

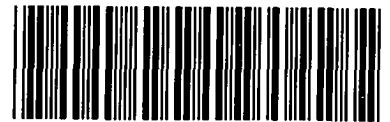
COMPANY REGISTRATION NUMBER: NI011061

K. Hughes & Co. Limited
Financial Statements
31 December 2016



MANEELY Mc CANN
Chartered Accountants & Statutory Auditor
Aisling House
50 Stranmillis Embankment
Belfast
BT9 5FL

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K. Hughes & Co. Limited

Financial Statements

Year ended 31 December 2016

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K. Hughes & Co. Limited

Officers and Professional Advisers

The board of directors	Mr E Hughes Mr K Hughes Mr CO Hughes
Company secretary	Mr E Hughes
Registered office	118 Trewmount Road Dungannon Co. Tyrone BT71 7EF
Auditor	Maneely Mc Cann Chartered Accountants & Statutory Auditor Aisling House 50 Stranmillis Embankment Belfast BT9 5FL
Bankers	Danske Bank Donegall Square West Belfast BT1 6JS First Trust Bank 18 – 20 Scotch Street Dungannon BT70 1AZ
Solicitors	DWF (Northern Ireland) LLP Jefferson House 42 Queen Street Belfast BT1 6HL

K. Hughes & Co. Limited

Strategic Report

Year ended 31 December 2016

The directors present their report and audited financial statements of the company for the year ended 31 December 2016.

Principal activities

The principal activity of the company during the year was that of growing, processing and marketing of mushrooms, general haulage and rental income from investment properties.

The company operates throughout Ireland and the United Kingdom.

Review of business and future developments

Performance

The directors consider the results for the current year and position of the company at year end to be satisfactory. The directors are committed to long term creation of shareholder value by increasing the company's market share through organic growth. The directors have plans in place to ensure the company is strongly placed to retain its market position.

The company's result for the year is an operating profit of £978,740 (2015: £863,281) and a profit on ordinary activities before taxation of £942,681 (2015: £764,436). At the year end net assets of the group were £5,124,670 (2015: £4,446,709).

Principal risks and uncertainties

The company's performance is sensitive to any changes in interest rates, inflation, foreign exchange, stability of suppliers, competition from other suppliers, employee retention and consumer spending habits. With these risks and uncertainties in mind the directors are aware that any plans for future development of the business may be subject to unforeseen future events outside of their control. The directors however, focus on managing and mitigating these risks as part of the overall business strategy via strong customer service, not being overly reliant on one supplier and investment in people and facilities.

Key performance indicators

The key performance indicators that management monitored on a monthly basis during the period were:

- Sales growth compared to prior year
- Gross profit margins
- Employee numbers

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The director's continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practical standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Human resources

Management of the company recognises that its most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

K. Hughes & Co. Limited

Strategic Report *(continued)*

Year ended 31 December 2016

This report was approved by the board of directors on 29 September 2017 and signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'K Hughes', with a long horizontal flourish extending to the right.

Mr K Hughes
Director

Registered office:
118 Trewmount Road
Dungannon
Co. Tyrone
BT71 7EF

K. Hughes & Co. Limited

Directors' Report

Year ended 31 December 2016

The directors present their report and the financial statements of the company for the year ended 31 December 2016.

Directors

The directors who served the company during the year were as follows:

Mr E Hughes
Mr K Hughes
Mr CO Hughes

Dividends

Particulars of recommended dividends are detailed in note 11 to the financial statements.

Financial instruments

The company's operations expose it to a variety of financial risks in respect to its use of financial instruments that include the effects of change in price risk, interest rate risk, credit risk, liquidity risk and foreign exchange risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub committee of the board. The policies set by the board of directors are implemented by the company's finance department. The main risks are summarised below:

Price risk

The company is exposed to commodity price risk as a result of its operations. However given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Interest rate risk

The company has interest bearing liabilities, namely bank and other loans, which earn interest at a variable rate. The company has a policy of maintaining debt at competitive rate to ensure a reasonable degree of certainty over future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in nature or size.

Credit risk

The company monitors credit risk closely and considers that its current policies of credit checks meet its objectives of managing exposure to credit risk. The company has no significant concentrations of credit risk.

Liquidity risk

The company actively maintains a mixture of short and long term debt finance to ensure the company has sufficient funds for operations and planned expansions.

Foreign exchange risk

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business. While the company has not used financial instruments to hedge foreign exchange exposure, this position is under constant review.

K. Hughes & Co. Limited

Directors' Report *(continued)*

Year ended 31 December 2016

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, directors' report 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board of directors on 29 September 2017 and signed on behalf of the board by:



Mr K Hughes
Director

Registered office:
118 Trewmount Road
Dungannon
Co. Tyrone
BT71 7EF

K. Hughes & Co. Limited

Independent Auditor's Report to the Members of K. Hughes & Co. Limited

Year ended 31 December 2016

We have audited the financial statements of K. Hughes & Co. Limited for the year ended 31 December 2016 which comprise the statement of income and retained earnings, statement of financial position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 an auditor's report 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 auditor

As explained more fully in the directors' responsibilities statement, 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 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 strategic report and the directors' report 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 company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

K. Hughes & Co. Limited

Independent Auditor's Report to the Members of K. Hughes & Co. Limited (continued)

Year ended 31 December 2016

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



Cathal Maneely (Senior Statutory Auditor)

For and on behalf of
Maneely Mc Cann
Chartered Accountants & Statutory Auditor
Aisling House
50 Stranmillis Embankment
Belfast
BT9 5FL

29 September 2017

K. Hughes & Co. Limited

Statement of Income and Retained Earnings

Year ended 31 December 2016

	Note	2016 £	2015 £
Turnover	4	26,671,051	26,375,254
Cost of sales		23,965,899	23,788,104
Gross profit		2,705,152	2,587,150
Distribution costs		331,783	313,109
Administrative expenses		1,394,629	1,410,760
Operating profit	5	978,740	863,281
Other interest receivable and similar income	8	2,084	(98,845)
Interest payable and similar expenses	9	38,143	—
Profit before taxation		942,681	764,436
Tax on profit	10	163,688	(58,626)
Profit for the financial year and total comprehensive income		778,993	823,062
Dividends paid and payable	11	(101,032)	(95,819)
Retained earnings at the start of the year		4,413,709	3,686,466
Retained earnings at the end of the year		5,091,670	4,413,709

All the activities of the company are from continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

K. Hughes & Co. Limited

Statement of Financial Position

31 December 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	12	5,669,999	5,572,930
Investments	13	2	1
		<u>5,670,001</u>	<u>5,572,931</u>
Current assets			
Stocks	14	120,968	312,410
Debtors	15	5,172,766	4,112,145
Cash at bank and in hand		987,275	1,182,416
		<u>6,281,009</u>	<u>5,606,971</u>
Creditors: amounts falling due within one year	16	<u>4,601,461</u>	<u>4,289,512</u>
Net current assets		<u>1,679,548</u>	<u>1,317,459</u>
Total assets less current liabilities		<u>7,349,549</u>	<u>6,890,390</u>
Creditors: amounts falling due after more than one year	17	2,019,763	2,193,178
Provisions	18	<u>205,116</u>	<u>250,503</u>
Net assets		<u>5,124,670</u>	<u>4,446,709</u>
Capital and reserves			
Called up share capital	23	11,000	11,000
Capital redemption reserve	24	22,000	22,000
Profit and loss account	24	<u>5,091,670</u>	<u>4,413,709</u>
Members funds		<u>5,124,670</u>	<u>4,446,709</u>

These financial statements were approved by the board of directors and authorised for issue on 29 September 2017, and are signed on behalf of the board by:



Mr K Hughes
Director

Company registration number: NI011061

The notes on pages 10 to 23 form part of these financial statements.

K. Hughes & Co. Limited

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

The company is a private company limited by shares, registered in Northern Ireland. The address of the registered office is 118 Trewmount Road, Dungannon, Co. Tyrone, BT71 7EF.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of Hughes Family Holdings Limited which can be obtained from 118 Trewmount Road, Dungannon, Co. Tyrone, BT71 7EF. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102: No cash flow statement has been presented for the company.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Investment property is initially recorded at cost, which includes purchase price and any directly attributable expenditure. Investment property is revalued to its fair value at each reporting date and any changes in fair value are recognised in profit or loss. If a reliable measure of fair value is no longer available without undue cost or effort for an item of investment property, it shall be transferred to land and buildings and treated as such until it is expected that fair value will be reliably measurable on an on-going basis.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	- 2% straight line
Plant and machinery	- 15% reducing balance
Motor vehicles	- 25% reducing balance
Equipment	- 20% straight line

No depreciation is calculated on land or investment properties.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Investments in joint ventures

Investments in jointly controlled entities accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in jointly controlled entities accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value recognised in other comprehensive income/profit or loss. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the joint venture arising before or after the date of acquisition.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model and the performance model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Provisions *(continued)*

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

3. Accounting policies *(continued)*

Defined contribution plans *(continued)*

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:

	2016	2015
	£	£
Sale of goods	26,007,997	26,061,842
Government grants received	134,860	131,051
Rental income	303,194	182,361
Stock property appropriated to tangible fixed assets	225,000	—
	<u>26,671,051</u>	<u>26,375,254</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating profit

Operating profit or loss is stated after charging:

	2016	2015
	£	£
Depreciation of tangible assets	232,151	227,943
Gains on disposal of tangible assets	(2,500)	(11,959)
Cost of stocks recognised as an expense	15,929,735	16,520,254
Research and development expenditure written off	110,172	90,167
Operating lease rentals	15,866	4,137
Foreign exchange differences	<u>(136,917)</u>	<u>—</u>

6. Staff costs

The average number of persons employed by the company during the year, including the directors, amounted to:

	2016	2015
	No.	No.
Production staff	80	70
Distribution staff	1	1
Administrative staff	5	7
	<u>86</u>	<u>78</u>

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

6. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2016	2015
	£	£
Wages and salaries	2,048,116	1,960,986
Social security costs	102,046	—
Other pension costs	101,172	192,207
	<u>2,251,334</u>	<u>2,153,193</u>

7. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2016	2015
	£	£
Remuneration	31,003	22,071
Company contributions to defined contribution pension plans	80,000	180,000
	<u>111,003</u>	<u>202,071</u>

8. Other interest receivable and similar income

	2016	2015
	£	£
Interest on bank deposits	<u>2,084</u>	<u>(98,845)</u>

9. Interest payable and similar expenses

	2016	2015
	£	£
Interest on banks loans and overdrafts	<u>38,143</u>	<u>—</u>

10. Tax on profit

Major components of tax expense/(income)

	2016	2015
	£	£
Current tax:		
UK current tax expense/(income)	209,075	(64,713)
Deferred tax:		
Origination and reversal of timing differences	(45,387)	6,087
Tax on profit	<u>163,688</u>	<u>(58,626)</u>

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

10. Tax on profit *(continued)*

Reconciliation of tax expense/(income)

The tax assessed on the profit on ordinary activities for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20%).

	2016 £	2015 £
Profit on ordinary activities before taxation	942,681	764,436
Profit on ordinary activities by rate of tax	188,536	154,798
Adjustment to tax charge in respect of prior periods	—	(64,713)
Effect of expenses not deductible for tax purposes	344	42,479
Effect of capital allowances and depreciation	(20,516)	(185,351)
Unused tax losses	—	1,530
Effect of income not taxable	(4,676)	(7,369)
Tax on profit	163,688	(58,626)

11. Dividends

	2016 £	2015 £
Dividends paid during the year	101,032	95,819

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

12. Tangible assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Equipment £	Investment Property £	Total £
Cost						
At 1 Jan 2016	2,422,392	2,100,405	390,626	292,007	2,686,302	7,891,732
Additions	–	22,471	13,000	15,749	53,000	104,220
Disposals	–	–	(3,400)	–	–	(3,400)
Transfer from stock	225,000	–	–	–	–	225,000
At 31 Dec 2016	2,647,392	2,122,876	400,226	307,756	2,739,302	8,217,552
Depreciation						
At 1 Jan 2016	773,393	1,082,888	280,596	181,925	–	2,318,802
Charge for the year	19,503	154,505	30,070	28,073	–	232,151
Disposals	–	–	(3,400)	–	–	(3,400)
At 31 Dec 2016	792,896	1,237,393	307,266	209,998	–	2,547,553
Carrying amount						
At 31 Dec 2016	1,854,496	885,483	92,960	97,758	2,739,302	5,669,999
At 31 Dec 2015	1,648,999	1,017,517	110,030	110,082	2,686,302	5,572,930

There is no material difference between the open market value of the Investment property at 31 December 2016 and the value at which it is being carried in the balance sheet at that date.

13. Investments

	Shares in participating interests £
Cost	
At 1 January 2016	1
Additions	1
At 31 December 2016	2
Impairment	
At 1 Jan 2016 and 31 Dec 2016	–
Carrying amount	
At 31 December 2016	2
At 31 December 2015	1

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

13. Investments *(continued)*

Hughes Global Limited was incorporated on 11 July 2016 with K. Hughes & Co. Limited acquiring 100% of the equity share capital.

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Howden Enterprises Ltd	Ordinary	100
K Hughes Compost (Moy) Limited	Ordinary	100
Hughes Global Limited	Ordinary	100

All subsidiary undertakings were incorporated in Northern Ireland. Howden Enterprises Ltd and K Hughes Compost (Moy) Limited are trading companies. Hughes Global Limited is dormant.

14. Stocks

	2016 £	2015 £
Work in progress	—	225,000
Finished goods and goods for resale	120,968	87,410
	<u>120,968</u>	<u>312,410</u>

15. Debtors

	2016 £	2015 £
Trade debtors	3,354,831	3,561,165
Amounts owed by group undertakings	1,367,491	15,000
Prepayments and accrued income	32,814	28,656
Other debtors	417,630	507,324
	<u>5,172,766</u>	<u>4,112,145</u>

16. Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans and overdrafts	481,940	598,224
Other loans	110,450	127,344
Trade creditors	2,140,964	1,960,966
Amounts owed to group undertakings	27,390	27,389
Amounts owed to related parties	574,788	465,666
Accruals and deferred income	872,008	928,914
Corporation tax	209,075	47,586
Social security and other taxes	68,468	17,045
Other creditors	116,378	116,378
	<u>4,601,461</u>	<u>4,289,512</u>

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

16. Creditors: amounts falling due within one year *(continued)*

Bank overdrafts and loans are secured by a mortgage debenture incorporating a fixed and floating charge over the company's assets; and a legal charge over the factory premises at Trewmount Road, Dungannon.

17. Creditors: amounts falling due after more than one year

	2016 £	2015 £
Bank loans and overdrafts	1,634,590	1,661,699
Other loans	—	55,957
Accruals and deferred income	385,173	475,522
	<u>2,019,763</u>	<u>2,193,178</u>

Included within creditors: amounts falling due after more than one year is an amount of £1,135,952 (2015: £1,163,614) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

The bank loan is repayable over 12 years by quarterly capital and interest repayments. Interest is charged every 3 months at LIBOR plus 2.25%.

18. Provisions

	Deferred tax (note 19) £
At 1 January 2016	250,503
Additions	(45,387)
At 31 December 2016	<u>205,116</u>

19. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2016 £	2015 £
Included in provisions (note 18)	<u>205,116</u>	<u>250,503</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2016 £	2015 £
Accelerated capital allowances	<u>205,116</u>	<u>250,503</u>

20. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £101,172 (2015: £192,207).

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

20. Employee benefits *(continued)*

The assets of the scheme are held separately from those of the Company in an independently administered fund.

21. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2016 £	2015 £
Recognised in creditors:		
Deferred government grants due within one year	42,797	–
Deferred government grants due after more than one year	385,173	475,522
	<u>427,970</u>	<u>475,522</u>

22. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	6,248,195	5,353,315
	<u>6,248,195</u>	<u>5,353,315</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	5,364,043	5,078,254
	<u>5,364,043</u>	<u>5,078,254</u>

23. Called up share capital

Issued, called up and fully paid

	2016		2015	
	No.	£	No.	£
Ordinary shares of £1 each	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>

24. Reserves

Capital redemption reserve - This reserve records the nominal value of shares repurchased by the company.

Profit and loss account - This reserve records retained earnings and accumulated losses.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

25. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	£	£
Not later than 1 year	9,332	7,973
Later than 1 year and not later than 5 years	12,371	8,153
	<u>21,703</u>	<u>16,126</u>

26. Contingencies

There is a contingent liability to repay certain government grants received under the terms of a letter of offer from Invest NI if the company fails to achieve and maintain the specified conditions. In the opinion of the directors the terms of the letter have been complied with, and no loss is expected.

K. Hughes & Co. Limited

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

27. Related party transactions

Control

The company is a wholly owned subsidiary of Hughes Family Holdings Limited, a company incorporated in Northern Ireland. Mr K Hughes is deemed the ultimate controlling party by virtue of his shareholding in Hughes Family Holdings Limited.

Group party transactions

The company has taken advantage of the exemption from disclosing related party transactions with group companies, in accordance with Financial Reporting Standard No 102 Section 33, Related Party Disclosures.

Related party transactions

K. Hughes & Co. Limited is the sole employer in KMK Pension Fund. The company has loans from the scheme. The balance on these loans at 31 December 2016 was £110,262 (2015: £180,856). Contribution to the KMK Pension Fund in respect of the directors of the company were £80,000 (2015: £180,000) in the year.

These are disclosed within Other loans per notes 17 and 18 of the financial statements. K. Hughes & Co. Limited have a related party in Speciality Mushrooms Limited as a director in Speciality Mushrooms Limited has significant influence within K. Hughes & Co. Limited. At the year end K. Hughes & Co. Limited owed £283,399 (2015: £150,551) to Speciality Mushrooms Limited.

Amounts due to and from related and group companies are interest free, unsecured and repayable on demand.

Transactions with directors

The directors of the company are deemed to be related parties due to their position within the company. At 31 December 2016 the following balances were due from the company in respect of loans from the directors:

- i) Balance owed to Mr K Hughes of £234,999 (2015: £264,195);
- ii) Balance owed to Mr E Hughes of £30,687 (2015: £26,867);
- iii) Balance owed to Mr CO Hughes of £25,703 (2015: £24,053).

The above balances are included within amounts owed to related parties in note 17 of the financial statements.

During the year the company rented premises from the director for annual rent of £12,000 (2015: £12,000). Normal commercial terms applied to the rental agreement.

28. Ultimate parent company

Hughes Family Holdings Limited is the ultimate parent company. Copies of consolidated financial statements may be obtained from 118 Trewmount Road, Dungannon, BT71 7EF.