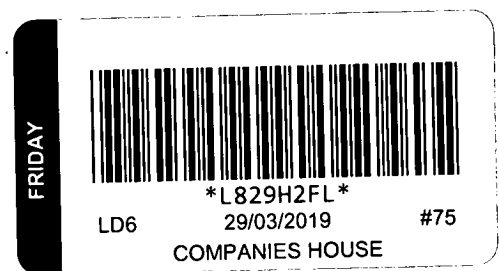


# **KWS UK LIMITED**

COMPANY REGISTERED NUMBER 01578784

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**



# **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 2018.

### Results and Dividends

The profit after tax for the year ended 30 June 2018 was £8,090,000 (30 June 2017 - £5,940,000) and 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 2017-2018 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, sugar beet 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 sugar beet 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 2017/2018 is £34,725,000, which is an increase from 2016/2017 of 10.5% (£3,302,000). In 2017/2018, corn seed turnover increased by 10.7% (£710,000), and sugar beet seed turnover increased by 20.6% (£1,019,000). This was offset by a decline in basic and cereal seeds of £340,000 combined. Seed sales in sugar beet are primarily driven by the purchase orders from British Sugar.

Although there is an increase in administrative expenses (which is in line with the growth in the activities of the company), the company's operating profit has increased from £6,694,000 in 2016/2017 to £9,637,000 in 2017/2018.

The balance sheet on page 11 of the financial statements shows that total equity has increased from £13,744,000 to £21,834,000.

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 2017/2018 and 2016/2017 are as follows:

	2018 £'000	2017 £'000
EBIT	9,637	6,694
Staff Costs	4,017	4,146
Average Employees	74	79

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 2018 the percentage employee turnover was 15% against 17% in 2017.

### 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 2018 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:** 28/3/19

# KWS UK LIMITED

## **DIRECTORS' REPORT**

The Directors submit their report and the audited financial statements for the year ended 30 June 2018.

### **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 £1,265 (2017: £15,418), 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 intend to declare a dividend for this fiscal year (2017 - £4,997,000 dividend was paid).

# 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', with a long horizontal stroke extending to the right.

**A Newby –Director**

**Date:** 28/0/19

# 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.



## **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 2018 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 2018 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 authorized 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.

## **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.

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

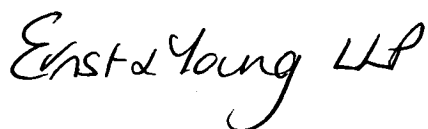
### **Auditor's responsibilities for the audit of the financial statements**

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.

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.

### **Use of our report**

Use of our 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.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Rachel Wilden (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Cambridge, United Kingdom  
Date: 28 March 2019

# KWS UK LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2018

	Note	2018 Total £'000	2017 Total £'000
<b>Turnover</b>	3	34,725	31,423
Cost of sales		-15,890	-15,466
Gross profit		18,835	15,957
Distribution costs		-3,586	-3,665
Administrative expenses		-5,852	-5,711
Other operating income	7	240	113
<b>Operating profit and profit on ordinary activities before interest</b>	4	9,637	6,694
Interest receivable and similar income	8	34	9
<b>Profit on ordinary activities before taxation</b>		9,671	6,703
Tax on profit on ordinary activities	19	-1,581	-763
<b>Retained profit for the year</b>		8,090	5,940

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

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 2018

	Note	2018 £'000	2017 £'000
<b>Fixed assets:</b>			
Intangible assets	9	2	123
Tangible assets	10	7,693	7,462
Investments	11	0	0
		<u>7,695</u>	<u>7,585</u>
<b>Current assets:</b>			
Stocks	12	433	301
Debtors	13	15,449	6,679
Cash at bank and in hand		<u>1,911</u>	<u>2,014</u>
		17,793	8,994
<b>Creditors: amounts falling due within one year</b>	14	-2,962	-2,159
<b>Net current assets</b>		<u>14,831</u>	<u>6,835</u>
<b>Total assets less current liabilities</b>		22,526	14,420
Provision for liabilities	19	-692	-676
<b>Net assets</b>		<u>21,834</u>	<u>13,744</u>
<b>Capital and Reserves :</b>			
Called up share capital	15	1,872	1,872
Capital redemption reserve	15	2,873	2,873
Profit and loss account	15	17,089	8,999
<b>Total equity shareholders' funds</b>		<u>21,834</u>	<u>13,744</u>

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

Signed on behalf of the Board of Directors



A Newby - Director

28/3/19

# KWS UK LIMITED

## STATEMENT OF CHANGES IN EQUITY

as at 30 June 2018

	Called-up Share Capital	Profit & loss account	Capital redemption reserve	Total
	£'000	£'000	£'000	£'000
At 1 July 2017	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
Profit for the year and total comprehensive income	-	8,090	-	8,090
Dividends paid (note 16)	-	-	-	-
At 30 June 2018	1,872	17,089	2,873	21,834

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

### 1 Significant accounting policies

The principal accounting policies are summarized 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 which are noted below:

- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenues from Contracts with Customers*
- The requirements in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - a. paragraph 79(a)(iv) of IAS 1;
  - b. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - c. paragraph 118(e) of IAS 38 *Intangible Assets*;
  - d. paragraph 76 and 79(d) of IAS 40 *Investment Property*; and
  - e. paragraph 50 of IAS 41 *Agriculture*.
- The requirements of paragraphs 10(d), 10(f), 16, 38 A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.
- The requirements of IAS 7 *Statements of Cash Flows*.
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- The requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*.
- The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two and more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.
- The requirement of IFRS 7 *Financial Instruments: Disclosures*.
- The requirement of paragraph 91 to 99 of IFRS 13 *Fair Value Measurement*.

# KWS UK LIMITED

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.

## **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 2018 (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 capitalized 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 recognized 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 realizable value. Cost includes direct materials, labor and attributable overheads where appropriate. Net realizable 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 recognized 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 recognized on an accrual basis.

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 capitalization. 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 capitalize 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 recognized 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 recognized immediately in profit or loss.

#### Financial assets

All financial assets are recognized and derecognized 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 amortized 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 2018 (continued)

### 1 Significant accounting policies (continued)

#### Effective interest method (continued)

Income is recognized 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 amortized cost using the effective interest method, less any impairment. Interest income is recognized 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 amortized 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 recognized 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 2018 (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 recognized at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized 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 amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized 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 derecognizes 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 crystallize, 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 2018 (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 recognized 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 recognize 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 recognized 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 are 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 recognized 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 2018 (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 recognized in financial statements.

#### **Revenue recognition**

Revenue has been recognized as stated in Note 3 in line with the company's general policy of recognizing 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 recognized 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 £703,000 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.

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

### 3 Turnover

An analysis of the company's turnover as follows:

	2018 £'000	2017 £'000
Sales of seeds	17,410	16,021
Royalty income	15,188	13,640
Sales Breeding Services	1,169	1,170
Sales - Other	958	592
Turnover	<u>34,725</u>	<u>31,423</u>

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

	2018 £'000	2017 £'000
Geographical analysis of turnover		
United Kingdom	32,668	28,782
Other European Community	1,960	2,640
Rest of World	97	1
	<u>34,725</u>	<u>31,423</u>

### 4 Operating profit

	2018 £'000	2017 £'000
The operating profit is after charging		
Loss on sale of tangible fixed assets	0	16
Depreciation of owned fixed assets	577	536
Amortization of intangible fixed assets	121	181
Operating lease rentals – plant & machinery	91	103
Operating lease rentals – other	127	143
R&D Expenditure Credit	293	293
Loss on foreign exchange	74	67

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>32</u>	<u>24</u>
Other services	<u>0</u>	<u>5</u>
Total non-audit fees	<u>0</u>	<u>5</u>

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

### 5 Directors' emoluments

	2018 £'000	2017 £'000
Emoluments	436	384
Contributions to money purchase pension schemes	37	35
	<u>473</u>	<u>419</u>

The emoluments of the highest paid Director were:

	2018 £'000	2017 £'000
Emoluments	172	142
Contributions to money purchase pension schemes	18	17
	<u>190</u>	<u>159</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

	2018 £'000	2017 £'000
Staff costs:		
Wages and salaries	3,277	3,263
Social security costs	324	400
Other pension costs	416	483
	<u>4,017</u>	<u>4,146</u>

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

	2018 Number	2017 Number
Research and development and production	51	54
Sales and administration	23	25
	<u>74</u>	<u>79</u>

### 7 Other operating income

	2018 £'000	2017 £'000
Other operating income	<u>240</u>	<u>113</u>



# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

### 8 Interest receivables and similar income

	2018 £'000	2017 £'000
Interest from group undertakings	<u>34</u>	<u>9</u>

### 9 Intangible assets

	Licences £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 July 2017	900	3	903
Additions	-	-	-
At 30 June 2018	<u>900</u>	<u>3</u>	<u>903</u>
<b>Amortisation</b>			
At 1 July 2017	780	-	780
Provided in year	120	1	121
At 30 June 2018	<u>900</u>	<u>1</u>	<u>901</u>
<b>Net book value</b>			
At 30 June 2017	<u>120</u>	<u>3</u>	<u>123</u>
At 30 June 2018	<u>0</u>	<u>2</u>	<u>2</u>

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

### 10 Tangible fixed assets

The net book value of land and buildings at 30 June 2018 comprises freehold land and buildings of £4,820,000 (2017 - £4,526,000).

	Land and buildings	Plant and machinery	Assets in course of construction	Total
	£'000	£'000	£,000	£'000
<b>Cost</b>				
At 1 July 2017	7,388	6,319	369	14,076
Additions	131	258	422	811
Disposals	-1	-162	-	-163
Transfers	369	-	-369	-
At 30 June 2018	7,887	6,415	422	14,724
<b>Depreciation</b>				
At 1 July 2017	2,862	3,752	-	6,614
Charge for the year	206	371	-	577
Disposals	-1	-159	-	-160
At 30 June 2018	3,067	3,964	-	7,031
<b>Net book value</b>				
At 30 June 2017	4,526	2,567	369	7,462
At 30 June 2018	4,820	2,451	422	7,693

### 11 Fixed asset investments

	Shares in subsidiary undertakings	Other investments	Total
	£	£	£
<b>Cost</b>			
At 30 June 2017 and 30 June 2018	3	100	103
<b>Impairment</b>			
At 30 June 2017 and 30 June 2018	-3	-100	-103
<b>Net book value</b>			
At 30 June 2017 and 30 June 2018	0	0	0

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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 2018.

### 12 Stocks

	2018 £'000	2017 £'000
Raw materials and consumables	212	99
Work in progress	167	166
Finished goods	54	36
	<u>433</u>	<u>301</u>

There is no significant difference between the replacement costs of stocks and their carrying amounts

### 13 Debtors

	2018 £'000	2017 £'000
Trade debtors	703	373
Amounts owed by group undertakings	556	516
Amounts owed by parent undertaking	13,604	5,642
Other debtors	77	17
Prepayments and accrued income	509	131
	<u>15,449</u>	<u>6,679</u>

All amounts are due within one year.

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (continued)

### 14 Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	1,022	505
Amounts owed to group undertakings	210	434
Corporate income tax liabilities	682	52
Other tax liabilities	215	131
Other creditors	118	66
Accruals and deferred income	715	971
	<u>2,962</u>	<u>2,159</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

	2018	2017
	£	£
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

	2018	2017
	£'000	£'000
Interim dividend paid of 0 (2017: £2.67) per ordinary share	0	4,997

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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:

	2018 £'000	2017 £'000
Within one year:		
Plant & Machinery	<u>77</u>	<u>243</u>
Between 2 and 5 years:		
Plant & Machinery	<u>68</u>	<u>130</u>
After more than 5 years:		
Land & Buildings	<u>0</u>	<u>0</u>
	<u>145</u>	<u>373</u>

At the year end, the company had no contracted capital commitments (2017 – 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

	2018 £'000	2017 £'000
<b>Current Tax</b>		
United Kingdom Corporation Tax	<u>1,565</u>	<u>822</u>
Total current tax	<u>1,565</u>	<u>822</u>
<b>Deferred Tax</b>		
Origination and reversal of timing differences	<u>16</u>	<u>-59</u>
Total deferred tax	<u>16</u>	<u>-59</u>
Tax on profit on ordinary activities	<u>1,581</u>	<u>763</u>

# KWS UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (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:

	2018
	£'000
Provision at start of period	676
Deferred tax charge in P&L for the period	16
Provision at end of period	<u>692</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% (PY: 19.75%). The differences are explained below:

	2018	2017
	£000	£000
Net income before taxation	<u>9,671</u>	<u>6,703</u>
Tax at 19% thereon (PY 19.75%)	1,837	1,324
Effects of		
Expenses not deductible for tax purposes	107	25
Patent box	-461	-584
Difference in tax rate - deferred tax	2	-2
Tax expenses from prior years	<u>96</u>	<u></u>
	<u>1,581</u>	<u>763</u>

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.

### 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.