



**Smailes Goldie Turner**  
Chartered Accountants

**Registrar's  
Copy**

# **Magyar Farming Company Limited**

## **Consolidated Financial Statements**

**31st December 2015**

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31/12/2016  
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Chartered  
accountants  
& lawyers



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

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# Magyar Farming Company Limited

## Company Information

*for the year ended 31st December 2015*

**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)

**SENIOR STATUTORY AUDITOR:** Jeremy Allison BSc FCA CF

**AUDITORS:**

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

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

## **Group Strategic Report** *for the year ended 31st December 2015*

The directors present their strategic report of the company and the group for the year ended 31st December 2015.

### **REVIEW OF BUSINESS**

The Directors present their strategic report of the company and the group for the year ended 31st December 2015.

Commodity prices were generally low during the year, with milk prices under severe pressure across Europe. There are signs of recovery in milk prices, but not grain, in 2016. The business continues to monitor and manage cost of production to best advantage. Profit generated from the sale of the business in Serbia was returned to shareholders during the year.

At 31 December 2015, the group held 56 bull calves (2014: 37), 638 heifers (2014: 575), 218 in-calf heifers (2014: 185), and 963 milking cows (2014: 870). During the year the group produced 7,724,421 litres of milk (2014: 6,913,345 litres); 3,943 tonnes of cereals and oilseeds (2014: 21,137 tonnes), and 2.756 tonnes of potatoes (2014: 5,400).

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors continue to assess the risks associated with an agricultural investment: the climate, commodity price volatility and 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 focus on achieving a satisfactory outcome with ongoing discussions with the Hungarian government.

### **ON BEHALF OF THE BOARD:**



D B Gunner - Director

16th December 2016

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

## **Report of the Directors**

*for the year ended 31st December 2015*

The directors present their report and the audited financial statements for the year ended 31 December 2015.

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**

The directors recommend a final dividend for the year ended 31st December 2015 of £4,037,432.

### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1st January 2015 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 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 17.

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

## **Report of the Directors**

*for the year ended 31st December 2015*

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

### **AUDITORS**

Smailes Goldie Turner Limited have indicated their willingness to continue in office. A resolution that they be re-appointed will be proposed at the Annual General Meeting.

### **ON BEHALF OF THE BOARD:**



D B Gunner - Director

16th December 2016

# **Report of the Independent Auditors to the Members of Magyar Farming Company Limited**

We have audited the financial statements of Magyar Farming Company Limited for the year ended 31st December 2015 on pages seven to thirty four. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group Strategic Report and the Report of the Directors 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 Magyar Farming Company 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jeremy Allison BSc FCA CF (Senior Statutory Auditor)  
for and on behalf of Smailes Goldie Turner Limited  
Chartered Accountants  
Statutory Auditor  
Regent's Court  
Princess Street  
Hull

16th December 2016



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

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

*for the year ended 31st December 2015*

	Notes	2015 £	2014 £
<b>CONTINUING OPERATIONS</b>			
Revenue		3,871,406	5,333,725
Cost of sales		<u>(1,558,829)</u>	<u>(1,775,226)</u>
<b>GROSS PROFIT</b>		<b>2,312,577</b>	<b>3,558,499</b>
Other operating income		-	4,839,935
Administrative expenses		<u>(1,924,624)</u>	<u>(2,386,283)</u>
<b>OPERATING PROFIT</b>		<b>387,953</b>	<b>6,012,151</b>
Finance costs	3	(199,090)	(79,108)
Finance income	3	<u>47,182</u>	<u>42,821</u>
<b>PROFIT BEFORE INCOME TAX</b>	4	<b>236,045</b>	<b>5,975,864</b>
Income tax	5	<u>(138,698)</u>	<u>(267,216)</u>
<b>PROFIT FOR THE YEAR</b>		<b>97,347</b>	<b>5,708,648</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Currency translation differences		206,487	(997,533)
Income tax relating to item of other comprehensive income		-	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u><b>206,487</b></u>	<u><b>(997,533)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>303,834</b></u>	<u><b>4,711,115</b></u>
Profit attributable to:			
Owners of the parent		<u><b>97,347</b></u>	<u><b>5,708,648</b></u>
Total comprehensive income attributable to:			
Owners of the parent		<u><b>303,834</b></u>	<u><b>4,711,115</b></u>

The notes form part of these financial statements

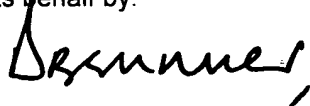
# Magyar Farming Company Limited (Registered number: 03430277)

## Consolidated Statement of Financial Position

31st December 2015

	Notes	2015 £	2014 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	1,088,317	1,006,702
Property, plant and equipment	9	7,002,402	7,719,593
Investments	10	141	141
		<u>8,090,860</u>	<u>8,726,436</u>
<b>CURRENT ASSETS</b>			
Inventories	11	1,182,009	1,161,025
Trade and other receivables	12	778,092	1,080,399
Cash and cash equivalents	13	2,433,700	6,045,508
		<u>4,393,801</u>	<u>8,286,932</u>
<b>TOTAL ASSETS</b>		<u>12,484,661</u>	<u>17,013,368</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	2,438,857	2,438,857
Share premium	15	974,851	974,851
Revaluation reserve	15	133,928	133,928
Other reserves	15	(839,959)	(1,046,446)
Retained earnings	15	7,154,693	11,094,778
<b>TOTAL EQUITY</b>		<u>9,862,370</u>	<u>13,595,968</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	16	686,535	1,727,283
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	272,445	492,925
Deferred tax	18	294,409	164,765
		<u>1,253,389</u>	<u>2,384,973</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	1,116,646	827,543
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	252,256	204,884
		<u>1,368,902</u>	<u>1,032,427</u>
<b>TOTAL LIABILITIES</b>		<u>2,622,291</u>	<u>3,417,400</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12,484,661</u>	<u>17,013,368</u>

The financial statements were approved by the Board of Directors on 16th December 2016 and were signed on its behalf by:



D B Gunner - Director

The notes form part of these financial statements

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

**Company Statement of Financial Position**

31st December 2015

	Notes	2015 £	2014 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	8	-	-
Property, plant and equipment	9	-	-
Investments	10	1,318,763	1,318,763
Deferred tax	18	230,782	178,541
		<u>1,549,545</u>	<u>1,497,304</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	12	575,505	5,231,731
Cash and cash equivalents	13	2,121,874	5,633,332
		<u>2,697,379</u>	<u>10,865,063</u>
<b>TOTAL ASSETS</b>		<u>4,246,924</u>	<u>12,362,367</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	14	2,438,857	2,438,857
Share premium	15	974,851	974,851
Retained earnings	15	551,527	4,926,136
<b>TOTAL EQUITY</b>		<u>3,965,235</u>	<u>8,339,844</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	17	46,900	46,900
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	234,789	3,975,623
<b>TOTAL LIABILITIES</b>		<u>281,689</u>	<u>4,022,523</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>4,246,924</u>	<u>12,362,367</u>

The financial statements were approved by the Board of Directors on 16th December 2016 and were signed on its behalf by:



D B Gunner - Director

The notes form part of these financial statements

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

**Consolidated Statement of Changes in Equity**  
for the year ended 31st December 2015

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1st January 2014</b>	2,438,857	3,324,407	974,851
<b>Changes in equity</b>			
Total comprehensive income	-	7,770,371	-
<b>Balance at 31st December 2014</b>	<u>2,438,857</u>	<u>11,094,778</u>	<u>974,851</u>
<b>Changes in equity</b>			
Dividends	-	(4,037,432)	-
Total comprehensive income	-	97,347	-
<b>Balance at 31st December 2015</b>	<u>2,438,857</u>	<u>7,154,693</u>	<u>974,851</u>
	<b>Revaluation reserve £</b>	<b>Other reserves £</b>	<b>Total equity £</b>
<b>Balance at 1st January 2014</b>	2,906,004	(759,266)	8,884,853
<b>Changes in equity</b>			
Total comprehensive income	(2,772,076)	(287,180)	4,711,115
<b>Balance at 31st December 2014</b>	<u>133,928</u>	<u>(1,046,446)</u>	<u>13,595,968</u>
<b>Changes in equity</b>			
Dividends	-	-	(4,037,432)
Total comprehensive income	-	206,487	303,834
<b>Balance at 31st December 2015</b>	<u>133,928</u>	<u>(839,959)</u>	<u>9,862,370</u>

The notes form part of these financial statements

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

**Company Statement of Changes in Equity**  
*for the year ended 31st December 2015*

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1st January 2014</b>	2,438,857	(646,243)	974,851	2,767,465
<b>Changes in equity</b>				
Total comprehensive income	-	5,572,379	-	5,572,379
<b>Balance at 31st December 2014</b>	<u>2,438,857</u>	<u>4,926,136</u>	<u>974,851</u>	<u>8,339,844</u>
<b>Changes in equity</b>				
Dividends	-	(4,037,432)	-	(4,037,432)
Total comprehensive income	-	(337,177)	-	(337,177)
<b>Balance at 31st December 2015</b>	<u>2,438,857</u>	<u>551,527</u>	<u>974,851</u>	<u>3,965,235</u>

The notes form part of these financial statements

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

**Consolidated Statement of Cash Flows**  
for the year ended 31st December 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	722,604	1,372,669
Interest paid		(199,090)	(79,108)
Tax paid		(5,242)	-
Net cash from operating activities		<u>518,272</u>	<u>1,293,561</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(328,356)	(339,939)
Purchase of tangible fixed assets		(154,340)	(1,974,888)
Sale of intangible fixed assets		237,719	238,744
Sale of tangible fixed assets		278,255	277,591
Sale of fixed asset investments		-	9,542,493
Receipt of government grants		-	2,682
Interest received		47,182	430
Net cash from investing activities		<u>80,460</u>	<u>7,747,113</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(173,108)	(3,182,070)
Equity dividends paid		(4,037,432)	-
Net cash from financing activities		<u>(4,210,540)</u>	<u>(3,182,070)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(3,611,808)</u>	<u>5,858,604</u>
<b>Cash and cash equivalents at beginning of year</b>	2	<u>6,045,508</u>	<u>186,904</u>
<b>Cash and cash equivalents at end of year</b>	2	<u><u>2,433,700</u></u>	<u><u>6,045,508</u></u>

The notes form part of these financial statements

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Statement of Cash Flows for the year ended 31st December 2015

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

	2015 £	2014 £
Profit before income tax	236,045	5,975,864
Depreciation charges	587,642	473,582
Loss/(profit) on disposal of fixed assets	5,634	(4,877,956)
Change in value of biological assets	8,718	(23,430)
Amortisation of intangible assets	304	1,018
Government grants	(241,254)	(238,736)
Finance costs	199,090	79,108
Finance income	(47,182)	(42,821)
	<b>748,997</b>	<b>1,346,629</b>
Decrease in inventories	46,575	65,808
Decrease in trade and other receivables	369,865	274,167
Decrease in trade and other payables	(442,833)	(313,935)
<b>Cash generated from operations</b>	<b>722,604</b>	<b>1,372,669</b>

### 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 31st December 2015

	31.12.15 £	1.1.15 £
Cash and cash equivalents	<u>2,433,700</u>	<u>6,045,508</u>

#### Year ended 31st December 2014

	31.12.14 £	1.1.14 £
Cash and cash equivalents	<u>6,045,508</u>	<u>186,904</u>

The notes form part of these financial statements

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

## **Notes to the Consolidated Financial Statements**

*for the year ended 31st December 2015*

### **1. 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 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 17.

#### **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.



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

## **Notes to the Consolidated Financial Statements - continued**

*for the year ended 31st December 2015*

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.

### **Changes in accounting policies**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the group.

### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **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.

### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **1. 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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **1. ACCOUNTING POLICIES - continued**

#### **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.

#### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **1. ACCOUNTING POLICIES - continued**

#### **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.

#### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **1. ACCOUNTING POLICIES - continued**

#### **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.

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 1. ACCOUNTING POLICIES - continued

#### Intangible assets

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

Milk quota is allocated to the group and based on clause no 204, regulation 1234/2007 of the Council of the European Union, is an asset related right received free of charge, and is measured initially at fair value and subsequently at amortised cost. The amortisation period is 5 years. Bought in milk quota is not amortised on the basis that future economic benefits will flow to the group in respect of the quota.

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.

### 2. EMPLOYEES AND DIRECTORS

	2015 £	2014 £
Wages and salaries	263,838	286,400
Social security costs	67,626	78,681
	<u>331,464</u>	<u>365,081</u>

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

	2015	2014
Production	35	38
Other	9	10
	<u>44</u>	<u>48</u>

	2015 £	2014 £
Directors' remuneration	-	-

### 3. NET FINANCE COSTS

	2015 £	2014 £
Finance income:		
Bank interest	47,182	430
Foreign exchange gains	-	42,391
	<u>47,182</u>	<u>42,821</u>

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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2015

**3. NET FINANCE COSTS - continued**

	2015 £	2014 £
Finance costs:		
Bank loan interest	19,255	26,215
Unsecured loan interest	31,706	52,893
Foreign exchange losses	<u>148,129</u>	<u>-</u>
	<u>199,090</u>	<u>79,108</u>
Net finance costs	<u>151,908</u>	<u>36,287</u>

**4. PROFIT BEFORE INCOME TAX**

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

	2015 £	2014 £
Cost of inventories recognised as expense	1,558,829	1,775,226
Depreciation - owned assets	587,642	473,582
Loss/(profit) on disposal of fixed assets	5,634	(4,877,956)
Milk quota amortisation	304	(109)
Biological assets amortisation	8,718	(23,430)
Audit fees	17,000	21,000
Non audit services pursuant to legislation	-	4,500
Tax services provided by auditor	<u>500</u>	<u>500</u>

**5. INCOME TAX**

**Analysis of tax expense**

	2015 £	2014 £
Current tax:		
Tax	5,242	-
Deferred tax	<u>133,456</u>	<u>267,216</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>138,698</u>	<u>267,216</u>



# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 5. INCOME TAX - continued

#### Factors affecting the tax expense

The tax assessed for the year is higher (2014 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Profit on ordinary activities before income tax	<u>236,045</u>	<u>5,975,864</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2014 - 20%)	47,209	1,195,173
Effects of:		
Income not subject to tax	(63,994)	(110,348)
Expenses not deductible for tax purposes	13,754	23,717
Profits on disposal of subsidiary not taxable	-	(1,072,481)
deferred income tax asset was		
Other permanent differences as a result of consolidation	141,729	231,155
	<u>138,698</u>	<u>267,216</u>
Tax expense		

### 6. 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 £(337,177) (2014 - £5,572,379 profit).

### 7. DIVIDENDS

	2015 £	2014 £
Ordinary shares of £1 each		
Final	<u>4,037,432</u>	<u>-</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 8. INTANGIBLE ASSETS

#### MILK QUOTA

<b>COST</b>	<b>Milk quota £</b>
At 1 January 2014	174,224
Additions	58
Disposals	(44)
Exchange differences	<u>(11,007)</u>
At 31 December 2015	<u>163,231</u>
<b>AMORTISATION</b>	
At 1 January 2014	119,404
Amortisation for year	304
Amortisation on disposals	(44)
Exchange differences	<u>(7,544)</u>
At 31 December 2015	<u>112,120</u>
<b>NET BOOK VALUE</b>	
At 31 December 2015	<u>51,111</u>
At 31 December 2014	<u>54,820</u>

#### BIOLOGICAL ASSETS

	<b>Cows £</b>
Opening value	951,882
Births	396,163
Sales and deaths	(237,719)
Exchange differences	(64,402)
Change in value	<u>(8,718)</u>
	<u>1,037,206</u>

The net book amount of milk quota representing bought in quota that is not amortised is £53,382 (2014: £53,382). The amortisation charge of other quota of £304 (2014: £1,018) is included within administrative expenses in the income statement.

At 31 December 2015, biological assets comprises 56 bull calves (2014: 37), 638 heifers (2014: 575), 218 incalf heifers (2014: 185) and 963 milking cows (2014: 870).

The change in value of the biological assets of £8,718 (2014: £23,430) is included within administrative expenses in the income statement.

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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2015

**9. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	<b>Real estate £</b>	<b>Vehicles and machinery £</b>	<b>Furniture, fittings and equipment £</b>	<b>Totals £</b>
<b>COST OR VALUATION</b>				
At 1st January 2015	5,189,824	5,592,846	1,160	10,783,830
Additions	86,294	548,249	-	634,543
Disposals	(76,336)	(385,276)	(694)	(462,306)
Exchange differences	(298,619)	(447,191)	200	(745,610)
At 31st December 2015	<u>4,901,163</u>	<u>5,308,628</u>	<u>666</u>	<u>10,210,457</u>
<b>DEPRECIATION</b>				
At 1st January 2015	610,227	2,453,761	249	3,064,237
Charge for year	92,847	494,546	249	587,642
Eliminated on disposal	(7,737)	(170,026)	(654)	(178,417)
Charge written back in respect of exchange differences	(38,963)	(226,355)	(89)	(265,407)
At 31st December 2015	<u>656,374</u>	<u>2,551,926</u>	<u>(245)</u>	<u>3,208,055</u>
<b>NET BOOK VALUE</b>				
At 31st December 2015	<u>4,244,789</u>	<u>2,756,702</u>	<u>911</u>	<u>7,002,402</u>
At 31st December 2014	<u>4,579,597</u>	<u>3,139,085</u>	<u>911</u>	<u>7,719,593</u>

Bank borrowings are secured on land, buildings and machinery.

Cost or valuation at 31st December 2015 is represented by:

	<b>Real estate £</b>	<b>Vehicles and machinery £</b>	<b>Furniture, fittings and equipment £</b>	<b>Totals £</b>
Valuation in 2006	603,248	-	-	603,248
Cost	<u>4,297,915</u>	<u>5,308,628</u>	<u>666</u>	<u>9,607,209</u>
	<u>4,901,163</u>	<u>5,308,628</u>	<u>666</u>	<u>10,210,457</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 9. PROPERTY, PLANT AND EQUIPMENT - continued

#### Group

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

	2015 £	2014 £
Cost	<u>4,297,915</u>	<u>4,586,576</u>
Aggregate depreciation	<u>(656,374)</u>	<u>(610,227)</u>
Value of land in freehold land and buildings	<u>3,976,349</u>	<u>3,976,349</u>

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

### 10. INVESTMENTS

#### Group

	Unlisted investments £
<b>COST</b>	
At 1st January 2015 and 31st December 2015	<u>141</u>
<b>NET BOOK VALUE</b>	
At 31st December 2015	<u>141</u>
At 31st December 2014	<u>141</u>

#### Company

	Shares in group undertakings £
<b>COST</b>	
At 1st January 2015 and 31st December 2015	<u>1,318,763</u>
<b>NET BOOK VALUE</b>	
At 31st December 2015	<u>1,318,763</u>
At 31st December 2014	<u>1,318,763</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 10. INVESTMENTS - continued

#### Company

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

Country of incorporation: Hungary  
Nature of business: Farming

Class of shares:	%
Ord Shs	holding 99.99

##### Inicia Krt

Country of incorporation: Hungary  
Nature of business: Farming

Class of shares:	%
Ord shs	holding 100.00

##### Dryfeholme

Country of incorporation: Ukraine  
Nature of business: Farming

Class of shares:	%
Ord shs	holding 100.00

### 11. INVENTORIES

	Group	
	2015	2014
	£	£
Raw materials	167,803	153,843
Growing crops	31,395	37,430
Produce	982,811	969,752
	<u>1,182,009</u>	<u>1,161,025</u>

### 12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Current:				
Trade debtors	338,140	459,596	-	-
Amounts owed by group undertakings	-	-	495,473	5,225,561
Other debtors	439,952	620,803	80,032	6,170
	<u>778,092</u>	<u>1,080,399</u>	<u>575,505</u>	<u>5,231,731</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 12. 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 2015, trade receivables of £60,161 (2014: £23,990) 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 £337,408 (2014: £435,606) up to 3 months and £732 (2014: £23,608) over 3 months.

There were no trade receivables that were impaired in either 2015 or 2014.

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

	2015	2014
	£	£
UK pound	80,132	6,170
Hungarian forint	313,146	1,002,788
Ukrainian hryvnia	-	22,377
Euros	152,898	49,064
US dollar	231,916	-
	<u>778,092</u>	<u>1,080,399</u>

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

### 13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	£	£	£	£
Bank deposit account	2,172,861	4,702,036	2,172,858	4,702,036
Cash at bank	260,839	1,343,472	(50,984)	931,296
	<u>2,433,700</u>	<u>6,045,508</u>	<u>2,121,874</u>	<u>5,633,332</u>

### 14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2015	2014
			£	£
2,438,013	Ordinary	£1	2,438,857	2,438,857
84,382	'A' Shares	£0.01	-	-
			<u>2,438,857</u>	<u>2,438,857</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 15. RESERVES

Group	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1st January 2015	11,094,778	974,851	133,928	(1,046,446)	11,157,111
Profit for the year	97,347				97,347
Dividends	(4,037,432)				(4,037,432)
Exchange difference	-	-	-	206,487	206,487
At 31st December 2015	<u>7,154,693</u>	<u>974,851</u>	<u>133,928</u>	<u>(839,959)</u>	<u>7,423,513</u>

Company	Retained earnings £	Share premium £	Totals £
At 1st January 2015	4,926,136	974,851	5,900,987
Deficit for the year	(337,177)		(337,177)
Dividends	(4,037,432)		(4,037,432)
At 31st December 2015	<u>551,527</u>	<u>974,851</u>	<u>1,526,378</u>

### 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Current:				
Trade creditors	228,907	304,673	-	-
Amounts owed to group undertakings	-	-	-	3,719,699
Other creditors	430,384	173,376	23,755	16,413
Amounts due to related parties	98,302	71,057	98,302	71,057
Accruals and deferred income	117,799	170,966	112,732	168,454
Deferred government grants	241,254	107,471	-	-
	<u>1,116,646</u>	<u>827,543</u>	<u>234,789</u>	<u>3,975,623</u>
Non-current:				
Deferred government grants	686,535	1,727,283	-	-
	<u>686,535</u>	<u>1,727,283</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>1,803,181</u>	<u>2,554,826</u>	<u>234,789</u>	<u>3,975,623</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 17. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Current:				
Bank loans	<u>252,256</u>	<u>204,884</u>	<u>-</u>	<u>-</u>
Non-current:				
Bank loans	<u>225,545</u>	<u>446,025</u>	<u>-</u>	<u>-</u>
Other loans - 1-2 years	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>
	<u>272,445</u>	<u>492,925</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	<u>252,256</u>	<u>225,545</u>	<u>477,801</u>
Other loans	<u>-</u>	<u>46,900</u>	<u>46,900</u>
	<u>252,256</u>	<u>272,445</u>	<u>524,701</u>

Bank borrowings bear interest at market rates. Total borrowings include secured liabilities of £477,801 (2014: £650,909). 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:

	2015 £	2014 £
UK pound	<u>46,900</u>	<u>46,900</u>
Hungarian forint	<u>477,801</u>	<u>498,447</u>
Euros	<u>-</u>	<u>152,462</u>
	<u>524,701</u>	<u>697,809</u>



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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2015

**18. DEFERRED TAX**

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

**Group**

	2015 £	2014 £
Deferred tax assets to be recovered after more than 12 months	(230,783)	(178,542)
Deferred tax liabilities to be recovered after more than 12 months	<u>525,191</u>	<u>343,307</u>
Deferred tax liabilities - net	<u><u>294,409</u></u>	<u><u>164,765</u></u>

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

	2015 £	2014 £
At 1 January	164,765	128,204
Exchange difference	23,461	30,956
Other comprehensive income (credit)/charge	(3,811)	(230,658)
Income statement (credit)/charge	<u>109,994</u>	<u>236,263</u>
At 31 December	<u><u>294,409</u></u>	<u><u>164,765</u></u>

**Company**

	2015 £	2014 £
Deferred tax assets to be recovered after more than 12 months	<u><u>(230,783)</u></u>	<u><u>(178,541)</u></u>

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

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **19. RELATED PARTY DISCLOSURES**

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

The group incurred costs due to the director shareholders listed below (or companies that they were directors of) for consultancy services carried out on normal commercial terms as follows:

WRN Tapp £6,400 (2014: £6,400)  
Turnstone Farming Company Ltd (of which S L Weaver is a director) £6,400 (2014: £6,400)  
D B Gunner £6,400 (2014: £6,400)  
Combe Farming Partnership (of which C Combe is a partner) £6,400 (2014: £6,400)

The outstanding balances at the year end in respect of the consultancy services and reimbursed travel expenses were:

WRN Tapp £7,244 (2014: £7,501)  
Turnstone Farming Company Ltd £6,400 (2014: £12,800)  
D B Gunner £30,181 (2014: £22,281)  
Combe Farming Partnership £8,919 (2014: £15,545)

The group has used the services of A A H Consultants. All transactions were carried out on normal commercial terms. A A Hunter is the sole director of A A H Consultants and a shareholder in Magyar Farming Company Limited. Total transactions amounted to £70,000 (2014: £68,566). At the balance sheet date the amount due to A A H Consultants £45,558 (2014: £10,558).

At the balance sheet date, £70,819 (2014: £nil) was due from Turnstone Farming Company Limited, a company in which Simon Weaver is a director and shareholder.

Interest of £1,139 (2014: £1,710) was accrued at 31 December 2015 on shareholder loans that A A Hunter had previously subscribed to. The shareholder loans were fully repaid at 31 December 2014.

Interest of £nil (2014: £759) was accrued at 31 December 2015 on shareholder loans that close family members of A A Hunter had previously subscribed to. The shareholder loans were fully repaid at 31 December 2014.

Interest of £3,019 (2014: £3,019) was accrued at 31 December 2015 on shareholder loans that C Combe had previously subscribed to. The shareholder loans were fully repaid at 31 December 2014.

Interest of £72,581 (2014: £106,298) was accrued at 31 December 2015 on shareholder loans that D B Gunner had previously subscribed to. The shareholder loans were fully repaid at 31 December 2014.

Interest of £nil (2014: £602) was accrued at 31 December 2015 on shareholder loans that close family members of D B Gunner had previously subscribed to. The shareholder loans were fully repaid at 31 December 2014.

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2015

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

#### Group

	2015 £	2014 £
Profit for the financial year	97,347	5,708,648
Dividends	(4,037,432)	-
	(3,940,085)	5,708,648
Other comprehensive income relating to the year (net)	206,487	(997,533)
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(3,733,598)</b>	<b>4,711,115</b>
Opening shareholders' funds	13,595,968	8,884,853
<b>Closing shareholders' funds</b>	<b>9,862,370</b>	<b>13,595,968</b>

#### Company

	2015 £	2014 £
(Loss)/profit for the financial year	(337,177)	5,572,379
Dividends	(4,037,432)	-
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(4,374,609)</b>	<b>5,572,379</b>
Opening shareholders' funds	8,339,844	2,767,465
<b>Closing shareholders' funds</b>	<b>3,965,235</b>	<b>8,339,844</b>

### 21. 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 2015 in relation to this scheme. In addition, any charge or cumulative charge would not be considered material.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2015*

### **22. 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.

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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 £241,254 (2014: £238,736).

Other financial support received from the government in the form of subsidies has been credited in the income statement amounting to £649,443 (2014: £1,180,390).