

COMPANY REGISTRATION NUMBER: NI011061

**K. Hughes & Co. Limited**

**Financial Statements**

**31 December 2018**

# **K. Hughes & Co. Limited**

## **Financial Statements**

**Year ended 31 December 2018**

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# K. Hughes & Co. Limited

## Officers and Professional Advisers

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<b>The board of directors</b>	Mr E Hughes
	Mr K Hughes
	Mr CO Hughes
<b>Company secretary</b>	Mr E Hughes
<b>Registered office</b>	118 Trewmount Road
	Dungannon
	Co. Tyrone
	BT71 7EF
<b>Auditor</b>	Maneely Mc Cann
	Chartered accountant & statutory auditor
	Aisling House
	50 Stranmillis Embankment
	Belfast
<b>Bankers</b>	BT9 5FL
	Danske Bank
	Donegall Square West
	Belfast
	BT1 6JS
	First Trust Bank
	First Trust Centre
	92 Ann Street
	Belfast
	BT1 3AY
<b>Solicitors</b>	DWF (Northern Ireland) LLP
	Jefferson House
	42 Queen Street
	Belfast
	BT1 6HL

# **K. Hughes & Co. Limited**

## **Strategic Report**

### **Year ended 31 December 2018**

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The directors present their report and audited financial statements of the company for the year ended 31 December 2018.

**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 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 £2,010,814 (2017: £1,329,141) and a profit on ordinary activities before taxation of £1,923,240 (2017: £1,235,181). At the year end net assets of the company were £8,107,070 (2017: £6,304,736).

**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 directors' 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.

This report was approved by the board of directors on 30 September 2019 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**

## **Directors' Report**

### **Year ended 31 December 2018**

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

#### **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 12 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.

### **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. Although the company has not used financial instruments to hedge foreign exchange exposure, this position is under constant review.

### **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 30 September 2019 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 2018**

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### **Opinion**

We have audited the financial statements of K. Hughes & Co. Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of income and retained earnings, statement of financial position and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). 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. In our opinion the financial statements: - give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended; - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; - have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

## **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters in relation to which 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.

## **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cathal Maneely

(Senior Statutory Auditor)

For and on behalf of

Maneely Mc Cann

Chartered accountant & statutory auditor

Aisling House

50 Stranmillis Embankment

Belfast

BT9 5FL

30 September 2019

# K. Hughes & Co. Limited

## Statement of Income and Retained Earnings

Year ended 31 December 2018

		2018	2017
	Note	£	£
<b>Turnover</b>	<b>4</b>	39,875,566	29,640,136
Cost of sales		36,699,893	26,322,975
		-----	-----
<b>Gross profit</b>		3,175,673	3,317,161
Distribution costs		193,776	295,336
Administrative expenses		971,083	1,692,684
		-----	-----
<b>Operating profit</b>	<b>5</b>	2,010,814	1,329,141
Other interest receivable and similar income	<b>9</b>	2	2,599
Interest payable and similar expenses	<b>10</b>	87,576	96,559
		-----	-----
<b>Profit before taxation</b>		1,923,240	1,235,181
Tax on profit	<b>11</b>	18,790	( 50,923)
		-----	-----
<b>Profit for the financial year and total comprehensive income</b>		1,904,450	1,286,104
		-----	-----
Dividends paid and payable	<b>12</b>	( 102,116)	( 106,038)
<b>Retained earnings at the start of the year</b>		6,271,736	5,091,670
		-----	-----
<b>Retained earnings at the end of the year</b>		8,074,070	6,271,736
		-----	-----

All the activities of the company are from continuing operations.

**K. Hughes & Co. Limited**  
**Statement of Financial Position**  
**31 December 2018**

		<b>2018</b>	<b>2017</b>
	<b>Note</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Tangible assets	<b>13</b>	6,078,583	5,976,326
Investments	<b>14</b>	2	2
		-----	-----
		6,078,585	5,976,328
<b>Current assets</b>			
Stocks	<b>15</b>	729,677	558,455
Debtors	<b>16</b>	12,186,860	10,707,941
Cash at bank and in hand		44,202	76,407
		-----	-----
		12,960,739	11,342,803
<b>Creditors: amounts falling due within one year</b>	<b>17</b>	7,726,374	7,877,341
		-----	-----
<b>Net current assets</b>		5,234,365	3,465,462
		-----	-----
<b>Total assets less current liabilities</b>		11,312,950	9,441,790
<b>Creditors: amounts falling due after more than one year</b>	<b>18</b>	2,954,656	2,904,620
<b>Provisions</b>	<b>20</b>	251,224	232,434
		-----	-----
<b>Net assets</b>		8,107,070	6,304,736
		-----	-----
<b>Capital and reserves</b>			
Called up share capital	<b>25</b>	11,000	11,000
Capital redemption reserve	<b>26</b>	22,000	22,000
Profit and loss account	<b>26</b>	8,074,070	6,271,736
		-----	-----
<b>Shareholders funds</b>		8,107,070	6,304,736
		-----	-----

These financial statements were approved by the board of directors and authorised for issue on 30 September 2019 , and are signed on behalf of the board by:

Mr K Hughes

Director

Company registration number: NI011061

# **K. Hughes & Co. Limited**

## **Notes to the Financial Statements**

**Year ended 31 December 2018**

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### **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.

**Corporation tax**

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.

**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.



**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.

**Finance leases and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset. Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

**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. 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. 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:

	2018	2017
	£	£
Sale of goods	39,439,546	29,305,312
Government grants received	153,114	68,761
Rental income	282,906	266,063
	-----	-----
	39,875,566	29,640,136
	-----	-----

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/crediting:

	2018	2017
	£	£
Depreciation of tangible assets	288,126	229,154
(Gains)/loss on disposal of tangible assets	( 705,909)	1,943
Research and development expenditure written off	241,949	112,510
Operating lease rentals	19,364	6,891
Foreign exchange differences	( 83,494)	22,256
	-----	-----

#### 6. Auditor's remuneration

	2018	2017
	£	£
Fees payable for the audit of the financial statements	18,000	18,861
	-----	-----

#### 7. Staff costs

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

	2018	2017
	No.	No.
Production staff	148	113
Distribution staff	1	1
Administrative staff	5	6
	---	---
	154	120
	---	---

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

	2018	2017
	£	£
Wages and salaries	3,640,725	2,533,669
Social security costs	227,057	169,120
Other pension costs	37,105	16,853
	-----	-----
	3,904,887	2,719,642
	-----	-----

#### 8. Directors' remuneration

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

	2018	2017
	£	£
Remuneration	24,000	17,333
	-----	-----

**9. Other interest receivable and similar income**

	2018	2017
	£	£
Interest on bank deposits	2	2,599
	----	-----

**10. Interest payable and similar expenses**

	2018	2017
	£	£
Interest on banks loans and overdrafts	64,178	52,145
Interest on obligations under finance leases and hire purchase contracts	4,009	501
Finance charges	19,389	41,017
Other interest payable and similar charges	—	2,896
	-----	-----
	87,576	96,559
	-----	-----

**11. Tax on profit****Major components of tax expense/(income)**

	2018	2017
	£	£
<b>Current tax:</b>		
Adjustments in respect of prior periods	—	( 78,241)
<b>Deferred tax:</b>		
Origination and reversal of timing differences	18,790	27,318
	-----	-----
<b>Tax on profit</b>	18,790	( 50,923)
	-----	-----

**Reconciliation of tax expense/(income)**

The tax assessed on the profit on ordinary activities for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19 % (2017: 19 %).

	2018	2017
	£	£
Profit on ordinary activities before taxation	1,923,240	1,235,181
	-----	-----
Profit on ordinary activities by rate of tax	365,416	234,688
Adjustment to tax charge in respect of prior periods	—	( 78,241)
Effect of capital allowances and depreciation	( 2,373)	( 12,765)
Effect of income not taxable	( 3,213)	( 3,571)
Effect of group relief claimed	( 165,945)	( 147,773)
Research and Development Enhanced Expenditure	( 59,762)	( 70,579)
Deferred tax adjustment	18,790	27,318
Other deferred tax adjustment	( 134,123)	—
	-----	-----
<b>Tax on profit</b>	18,790	( 50,923)
	-----	-----

**12. Dividends**

	2018	2017
	£	£
Dividends paid during the year (excluding those for which a liability existed at the end of the prior year )	102,116	106,038
	-----	-----

### 13. Tangible assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Equipment £	Investment Property £	Total £
<b>Cost</b>						
At 1 Jan 2018	2,697,320	2,565,945	430,506	307,756	2,739,302	8,740,829
Additions	300,853	300,892	10,263	—	—	612,008
Disposals	( 225,000)	—	—	—	—	( 225,000)
<b>At 31 Dec 2018</b>	<b>2,773,173</b>	<b>2,866,837</b>	<b>440,769</b>	<b>307,756</b>	<b>2,739,302</b>	<b>9,127,837</b>
<b>Depreciation</b>						
At 1 Jan 2018	813,110	1,388,934	322,840	239,619	—	2,764,503
Charge for the year	25,789	203,700	28,958	29,679	—	288,126
Disposals	( 3,375)	—	—	—	—	( 3,375)
<b>At 31 Dec 2018</b>	<b>835,524</b>	<b>1,592,634</b>	<b>351,798</b>	<b>269,298</b>	<b>—</b>	<b>3,049,254</b>
<b>Carrying amount</b>						
<b>At 31 Dec 2018</b>	<b>1,937,649</b>	<b>1,274,203</b>	<b>88,971</b>	<b>38,458</b>	<b>2,739,302</b>	<b>6,078,583</b>
At 31 Dec 2017	1,884,210	1,177,011	107,666	68,137	2,739,302	5,976,326

There is no material difference between the open market value of the Investment property at 31 December 2018 and the value at which it is being carried in the balance sheet at that date.

### 14. Investments

	Shares in participating interests £
<b>Cost</b>	
<b>At 1 January 2018 and 31 December 2018</b>	<b>2</b>
<b>Impairment</b>	
<b>At 1 January 2018 and 31 December 2018</b>	<b>—</b>
<b>Carrying amount</b>	
<b>At 31 December 2018</b>	<b>2</b>
At 31 December 2017	2

### Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
<b>Subsidiary undertakings</b>		
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.		

**15. Stocks**

	2018	2017
	£	£
Finished goods and goods for resale	729,677	558,455
	-----	-----

**16. Debtors**

	2018	2017
	£	£
Trade debtors	4,325,593	4,190,792
Amounts owed by group undertakings	7,227,634	6,086,671
Prepayments and accrued income	319,446	383,896
Other debtors	314,187	46,582
	-----	-----
	12,186,860	10,707,941
	-----	-----

**17. Creditors: amounts falling due within one year**

	2018	2017
	£	£
Bank loans and overdrafts	2,576,691	3,030,488
Other loans	176,425	173,771
Trade creditors	3,674,762	2,723,296
Amounts owed to group undertakings	27,390	27,390
Amounts owed to related parties	643,454	676,142
Accruals and deferred income	459,788	613,067
Corporation tax	—	135,819
Social security and other taxes	86,612	326,990
Obligations under finance leases and hire purchase contracts	81,252	54,000
Other creditors	—	116,378
	-----	-----
	7,726,374	7,877,341
	-----	-----

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

**18. Creditors: amounts falling due after more than one year**

	2018	2017
	£	£
Bank loans and overdrafts	1,401,486	1,522,501
Other loans	692,077	684,009
Accruals and deferred income	775,830	599,110
Obligations under finance leases and hire purchase contracts	85,263	99,000
	-----	-----
	2,954,656	2,904,620
	-----	-----

Included within creditors: amounts falling due after more than one year is an amount of £890,759 (2017: £1,036,302) 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%.

## 19. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2018	2017
	£	£
Not later than 1 year	81,252	54,000
Later than 1 year and not later than 5 years	85,263	99,000
	-----	-----
	166,515	153,000
	-----	-----

## 20. Provisions

	Deferred tax (note 21) £
At 1 January 2018	232,434
Additions	18,790
	-----
At 31 December 2018	251,224
	-----

## 21. Deferred tax

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

	2018	2017
	£	£
Included in provisions (note 20)	251,224	232,434
	-----	-----

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

	2018	2017
	£	£
Accelerated capital allowances	251,224	232,434
	-----	-----

## 22. Employee benefits

### Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £ 37,105 (2017: £ 16,853 ).

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

## 23. Government grants

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

	2018	2017
	£	£
Recognised in creditors:		
Deferred government grants due within one year	116,520	83,068
Deferred government grants due after more than one year	775,830	599,110
	-----	-----
	892,350	682,178
	-----	-----

## 24. Financial instruments

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

	2018	2017
	£	£
<b>Financial assets that are debt instruments measured at amortised cost</b>		
Financial assets that are debt instruments measured at amortised cost	12,641,293	10,958,907
	-----	-----
<b>Financial liabilities measured at amortised cost</b>		
Financial liabilities measured at amortised cost	9,445,412	9,569,784
	-----	-----

## 25. Called up share capital

### Issued, called up and fully paid

	2018		2017	
	No.	£	No.	£
Ordinary shares of £ 1 each	11,000	11,000	11,000	11,000
	-----	-----	-----	-----

## 26. 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.

## 27. Operating leases

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

	2018	2017
	£	£
Not later than 1 year	2,224	6,563
Later than 1 year and not later than 5 years	456	1,513
	-----	-----
	2,680	8,076
	-----	-----

## 28. 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.



## **29. 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** The company is the sole employer in KMK Pension Fund. The company has loans from the scheme. The balance on these loans at 31 December 2018 was £868,504 (2017: £857,720). These are disclosed within 'Other loans' per notes 16 and 17 of the financial statements. The company has 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 the company owed £186,578 (2017: £299,417) 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 2018 the following balances were due from the company in respect of loans from the directors: i) Balance owed to Mr K Hughes of £305,160 (2017: £307,499); ii) Balance owed to Mr E Hughes of £120,505 (2017: £38,083); iii) Balance owed to Mr CO Hughes of £31,211 (2017: £31,143). The above balances are included within amounts owed to related parties in note 16 of the financial statements.

## **30. 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.

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