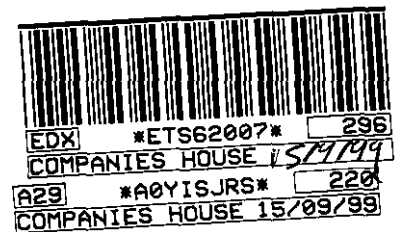


AMENDING.

MAGYAR FARMING COMPANY LIMITED
(FORMERLY KITPOLL LIMITED)
Registered number: 3430277)

REPORT AND FINANCIAL STATEMENTS

31 December 1998



MAGYAR FARMING COMPANY LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1998

The directors present their report and financial statements for the period ended 31 December 1998.

BUSINESS REVIEW

The company was incorporated on 5 September 1997 as Kitpoll Limited. The name was changed to Magyar Farming Company Limited on 17 September 1997.

The company has invested in a Hungarian company called Kintyre kft. This investment has developed satisfactorily during the period and the directors expect this trend to continue.

RESULTS FOR THE YEAR

The results for the period are shown in the profit and loss account on page 4.

DIRECTORS

The directors of the company during the period and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	Ordinary £1 shares 1998
M J Jenkins - chairman - appointed 17 September 1997	-
A A Hunter - appointed 17 September 1997	110,000
S L Weaver - appointed 17 September 1997	110,000
W R N Tapp - appointed 17 September 1997	-
E M A Arlington - appointed 18 April 1998	70,000

M J Jenkins is a director of Childerley Estates Limited which holds 110,000 shares in the company.

W R N Tapp is a director of St Nicholas Court Farms Limited which holds 70,000 shares in the company.

E M A Arlington also has a deemed interest in 40,000 shares held by his wife.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

MAGYAR FARMING COMPANY LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 1998 (CONTINUED)

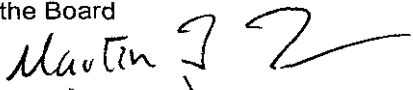

YEAR 2000

The directors consider that the risks and uncertainties relating to the millennium bug are immaterial. The directors have made plans to deal with foreseeable problems, the costs of which are considered minimal.

AUDITORS

Our auditors, Price Waterhouse, merged with Coopers & Lybrand on 1 July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By Order of the Board



23rd August 1999

M J Jenkins
Secretary

23 August 1999

AUDITORS' REPORT TO THE MEMBERS OF MAGYAR FARMING COMPANY LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985 as applicable to small companies.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

23 August 1999

MAGYAR FARMING COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1998**

	Note	<u>5 September 1997 to 31 December 1998</u>
TURNOVER - continuing operations		5,000
Cost of sales		<u>-</u>
GROSS PROFIT		5,000
Administrative expenses		(102,881)
Other operating income		<u>55,879</u>
OPERATING LOSS - continuing operations	2	(42,002)
Interest payable	4	<u>1,325</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(43,327)
Taxation	5	<u>-</u>
RETAINED LOSS FOR THE PERIOD	10	<u><u>£(43,327)</u></u>

The company has no recognised gains or losses other than its loss for the period as stated above.

There is no material difference between the result disclosed in the profit and loss account above and the result on an unmodified historical cost basis and a note of historical cost profits and losses is not therefore included in these financial statements.

MAGYAR FARMING COMPANY LIMITED
BALANCE SHEET - 31 DECEMBER 1998

	Note	1998
FIXED ASSETS		
Investments	6	1,096,500
CURRENT ASSETS		
Debtors	7	83,656
Cash at bank and in hand		<u>30,656</u>
		114,312
CREDITORS - Amounts falling due within one year	8	<u>(44,139)</u>
NET CURRENT ASSETS		<u>70,173</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,166,673
CREDITORS - Amounts falling due after one year		-
PROVISIONS FOR LIABILITIES AND CHARGES		-
		<u>£1,166,673</u>
CAPITAL AND RESERVES		
Called up share capital	9	1,210,000
Profit and loss account – deficit	10	<u>(43,327)</u>
SHAREHOLDERS' FUNDS		
Equity interests	11	<u>£1,166,673</u>

APPROVED BY THE BOARD ON
23 August 1999

M J Jenkins

DIRECTOR

Martin J J
23rd August 1999

MAGYAR FARMING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Deferred taxation

Deferred taxation is provided in respect of the taxation effect of all timing differences to the extent that they are likely to crystallise in the foreseeable future.

(3) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost in the financial statements of the company. Provision against the value of investments is made where, in the opinion of the directors, there is a permanent diminution in the value of the investment.

2 OPERATING LOSS 1998

Operating loss is stated after charging

Auditors' remuneration £2,000

3 DIRECTORS EMOLUMENTS

Wages and salaries 2,499

Social security costs 249

£2,748

4 INTEREST PAYABLE

Interest on other loans £1,325

5 TAXATION

The company has generated a loss in the period to 31 December 1998, any tax losses arising will be carried forward for use against future profits.

MAGYAR FARMING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

6	INVESTMENT IN KINTYRE KFT	Shares	Loan	Total
	Shares purchased in the period	393,763	-	393,763
	Loan advanced in the period	<u>-</u>	<u>702,737</u>	<u>702,737</u>
	31 December 1998	<u>£393,763</u>	<u>£702,737</u>	<u>£1,096,500</u>

The company holds 100% of the shares in Kintyre kft, a Hungarian company which was incorporated in December 1997, these shares were purchased in December 1997 at par.

The company has made a loan to Kintyre kft. Interest accrues at 10% pa on this loan. The amount of the loan at 31 December 1998 was the maximum amount outstanding at anytime in the period under review.

The loan is denominated in pounds sterling, and therefore the company is not carrying an exchanged rate risk.

In the opinion of the directors the value of the shares in Kintyre kft are at least equal to their purchase price and the loan will be repaid in full. There are no fixed repayment terms on this loan.

Kintyre kft holds 99.99% of the issued shares in Inicia Rt, a company also registered in Hungary. A A Hunter, a director of this company, is the only other shareholder in Inicia Rt. The principal activity of Inicia Rt is farming.

7	DEBTORS	1998
	Trade debtors	5,000
	Other debtors	<u>78,656</u>
		<u>£83,656</u>
8	CREDITORS – Amounts falling due within one year	
	Trade creditors	<u>44,139</u>
		<u>£44,139</u>
9	CALLED UP EQUITY SHARE CAPITAL	1998
	Authorised	
	5,000,000 ordinary shares of £1 each	<u>£5,000,000</u>
	Allotted and fully paid	
	1,210,000 ordinary shares of £1 each	<u>£1,210,000</u>

During the period 1,210,000 £1 ordinary shares were issued at par.

MAGYAR FARMING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1998 (CONTINUED)

10	PROFIT AND LOSS ACCOUNT	1998
	Loss for the period	<u>43,327</u>
	31 December 1998	<u>£43,327</u>
11	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	
	Loss for the period	(43,327)
	Shareholders' funds called up and fully paid in the period	<u>1,210,000</u>
	Closing shareholders' funds	<u>£1,166,673</u>
12	GROUP ACCOUNTS	
	<p>The group is exempt from preparing group accounts under S248 Companies Act 1985 on the basis that it meets the criteria as a medium-sized group. The company's financial statements present information about it as an individual undertaking and not about its group. The aggregate amount of the total investment in the shares of the subsidiary stated by way of the equity method of accounting would be £393,763 at 31 December 1998.</p>	
13	RELATED PARTY TRANSACTIONS	
	<p>Throughout the period the company has purchased goods and services from Childerley Estates Limited. All such transactions were carried out on normal commercial terms. Childerley Estates Limited hold 110,000 shares in the company and M J Jenkins is a director of Childerley Estates Limited. The aggregate value of transactions with Childerley Estates Limited was £11,803.</p>	
	<p>The company has used the services of AAH Consultants. All transactions were carried out on normal commercial terms. A A Hunter is the sole director of AAH Consultants. Total transactions amounted to £30,000.</p>	
14	ULTIMATE CONTROLLING INTEREST	
	<p>The directors consider there to be no controlling party.</p>	

MAGYAR FARMING COMPANY LIMITED

**TRADING ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1998**

**5 September 1997 to
31 December 1998**

Income

Interest due on loans	55,447	
Consultancy services	5,000	
Bank interest received gross	<u>432</u>	
		60,879

Expenses

Directors' fees	2,748	
Insurance	2,745	
Consultancy	53,000	
Travel expenses	14,677	
Professional fees	21,846	
Office expenses	2,056	
Dairy expenses	1,330	
Other farm costs	1,908	
Bank interest and charges	2,450	
Other interest	1,325	
Sundry expenses	<u>121</u>	<u>104,206</u>
Loss for the period before taxation		<u><u>£(43,327)</u></u>