



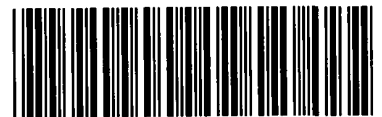
**Smailes Goldie Turner**  
Accountants for Agriculture

# **Magyar Farming Company Limited**

## **Consolidated Financial Statements**

**31st December 2016**

THURSDAY



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COMPANIES HOUSE



Chartered  
accountants  
& lawyers



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

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*for the year ended 31st December 2016*

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# Magyar Farming Company Limited

## Company Information

*for the year ended 31st December 2016*

**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 2016*

The directors present their strategic report of the company and the group for the year ended 31st December 2016.

### 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 2016, the group held 63 bull calves (2015: 56), 693 heifers (2015: 638), 193 in-calf heifers (2015: 218), and 1,048 milking cows (2015: 963). During the year the group produced 8,300,951 litres of milk (2015: 7,624,724 litres); 4,373 tonnes of cereals and oilseed (2015: 3,943 tonnes), and 5,760 tonnes of potatoes (2015: 2,756 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.~~

### ON BEHALF OF THE BOARD:



D B Gunner - Director

Date: 24 OCTOBER 2017

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

## **Report of the Directors**

*for the year ended 31st December 2016*

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 £2,018,706.

### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1st January 2016 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 2016

### 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.

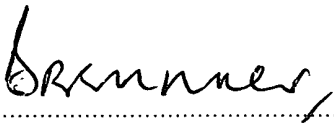
### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

Date:

24 OCTOBER 2017

# **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 2016 on pages seven to thirty five. 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 2016 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, based on the work undertaken in the course of our audit, 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, and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the group and the parent company and its environment, we have not identified any material misstatements in the Group Strategic Report or the Report of the Directors.

# 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

Date: 24 OCTOBER 2017

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

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

*for the year ended 31st December 2016*

	Notes	2016 £	2015 £
<b>CONTINUING OPERATIONS</b>			
Revenue		5,137,366	3,871,406
Cost of sales		<u>(2,423,453)</u>	<u>(1,558,829)</u>
<b>GROSS PROFIT</b>		<b>2,713,913</b>	<b>2,312,577</b>
Administrative expenses		<u>(2,172,873)</u>	<u>(1,924,624)</u>
<b>OPERATING PROFIT</b>		<b>541,040</b>	<b>387,953</b>
Finance costs	4	(34,574)	(199,090)
Finance income	4	<u>86,100</u>	<u>47,182</u>
<b>PROFIT BEFORE INCOME TAX</b>	5	<b>592,566</b>	<b>236,045</b>
Income tax	6	<u>(65,215)</u>	<u>(138,698)</u>
<b>PROFIT FOR THE YEAR</b>		<b>527,351</b>	<b>97,347</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Item that will not be reclassified to profit or loss:</b>			
Currency translation differences		957,269	206,487
Income tax relating to item of other comprehensive income		<u>10,310</u>	<u>-</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<b><u>967,579</u></b>	<b><u>206,487</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b><u>1,494,930</u></b>	<b><u>303,834</u></b>
Profit attributable to: Owners of the parent		<u>527,351</u>	<u>97,347</u>
Total comprehensive income attributable to: Owners of the parent		<u>1,494,930</u>	<u>303,834</u>

The notes form part of these financial statements

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

**Consolidated Statement of Financial Position**

*31st December 2016*

	Notes	2016 £	2015 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	1,195,881	1,088,317
Property, plant and equipment	10	8,112,826	7,002,402
Investments	11	141	141
		<u>9,308,848</u>	<u>8,090,860</u>
<b>CURRENT ASSETS</b>			
Inventories	12	1,317,400	1,182,009
Trade and other receivables	13	639,033	778,092
Cash and cash equivalents	14	1,192,974	2,433,700
		<u>3,149,407</u>	<u>4,393,801</u>
<b>TOTAL ASSETS</b>		<u>12,458,255</u>	<u>12,484,661</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	15	2,438,857	2,438,857
Share premium	16	974,851	974,851
Revaluation reserve	16	133,928	133,928
Other reserves	16	117,310	(839,959)
Retained earnings	16	5,673,638	7,154,693
<b>TOTAL EQUITY</b>		<u>9,338,584</u>	<u>9,862,370</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	17	1,554,166	686,535
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	87,721	272,445
Deferred tax	19	315,909	294,409
		<u>1,957,796</u>	<u>1,253,389</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	923,499	1,116,646
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	238,376	252,256
		<u>1,161,875</u>	<u>1,368,902</u>
<b>TOTAL LIABILITIES</b>		<u>3,119,671</u>	<u>2,622,291</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12,458,255</u>	<u>12,484,661</u>

The notes form part of these financial statements

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

**Consolidated Statement of Financial Position - continued**  
**31st December 2016**

The financial statements were approved by the Board of Directors on 24 October 2017 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 2016

	Notes	2016 £	2015 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	-	-
Property, plant and equipment	10	-	-
Investments	11	1,318,763	1,318,763
Deferred tax	19	246,216	230,782
		<u>1,564,979</u>	<u>1,549,545</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	74,186	575,505
Cash and cash equivalents	14	515,385	2,121,874
		<u>589,571</u>	<u>2,697,379</u>
<b>TOTAL ASSETS</b>		<u>2,154,550</u>	<u>4,246,924</u>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Called up share capital	15	2,438,857	2,438,857
Share premium	16	974,851	974,851
Retained earnings	16	(1,465,881)	551,527
<b>TOTAL EQUITY</b>		<u>1,947,827</u>	<u>3,965,235</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	46,900	46,900
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	159,823	234,789
<b>TOTAL LIABILITIES</b>		<u>206,723</u>	<u>281,689</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,154,550</u>	<u>4,246,924</u>

The financial statements were approved by the Board of Directors on 24 October 2017 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 2016

	Called up share capital £	Retained earnings £	Share premium £
<b>Balance at 1st January 2015</b>	2,438,857	11,094,778	974,851
<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>Changes in equity</b>			
Dividends	-	(2,018,716)	-
Total comprehensive income	-	537,661	-
<b>Balance at 31st December 2016</b>	<u>2,438,857</u>	<u>5,673,638</u>	<u>974,851</u>
	Revaluation reserve £	Other reserves £	Total equity £
<b>Balance at 1st January 2015</b>	133,928	(1,046,446)	13,595,968
<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>
<b>Changes in equity</b>			
Dividends	-	-	(2,018,716)
Total comprehensive income	-	957,269	1,494,930
<b>Balance at 31st December 2016</b>	<u>133,928</u>	<u>117,310</u>	<u>9,338,584</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 2016*

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
<b>Balance at 1st January 2015</b>	2,438,857	4,926,136	974,851	8,339,844
<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>
<b>Changes in equity</b>				
Dividends	-	(2,018,716)	-	(2,018,716)
Total comprehensive income	-	1,308	-	1,308
<b>Balance at 31st December 2016</b>	<u>2,438,857</u>	<u>(1,465,881)</u>	<u>974,851</u>	<u>1,947,827</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 2016*

	Notes	2016 £	2015 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,416,533	1,296,711
Interest paid		(34,574)	(199,090)
Tax paid		(17,614)	(5,242)
Net cash from operating activities		<u>1,364,345</u>	<u>1,092,379</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(405,760)	(396,221)
Purchase of tangible fixed assets		(486,913)	(634,543)
Sale of intangible fixed assets		395,551	237,719
Sale of tangible fixed assets		53,550	278,255
Interest received		<u>86,100</u>	<u>47,182</u>
Net cash from investing activities		<u>(357,472)</u>	<u>(467,608)</u>
<b>Cash flows from financing activities</b>			
Loan repayments in year		(285,771)	(173,108)
Equity dividends paid		<u>(2,018,716)</u>	<u>(4,037,432)</u>
Net cash from financing activities		<u>(2,304,487)</u>	<u>(4,210,540)</u>
<b>Decrease in cash and cash equivalents</b>		<u>(1,297,614)</u>	<u>(3,585,769)</u>
<b>Cash and cash equivalents at beginning of year</b>	2	2,433,700	6,045,508
Effect of foreign exchange rate changes		<u>56,888</u>	<u>(26,039)</u>
<b>Cash and cash equivalents at end of year</b>	2	<u>1,192,974</u>	<u>2,433,700</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 2016

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

	2016 £	2015 £
Profit before income tax	592,566	236,045
Depreciation charges	710,052	587,642
(Profit)/loss on disposal of fixed assets	(3,473)	5,634
Change in value of biological assets	99,913	8,718
Amortisation of intangible assets	838	304
Unrealised exchange (gains)/losses	(361,884)	574,107
Government grants	(223,724)	(241,254)
Finance costs	34,574	199,090
Finance income	(86,100)	(47,182)
	<b>762,762</b>	<b>1,323,104</b>
Decrease in inventories	80,248	46,575
Decrease in trade and other receivables	266,409	369,865
Increase/(decrease) in trade and other payables	307,114	(442,833)
<b>Cash generated from operations</b>	<b><u>1,416,533</u></b>	<b><u>1,296,711</u></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 2016

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

#### Year ended 31st December 2015

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

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 2016

### 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 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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2016*

### **2. ACCOUNTING POLICIES - continued**

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.

#### **Changes in accounting policies**

##### **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.

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

*for the year ended 31st December 2016*

**2. ACCOUNTING POLICIES - continued**

**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.

**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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2016*

### **2. ACCOUNTING POLICIES - continued**

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.

#### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2016*

### **2. ACCOUNTING POLICIES - continued**

#### **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.

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

## **Notes to the Consolidated Financial Statements - continued** *for the year ended 31st December 2016*

### **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.

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

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

*for the year ended 31st December 2016*

### **2. 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 2016*

### **2. 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:

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- 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 2016

### 2. 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.

### 3. EMPLOYEES AND DIRECTORS

	2016 £	2015 £
Wages and salaries	312,070	263,838
Social security costs	<u>75,283</u>	<u>67,626</u>
	<u><b>387,353</b></u>	<u><b>331,464</b></u>

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

	2016	2015
Production	34	35
Other	<u>9</u>	<u>9</u>
	<u><b>43</b></u>	<u><b>44</b></u>

	2016 £	2015 £
Directors' remuneration	<u>-</u>	<u>-</u>

### 4. NET FINANCE INCOME

	2016 £	2015 £
Finance income:		
Bank interest	7,242	47,182
Foreign exchange gains	<u>78,858</u>	<u>-</u>
	<u><b>86,100</b></u>	<u><b>47,182</b></u>

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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2016

**4. NET FINANCE INCOME - continued**

	2016 £	2015 £
Finance costs:		
Bank loan interest	8,089	19,255
Unsecured loan interest	26,485	31,706
Foreign exchange losses	-	148,129
	<u>34,574</u>	<u>199,090</u>
Net finance income	<u>51,526</u>	<u>(151,908)</u>

**5. PROFIT BEFORE INCOME TAX**

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

	2016 £	2015 £
Cost of inventories recognised as expense	2,423,453	1,558,829
Depreciation - owned assets	710,052	587,642
(Profit)/loss on disposal of fixed assets	(3,473)	5,634
Milk quota amortisation	838	304
Biological assets amortisation	99,913	8,718
Audit fees	15,000	17,000
Tax services provided by auditor	<u>500</u>	<u>500</u>

**6. INCOME TAX**

**Analysis of tax expense**

	2016 £	2015 £
Current tax:		
Tax	17,614	5,242
Deferred tax	<u>47,601</u>	<u>133,456</u>
Total tax expense in consolidated statement of profit or loss and other comprehensive income	<u>65,215</u>	<u>138,698</u>

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

**Notes to the Consolidated Financial Statements - continued**  
*for the year ended 31st December 2016*

**6. INCOME TAX - continued**

**Factors affecting the tax expense**

The tax assessed for the year is lower (2015 - higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Profit before income tax	<u><b>592,566</b></u>	<u><b>236,045</b></u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	<b>118,513</b>	47,209
Effects of:		
Income not subject to tax	<b>(138,163)</b>	(63,994)
Expenses not deductible for tax purposes	<b>24,051</b>	13,754
Tax losses utilised	<b>(5,550)</b>	-
Tax losses not utilised	<b>(15,434)</b>	-
Other permanent differences as a result of consolidation	<b>81,798</b>	141,729
	<hr/>	<hr/>
Tax expense	<u><b>65,215</b></u>	<u><b>138,698</b></u>

**7. PROFIT 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 profit for the financial year was £1,308 (2015 - £(337,177) loss).

**8. DIVIDENDS**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Ordinary shares of £1 each		
Final	<u><b>2,018,716</b></u>	<u><b>4,037,432</b></u>

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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2016

**9. INTANGIBLE ASSETS**

**MILK QUOTA**

<b>COST</b>	<b>Milk quota £</b>
At 1 January 2016	163,231
Additions	149
Disposals	(186,989)
Exchange differences	29,801
	<u>6,192</u>
At 31 December 2016	<u>6,192</u>
<b>AMORTISATION</b>	
At 1 January 2016	112,120
Amortisation for year	838
Amortisation on disposals	(127,856)
Exchange differences	20,872
	<u>5,974</u>
At 31 December 2016	<u>5,974</u>
<b>NET BOOK VALUE</b>	
At 31 December 2016	<u>218</u>
At 31 December 2015	<u>51,111</u>

**BIOLOGICAL ASSETS**

	<b>Cows £</b>
Opening value	1,037,206
Births	405,611
Sales and deaths	(336,418)
Exchange differences	189,177
Change in value	(99,913)
	<u>1,195,663</u>

During the year, a number of intangible assets have been disposed in relation to EU milk quotas which have now ceased.

The amortisation charge of other quota of £838 (2015: £304) is included within administrative expenses in the income statement.

At 31 December 2016, biological assets comprises 63 bull calves (2015: 56), 693 heifers (2015: 638), 193 incalf heifers (2015: 218) and 1,048 milking cows (2015: 963).

The change in value of the biological assets of £99,913 (2015: £8,718) 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 2016

**10. PROPERTY, PLANT AND EQUIPMENT**

**Group**

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
<b>COST OR VALUATION</b>				
At 1st January 2016	4,901,163	5,308,628	666	10,210,457
Additions	350,250	217,909	-	568,159
Disposals	(6,605)	(185,565)	-	(192,170)
Exchange differences	892,765	970,859	122	1,863,746
At 31st December 2016	6,137,573	6,311,831	788	12,450,192
<b>DEPRECIATION</b>				
At 1st January 2016	656,374	2,551,926	(245)	3,208,055
Charge for year	113,532	595,727	793	710,052
Eliminated on disposal	(3,808)	(138,285)	-	(142,093)
Exchange differences	119,707	441,601	44	561,352
At 31st December 2016	885,805	3,450,969	592	4,337,366
<b>NET BOOK VALUE</b>				
At 31st December 2016	5,251,768	2,860,862	196	8,112,826
At 31st December 2015	4,244,789	2,756,702	911	7,002,402

Bank borrowings are secured on land, buildings and machinery.

Cost or valuation at 31st December 2016 is represented by:

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
Valuation in 2006	603,248	-	-	603,248
Cost	5,534,325	6,311,831	788	11,846,944
	6,137,573	6,311,831	788	12,450,192

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

**Notes to the Consolidated Financial Statements - continued**  
for the year ended 31st December 2016

**10. PROPERTY, PLANT AND EQUIPMENT - continued**

**Group**

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

	2016 £	2015 £
Cost	<u>5,534,325</u>	<u>4,297,915</u>
Aggregate depreciation	<u>(885,805)</u>	<u>(656,374)</u>
Value of land in freehold land and buildings	<u>4,648,520</u>	<u>3,976,349</u>

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

**11. INVESTMENTS**

**Group**

	Unlisted investments £
<b>COST</b>	
At 1st January 2016 and 31st December 2016	<u>141</u>
<b>NET BOOK VALUE</b>	
At 31st December 2016	<u>141</u>
At 31st December 2015	<u>141</u>

**Company**

	Shares in group undertakings £
<b>COST</b>	
At 1st January 2016 and 31st December 2016	<u>1,318,763</u>
<b>NET BOOK VALUE</b>	
At 31st December 2016	<u>1,318,763</u>
At 31st December 2015	<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 2016

### 11. 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

Registered office: Hungary  
Nature of business: Farming

	% holding	2016	2015
Class of shares:		£	£
Ord Shs	99.99		
Aggregate capital and reserves		<b>1,154,807</b>	718,402
Profit for the year		<b>290,458</b>	<b>70,187</b>

##### Inicia Krt

Registered office: Hungary  
Nature of business: Farming

	% holding	2016	2015
Class of shares:		£	£
Ord shs	100.00		
Aggregate capital and reserves		<b>11,022,444</b>	9,988,777
(Loss)/profit for the year		<b>(740,195)</b>	<b>249,310</b>

##### Dryfeholme

Registered office: Ukraine  
Nature of business: Farming

	% holding	2016	2015
Class of shares:		£	£
Ord shs	100.00		
Aggregate capital and reserves		<b>(27,063)</b>	(282,391)
Profit for the year		<b>273,898</b>	<b>-</b>

### 12. INVENTORIES

	Group	
	2016	2015
	£	£
Raw materials	<b>162,691</b>	167,803
Growing crops	<b>30,176</b>	31,395
Produce	<b>1,124,533</b>	<b>982,811</b>
	<b>1,317,400</b>	<b>1,182,009</b>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2016

### 13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Current:				
Trade debtors	433,659	338,140	-	-
Amounts owed by group undertakings	-	-	-	495,473
Other debtors	205,374	439,952	74,186	80,032
	<u>639,033</u>	<u>778,092</u>	<u>74,186</u>	<u>575,505</u>

#### 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 2016, trade receivables of £101,082 (2015: £60,161) 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 £419,079 (2015: £337,408) up to 3 months and £14,583 (2015: £732) over 3 months.

There were no trade receivables that were impaired in either 2016 or 2015.

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

	2016 £	2015 £
UK pound	74,186	80,132
Hungarian forint	541,194	313,146
Euros	17,611	152,898
US dollar	-	231,916
	<u>632,991</u>	<u>778,092</u>

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

### 14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Bank deposit account	428,324	2,172,861	428,324	2,172,858
Cash at bank	764,650	260,839	87,061	(50,984)
	<u>1,192,974</u>	<u>2,433,700</u>	<u>515,385</u>	<u>2,121,874</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued

for the year ended 31st December 2016

### 15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2016	2015
Number:	Class:		£	£
2,438,013	Ordinary	£1	<b>2,438,013</b>	2,438,013
85,382	'A' Shares	£0.01	<b>844</b>	844
			<b><u>2,438,857</u></b>	<b><u>2,438,857</u></b>

### 16. RESERVES

Group	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1st January 2016	<b>7,154,693</b>	<b>974,851</b>	<b>133,928</b>	<b>(839,959)</b>	<b>7,423,513</b>
Profit for the year	<b>527,351</b>				<b>527,351</b>
Dividends	<b>(2,018,716)</b>				<b>(2,018,716)</b>
Deferred tax on revaluation	<b>10,310</b>	-	-	-	<b>10,310</b>
Exchange difference	-	-	-	<b>957,269</b>	<b>957,269</b>
At 31st December 2016	<b><u>5,673,638</u></b>	<b><u>974,851</u></b>	<b><u>133,928</u></b>	<b><u>117,310</u></b>	<b><u>6,899,727</u></b>

#### 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.

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued for the year ended 31st December 2016

### 17. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Current:				
Trade creditors	437,601	228,907	-	-
Other creditors	110,226	430,384	40,000	23,755
Amounts due to related parties	85,922	98,302	85,923	98,302
Accruals and deferred income	77,749	117,799	33,900	112,732
Deferred government grants	212,001	241,254	-	-
	<u>923,499</u>	<u>1,116,646</u>	<u>159,823</u>	<u>234,789</u>
Non-current:				
Deferred government grants	1,554,166	686,535	-	-
	<u>1,554,166</u>	<u>686,535</u>	<u>-</u>	<u>-</u>
Aggregate amounts	<u>2,477,665</u>	<u>1,803,181</u>	<u>159,823</u>	<u>234,789</u>

### 18. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Current:				
Bank loans	<u>238,376</u>	<u>252,256</u>	<u>-</u>	<u>-</u>
Non-current:				
Bank loans	40,821	225,545	-	-
Other loans - 1-2 years	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>	<u>46,900</u>
	<u>87,721</u>	<u>272,445</u>	<u>46,900</u>	<u>46,900</u>

Terms and debt repayment schedule

#### Group

	1 year or less £	1-2 years £	2-5 years £	Totals £
Bank loans	238,376	40,821	-	279,197
Other loans	-	-	46,900	46,900
	<u>238,376</u>	<u>40,821</u>	<u>46,900</u>	<u>326,097</u>

# Magyar Farming Company Limited (Registered number: 03430277)

## Notes to the Consolidated Financial Statements - continued

for the year ended 31st December 2016

### 18. FINANCIAL LIABILITIES - BORROWINGS - continued

Bank borrowings bear interest at market rates. Total borrowings include secured liabilities of £326,097 (2015: £477,801). 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:

	2016	2015
	£	£
UK pound	46,900	46,900
Hungarian forint	279,197	477,801
	<u>326,097</u>	<u>524,701</u>

### 19. DEFERRED TAX

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

#### Group

	2016	2015
	£	£
Deferred tax assets to be recovered after more than 12 months	(246,217)	(230,783)
Deferred tax liabilities to be recovered after more than 12 months	<u>562,125</u>	<u>525,191</u>
Deferred tax liabilities - net	<u>315,909</u>	<u>294,409</u>

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

	2016	2015
	£	£
At 1 January 2016	294,409	164,765
Exchange difference	7,864	23,461
Other comprehensive income (credit)/charge	(10,310)	(3,811)
Income statement (credit)/charge	<u>39,674</u>	<u>109,994</u>
At 31 December 2016	<u>315,909</u>	<u>294,409</u>

#### Company

	2016	2015
	£	£
Deferred tax assets to be recovered after more than 12 months	<u>(246,217)</u>	<u>(230,783)</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 2016

### 20. 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

	2016 £	2015 £
Purchases	99,066	95,600
Year end Debtors	72,595	70,819
Year end Creditors	172,822	233,359

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

#### Group

	2016 £	2015 £
Profit for the financial year	527,351	97,347
Dividends	(2,018,716)	(4,037,432)
	(1,491,365)	(3,940,085)
Other comprehensive income relating to the year (net)	967,579	206,487
<b>Net reduction of shareholders' funds</b>	<b>(523,786)</b>	<b>(3,733,598)</b>
Opening shareholders' funds	9,862,370	13,595,968
<b>Closing shareholders' funds</b>	<b>9,338,584</b>	<b>9,862,370</b>

#### Company

	2016 £	2015 £
Profit/(loss) for the financial year	1,308	(337,177)
Dividends	(2,018,716)	(4,037,432)
<b>Net reduction of shareholders' funds</b>	<b>(2,017,408)</b>	<b>(4,374,609)</b>
Opening shareholders' funds	3,965,235	8,339,844
<b>Closing shareholders' funds</b>	<b>1,947,827</b>	<b>3,965,235</b>

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

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

*for the year ended 31st December 2016*

### **22. 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 2016 in relation to this scheme. In addition, any charge or cumulative charge would not be considered material.

### **23. 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 £223,724 (2015: £241,254).

Other financial support received from the government in the form of subsidies has been credited in the income statement amounting to £901,797 (2015: £649,443).