

FARMWEALTH LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2017

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FARMWEALTH LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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FARMWEALTH LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T J Zdziebkowski
O Zahn
J L Perkins

COMPANY SECRETARY

C D Morgan

REGISTERED OFFICE

Beaufort House
136 High Street
Newmarket
Suffolk
CB8 8JP

BANKERS

ING Wholesale Banking
8-10 Moorgate
London
EC2R 6DA

SOLICITORS

Mills & Reeve LLP
Botanic House
100 Hills Road
Cambridge
CB2 1PH

AUDITOR

Deloitte LLP
Statutory Auditor
1 City Square
Leeds
LS1 2AL

FARMWEALTH LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

The directors' report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies' exemption.

The directors have taken the small companies exemption contained in section 414B of the Companies Act 2006 from the requirement to prepare a strategic report.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a holding company for the Polish trading subsidiaries of P&P Spearhead UK Holdings, Ltd, the intermediate parent company, providing funding and co-ordination services. The Company also holds the majority of the derivative financial instruments for the P&P Spearhead UK Holdings, Ltd group. The Company is domiciled in the United Kingdom.

DIRECTORS

The directors who served during the year and to the date of this report were as follows:

T J Zdziebkowski
O Zahn
J L Perkins

FUTURE DEVELOPMENTS AND GOING CONCERN

The company intends to continue its current activities in the future as a holding company. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIVIDENDS

In the year the company received dividends from subsidiaries of £3,813,000 (2016 - £1,138,000) and paid an interim dividend of £5,183,000 (2016 - £1,529,000). The directors do not recommend the payment of a final dividend (2016 - £nil).

FARMWEALTH LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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), including FRS 101 "Reduced Disclosure Framework". 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 of 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J L Perkins

Director

14th September 2018

FARMWEALTH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARMWEALTH LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Farmwealth Limited (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

FARMWEALTH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARMWEALTH LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 respect of these matters.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

FARMWEALTH LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARMWEALTH LIMITED

(CONTINUED) Use of our report

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.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.
- The directors were not entitled to take advantage of the small companies exemption in preparing the directors' report or from the requirement to prepare a strategic report.

We have nothing to report **in** respect of these matters.



Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

14 September 2018

FARMWEALTH LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|---|------|---------------------|---------------------|
| Administrative (expenses)/income | | (35) | 122 |
| Gain on derivatives | 13 | 981 | 681 |
| OPERATING PROFIT | | <u>946</u> | <u>803</u> |
| Income from shares in group undertakings | 3 | 3,813 | 1,138 |
| PROFIT BEFORE TAXATION | 4 | <u>4,759</u> | <u>1,941</u> |
| Tax on profit | 6 | (161) | (125) |
| PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY | | <u><u>4,598</u></u> | <u><u>1,816</u></u> |

All activities are derived from continuing operations.

FARMWEALTH LIMITED

BALANCE SHEET

As at 31 December 2017

| | Note | 2017 £'000 | 2016 £'000 |
|--|------|---------------|---------------|
| FIXED ASSETS | | | |
| Investments | 8 | 8,795 | 8,795 |
| Derivative financial instruments | 13 | - | 2 |
| | | <u>8,795</u> | <u>8,797</u> |
| CURRENT ASSETS | | | |
| Debtors | 9 | 154 | 2,655 |
| Cash at bank and in hand | | 9 | 55 |
| Derivative financial instruments | 13 | 311 | 583 |
| | | <u>474</u> | <u>3,293</u> |
| CREDITORS: amounts falling due within one year | | | |
| Derivative financial instruments | 13 | (73) | (201) |
| Other creditors | 10 | (334) | (2,329) |
| | | <u>67</u> | <u>763</u> |
| NET CURRENT ASSETS | | | |
| | | <u>8,862</u> | <u>9,560</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| CREDITORS: amounts falling due after more than one year | | | |
| Deferred tax liabilities | 11 | - | (60) |
| Derivative financial instruments | 13 | - | (53) |
| | | <u>8,862</u> | <u>9,447</u> |
| NET ASSETS | | | |
| CAPITAL AND RESERVES | | | |
| Share capital | 12 | 673 | 673 |
| Share premium account | | 3,270 | 3,270 |
| Profit and loss account | | 4,919 | 5,504 |
| | | <u>8,862</u> | <u>9,447</u> |
| SHAREHOLDER'S FUNDS | | | |

The financial statements of Farmwealth Limited, registered number 01356861, were approved by the Board of Directors and authorised for issue on 14 September 2018.

Signed on behalf of the Board of Directors



J L Perkins

Director

FARMWEALTH LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2017

| | Called up share capital (Note 12) £'000 | Share premium account £'000 | Profit and loss account £'000 | Total £'000 |
|---|---|--------------------------------------|--|----------------|
| BALANCE AT 1 JANUARY 2016 | 673 | 3,270 | 5,217 | 9,160 |
| Profit for the year and total comprehensive income for the year | - | - | 1,816 | 1,816 |
| Dividend paid (note 7) | - | - | (1,529) | (1,529) |
| BALANCE AT 31 DECEMBER 2016 | 673 | 3,270 | 5,504 | 9,447 |
| Profit for the year and total comprehensive income for the year | - | - | 4,598 | 4,598 |
| Dividend paid (note 7) | - | - | (5,183) | (5,183) |
| BALANCE AT 31 DECEMBER 2017 | 673 | 3,270 | 4,919 | 8,862 |

The Company's share premium account is a non-distributable reserve as defined by Section 830 Companies Act 2006.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Farmwealth Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' report on page 2.

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis as modified by financial instruments which are recognised at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is determined in the manner described in note 13. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, fair value of financial instruments and related party transactions. Where required, equivalent disclosures are given in the group financial statements of P&P Spearhead UK Holdings, Ltd. The group financial statements of P&P Spearhead UK Holdings, Ltd are available to the public and can be obtained as set out in note 15.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of P&P Spearhead UK Holdings, Ltd. Details of the parent in whose consolidated financial statements the company is included are shown in note 15 to the financial statements.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

| | |
|---|--|
| Amendments to IFRS 10, IFRS and IAS 28 (Dec 2014) | Investment Entities: Applying the Consolidation Exception |
| Amendments to IAS 1 (Dec 2014) | Disclosure Initiative |
| Annual Improvements to IFRSs: 2012-2014 Cycle (Sept 2014) | Annual Improvements to IFRSs: 2012-2014 Cycle |
| Amendments to IAS 27 (Aug 2014) | Equity Method in Separate Financial Statements |
| Amendments to IAS 16 and IAS 41 (Jun 2014) | Agriculture: Bearer Plants |
| Amendments to IAS 16 and IAS 38 (May 2014) | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to IFRS 11 (May 2014) | Accounting for Acquisitions of Interests in Joint Operations |
| Clarifications to IFRS 15 (Apr 2016) | Revenue from Contracts with Customers |
| Amendments to IFRS 9 (Oct 2017) | Financial Instruments |

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividend income

Dividend income from investment in subsidiary is recognised when the shareholder's rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

The financial statements are presented in Pounds Sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial Assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Financial assets and liabilities at FVTPL

Financial assets/liabilities are classified as at FVTPL where the financial asset/liability is either held for trading or it is designated as at FVTPL.

A financial asset or liability is classified as held for trading if:

- it has been acquired/incurred principally for the purpose of selling/repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

A financial asset/liability other than a financial asset/liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset/liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets/liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned/paid on the financial asset/liability. Fair value is determined in the manner described in note 13.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to changes in commodity prices, interest rate and foreign exchange rate risk, including wheat futures, foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in note 13 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements

No critical judgements are made.

Key sources of estimation uncertainty in applying the Company's accounting policies

The following are the estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Derivative financial instruments

Derivatives are recorded at fair value as at the balance sheet date which requires the use of models. The use of different inputs in these models could lead to a variation in the fair values recorded.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) For the year ended 31 December 2017

3. INCOME FROM SHARES IN GROUP UNDERTAKINGS

| | 2017 £'000 | 2016 £'000 |
|-----------------------------------|---------------|---------------|
| Dividend received from subsidiary | 3,813 | 1,138 |

4. PROFIT BEFORE TAXATION

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Profit before taxation is stated after charging/(crediting): | | |
| Net foreign exchange gains | (7) | (172) |
| Fees payable to the Company's auditor for the audit of the Company's annual financial statements | 2 | 1 |

Fees payable to the Company's auditor for non-audit services are disclosed in the P&P Spearhead UK Holdings, Limited consolidated accounts.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors received no emoluments for their services to the Company in the current and preceding year. The directors' emoluments are borne by another group company, Spearhead International Limited in the current and preceding year. The Company had no employees in the current or previous year.

6. TAX ON PROFIT

| | 2017 £'000 | 2016 £'000 |
|-------------------------------------|---------------|---------------|
| Current tax | | |
| Current tax on profits for the year | 221 | 92 |
| Total current tax | 221 | 92 |
| Deferred tax | | |
| Current year | (60) | 40 |
| Effect of changes in tax rates | - | (7) |
| Total deferred tax (note 11) | (60) | 33 |
| Total tax on profit | 161 | 125 |

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

6. TAX ON PROFIT (CONTINUED)

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Profit before tax | 4,759 | 1,941 |
| United Kingdom corporation tax rate of 19.25% (2016 - 20%) | 916 | 388 |
| Tax effect of: | | |
| Income not taxable | (735) | (256) |
| Tax rate changes | - | (7) |
| Other temporary differences | (20) | - |
| Tax expense for the year | <u>161</u> | <u>125</u> |

The standard rate of tax applied to the reported profit on ordinary activities is 19.25%. The applicable UK tax rate has changed following the substantive enactment of the Finance Act 2013. Finance (No. 2) Act 2015 enacted a further reduction in the UK corporation tax rate to 19.25% with effect from 1 April 2017 and Finance Act 2016 enacted another reduction in the UK corporation tax rate to 17% with effect from 1 April 2020. These changes to UK corporation tax rates impact the closing deferred tax position for 2016.

7. DIVIDENDS

| | 2017 £'000 | 2016 £'000 |
|---|---------------|---------------|
| Amounts recognised as distribution to equity holders in the year: | | |
| Interim dividend for the year ended 31 December 2017 of 39p (2016 - 11p) per share | <u>5,183</u> | <u>1,529</u> |

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

8. INVESTMENTS

| | 2017 £'000 | 2016 £'000 |
|--|---------------|--|
| Subsidiary undertakings | 8,795 | 8,795 |
| | | Shares in subsidiary undertakings £'000 |
| Cost and net book value At 1 January 2017 and 31 December 2017 | | <u>8,795</u> |

Top Farms Sp. z.o.o. has been treated as a subsidiary undertaking because the Group exercises dominant influence over this investment, directing its financial and operating policies.

Details of the Company's subsidiaries at 31 December 2017 are as follows.

The investment in subsidiaries are all stated at cost less provision for impairment.

Subsidiary undertakings comprise

| | Country of incorporation | Principal activity | Description of holding | Registered office address | % |
|----------------------------|-----------------------------|-----------------------|---------------------------|------------------------------|------|
| Top Farms Sp. z o.o. | Poland | Primary production | Ordinary shares | #1 | 100% |
| SPEARHEAD SLOVAKIA, s.r.o. | Slovakia | Holding | Ordinary shares | #2 | 11% |

Farmwealth Limited owns 11% of SPEARHEAD SLOVAKIA, s.r.o. and the remainder 89% is owned by Spearhead International Limited.

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

8. INVESTMENTS (CONTINUED)

Top Farms Sp. z o.o. holds ordinary shares in the following investments:

| | Principal activity | Country of incorporation | Registered office address | % held |
|--|--------------------|--------------------------|---------------------------|--------|
| Top Farms Głubczyce Sp. z o.o. | Primary production | Poland | #3 | 100 |
| Top Gen Sp. z o.o. | Trading | Poland | #3 | 88 |
| Top Farms Agro Sp. z o.o. | Trading | Poland | #1 | 99 |
| Agrosales s.r.o. | Trading | Czech Republic | #11 | 100 |
| Nasiennictwo Inwestycje Sp. z o.o. | Trading | Poland | #4 | 100 |
| Jagroł Sp. z o.o. | Primary production | Poland | #5 | 100 |
| Agro-Fundusz Mazury Sp. z o.o. | Primary production | Poland | #6 | 100 |
| Top Farms Mazury Sp. z o.o. | Holding | Poland | #6 | 100 |
| Rolimpeks S.A. | Trading | Poland | #7 | 100 |
| Masfrost Ziębice Sp. z o.o. | Processing | Poland | #8 | 100 |
| Masfrost Sp. z o.o. | Processing | Poland | #9 | 100 |
| Top Farms CUW Sp. z o.o. | Marketing | Poland | #1 | 100 |
| Top Farms Farms Pormorski Sp. z o.o. | Primary production | Poland | #6 | 100 |
| Książ Rol Sp. z o.o. | Primary production | Poland | #12 | 100 |
| Anirol Sp. z o.o. | Primary production | Poland | #12 | 100 |
| Top Farms Wielkopolska Sp. z o.o. | Primary production | Poland | #10 | 100 |
| Wielkopolska Grupa Buraka Cukrowego Sp. z o.o. | Marketing | Poland | #1 | 100 |
| Wielkopolska Grupa Ziemniaczana Sp. z o.o. | Marketing | Poland | #1 | 99 |
| Wielkopolska Grupa Mleczna Sp. z o.o. | Marketing | Poland | #1 | 99 |

The registered office address of the subsidiary undertakings above are as follows:

#1 ul. Przelot 24, 60-408 Poznań, Poland

#2 1545, Farná, 93566, Slovakia

#3 ul. Bolesława Chrobrego 23, 48-100 Głubczyce, Poland

#4 ul. Mickiewicza 14; 60-834 Poznań, Poland

#5 Pierzchno 14, 62-035 Kórnik, Poland

#6 Drogosze 49/1, 11-410 Barciany, Poland

#7 Lubawska 7 14-200 Ława, Poland

#8 Nadrzeczna 1A 57-220 Ziębice, Poland

#9 ul. Port 1 82-340 Tolkmicko, Poland

#10 Piotrowo Pierwsze 6, 64-020 Czemiń, Poland

#11 Heroltice 65, 586 01 Jihlava, Czech Republic

#12 Spółka z Ograniczoną Odpowiedzialnością, Radoszkowska 3, 63-130 Książ Wielkopolski, Poland

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

9. DEBTORS

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Amounts falling due within one year: | | |
| Amounts due from subsidiary undertakings and other group companies | - | 2,407 |
| Other debtors | 154 | 248 |
| | <u>154</u> | <u>2,655</u> |

10. OTHER CREDITORS

| | 2017 £'000 | 2016 £'000 |
|-------------------------------|---------------|---------------|
| Amounts due to parent company | 329 | 2,325 |
| Accruals | 5 | 4 |
| | <u>334</u> | <u>2,329</u> |

11. DEFERRED TAX LIABILITIES

| | £'000 |
|-----------------------------------|-----------|
| At 1 January 2016 | 27 |
| Charge to profit or loss (note 6) | 33 |
| | <u>60</u> |
| At 31 December 2016 | 60 |
| Credit to profit or loss (note 6) | (60) |
| | <u>-</u> |
| At 31 December 2017 | - |

| | 2017 £'000 | 2016 £'000 |
|--------------------------|---------------|---------------|
| Tax losses | - | - |
| Other timing differences | - | 60 |
| | <u>-</u> | <u>60</u> |

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

12. SHARE CAPITAL

| | 2017 £'000 | 2016 £'000 |
|--|---------------|---------------|
| Called up, allotted and fully paid | | |
| 13,462,045 ordinary shares of 5 pence each | 673 | 673 |

The Company has one class of ordinary shares which carry no right to fixed income.

13. DERIVATIVE FINANCIAL INSTRUMENTS

| | Current | | Non-current | |
|--|---------------|---------------|---------------|---------------|
| | 2017 £'000 | 2016 £'000 | 2017 £'000 | 2016 £'000 |
| Foreign currency derivatives: Assets | 311 | 583 | - | 2 |
| Foreign currency derivatives: (Liabilities) | (73) | (201) | - | (53) |

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to changes in commodity prices, interest rate and foreign exchange rate risk, including wheat and maize futures and options, foreign exchange forward contracts and options and interest rate swaps.

The Company seeks to minimise the effects of these risks by using derivative financial instruments where appropriate to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on commodity risk, foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is regularly reviewed by the Group finance function. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The net gains on derivatives in the year are £981,000 (2016 - £681,000).

FARMWEALTH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2017

14. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with its fellow group companies on the grounds that consolidated financial statements are prepared by P&P Spearhead UK Holdings, Ltd, a company registered in the Great Britain. The group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

15. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROL

The Company's ultimate parent Company and ultimate controlling party is Paine Schwartz Partners Food Fund IV GP, Ltd (formerly known as Paine & Partners Capital Fund IV GP, Ltd), a company registered in Cayman Islands. The ultimate parent company is managed by Paine Schwartz Partners, LLC (formerly known as Paine & Partners, LLC).

The parent undertaking of the largest and smallest group, which includes the Company and for which group financial statements are prepared, is P&P Spearhead UK Holdings, Ltd, a company incorporated in Great Britain. The registered office of P&P Spearhead UK Holdings, Ltd is Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB. Copies of the group financial statements for P&P Spearhead UK Holdings, Ltd is available from Companies House, Crown Way, Cardiff, CF14 3UZ. The Company's immediate controlling party is Spearhead International Limited.