commodity prices on the budget for 2016, and have determined that the group will comfortably meet its obligations, in spite of the challenges facing the company regarding rights of tenure on state land in Hungary. After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated accounts. Further information on the group's borrowings is given in note 18.

**Consolidation  
Subsidiaries**

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**Financial risk factors**

The group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk.

Companies within the group are engaged in the production of agricultural commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, potatoes and milk. All agricultural commodities are subject to the vagaries of the weather, and fluctuations in local and world commodity prices. The group has invested across the region to spread the geographic and climatic risk. Individual marketing strategies are selected as appropriate to the crop and the country to minimise risks associated with price volatility. The group does not use derivatives to manage commodity price risks, but does enter into forward sales contracts for certain commodities, when appropriate.

Companies within the group also purchase and pack potatoes for supply to a major retailer, and provide drying and storage facilities for farmers. The group reviews major customer relationships from time to time, and does not consider at present that any of these present a financial risk to the group.

The group operates in two countries across the region, both inside and outside the EU, and is thus exposed to the risks of currency fluctuation. Most commodities are ultimately priced in major currencies (euros or US dollars), which affords some protection against local currency devaluation. The group has secured loans from its bankers in Hungary in a number of currencies to further spread the risk from fluctuation.

The group has interest bearing liabilities. The group does not use derivative financial instruments to manage interest rate cost and as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the operations change in size or nature.

**Capital risk management**

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may return capital to shareholders, issue new shares or sell assets to reduce debt.

**Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Income taxes**

The group is subject to income taxes in numerous jurisdictions. Significant judgement is exercised in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

**Adoption of new and revised standards**

At the date of authorisation of these financial statements, the Group and Company has not applied the new and revised IFRS's that have been issued but are not yet effective. These include IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with Customers, IFRS 16: Leases.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and changes some requirements for the measurement and classification of financial instruments and impairment of financial assets. The standard introduces a new impairment model based on expected credit losses. The initial assessment of IFRS 9 indicates that there is no material impact.

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 18 'Revenue' and establishes a principle-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied.

## 2. ACCOUNTING POLICIES - continued

Magyar Farming Company Limited Group of companies' performance obligations are primarily the production of agriculture commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, and milk. Therefore, the performance obligations are singular and the same under IAS 18 Revenue and the new accounting standard IFRS 15 Revenue from Contracts with Customers which is effective for annual reporting on or after 1 January 2018. Magyar Farming Company Limited Group of companies does not expect any material impact on the new accounting standards.

IFRS 16 'Leases' supersedes IAS 17 'Leases' and has been endorsed by the European Union. The standard is effective from 1 January 2019. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group anticipates that the adoption of IFRS 16 will have a significant impact on the primary financial statements, including an impact on the operating profit, profit before tax, total assets and total liabilities. The expected impact of IFRS 16 will be assessed in 2018.

In the current period, the Group and Company has applied the amendments issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2017. These comprise Amendments to IAS 7 Disclosure initiative and IAS 12 Recognition of Deferred Tax assets for unrealised losses. The Group and Company has also applied Annual Improvements to IFRSs 2016-17 Cycles. The application of these amendments has had no material effect on the Group and Company's financial statements.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for the sale of produce and services. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group.

The group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities.

### Property, plant and equipment

Land and buildings comprise mainly agricultural buildings, offices and agricultural land. Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown within shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

-	Buildings	40 to 50 years
-	Machinery	3 to 5 years
-	Vehicles	3 to 5 years
-	Furniture fittings and equipment	3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.



**Notes to the Consolidated Financial Statements - continued**  
**for the year ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**Financial assets**

**(a) Classification**

The group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. Loans and receivables are subsequently carried at amortised cost.

**(c) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**Impairment of financial assets**

**Assets carried at amortised cost**

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**Inventories**

**Raw materials**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and represents costs incurred to date to bring work in progress and finished produce to its current state. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Biological assets**

Biological assets included within inventories, comprise crops growing in land owned or rented by the group. Current biological assets are measured at fair value, less costs to sell. This is the present value of the future cash flows expected to be generated from the assets, unless little biological transformation has taken place since the costs were originally incurred or the impact of biological transformation is not expected to have a material effect.

**Finished goods**

Inventories that are a detachment of produce from a biological asset or the cessation of a biological asset's life process, are measured at fair value less point of sale costs at the point of harvest. This fair value is regarded as cost thereafter.

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**Trade receivables**

Trade receivables are amounts due from customers for produce sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**Cash and cash equivalents**

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

**Borrowings**

Borrowings are recognised initially at fair value, net of transactions costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legal enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017**

**2. ACCOUNTING POLICIES - continued**

**Share based payments**

The group operates an equity-settled, share-based compensation plan, under which the entity receives services as consideration for equity instruments of the group. The fair value of the services received in exchange for the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments.

When the company issues new shares, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to be issued based on the conditions set out in the compensation plan. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity where material.

**Foreign currencies translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling which is the company's functional and the group's presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the income statement within finance income or cost.

**(c) Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

**Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the income statement over the same period that those assets are depreciated.

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

2. ACCOUNTING POLICIES - continued

**Intangible assets**

Intangible assets comprises bought in milk quota and milk quota received free of charge and biological assets.

Biological assets within intangible assets, comprise livestock connected with the dairy trade. Livestock is measured at fair value less point of sale costs, based on market prices of livestock of similar age, breed and genetic merit. Changes in fair value of livestock are recognised in the income statement.

Costs such as feed, labour, veterinary services etc are expensed as incurred. The cost of purchases of livestock are capitalised as part of biological assets.

**Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

3. EMPLOYEES AND DIRECTORS

	2017	2016 as restated
	£	£
Wages and salaries	393,684	312,070
Social security costs	84,187	75,283
	<u>477,871</u>	<u>387,353</u>

The average number of employees during the year was as follows:

	2017	2016 as restated
Production	35	34
Other	10	9
	<u>45</u>	<u>43</u>

4. NET FINANCE COSTS

	2017	2016 as restated
	£	£
Finance income:		
Bank interest	1,383	7,242
	<u>1,383</u>	<u>7,242</u>
Finance costs:		
Bank loan interest	3,759	8,089
Unsecured loan interest	39,066	26,485
Foreign exchange losses	45,960	74,873
	<u>88,785</u>	<u>109,447</u>
Net finance costs	<u>87,402</u>	<u>102,205</u>

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	2017	2016 as restated
	£	£
Cost of inventories recognised as expense	2,717,312	2,423,453
Depreciation - owned assets	759,734	710,052
Loss/(profit) on disposal of fixed assets	1,222	(3,473)
Milk quota amortisation	1,611	838
Biological assets amortisation	114,481	99,913
Impairment of fixed assets	69,716	-
Bad debt expense	7,263	-
Audit fees	-	15,000
Tax services provided by auditor	-	500

During the year ended 31 December 2017, the directors agreed that, following a detailed review of one of Magyar Farming Company's subsidiaries, Dryfeholme, an impairment was required to recognise the fair value of the fixed assets held by the company.

Bad debt expenses recognised totalling £7,263 relate to irrecoverable debts owed to Dryfeholme, and have therefore been written off in the current year.

6. INCOME TAX

Analysis of tax (income)/expense

	2017	2016 as restated
	£	£
Current tax:		
Tax	10,393	17,614
Deferred tax	(106,206)	47,601
Total tax (income)/expense in consolidated statement of profit or loss and other comprehensive income	(95,813)	65,215

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017	2016 as restated
	£	£
Profit before income tax	481,887	438,835
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2016 - 20%)	91,559	87,767
Effects of:		
Income not subject to tax	(174,543)	(138,163)
Expenses not deductible for tax purposes	43,781	24,051
Tax losses utilised	-	(5,550)
Tax losses not utilised	-	(15,434)
Other permanent differences as a result of consolidation	(80,329)	81,798
Forex losses restated	9,093	30,746
Impairment of fixed assets and debtors in subsidiary	14,626	-
Tax (income)/expense	(95,813)	65,215

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017**

**6. INCOME TAX – continued**

The standard rate of tax applied to reported profits on ordinary activities is 19%.

The current year applicable statutory rate of 19% represents the rate applicable from the 1 April 2017.

The applicable tax rate has changed following the substantive enhancement of the Finance Act 2015, which received Royal Assent on 18 November 2015 thus enacting the change in the corporate tax rate in the UK from 21% to 20% from 1 April 2015 and to 19% from 1 April 2017.

The Directors are not aware of any other factors which might materially affect the future tax charge.

**7. LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(35,408) (2016 - £1,308 profit).

**8. DIVIDENDS**

	2017	2016 as restated
	£	£
Ordinary shares of £1 each		
Final (51.6 pence per share)	<u>1,259,598</u>	<u>2,018,716</u>

**9. PRIOR YEAR ADJUSTMENT**

In one of Magyar Farming Company Limited's subsidiaries, Dryfeholme, a loan balance had previously been recorded in Ukrainian Hryvnia, when in fact the loan was originally made in a mixture of US Dollar and Euro funds.

As a result of the fluctuations in the Ukrainian Hryvnia, a cumulative foreign exchange loss of £1,692,637, of which £153,731 related to the year ended 31 December 2016, had previously been recognised on consolidation within 'Other reserves'. The losses should have been recognised as foreign exchange losses through the Consolidated Statement of Profit or Loss and Other Comprehensive income from 2012 onwards.

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

10. INTANGIBLE ASSETS  
MILK QUOTA

	Milk quota £
<b>COST</b>	
At 1 January 2017	6,192
Additions	4,642
Disposals	(11,036)
Exchange differences	202
	<hr/>
At 31 December 2017	-
<b>AMORTISATION</b>	
At 1 January 2017	5,974
Amortisation for year	1,611
Amortisation on disposals	(7,781)
Exchange differences	196
	<hr/>
At 31 December 2017	-
<b>NET BOOK VALUE</b>	
At 31 December 2017	<hr/> <hr/>
At 31 December 2016	<hr/> <hr/> 218

**BIOLOGICAL ASSETS**

	Cows £
Opening value	1,195,663
Births	508,782
Sales and deaths	(482,316)
Exchange differences	131,491
Change in value	(114,481)
	<hr/>
	1,239,139

During the year the intangible asset was impaired to £Nil following the cessation of EU milk quotas in 2015.

The amortisation charge of other quota of £1,611 (2016: £838) is included within administrative expenses in the income statement.

At 31 December 2017, biological assets comprises 51 bull calves (2016: 63), 536 heifers (2016: 693), 272 incalf heifers (2016: 193) and 1,058 milking cows (2016: 1,048).

The change in value of the biological assets of £114,481 (2016: £99,913) is included within administrative expenses in the income statement.

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1 January 2017	6,137,573	6,311,831	788	12,450,192
Additions	38,044	212,038	-	250,082
Disposals	(8,253)	(144,552)	-	(152,805)
Impairments	-	(69,716)	-	(69,716)
Exchange differences	269,386	80,174	982	350,542
At 31 December 2017	<u>6,436,750</u>	<u>6,389,775</u>	<u>1,770</u>	<u>12,828,295</u>
<b>DEPRECIATION</b>				
At 1 January 2017	885,805	3,450,969	592	4,337,366
Charge for year	122,312	637,207	215	759,734
Eliminated on disposal	(3,839)	(87,641)	-	(91,480)
Exchange differences	23,160	83,530	637	107,327
At 31 December 2017	<u>1,027,438</u>	<u>4,084,065</u>	<u>1,444</u>	<u>5,112,947</u>
<b>NET BOOK VALUE</b>				
At 31 December 2017	<u>5,409,312</u>	<u>2,305,710</u>	<u>326</u>	<u>7,715,348</u>
At 31 December 2016	<u>5,251,768</u>	<u>2,860,862</u>	<u>196</u>	<u>8,112,826</u>

Bank borrowings are secured on land, buildings and machinery.

Cost or valuation at 31 December 2017 is represented by:

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
Valuation in 2006	603,248	-	-	603,248
Cost	<u>5,833,502</u>	<u>6,389,775</u>	<u>1,770</u>	<u>12,225,047</u>
	<u>6,436,750</u>	<u>6,389,775</u>	<u>1,770</u>	<u>12,828,295</u>

If land and buildings had not been revalued they would have been included at the following historical cost:

	2017 £	2016 as restated £
Cost	<u>5,833,502</u>	<u>5,534,325</u>
Aggregate depreciation	<u>(1,027,438)</u>	<u>(885,805)</u>
Value of land in freehold land and buildings	<u>4,806,064</u>	<u>4,648,520</u>

Land and buildings were valued on a fair value basis on 31 December 2006 by independent valuers.



Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

12. INVESTMENTS

Group

Unlisted  
investments  
£

COST

At 1 January 2017  
and 31 December 2017

141

NET BOOK VALUE

At 31 December 2017

141

At 31 December 2016

141

Company

Shares in  
group  
undertakings  
£

COST

At 1 January 2017  
and 31 December 2017

1,318,763

NET BOOK VALUE

At 31 December 2017

1,318,763

At 31 December 2016

1,318,763

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Kintyre Kft

Registered office: Hungary  
Nature of business: Farming

Class of shares:  
Ord Shs

%  
holding  
99.99

Aggregate capital and reserves  
Profit for the year

2017	2016
£	£
1,388,321	1,154,807
<u>194,747</u>	<u>290,458</u>

Inicia Krt

Registered office: Hungary  
Nature of business: Farming

Class of shares:  
Ord shs

%  
holding  
100.00

Aggregate capital and reserves  
Loss for the year

2017	2016
£	£
10,867,983	11,022,444
<u>(505,768)</u>	<u>(748,120)</u>

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

12. INVESTMENTS - continued

Company

Dryfeholme

Registered office: Ukraine

Nature of business: Farming

Class of shares:

Ord shs

%  
holding  
100.00

Aggregate capital and reserves

Profit for the year

2017	2016
£	£
(50,962)	(643,339)
<u>510,295</u>	<u>718,390</u>

13. INVENTORIES

Group

Raw materials

Growing crops

Produce

2017	2016
£	as restated £
76,921	162,691
16,107	30,176
<u>532,816</u>	<u>1,124,533</u>
<u>625,844</u>	<u>1,317,400</u>

During the year ended 31 December 2017, a decision was made to impair 'own grown' stock in Inicia by £443,954 (2017: £nil) on the basis that the inventories held had no economic value.

14. TRADE AND OTHER RECEIVABLES

Group

Company

Current:

Trade debtors

Other debtors

2017	2016	2017	2016
£	as restated £	£	as restated £
535,909	433,659	-	-
<u>417,938</u>	<u>205,374</u>	<u>29,836</u>	<u>74,186</u>
<u>953,847</u>	<u>639,033</u>	<u>29,836</u>	<u>74,186</u>

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

14. TRADE AND OTHER RECEIVABLES - continued

Group and company

All trade and other receivables are categorised as loans and receivables.

The fair values of trade and other receivables are not significantly different to their amortised cost. As of 31 December 2017, trade receivables of £74,308 (2016: £101,082) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is £470,227 (2016: £419,079) up to 3 months and £72,945 (2016: £14,583) over 3 months.

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	2017	2016 as restated
	£	£
UK pound	29,836	74,186
Hungarian forint	887,715	547,236
Euros	37,457	17,611
US dollar	(1,161)	-
	<u>953,847</u>	<u>639,033</u>

The carrying amounts of the company's trade and other receivables are denominated in GBP.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016 as restated	2017	2016 as restated
	£	£	£	£
Bank deposit account	1,675	428,324	1,675	428,324
Cash at bank	<u>1,127,986</u>	<u>764,650</u>	<u>37,163</u>	<u>87,061</u>
	<u>1,129,661</u>	<u>1,192,974</u>	<u>38,838</u>	<u>515,385</u>

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2017	2016 as restated
Number:	Class:		£	£
2,438,013	Ordinary	£1	2,438,013	2,438,013
85,382	'A' Shares	£0.01	<u>844</u>	<u>844</u>
			<u>2,438,857</u>	<u>2,438,857</u>

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

17. RESERVES

Group	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1 January 2017	3,981,001	974,851	133,928	1,809,947	6,899,727
Profit for the year	577,700	-	-	-	577,700
Dividends	(1,259,598)	-	-	-	(1,259,598)
Deferred tax on revaluation	(2,191)	-	-	-	(2,191)
Exchange difference	-	-	-	277,212	277,212
At 31 December 2017	<u>3,296,912</u>	<u>974,851</u>	<u>133,928</u>	<u>2,087,159</u>	<u>6,492,850</u>

Company	Retained earnings £	Share premium £	Totals £
At 1 January 2017	(1,465,881)	974,851	(491,030)
Deficit for the year	(35,408)	-	(35,408)
Dividends	(1,259,598)	-	(1,259,598)
At 31 December 2017	<u>(2,760,887)</u>	<u>974,851</u>	<u>(1,786,036)</u>

Retained Earnings

Retained earnings represents cumulative profits and losses net of dividends and other adjustments

Share Premium

The share premium account represents the premium arising on the issue of shares net of issue costs.

Revaluation Reserve

The revaluation reserve represents gains on fixed assets as a result of revaluations.

Other Reserves

Other reserves represents accumulated foreign exchange gains/losses from translation of foreign subsidiaries to the presentational currency.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016 as restated	2017	2016 as restated
	£	£	£	£
Current:				
Trade creditors	540,479	437,601	-	-
Amounts owed to group undertakings	-	-	739,850	-
Other creditors	122,210	110,226	117,203	40,000
Amounts due to related parties	67,682	85,922	67,682	85,923
Accruals and deferred income	138,885	77,749	17,525	33,900
Deferred government grants	<u>191,085</u>	<u>212,001</u>	-	-
	<u>1,060,341</u>	<u>923,499</u>	<u>942,260</u>	<u>159,823</u>

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

18. TRADE AND OTHER PAYABLES - continued

	Group		Company	
	2017	2016	2017	2016
	£	as restated £	£	as restated £
Non-current:				
Amounts owed to group undertakings	-	-	-	-
Deferred government grants	<u>1,414,043</u>	<u>1,554,166</u>	<u>-</u>	<u>-</u>
	<u>1,414,043</u>	<u>1,554,166</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>2,474,384</u>	<u>2,477,665</u>	<u>942,260</u>	<u>159,823</u>

Amounts owed to group undertakings in the company relate to a loan from Inicia Krt totalling £739,850 which is repayable on demand.

19. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2017	2016	2017	2016
	£	as restated £	£	as restated £
Current:				
Bank loans	<u>47,702</u>	<u>238,376</u>	<u>-</u>	<u>-</u>
Non-current:				
Bank loans	-	40,821	-	-
Other loans - 1-2 years	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>
	<u>46,900</u>	<u>87,721</u>	<u>46,900</u>	<u>46,900</u>

Terms and debt repayment schedule

Group

	1 year or less £	2-5 years £	Totals £
Bank loans	47,702	-	47,702
Other loans	-	46,900	46,900
	<u>47,702</u>	<u>46,900</u>	<u>94,602</u>

Bank borrowings bear interest at market rates. Total borrowings include secured liabilities of £94,602 (2016: £326,097). Bank borrowings are secured by the land, buildings, machinery and subsidies of the group.

The carrying amounts of the group's borrowings are denominated in the following currencies:

	2017	2016
	£	as restated £
UK pound	46,900	46,900
Hungarian forint	16,512	200,916
Euro	<u>31,190</u>	<u>78,281</u>
	<u>94,602</u>	<u>326,097</u>

Notes to the Consolidated Financial Statements - continued  
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20. FINANCIAL INSTRUMENTS

At 31 December 2017	Assets held at amortised cost £	Liabilities held at amortised cost £	Financial assets/liabilities measured at fair value £	Total £
Derivative financial assets	-	-	-	-
Trade and other receivables	953,847	-	-	953,847
Cash and cash equivalents	1,129,661	-	-	1,129,661
<b>Financial assets</b>	<b>2,083,508</b>	<b>-</b>	<b>-</b>	<b>2,083,508</b>
Trade and other payables	-	(730,371)	-	(730,371)
Derivative financial liabilities	-	-	-	-
<b>Financial liabilities</b>	<b>-</b>	<b>(730,371)</b>	<b>-</b>	<b>(730,371)</b>

Trade and other receivables are defined as total trade and other receivables, excluding prepayments and accrued income and amounts related to VAT and other taxes.

Trade and other payables are defined as total trade and other payables, excluding accruals and deferred income, and amounts related to social security and other taxes.

21. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Group

	2017 £	2016 as restated £
Deferred tax assets to be recovered after more than 12 months	(254,469)	(246,217)
Deferred tax liabilities to be recovered after more than 12 months	417,756	562,125
<b>Deferred tax liabilities - net</b>	<b>163,287</b>	<b>315,909</b>

The gross movement on the deferred income tax account is as follows:

	2017 £	2016 as restated £
At 1 January 2017	315,909	294,409
Exchange difference	21,688	7,864
Other comprehensive income (credit)/charge	2,191	(10,310)
Income statement (credit)/charge	(176,501)	39,674
<b>At 31 December 2017</b>	<b>163,287</b>	<b>315,909</b>

Company

	2017 £	2016 as restated £
Deferred tax assets to be recovered after more than 12 months	(254,469)	(246,217)

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is likely.

Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017

22. RELATED PARTY DISCLOSURES

The directors do not consider that there is an ultimate controlling party.

Information about related party transactions and outstanding balances relating to these transactions is outlined below:

Other related parties

	2017	2016 as restated
	£	£
Purchases	94,177	99,066
Year end receivables	23,678	72,595
Year end payables	231,785	172,822

23. ULTIMATE CONTROLLING PARTY

The directors consider there is no ultimate controlling party.

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2017	2016 as restated
	£	£
Profit for the financial year	577,700	373,620
Dividends	(1,259,598)	(2,018,716)
	(681,898)	(1,645,096)
Other comprehensive income relating to the year (net)	275,021	1,121,310
Prior year adjustment	-	1,538,906
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(406,877)</b>	<b>1,015,120</b>
Opening shareholders' funds	9,338,584	8,323,464
<b>Closing shareholders' funds</b>	<b>8,931,707</b>	<b>9,338,584</b>

Company

	2017	2016 as restated
	£	£
(Loss)/profit for the financial year	(35,408)	1,308
Dividends	(1,259,598)	(2,018,716)
<b>Net reduction of shareholders' funds</b>	<b>(1,295,006)</b>	<b>(2,017,408)</b>
Opening shareholders' funds	1,947,827	3,965,235
<b>Closing shareholders' funds</b>	<b>652,821</b>	<b>1,947,827</b>

**Notes to the Consolidated Financial Statements - continued  
for the year ended 31 December 2017**

**25. SHARE-BASED PAYMENT TRANSACTIONS**

A share scheme was introduced in 2009 to incentivise senior management and directors. Under this scheme a Remuneration Committee can issue shares to senior management and directors of the group if certain targets are met over a 5 year period.

The Company adopted a second scheme (The Director's Share Option scheme 2009), the basis of which was a requirement of net asset growth of a minimum of 6% per annum. The scheme ran for the five years 2009-2013, but due to the challenging trading climate, particularly in Ukraine, the base target was not met, and no charge was therefore made to the accounts for that period.

The Board of Directors approved a third scheme in August 2015, which would run for the period 1st January 2014 to 31st December 2018. This scheme would follow similar principles to the previous schemes. Independent counsel was taken prior to adoption from representative shareholders who were not members of the Board of Directors.

No charge has been made in 2017 in relation to this scheme. In addition, any charge or cumulative charge would not be considered material.

**26. GOVERNMENT GRANTS**

The group receives assistance from governments in the form of grants.

The grants are received to support capital investment. The grants are carried forward within trade and other payables until such a time that they are used to acquire/construct fixed assets whereupon they are recognised in the income statement over the same period that the relevant assets are depreciated.

It is the group's policy to satisfy all the conditions attached to grants received, and historically have not had to repay grants received. It is therefore unlikely that grants included in trade and other payables will have to be repaid.

In the current year, grants credited to the income statement amounted to £279,081 (2016: £223,724).

Other financial support received from the government in the form of subsidies has been credited in the income statement amounting to £958,330 (2016: £901,797).