

KWS UK LIMITED

COMPANY REGISTERED NUMBER 01578784

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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KWS UK LIMITED

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KWS UK LIMITED

STRATEGIC REPORT

The directors present their strategic report on the affairs of the company, together with the directors' report, financial statements and auditor's report for the year ended 30 June 2017.

Results and Dividends

The profit after tax for the year ended 30 June 2017 was £5,940,000 (30 June 2016 - £5,490,000). A dividend of £4,997,000 was paid to shareholders on 27 September 2016 and an accumulated profit of £8,999,000 is carried forward.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

This expectation is based on the lack of external borrowings, strong performance in 2016-2017 and forecasts and budgets which show the necessary resources to continue trading. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Financial risk

The company's principal financial assets are bank balances and trade debtors. The company's credit risk is primarily attributable to its debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The company's credit exposure is spread over a large number of customers. The credit risk on group balances is considered to be limited due to the diversity and financial stability of the group. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In the normal course of business the company obtains supplies from overseas and sells to some overseas customers. The company does not use derivative products to manage the risk of foreign exchange movements. Deposits are predominantly held under cash pooling arrangements with the ultimate parent company.

Share Capital

There have been no changes to the share capital in the year.

Business Review and Principal Activities

The company is a wholly owned subsidiary within the KWS group of companies and operates within the cereals, sugarbeet and corn industries.

The principal activity of the company is the development, production and sale of improved varieties of wheat and barley for the UK and Northern European agricultural markets along with the sale of varieties of oilseed rape, corn and sugarbeet in the UK. Turnover is generated both through the sale of seeds and royalties paid by users of varieties developed by the company. There have not been any significant changes in the company's principal activities in the year under review.

The company continues to invest in research and development (R&D). This has resulted in registration of new high performing proprietary varieties in the year with good prospects for commercial launch in the next cropping year. The directors regard R&D investment as necessary for continuing success in the medium to long term future.

KWS UK LIMITED

STRATEGIC REPORT (continued)

Business Review and Principal Activities (continued)

Total Turnover 2016/2017 is £31,423,000, which is a decrease from 2015/2016 of 4.2% (£1,363,000). This is primarily due to the discontinuation of the potato business which provided sales of £2,394,000 in 2015/2016 (details shown in the profit and loss statement on page 9). In 2016/2017, corn seed turnover increased by 2.9% (£187,000), and sugarbeet seed turnover increased by 28% (£1,130,000). Seed sales in sugarbeet are primarily driven by the purchase order from British Sugar. Cereals turnover decreased by 1.6% (£321,000) due to reduced turnover in Barley and Oilseed Rape.

Although there is an increase in operating expenses (which is in line with the growth in the activities of the company), the company's operating profit has increased from £6,334,000 in 2015/2016 to £6,694,000 in 2016/2017.

The balance sheet on page 11 of the financial statements shows that total equity has increased from £12,801,000 to £13,744,000. This increase is the net effect of dividend paid and profit retained.

There are no significant events since the balance sheet date.

The Board monitors the company's performance in a number of ways including key performance indicators. The key financial performance indicators together with the information for 2016/2017 and 2015/2016 are as follows:

	2017 £'000	2016 £'000
EBIT	6,694	6,334
Staff Costs	4,146	4,383
Average Employees	79	88

The KWS group manages its operations on a business unit basis. For this reason, the company's directors believe that further key financial performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the business units of KWS which include the company is included in the group's Annual Report which does not form part of this Report. The company does monitor and report on the below non-financial performance indicators.

Employee retention

The retaining of employees is of key importance to the company and is reported on an annual basis. Employee turnover is calculated on the number of leavers as a percentage of the average total number of employees in the period for employees with permanent employment contracts. In 2017 the percentage employee turnover was 17% against 5% in 2016.

Employee health & safety

The company measures its Health and Safety performance in relation to accidents at work resulting in absence or the inability of employees to conduct the full range of their normal working activities as defined in the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). In the year ended 30 June 2017 there were no accidents resulting in lost time and no recordable or reportable accidents.

KWS UK LIMITED

STRATEGIC REPORT (continued)

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages this risk by providing added value services to its customers, maintaining strong relationships with customers and continuous improvement in new product development.

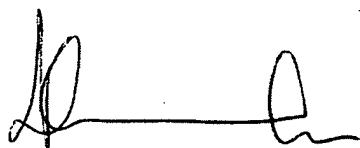
The use of farm saved seed is a continuing risk for the company which could result in lower sales value from high market shares. The company manages this risk by involvement in trade association royalty collection schemes and regular improved product introductions.

The company's overseas sales are made predominantly in Euros and some seeds are purchased in Euros. Therefore, the company is exposed to movement in the Euro to Pound exchange rate. The company treasury function maintains cash deposits in both currencies and overseas sourced raw materials are also purchased in Euros. This along with active maintenance of price lists reduces the risk to low levels.

The company has no interest bearing third party debt and cash in hand is invested in low risk deposits, the company has minimal exposure to interest rate changes.

Group risks are discussed in the group's Annual Report which does not form part of this Report.

By Order of the Board



A Newby –Director

Date: 27/3/2018

KWS UK LIMITED

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for the year ended 30 June 2017.

Directors

The Directors who served throughout the year and to the date of this report were as follows:

Mr. A. Newby

Dr. C. Tapsell

Mr. R. Hunt

Directors' indemnities

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Charitable and political contributions

During the year the company made charitable donations of £15,418 (2016: £4,900), principally to local charities serving the communities in which the company operates. No donations were made to political organizations.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings and the company intranet. A group employee share scheme in the ultimate parent company is available to all employees and in addition, all employees receive an annual bonus related to the overall profitability of the company.

Environment

The company recognizes the importance of its environmental responsibilities and designs and implements policies to reduce any damage that may be caused by the company's activities. Initiatives designed to reduce the company's impact on the environment include safe disposal of waste, recycling and reducing energy consumption.

Dividends

The directors do not recommend payment of a final dividend. The interim dividend of £2.67 per ordinary share was paid on 27th Sep, 2016.

KWS UK LIMITED

DIRECTORS' REPORT (continued)

Auditor

Each of the persons who is a director at the date of approval of this 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/she ought to have taken as a director in order to make himself/herself 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.

By Order of the Board

A handwritten signature in black ink, appearing to be 'A Newby', consisting of a stylized first letter and a long horizontal stroke.

A Newby –Director

Date: 27/3/2018

KWS UK LIMITED

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; 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.

KWS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWS UK LIMITED

Opinion

We have audited the financial statements of KWS UK Limited for the year ended 30 June 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive income, the Balance Sheet, the Statements of Changes in Equity and the related notes 1 to 20, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework'.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 'Reduced Disclosure Framework'; and
- 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 below. 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 set out on pages 1 to 6, 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 this report, we do not express any form of assurance conclusion thereon.

KWS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWS UK LIMITED (Continued)

Other information (continued)

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 the 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 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 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 set out on page 6, 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.

KWS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KWS UK LIMITED (Continued)

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.

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.

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

Ernst & Young LLP

Rachel Wilden (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, United Kingdom

Date: *28 March 2018*

KWS UK LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2017

	Note	2017	2016		
		Total £'000	Continuing £'000	Discontinuing £'000	Total £'000
Turnover	3	31,423	30,392	2,394	32,786
Cost of sales		-15,466	-15,114	-2,066	-17,180
Gross profit		15,957	15,278	328	15,606
Distribution costs		-3,665	-3,122	-177	-3,299
Administrative expenses		-5,711	-5,732	-249	-5,981
Other operating income	7	113	8		8
Operating profit and profit on ordinary activities before interest		6,694	6,432	-98	6,334
Interest receivable and similar income	8	9	29		29
Profit on ordinary activities before taxation		6,703	6,461	-98	6,363
Tax on profit on ordinary activities	19	-763	-873		-873
Retained profit for the year		5,940	5,588	-98	5,490

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

There is no comprehensive income or expenses other than the profit for the financial year and the preceding financial year.

KWS UK LIMITED

BALANCE SHEET

as at 30 June 2017

	Note	2017 £'000	2016 £'000
Fixed assets:			
Intangible assets	9	123	303
Tangible assets	10	7,462	7,594
Investments	11	-	-
		<u>7,585</u>	<u>7,897</u>
Current assets:			
Stocks	12	301	272
Debtors	13	6,679	7,318
Cash at bank and in hand		<u>2,014</u>	<u>1,026</u>
		8,994	8,616
Creditors: amounts falling due within one year	14	-2,159	-2,977
Net current assets		<u>6,835</u>	<u>5,639</u>
Total assets less current liabilities		14,420	13,536
Provision for liabilities	19	-676	-735
Net assets		<u>13,744</u>	<u>12,801</u>
Capital and Reserves :			
Called up share capital	15	1,872	1,872
Capital redemption reserve	15	2,873	2,873
Profit and loss account	15	8,999	8,056
Total equity shareholders' funds		<u>13,744</u>	<u>12,801</u>

The financial statements of KWS UK Limited, registered number 01578784, were approved by the Board of Directors on 27/3/2018

Signed on behalf of the Board of Directors



A Newby – Director

KWS UK LIMITED

STATEMENT OF CHANGES IN EQUITY

as at 30 June 2017

	Called-up Share Capital	Profit & loss account	Capital redemption reserve	Total
	£'000	£'000	£'000	£'000
At 1 July 2016	1,872	6,347	2,873	11,092
Profit for the year and total comprehensive income	-	5,490	-	5,490
Dividends paid (note 16)	-	-3,781	-	-3,781
At 30 June 2016	1,872	8,056	2,873	12,801
Profit for the year and total comprehensive income	-	5,940	-	5,940
Dividends paid (note 16)	-	-4,997	-	-4,997
At 30 June 2017	1,872	8,999	2,873	13,744

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1 Significant 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

KWS UK Limited is a private company limited by shares and is incorporated in the United Kingdom under the Companies Act. The address of the registered office is 56 Church Street, Thriplow, Royston, SG8 7RE. The nature of the company's operations and its principal activities are set out in the Strategic report on pages 1 to 3.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

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

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to cash flow statement, business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, certain financial instrument disclosures and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of KWS SAAT SE. The group accounts of KWS SAAT SE are available to the public.

There are no material adjustments in the previous year on adoption of FRS 101.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 1 and 2. The strategic report on pages 1 to 3 and the directors' report on pages 4 to 5 describe the financial position of the company; its cash flows, liquidity position and borrowing facilities; the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposure to credit risk and liquidity risk.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current resources.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future being no less than 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern bases in preparing the annual report and accounts.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

1 Significant accounting policies (continued)

Exemption from preparation of consolidated accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 and IFRS 10 as it is a wholly-owned subsidiary undertaking of KWS SAAT SE, a company incorporated in Germany, and is included in the consolidated accounts of KWS SAAT SE which are available from its registered office. The parent company has been informed of the exemption.

Intangible assets

Customer contracts and licenses have been capitalised on acquisition at fair value which has been deemed to be equivalent to the consideration paid and written off on a straight line basis over its useful economic life, which is 5 years. Impairment testing is performed every year and there are no substantial changes on the asset impairment value recognised in the financial statements, considering all assets are used in a profitable business purpose.

Tangible fixed assets

No depreciation is charged on freehold land. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected life from the date it is brought into use, as follows:

Freehold buildings	20 to 50 years
Short leasehold property	over the life of the lease
Plant and machinery	3 to 10 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes direct materials, labour and attributable overheads where appropriate. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and sale.

No stock value is attributed to growing crops in field trials that are treated as research and development expenditure, which is consistent with the statement in group reporting as defined under IAS 38.

Turnover

Turnover represents the amounts derived from the provision of goods, services and royalty receipts which fall within the company's ordinary activities. All turnover is stated net of value added tax. Seed sales are recognised once the legal ownership of the seed has been transferred to the customer. Royalty income is accounted for on basis of declaration from customers and represents the amount due to the company in the year. All other income is recognised on an accruals basis.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

1 Significant accounting policies (continued)

Research and development

Research and development expenditure is written off as incurred due to the nature of the business we operate in. Developing costs for new varieties are not capitalized. These costs do not meet all criteria's for capitalisation. The company is not allowed to market any varieties not listed on the national list, thus the ability to sell these varieties is prohibited. It is not economically viable to capitalise the developing costs.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date.

All differences are taken to the Profit and Loss Account.

Leases

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the lease period.

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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset 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 debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

1 Significant accounting policies (continued)

Effective interest method (continued)

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

Loans and receivables

The company's principal financial assets are bank balances and cash, trade debtors and other receivables.

Trade debtors, loans, and other debtors 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 affected.

For certain categories of financial asset, such as trade debtors, which are more relevant to the company, assets that are assessed not to be impaired individually are, in addition, 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 of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, 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.

The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

1 Significant accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

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 using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided in full on all timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on current tax rates and law.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

1 Significant accounting policies (continued)

Pensions and other employee benefits

The company operates a defined contribution pension scheme. Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

The company has recognised the accrual costs for those of employees' entitlement to future paid absences, which has been calculated and booked in as part of total staff costs.

Other adoption of new and revised Standards

This current year, the company has continue applying a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 21 Levies

The company has continued applying IFRIC 21 Levies. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

Annual Improvements to IFRSs: 2011-2015

The company has adopted the various amendments to a number of standards. IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

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 continually evaluated and are based on historical experience and other factors that are considered to be relevant and reasonable under the circumstances. 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.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), 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.

Revenue recognition

Revenue has been recognised as stated in Note 1 in line with the company's general policy of recognising revenue when goods/services are delivered and the inflow of the benefit associated with it will probably flow to the company and the amount of revenue can be measured with reliability. In recognizing royalty income, it has been recognised on the accrual basis of customers' declaration. The directors are satisfied that the declarations from our customers are in time and any further income, which related to the current year but not declared yet, is insignificant.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Recoverability of outstanding trade debtors

At the balance sheet date, the Company has a balance of £373,000 of third party trade debtors and the majority of it is only due or overdue by six months the longest. The debtor control team has followed up with major customers and detailed debtor report has been sent and analyzed by all product managers. Based on the analysis information and historical records, the directors are confident the debtors will be recovered fully at the reporting data. The situation has been monitored closely and adjustments made in the future periods when further information indicates otherwise.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

3 Turnover

An analysis of the company's turnover as follows:

	2017 £'000	2016 £'000
Sales of seeds	16,021	17,098
Royalty income	13,640	13,334
Sales Breeding Services	1,170	1,773
Sales - Other	592	581
Turnover	<u>31,423</u>	<u>32,786</u>

An analysis of the company's turnover by geographical market is set out below.

	2017 £'000	2016 £'000
Geographical analysis of turnover		
United Kingdom	28,782	29,616
Other European Community	2,640	3,161
Rest of World	1	9
	<u>31,423</u>	<u>32,786</u>

4 Operating profit

	2017 £'000	2016 £'000
The operating profit is after charging		
Loss on sale of tangible fixed assets	16	1
Depreciation of owned fixed assets	536	519
Amortisation of intangible fixed assets	181	181
Operating lease rentals – plant & machinery	103	92
Operating lease rentals – other	143	149
R&D Expenditure Credit	293	-
Cost of Stock recognized as an expense	15,466	17,180
Loss on foreign exchange	<u>67</u>	<u>71</u>

The analysis of auditor's remuneration is as follows

Fees payable to the Company's auditor for the audit of the Company's annual accounts

	<u>24</u>	<u>39</u>
Other services	<u>5</u>	<u>4</u>
Total non-audit fees	<u>5</u>	<u>4</u>

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

5 Directors' emoluments

	2017 £'000	2016 £'000
Emoluments	384	405
Contributions to money purchase pension schemes	35	34
	<u>419</u>	<u>439</u>

The emoluments of the highest paid Director were:

	2017 £'000	2016 £'000
Emoluments	142	151
Contributions to money purchase pension schemes	17	18
	<u>159</u>	<u>169</u>

Two directors were members of the money purchase pension scheme during the current and previous year. No director has exercised share options or received shares for qualifying services in either the current or prior year.

6 Employees

	2017 £'000	2016 £'000
Staff costs:		
Wages and salaries	3,263	3,573
Social security costs	400	340
Other pension costs	483	470
	<u>4,146</u>	<u>4,383</u>

The average number of full-time employees during the year was:

	2017 Number	2016 Number
Research and development and production	54	59
Sales and administration	25	29
	<u>79</u>	<u>88</u>

7 Other operating income

	2017 £'000	2016 £'000
Other operating income	<u>113</u>	<u>8</u>

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

8 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest from group undertakings	<u>9</u>	<u>29</u>

9 Intangible assets

	Trade/Customer relationships £'000	Software £'000	Total £'000
Cost			
At 1 July 2016	900	3	903
Additions	-	-	-
At 30 June 2017	<u>900</u>	<u>3</u>	<u>903</u>
Amortisation			
At 1 July 2016	600	-	600
Provided in year	<u>180</u>	<u>-</u>	<u>180</u>
At 30 June 2017	<u>780</u>	<u>-</u>	<u>780</u>
Net book value			
At 30 June 2016	<u>300</u>	<u>3</u>	<u>303</u>
At 30 June 2017	<u>120</u>	<u>3</u>	<u>123</u>

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

10 Tangible fixed assets

The net book value of land and buildings at 30 June 2017 comprises freehold land and buildings of £4,526,000 (2016 - £4,690,000).

	Land and buildings	Plant and machinery	Assets in course of construction	Total
	£'000	£'000	£,000	£'000
Cost				
At 1 July 2016	7,368	6,157	230	13,755
Additions	20	272	139	431
Disposals	-	-110	-	-110
Transfers	-	-	-	-
At 30 June 2017	7,388	6,319	369	14,076
Depreciation				
At 1 July 2016	2,678	3,483	-	6,161
Charge for the year	184	352	-	536
Disposals	-	-83	-	-83
At 30 June 2017	2,862	3,752	-	6,614
Net book value				
At 30 June 2016	4,690	2,672	230	7,594
At 30 June 2017	4,526	2,567	369	7,462

11 Fixed asset investments

	Shares in subsidiary undertakings	Other investments	Total
	£	£	£
Cost			
At 30 June 2016 and 30 June 2017	3	100	103
Impairment			
At 30 June 2016 and 30 June 2017	-3	-100	-103
Net book value			
At 30 June 2016 and 30 June 2017	0	0	0

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

11 Fixed asset investments (continued)

Details of the investments in which the Company holds more than 10% of the nominal value of any class of share capital are as follows:

Name of company	Country of registration	Holding	Proportion of voting rights and shares held	Nature of business	Share capital £	Reserves £
Twyford Seeds Limited	England	Ordinary shares	100%	Dormant	2	-
CPB Twyford Limited	England	Ordinary shares	100%	Dormant	1	-

The share capital and reserves of all subsidiary undertakings are stated as at 30 June 2017.

12 Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	99	64
Work in progress	166	153
Finished goods	36	55
	<u>301</u>	<u>272</u>

13 Debtors

	2017 £'000	2016 £'000
Trade debtors	373	1,779
Amounts owed by group undertakings	516	4,949
Amounts owed by parent undertaking	5,642	463
Corporation tax	-	50
Other taxation	-	5
Other debtors	17	30
Prepayments and accrued income	131	42
	<u>6,679</u>	<u>7,318</u>

All amounts are due within one year.

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

14 Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	505	842
Amounts owed to group undertakings	434	835
Amounts owed to parent undertaking	-	-
Other taxation and social security	183	133
Other creditors	66	76
Accruals and deferred income	971	1,091
	<u>2,159</u>	<u>2,977</u>

Trade creditors are non-interest bearing and normally settled on 30 days terms. Other creditors are non-interest bearing and have an average term of 1 month.

15 Called up share capital and reserves

	2017	2016
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>1,871,616</u>	<u>1,871,616</u>

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

Capital Redemption reserve

This reserves records the nominal value of shares repurchased by the company.

Profit and loss reserves

This reserves comprises accumulated profit and losses less dividends paid.

16 Dividend

	2017	2016
	£'000	£'000
Interim dividend paid of £2.67 (2016: £2.02) per ordinary share	4,997	3,781

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

17 Other financial commitments

At the balance sheet date the company had outstanding commitments for the future minimum lease payments under non-cancellable operating leases which fall due as follows, with the restatement of 2016 amounts from annual value to total value as below:

	2017 £'000	2016 £'000
Within one year:		
Plant & Machinery	<u>243</u>	<u>10</u>
Between 2 and 5 years:		
Plant & Machinery	<u>130</u>	<u>233</u>
After more than 5 years:		
Land & Buildings	<u>0</u>	<u>113</u>
	<u>373</u>	<u>356</u>

At the year end, the company had no contracted capital commitments (2016 - Nil).

18 Related parties

As 100% of the company's voting rights are controlled within the group headed by KWS SAAT SE, the company has taken advantage of the exemption under IAS 24 and has therefore not disclosed transactions or balances with wholly owned entities which form part of that group. The consolidated financial statements of KWS SAAT SE within which this company is included can be obtained from the address in note 20.

19 Taxation

	2017 £'000	2016 £'000
Current Tax		
United Kingdom Corporation Tax	<u>822</u>	<u>895</u>
Total current tax	<u>822</u>	<u>895</u>
Deferred Tax		
Origination and reversal of timing differences	<u>-59</u>	<u>-22</u>
Total deferred tax	<u>-59</u>	<u>-22</u>
Tax on profit on ordinary activities	<u>763</u>	<u>873</u>

KWS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (continued)

19 Taxation (continued)

A deferred tax liability is recognised in respect of accelerated capital allowances and short term timing differences. The amount of the deferred tax liability comprises:

	2017
	£'000
Provision at start of period	735
Deferred tax credit in P&L for the period	(59)
Provision at end of period	<u>676</u>

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom of 19.75% (PY: 20%). The differences are explained below:

	2017	2016
	£000	£000
Net income before taxation	<u>6,703</u>	<u>6,363</u>
Tax at 19.75% thereon (PY 20%)	1,324	1,272
Effects of		
Expenses not deductible for tax purposes	25	71
Movement in short term timing differences	-	-84
Patent box	-584	-387
Difference in tax rate - deferred tax	<u>-2</u>	<u>-</u>
	<u>763</u>	<u>872</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 18% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 18%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

A reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this reduced rate. This rate change is to be included in the Finance Bill 2017 but this has not been substantively enacted at the balance sheet date.

20 Ultimate parent undertaking

The direct parent undertaking of the company is KWS Lochow GmbH that controls 100% of the voting share capital. The smallest and largest group in which the company's results are consolidated is that of its ultimate parent and controlling entity, KWS SAAT SE which is registered in Germany. Copies of the consolidated financial statements can be obtained from Postfach 1463, Grimsehlstraße 31, Einbeck 37555, Germany.