



Smailes Goldie Group
CREATING ADVANTAGE

REGISTERED NUMBER: 03430277

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Magyar Farming Company Limited

Consolidated Financial Statements

31st December 2018



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for the Year Ended 31st December 2018**

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Magyar Farming Company Limited

**Company Information
for the Year Ended 31st December 2018**

DIRECTORS:

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

SECRETARY:

W R N Tapp

REGISTERED OFFICE:

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

REGISTERED NUMBER:

03430277 (England and Wales)

ACCOUNTANTS:

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

**Group Strategic Report
for the year ended 31 December 2018**

The directors present their strategic report of the company and the group for the year ended 31 December 2018.

REVIEW OF BUSINESS

Commodity process recovered modestly during the year, with milk prices remaining stable across the continent. Management continues to manage cost of production to best advantage, in spite of a shrinking land base (see below).

At 31 December 2018, the group held 77 bull calves (2017: 51), 585 heifers (2017: 536), 170 in-calf heifers (2017: 272), and 1,160 milking cows (2017: 1,058). During the year the group produced 9,361,720 litres of milk (2017: 8,854,999 litres); 2,446 tonnes of cereals and oilseed (2017: 3,405 tonnes), and 3,179 tonnes of potatoes (2017: 3,200 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 during the year. The Board of Directors had previously taken the decision to launch a claim against the Hungarian government in the International Court of Settlements, and this progressed during 2018 with the exchange of statements to the Tribunal. The hearing of the Tribunal was held in Paris in May 2019, with the result expected towards the end of the year. The ongoing cost of progressing the claim against the government is expected to have a negative impact on the profitability of the business.

ON BEHALF OF THE BOARD:



D B Gunner - Director

Date: 22nd November 2019

Magyar Farming Company Limited (Registered number: 03430277)

**Report of the Directors
for the year ended 31 December 2018**

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 £Nil.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2018 to the date of this report.

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

FINANCIAL INSTRUMENTS

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

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

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

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

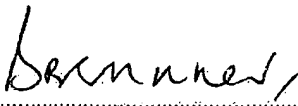
The group has interest bearing liabilities. The group does not use derivative financial instruments to manage interest rate cost and, as such, no hedge accounting is applied. The directors will revisit the appropriateness of this policy should the operations change in size or nature.

GOING CONCERN

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

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

ON BEHALF OF THE BOARD:


.....
D B Gunner - Director

Date: 22ND NOVEMBER 2019

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31st December 2018**

	Notes	2018 £	2017 £
CONTINUING OPERATIONS			
Revenue		5,563,863	5,839,893
Cost of sales		(2,134,245)	(2,717,312)
GROSS PROFIT		3,429,618	3,122,581
Administrative expenses		(2,601,735)	(2,553,292)
OPERATING PROFIT		827,883	569,289
Finance costs	4	(20,694)	(88,785)
Finance income	4	69,495	1,383
PROFIT BEFORE INCOME TAX	5	876,684	481,887
Income tax	6	(89,345)	95,813
PROFIT FOR THE YEAR		787,339	577,700
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss:			
Currency translation differences		(134,717)	277,212
Income tax relating to item that will not be reclassified to profit or loss		1,152	(2,191)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(133,565)	275,021
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		653,774	852,721
Profit attributable to: Owners of the parent		787,339	577,700
Total comprehensive income attributable to: Owners of the parent		653,774	852,721

The notes form part of these financial statements

Consolidated Statement of Financial Position
31st December 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	1,205,120	1,239,139
Property, plant and equipment	10	7,322,538	7,715,348
Investments	11	141	141
		<u>8,527,799</u>	<u>8,954,628</u>
CURRENT ASSETS			
Inventories	12	689,700	625,844
Trade and other receivables	13	795,416	953,847
Cash and cash equivalents	14	1,818,328	1,129,661
		<u>3,303,444</u>	<u>2,709,352</u>
TOTAL ASSETS		<u>11,831,243</u>	<u>11,663,980</u>
EQUITY			
SHAREHOLDERS' EQUITY			
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	1,952,442	2,087,159
Retained earnings	16	4,085,403	3,296,912
TOTAL EQUITY		<u>9,585,481</u>	<u>8,931,707</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	17	1,253,786	1,414,043
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	-	46,900
Deferred tax	20	197,542	163,287
		<u>1,451,328</u>	<u>1,624,230</u>
CURRENT LIABILITIES			
Trade and other payables	17	794,434	1,060,341
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	-	47,702
		<u>794,434</u>	<u>1,108,043</u>
TOTAL LIABILITIES		<u>2,245,762</u>	<u>2,732,273</u>
TOTAL EQUITY AND LIABILITIES		<u>11,831,243</u>	<u>11,663,980</u>

The company and the group are entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2018.

The members have not required the company and the group to obtain an audit of its financial statements for the year ended 31st December 2018 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

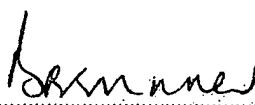
- (a) ensuring that the group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and

Magyar Farming Company Limited (Registered number: 03430277)

Consolidated Statement of Financial Position - continued
31 December 2018

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

The financial statements were approved by the Board of Directors on 22ND NOVEMBER 2019 and were signed on its behalf by:


.....
D B Gunner - Director

The notes form part of these financial statements.

Company Statement of Financial Position
31st December 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9	-	-
Property, plant and equipment	10	-	-
Investments	11	1,318,763	1,318,763
Deferred tax	20	263,567	254,544
		<u>1,582,330</u>	<u>1,573,307</u>
CURRENT ASSETS			
Trade and other receivables	13	27,287	29,836
Cash and cash equivalents	14	72,124	38,838
		<u>99,411</u>	<u>68,674</u>
TOTAL ASSETS		<u><u>1,681,741</u></u>	<u><u>1,641,981</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	15	2,438,857	2,438,857
Share premium	16	974,851	974,851
Retained earnings	16	(2,189,161)	(2,760,887)
TOTAL EQUITY		<u>1,224,547</u>	<u>652,821</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	18	-	46,900
CURRENT LIABILITIES			
Trade and other payables	17	457,194	942,260
TOTAL LIABILITIES		<u>457,194</u>	<u>989,160</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,681,741</u></u>	<u><u>1,641,981</u></u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31st December 2018.

The members have not required the company to obtain an audit of its financial statements for the year ended 31st December 2018 in accordance with Section 476 of the Companies Act 2006.

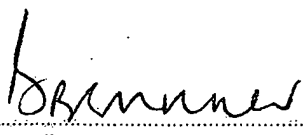
The directors acknowledge their responsibilities for:

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

Magyar Farming Company Limited (Registered number: 03430277)

Company Statement of Financial Position - continued
31 December 2018

The financial statements were approved by the Board of Directors on 22ND NOVEMBER 2019 and were signed on its behalf by:


.....
D B Gunner - Director

The notes form part of these financial statements

**Consolidated Statement of Changes in Equity
for the Year Ended 31st December 2018**

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1st January 2017	2,438,857	3,981,001	974,851
Changes in equity			
Dividends	-	(1,259,598)	-
Total comprehensive income	-	575,509	-
Balance at 31st December 2017	<u>2,438,857</u>	<u>3,296,912</u>	<u>974,851</u>
Changes in equity			
Total comprehensive income	-	788,491	-
Balance at 31st December 2018	<u>2,438,857</u>	<u>4,085,403</u>	<u>974,851</u>
	Revaluation réserve £	Other reserves £	Total equity £
Balance at 1st January 2017	133,928	1,809,947	9,338,584
Changes in equity			
Dividends	-	-	(1,259,598)
Total comprehensive income	-	277,212	852,721
Balance at 31st December 2017	<u>133,928</u>	<u>2,087,159</u>	<u>8,931,707</u>
Changes in equity			
Total comprehensive income	-	(134,717)	653,774
Balance at 31st December 2018	<u>133,928</u>	<u>1,952,442</u>	<u>9,585,481</u>

Magyar Farming Company Limited (Registered number: 03430277)

**Company Statement of Changes in Equity
for the Year Ended 31st December 2018**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1st January 2017	2,438,857	(1,465,881)	974,851	1,947,827
Changes in equity				
Dividends	-	(1,259,598)	-	(1,259,598)
Total comprehensive income	-	(35,408)	-	(35,408)
Balance at 31st December 2017	<u>2,438,857</u>	<u>(2,760,887)</u>	<u>974,851</u>	<u>652,821</u>
Changes in equity				
Total comprehensive income	-	571,726	-	571,726
Balance at 31st December 2018	<u><u>2,438,857</u></u>	<u><u>(2,189,161)</u></u>	<u><u>974,851</u></u>	<u><u>1,224,547</u></u>

The notes form part of these financial statements

**Consolidated Statement of Cash Flows
for the Year Ended 31st December 2018**

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	1,357,129	1,779,403
Interest paid		(20,694)	(42,825)
Finance costs paid		-	(45,960)
Tax paid		(10,393)	(59,892)
Net cash from operating activities		1,326,042	1,830,726
Cash flows from investing activities			
Purchase of intangible fixed assets		(605,529)	(513,424)
Purchase of tangible fixed assets		(557,199)	(250,082)
Sale of intangible fixed assets		396,794	482,316
Sale of tangible fixed assets		171,081	63,359
Interest received		69,495	1,383
Net cash from investing activities		(525,358)	(216,448)
Cash flows from financing activities			
Loan repayments in year		(93,806)	(240,649)
Equity dividends paid		-	(1,259,598)
Net cash from financing activities		(93,806)	(1,500,247)
Increase/(decrease) in cash and cash equivalents		706,878	(85,969)
Cash and cash equivalents at beginning of year	2	1,129,661	1,192,974
Effect of foreign exchange rate changes		(18,211)	22,656
Cash and cash equivalents at end of year	2	1,818,328	1,129,661

The notes form part of these financial statements

Notes to the Consolidated Statement of Cash Flows
for the Year Ended 31st December 2018

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

	2018	2017
	£	£
Profit before income tax	876,684	481,887
Depreciation charges	713,749	759,734
(Profit)/loss on disposal of fixed assets	(53,263)	1,222
Change in value of biological assets	325,982	114,481
Amortisation of intangible assets	8,658	1,611
Unrealised exchange (gains)/losses	(146,348)	(42,957)
Impairment of fixed assets	-	69,716
Government grants	(187,894)	(279,081)
Finance costs	20,694	88,785
Finance income	(69,495)	(1,383)
	<u>1,488,767</u>	<u>1,194,015</u>
(Increase)/decrease in inventories	(74,304)	734,750
Decrease/(increase) in trade and other receivables	143,005	(289,032)
(Decrease)/increase in trade and other payables	(200,339)	139,670
	<u>1,357,129</u>	<u>1,779,403</u>
Cash generated from operations	1,357,129	1,779,403

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 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	<u>1,818,328</u>	<u>1,129,661</u>

Year ended 31st December 2017

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

**Notes to the Consolidated Financial Statements
for the Year Ended 31st December 2018**

1. STATUTORY INFORMATION

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

2. ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

Going concern

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

In addition the directors have reviewed the performance of the group for the current year, and considered the impact of fluctuating commodity prices and have determined that the group will comfortably meet its future obligations and 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.

Consolidation

Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

2. ACCOUNTING POLICIES - continued

Financial risk factors

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

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

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

The group operates in two countries across the region, both inside and outside the EU, and is thus exposed to the risks of currency fluctuation. Most commodities are ultimately priced in major currencies (euros or US dollars), which affords some protection against local currency devaluation.

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

Capital risk management

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

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

Critical accounting estimates and judgements

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

Critical accounting estimates and assumptions

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

Income taxes

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

Adoption of new and revised standards

In the current year, the Group has applied the amendments issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2018. The Group has also applied Annual Improvements to IFRSs 2017-18 Cycle. As set out below, the application of these amendments has had no material effect on the Group's financial statements.

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and changes some requirements for the measurement and classification of financial instruments and impairment of financial assets. The standard introduces a new impairment model based on expected credit losses.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

2. ACCOUNTING POLICIES - continued

A consideration of expected credit losses has been undertaken and has not given rise to any material changes largely due to the fact that company has no history of material bad debt with its customers and no indication that this will change going forward.

The adoption of the standard has not resulted in any change to the current financial statements as there is no difference in the timing of recognition or measurement of financial instruments.

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

Magyar Farming Company Limited Group of companies' performance obligations are primarily the production of agriculture commodities, including, but not limited to, wheat, maize, barley, oilseed rape, sunflowers, potatoes and milk. Therefore, the performance obligations are singular and the same under IAS 18 Revenue and the new accounting standard IFRS 15 Revenue from Contracts with Customers which is effective for annual reporting on or after 1 January 2018. There is no difference in performance obligations, timing of recognition or measurement of revenue therefore there has been no impact in 2018 and no restatement of comparatives.

New and revised IFRS Standards in issue but not yet effective

IFRS 16 'Leases' supersedes IAS 17 'Leases' and has been endorsed by the European Union. The standard is effective from 1 January 2019. The most significant changes are in relation to lessee accounting. Under IFRS 16 the lessee will recognise a right-of-use asset and a lease liability for all leases currently accounted for as operating leases, with the exception of leases for a short period (less than 12 months) and those for items of low value. The asset will be depreciated over the term of the lease, whilst interest will be charged on the liability over the same period. The Group does not have any such leases therefore no restatement is anticipated.

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.

2. ACCOUNTING POLICIES - continued

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

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

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

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

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

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

2. ACCOUNTING POLICIES - continued

Financial assets

(a) Classification

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

(b) Loans and receivables

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

(c) Offsetting financial instruments

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

Impairment of financial assets

Assets carried at amortised cost

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

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

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

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

2. 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.

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

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.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

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:

- 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.

Intangible assets

Intangible assets comprises of licences, dairy software and biological assets.

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

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

Exceptional items

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

3. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	419,360	393,684
Social security costs	83,433	84,187
	<u>502,793</u>	<u>477,871</u>

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

	2018	2017
Production	32	35
Other	10	10
	<u>42</u>	<u>45</u>

	2018	2017
	£	£
Directors' remuneration	-	-

4. NET FINANCE INCOME

	2018	2017
	£	£
Finance income:		
Bank interest	656	1,383
Foreign exchange gains	68,839	-
	<u>69,495</u>	<u>1,383</u>
Finance costs:		
Bank loan interest	493	3,759
Unsecured loan interest	20,201	39,066
Foreign exchange losses	-	45,960
	<u>20,694</u>	<u>88,785</u>
Net finance income	<u>48,801</u>	<u>(87,402)</u>

5. PROFIT BEFORE INCOME TAX

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

	2018	2017
	£	£
Cost of inventories recognised as expense	2,134,245	2,717,312
Depreciation - owned assets	713,749	759,734
(Profit)/loss on disposal of fixed assets	(53,263)	1,222
Licences and dairy software amortisation	8,658	1,611
Biological assets amortisation	325,982	114,481
Impairment of fixed assets	-	69,716
Bad debt expense	-	7,263

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

6. INCOME TAX

Analysis of tax expense/(income)

	2018 £	2017 £
Current tax:		
Tax	-	10,393
Deferred tax	<u>89,345</u>	<u>(106,206)</u>
Total tax expense/(income) in consolidated statement of profit or loss and other comprehensive income	<u><u>89,345</u></u>	<u><u>(95,813)</u></u>

Factors affecting the tax expense

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

	2018 £	2017 £
Profit before income tax	<u>876,684</u>	<u>481,887</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 19%)	<u>166,570</u>	<u>91,559</u>
Effects of:		
Profits not subject to tax	(37,911)	(140,819)
Expenses not deductible for tax purposes	285	43,781
Adjustment for different tax rates	<u>(42,717)</u>	<u>(33,724)</u>
Other permanent differences as a result of consolidation	3,118	(80,329)
Forex losses restated	-	9,093
Impairment of fixed assets and debtors in subsidiary	-	14,626
Tax expense/(income)	<u><u>89,345</u></u>	<u><u>(95,813)</u></u>

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

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

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

The Directors are not aware of any other factors which might materially affect the future tax charge, however the corporate tax rate in the UK is due to change from 19% to 17% from 1 April 2020.

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 £571,726 (2017 - £(35,408) loss).

8. DIVIDENDS

	2018 £	2017 £
Ordinary shares of £1 each		
Final	<u>-</u>	<u>1,259,598</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

9. INTANGIBLE ASSETS

LICENCES AND DAIRY SOFTWARE

	Licences and dairy software £
COST	
At 1 January 2018	-
Additions	10,880
Disposals	(428)
Exchange differences	-
At 31 December 2018	<u>10,452</u>
AMORTISATION	
At 1 January 2018	-
Amortisation for year	8,658
Amortisation on disposals	(431)
Exchange differences	-
At 31 December 2018	<u>8,227</u>
NET BOOK VALUE	
At 31 December 2018	<u>2,225</u>
At 31 December 2017	<u>-</u>

BIOLOGICAL ASSETS

	Cows £
Opening value	1,239,139
Births	594,649
Sales and deaths	(396,794)
Exchange differences	91,883
Change in value	(325,982)
	<u>1,202,895</u>

The amortisation charge of £8,658 (2017: £1,611) is included within administrative expenses in the income statement.

At 31 December 2018, biological assets comprises 77 bull calves (2017: 51), 585 heifers (2017: 536), 170 incalf heifers (2017: 272) and 1,160 milking cows (2017: 1,058).

The change in value of the biological assets of £325,982 (2017: £114,481) is included within administrative expenses in the income statement.

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
COST OR VALUATION				
At 1st January 2018	6,436,750	6,389,775	1,770	12,828,295
Additions	-	557,199	-	557,199
Disposals	-	(386,753)	-	(386,753)
Exchange differences	(106,057)	(78,780)	(29)	(184,866)
At 31st December 2018	6,330,693	6,481,441	1,741	12,813,875
DEPRECIATION				
At 1st January 2018	1,027,438	4,084,065	1,444	5,112,947
Charge for year	120,021	593,658	70	713,749
Eliminated on disposal	-	(268,935)	-	(268,935)
Exchange differences	(17,127)	(49,274)	(23)	(66,424)
At 31st December 2018	1,130,332	4,359,514	1,491	5,491,337
NET BOOK VALUE				
At 31st December 2018	5,200,361	2,121,927	250	7,322,538
At 31st December 2017	5,409,312	2,305,710	326	7,715,348

Bank borrowings are secured on land, buildings and machinery.

Cost or valuation at 31st December 2018 is represented by:

	Real estate £	Vehicles and machinery £	Furniture, fittings and equipment £	Totals £
Valuation in 2006	603,248	-	-	603,248
Cost	5,727,445	6,481,441	1,741	12,210,627
	6,330,693	6,481,441	1,741	12,813,875

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

	2018 £	2017 £
Cost	5,727,445	5,833,502
Aggregate depreciation	(1,130,332)	(1,027,438)
Value of land in freehold land and buildings	4,597,113	4,806,064

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

11. INVESTMENTS

Group

	Unlisted investments £
COST	
At 1st January 2018	
and 31st December 2018	141
NET BOOK VALUE	
At 31st December 2018	141
At 31st December 2017	141

Company

	Shares in group undertakings £
COST	
At 1st January 2018	
and 31st December 2018	1,318,763
NET BOOK VALUE	
At 31st December 2018	1,318,763
At 31st December 2017	1,318,763

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

Subsidiaries

Kintyre Kft

Registered office: Hungary
Nature of business: Farming

	% holding	2018 £	2017 £
Class of shares:			
Ord Shs	99.99		
Aggregate capital and reserves		2,143,708	1,388,321
Profit for the year		1,382,488	194,747

Inicia Krt

Registered office: Hungary
Nature of business: Farming

	% holding	2018 £	2017 £
Class of shares:			
Ord shs	100.00		
Aggregate capital and reserves		9,713,667	10,867,983
Profit/(loss) for the year		407,622	(505,768)

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

11. INVESTMENTS - continued

Company

Dryfeholme

Registered office: Ukraine

Nature of business: Farming

	% holding	2018 £	2017 £
Class of shares:			
Ord shs	100.00		
Aggregate capital and reserves		230,757	(50,962)
Profit for the year		279,589	510,295

12. INVENTORIES

	Group	
	2018 £	2017 £
Raw materials	141,663	76,921
Growing crops	11,241	16,107
Produce	536,796	532,816
	689,700	625,844

Stock recognised in cost of sales during the year as an expense was £2,134,245 (2017 £2,717,312).

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Current:				
Trade debtors	491,632	535,909	-	-
Other debtors	303,784	417,938	27,287	29,836
	795,416	953,847	27,287	29,836

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

13. 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 2018, trade receivables of £27,645 (2017: £74,308) 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 £464,774 (2017: £470,873) up to 3 months and £26,858 (2017: £65,036) over 3 months.

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

	2018	2017
	£	£
UK pound	27,287	29,836
Hungarian forint	747,665	887,715
Euros	20,464	37,457
US dollar	-	(1,161)
	<u>795,416</u>	<u>953,847</u>

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

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Bank deposit account	1,680	1,675	1,680	1,675
Cash at bank	1,816,648	1,127,986	70,444	37,163
	<u>1,818,328</u>	<u>1,129,661</u>	<u>72,124</u>	<u>38,838</u>

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2018	2017
			£	£
2,438,013	Ordinary	£1	2,438,013	2,438,013
85,382	'A' Shares	£0.01	844	844
			<u>2,438,857</u>	<u>2,438,857</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

16. RESERVES

Group

	Retained earnings £	Share premium £	Revaluation reserve £	Other reserves £	Totals £
At 1st January 2018	3,296,912	974,851	133,928	2,087,159	6,492,850
Profit for the year	787,339				787,339
Deferred tax on revaluation	1,152	-	-	-	1,152
Exchange difference	-	-	-	(134,717)	(134,717)
At 31st December 2018	<u>4,085,403</u>	<u>974,851</u>	<u>133,928</u>	<u>1,952,442</u>	<u>7,146,624</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1st January 2018	(2,760,887)	974,851	(1,786,036)
Profit for the year	571,726		571,726
At 31st December 2018	<u>(2,189,161)</u>	<u>974,851</u>	<u>(1,214,310)</u>

Retained Earnings

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

Share Premium

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

Revaluation Reserve

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

Other Reserves

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current:				
Trade creditors	339,934	540,479	-	-
Amounts owed to group undertakings	-	-	307,301	739,850
Other creditors	106,900	122,210	20,000	117,203
Amounts due to related parties	97,393	67,682	97,393	67,682
Accruals and deferred income	113,557	138,885	32,250	17,525
Deferred government grants	136,650	191,085	-	-
	<u>794,434</u>	<u>1,060,341</u>	<u>457,194</u>	<u>942,260</u>
Non-current:				
Deferred government grants	<u>1,253,786</u>	<u>1,414,043</u>	-	-
Aggregate amounts	<u>2,048,220</u>	<u>2,474,384</u>	<u>457,194</u>	<u>942,260</u>

Amounts owed to group undertakings in the company relate to a loan from Inicia Krt totalling £307,301 which is repayable on demand.

18. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current:				
Bank loans	<u>-</u>	<u>47,702</u>	<u>-</u>	<u>-</u>
Non-current:				
Other loans - 1-2 years	<u>-</u>	<u>46,900</u>	<u>-</u>	<u>46,900</u>

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

	2018	2017
	£	£
UK pound	-	46,900
Hungarian forint	-	16,512
Euro	-	31,190
	<u>-</u>	<u>94,602</u>

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

19. FINANCIAL INSTRUMENTS

At 31 December 2018	Assets held at amortised cost £	Liabilities held at amortised cost £	Financial assets/liabilities measured at fair value £	Total £
Derivative financial assets	-	-	-	-
Trade and other receivables	795,416	-	-	795,416
Cash and cash equivalents	1,818,328	-	-	1,818,328
Financial assets	2,613,744	-	-	2,613,744
Trade and other payables	-	(544,227)	-	(544,227)
Derivative financial liabilities	-	-	-	-
Financial liabilities	-	(544,227)	-	(544,227)

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

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

20. DEFERRED TAX

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

Group

	2018 £	2017 £
Deferred tax assets to be recovered after more than 12 months	(263,492)	(254,469)
Deferred tax liabilities to be recovered after more than 12 months	461,034	417,756
Deferred tax liabilities - net	197,542	163,287

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

	2018 £	2017 £
At 1 January 2018	163,287	315,909
Exchange difference	7,092	(17,843)
Other comprehensive income (credit)/charge	(1,152)	2,191
Income statement (credit)/charge	28,315	(136,970)
At 31 December 2018	197,542	163,287

Company

	2018 £	2017 £
Deferred tax assets to be recovered after more than 12 months	(263,492)	(254,469)

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

Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018

21. RELATED PARTY DISCLOSURES

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

Other related parties

	2018	2017
	£	£
Purchases	116,001	94,177
Year end receivables	24,329	23,678
Year end payables	97,593	231,785

22. ULTIMATE CONTROLLING PARTY

The directors consider there is no ultimate controlling party.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2018	2017
	£	£
Profit for the financial year	787,339	577,700
Dividends	-	(1,259,598)
	<hr/>	<hr/>
	787,339	(681,898)
Other comprehensive income relating to the year (net)	(133,565)	275,021
Prior year adjustment		
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	653,774	(406,877)
Opening shareholders' funds	8,931,707	9,338,584
	<hr/>	<hr/>
Closing shareholders' funds	9,585,481	8,931,707
	<hr/>	<hr/>

Company

	2018	2017
	£	£
Profit/(loss) for the financial year	571,726	(35,408)
Dividends	-	(1,259,598)
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	571,726	(1,295,006)
Opening shareholders' funds	652,821	1,947,827
	<hr/>	<hr/>
Closing shareholders' funds	1,224,547	652,821
	<hr/>	<hr/>

**Notes to the Consolidated Financial Statements - continued
for the Year Ended 31st December 2018**

24. 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 2018 in relation to this scheme. In addition, any charge or cumulative charge would not be considered material.

25. 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 £187,894 (2017: £279,081).

Other financial support received from the government in the form of subsidies has been credited in the income statement amounting to £865,536 (2017: £958,330).