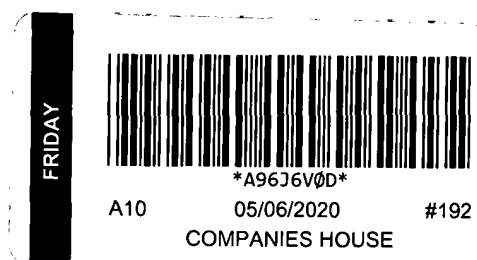


Company Registration No. 06354832

Nichino Europe Co., Ltd.

Report and Financial Statements

31 March 2020



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Nichino Europe Co., Ltd.

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Period ended 31 March 2020

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Nichino Europe Co., Ltd.

Officers and advisors

Period ended 31 March 2020

Directors

M Hilweg
J Inoshita
M Kawamura
H Nagai
D Westwater

Registered Office

5 Pioneer Court
Vision Park
Histon
Cambridge
CB24 9PT

Auditor

Peters Elworthy & Moore
Chartered Accountants and Statutory Auditors
Cambridge

Bankers

HSBC Bank Plc
Mizuho Corporate Bank Ltd
La Caixa Bank

Solicitors

Hewitsons LLP
Cambridge

Nichino Europe Co., Ltd.

Strategic Report

Period ended 31 March 2020

Introduction

The directors present their strategic report and business review, which includes the principal risks and uncertainties of the business and key performance indicators.

Principal activities

The Company is a wholly owned subsidiary of Nihon Nohyaku Co. Ltd., a company incorporated in Japan. The principal activities of the Company include the development, registration, logistics management and sale in the EU and certain neighbouring countries of plant protection products based on active ingredients owned by the parent company.

Business review

The principal activities of the Company include the development, registration, logistics management and sale of plant protection products based on active ingredients owned by the parent company. Under this arrangement, the Company purchases active ingredients from its parent company and other co-formulants are sourced locally by the Company or the Company's Toll formulator. The Company has more control/responsibility in setting product prices. For the remainder of the business the Company receives up to 9% commission on sales to compensate for the registration activities and investments in data.

The Company made a profit before tax of £1,485,119 for the period ended 31 March 2020 (30 September 2019: £1,085,816) and had cash and cash equivalents of £9,763,593 at 31 March 2020 (30 September 2019: £2,082,426).

The Company, with its parent company, has continued to invest significantly in the development and registration of its active ingredients in the EU member states. New registrations are expected to provide further increases in income from 2020 onwards. Sales increased in FY2020 in comparison to FY2019, due to the increase of formulated product sales.

	6 month period FY2020 £	12 month period FY2019 £
Total sales	15,287,749	13,922,829
Gross profit	3,539,358	3,647,160
Operating profit	1,418,174	846,077

The Statement of financial position on page 12 of the Financial Statements shows the Company's financial position at the year end.

Principal risks and uncertainties

The Company operates in a highly regulated environment in which ever changing European legislation poses significant challenges to all businesses. However, the parent company, Nihon Nohyaku Co., Ltd. is committed to investing in new chemistry and developing this new chemistry globally and in Europe. The parent company is also committed to supporting the Company's investments in data required to support the registrations of its active ingredients. The Company expects increased sales in FY2021.

The Company was not significantly impacted by the COVID-19 (coronavirus) pandemic in the period ended 31 March 2020. However, the duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

Nichino Europe Co., Ltd.

Strategic Report (continued)

Period ended 31 March 2020

Financial Key Performance Indicators

The Financial Key Performance Indicators are actual results versus budgeted results, gross profit margin and profit before tax.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk, liquidity risk, price risk and interest rate risk. In accordance with policies approved by the Directors, the Company does not use financial derivatives to manage these risks. In addition, the Company does not use financial instruments for speculative purposes. The Company has no third party debt.

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates, as most of the Company's revenues are denominated in Euros. This risk is managed through the use of a Euro denominated bank account. The carrying amounts of the Company's Euro currency denominated assets at the reporting date was £12,092,852 (30 September 2019: £1,749,541) and the carrying amounts of the Company's Euro denominated liabilities at the reporting date was £14,268,321 (30 September 2019: £7,026,072). The foreign exchange profit for the year was £102,720 (30 September 2019: loss of £124,006).

Credit risk

The Company's principal financial assets are cash and cash equivalents, and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts represented in the Statement of Financial Position 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.

The credit risk on liquid funds is limited, because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company closely monitors the cash available to the Company, which is invested in current accounts.

Price risk

The Company is exposed to pricing risk in respect of its income and expenditure. The Company manages its exposure to price risk through commercial negotiations with customers and suppliers.

Interest rate risk

The Company is exposed to interest rate risk as it holds a significant amount of cash and cash equivalents. The Company manages its exposure to interest rate risk through the use of two large reputable banks offering competitive interest rates. Bank and other interest income in the current year totalled £26 (30 September 2019: £898).

Strategic Report (continued)

Period ended 31 March 2020

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximising the return to shareholders. The capital structure consists of amounts owed to the parent company, cash and cash equivalents and equity attributable to equity holders, comprising issued share capital and retained earnings.

Assets

If the sales, disposition, loss or damage of assets, including the disposal of agricultural chemicals and industrial wastes exceeds £50,000, then a Board resolution is required. If the amount is above £25,000, but below £50,000, only reporting to the Board is necessary.

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 page 2. In addition, pages 2 to 4 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

In assessing the ability of the Company to continue as a going concern, the directors have prepared forecasts for the period to 31 March 2022 and beyond. As part of this assessment the directors have specifically considered the impact of the COVID-19 (coronavirus) pandemic and in the view of the directors they do not anticipate coronavirus having a material impact on the Company's business activities. The directors acknowledge that the overall business impact of the pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods

The Company will continue to utilise loans from the parent company to meet expected deficits in cash flow, due to costs associated with securing European authorisations/licenses of the Company's existing products, and the cost of importing raw materials from Japan. The Company acquired a new loan of £1.5m during the period and repaid £2.5m within the year. It is the nature of the business in which the Company operates that investment in generating data to secure government authorisations to sell takes place up to 5 years before any income is generated.

The Company has been established for the purpose of managing European activities on behalf of the parent company and this is intended to be a long term arrangement. The parent company has provided a letter confirming continued financial support if required. The Directors therefore have a reasonable expectation that the company will be able to meet its liabilities when they fall due, for a period of at least 12 months from the date of approval of these financial statements.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Environment

The Company operates in a highly regulated industry, in which concern for the environment is given the highest priority. The Company's products must satisfy extremely rigorous EU standards prior to release on the market.

Employees

The Company's direct employees have increased to 14 this period (30 September 2019: 12) and decreased to 1 for staff seconded from the parent company (30 September 2019: 2).

Nichino Europe Co., Ltd.

Strategic Report (continued)

Period ended 31 March 2020

Creditor payment policy

It is the Company's policy to maintain good relationships with its suppliers. Suppliers are made aware of the terms of payment, which are agreed with them in advance and these terms are adhered to.

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

A handwritten signature in black ink, appearing to read 'M Hilweg', is written over the printed name and title.

M Hilweg
Director

Date: 2 June 2020

Nichino Europe Co., Ltd.

Directors' Report

Period ended 31 March 2020

The directors present their report and the financial statements for the 6 month period ended 31 March 2020. The comparative figures relate to the year to 30 September 2019.

Directors

The Directors in office in the Period ended 31 March 2020 were as follows:

M Hilweg
J Inoshita
M Kawamura
H Nagai
D Westwater

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.

Dividends

The Directors recommended and declared the payment of a dividend for the current year equivalent to 20% of profit after tax - £236,416 (30 September 2019: £44,120). The dividend will be declared and paid in June 2020.

Directors' responsibility statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union. 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:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures, when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records, which 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.

Nichino Europe Co., Ltd.

Directors' Report (continued)

Period ended 31 March 2020

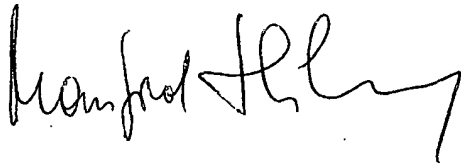
Disclosure of information to auditors

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

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

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

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

A handwritten signature in black ink, appearing to read 'Manfred Hilweg', written in a cursive style.

M Hilweg
Director

Date: 2 June 2020

Nichino Europe Co., Ltd.

Independent auditor's report to the members of Nichino Europe Co., Ltd.

Period ended 31 March 2020

OPINION

We have audited the financial statements of Nichino Europe Co., Ltd for the Period ended 31 March 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Nichino Europe Co., Ltd.

**Independent auditor's report to the members of Nichino Europe Co., Ltd.
(continued)**

Period ended 31 March 2020

OPINION 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 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 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.

AUDITORS' 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 Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

M H

Nichino Europe Co., Ltd.

**Independent auditor's report to the members of Nichino Europe Co., Ltd.
(continued)**

Period ended 31 March 2020

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Kelly Bretherick (Senior Statutory Auditor)

for and on behalf of
Peters Elworthy & Moore

Chartered Accountants
Statutory Auditors

Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 2 June 2020

Nichino Europe Co., Ltd.

Statement of comprehensive income

Period ended 31 March 2020

		Period Ended 31 March 2020 £	Year Ended 30 September 2019 £
	Notes		
Revenue	5	15,287,749	13,922,829
Cost of sales		(11,748,391)	(10,275,669)
Gross profit		3,539,358	3,647,160
Administration expenses		(2,121,184)	(2,801,083)
Operating profit	6	1,418,174	846,077
Finance income		26	1,005
Other income	7	85,032	257,451
Finance costs	8	(18,113)	(18,717)
Profit before tax		1,485,119	1,085,816
Tax	11	(303,040)	(203,412)
Profit for the period/year		<u>1,182,079</u>	<u>882,404</u>
Other comprehensive income			
Total comprehensive income for the period/year		<u>1,182,079</u>	<u>882,404</u>

None of the Company's activities were acquired or discontinued during the period.

The notes on pages 15 to 31 form part of these financial statements.

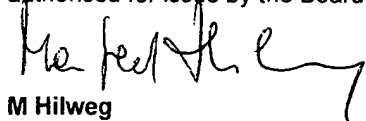
Nichino Europe Co., Ltd.

Statement of financial position

Period ended 31 March 2020

	Notes	31 March 2020 £	30 September 2019 £
Non-current assets			
Property, plant and equipment	12	14,168	13,339
Right-to-use assets	16	83,738	-
Intangible assets	13	2,607,658	3,170,203
		<u>2,705,564</u>	<u>3,183,542</u>
Current assets			
Inventories	14	5,775,934	5,952,927
Trade and other receivables	15	5,019,319	3,616,607
Cash and cash equivalents	17	9,763,593	2,082,426
		<u>20,558,846</u>	<u>11,651,960</u>
Total assets		<u>23,264,410</u>	<u>14,835,502</u>
Current liabilities			
Trade and other payables	18	16,584,460	9,379,128
Lease liabilities	16	33,486	-
		<u>16,617,946</u>	<u>9,379,128</u>
Net current assets		<u>3,940,900</u>	<u>2,272,832</u>
Non-current liabilities			
Deferred tax liabilities	20	2,408	2,267
Lease liabilities	16	51,990	-
		<u>54,398</u>	<u>-</u>
Total liabilities		<u>16,672,344</u>	<u>9,381,395</u>
Net assets		<u>6,592,066</u>	<u>5,454,107</u>
Equity			
Share capital	21	30,000	30,000
Retained earnings		6,562,066	5,424,107
Total equity		<u>6,592,066</u>	<u>5,454,107</u>

The financial statements of Nichino Europe Co., Ltd. (registered number 06354832) were approved and authorised for issue by the Board of Directors and signed on its behalf.



M Hilweg
Director

Date: 2 June 2020

The notes on pages 15 to 31 form part of these financial statements.

Nichino Europe Co., Ltd.

Statement of changes in equity

Period ended 31 March 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 October 2018	30,000	4,602,963	4,632,963
Profit for the year	-	882,404	882,404
Dividends	-	(61,260)	(61,260)
Balance at 1 October 2019	<u>30,000</u>	<u>5,424,107</u>	<u>5,454,107</u>
Profit for the period	-	1,182,079	1,182,079
Dividends	-	(44,120)	(44,120)
Balance at 31 March 2020	<u>30,000</u>	<u>6,562,066</u>	<u>6,592,066</u>

The notes on pages 15 to 31 form part of these financial statements.

Nichino Europe Co., Ltd.

Cash flow statement

Period ended 31 March 2020

	Note	31 March 2020 £	30 September 2019 £
Net cash from operating activities	24	9,002,580	109,611
Cash flow from investing activities			
Finance income received		26	1,005
Purchases of property, plant and equipment		(105,883)	(7,818)
Proceeds on disposal of property, plant and equipment		-	90
Expenditure on product development		(240,665)	(754,444)
		<u>(346,522)</u>	<u>(761,167)</u>
Cash flow from financing activities			
Issue of current borrowings from the parent company		1,461,729	3,500,000
Repayment of current borrowings from the parent company		(2,375,000)	(2,500,000)
Repayment of lease liabilities		(17,500)	-
Dividends paid		(44,120)	(61,260)
		<u>(974,891)</u>	<u>938,740</u>
Net increase in cash and cash equivalents		7,681,167	287,184
Cash and cash equivalents at beginning of period		2,082,426	1,795,242
Cash and cash equivalents at end of period	17	<u>9,763,593</u>	<u>2,082,426</u>

The notes on pages 15 to 31 form part of these financial statements.

MH

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

1. General information

Nichino Europe Co., Ltd. is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report and Director's report on pages 2 to 7.

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

2. Amendments to IFRSs that are mandatorily effective for the current period

In the current financial period, the Company has adopted the following amendments to IFRSs issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

- Amendments to IFRS 16 Leases

IFRS 16 Leases replaces IAS 17 and the related interpretations. Leases are recorded on the statement of financial position in the form of a right-of-use asset and lease liability. The directors have assessed the impact on the financial statements.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations have been issued but are not yet effective (and in some cases had not been adopted by the EU). They are not expected to have a significant impact on the amounts reported in future financial statements.

- Definition of Material – Amendments to IAS 1 and IAS 8 (effective for the year beginning 1 January 2020)

3. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial statements have been prepared under the historical cost convention and include the results of the Company's operations, which are described in the Directors' report and all of which are continuing.

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 Strategic Report on page 2. In addition, pages 2-4 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment the directors have considered the impact of the global pandemic occurring in the early months of 2020 and consequently the ability of the group to provide such financial support. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. In assessing the ability of the Company to continue as a going concern, the Directors have prepared forecasts for the period to 31 March 2022 and beyond.

As reported, the principal activities of the Company include the development, registration, logistics management and sale in the EU of plant protection products, based on active ingredients owned by the parent company.

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

3. Significant accounting policies (continued)

The Company purchases both raw active ingredients for toll formulation and also finished product from its parent company. On the finished product sales, the Company receives 9% commission to compensate for the registration activities and investments. The Company acquired one loan during the year totalling £1.5m, the whole loan balance of £2.5m was fully repaid within the year. As at 31 March 2020 the Company held no loans from the parent company. The loans in the year were secured to meet expected deficits in cash flow due to costs associated with securing European authorisations/licenses of the Company's existing products and import costs of raw materials from Japan.

During this financial year, the Company increased its level of toll formulation sales in Europe to represent 96% of total sales by value. Under this arrangement, the Company purchases active ingredient from its parent company and other co-formulants are sourced locally by the Company or by the Company's toll formulator. The Company is able to achieve more control/responsibility to set product prices. The toll formulation operation will expand during the next financial year.

The Company has been established for the purpose of managing European activities on behalf of the parent company and this is intended to be a long term arrangement. The parent company has provided a letter confirming continued support where required. The Directors have a strong expectation that this support will continue.

Revenue recognition

Revenue comprises the invoiced value of goods and services supplied by the Company, excluding VAT and trade discounts. Sale of goods is recognised when goods are delivered, and risks and rewards of ownership have passed and reliable measurement is possible.

The Company sells agrochemicals manufactured by its parent company, earning a commission on sales and also sells finished product which the Company has toll formulated in Europe. Where the substance of a transaction is that the Company acts as an agent, it reports as turnover the commission or other amounts received or receivable in return for its performance under the contractual arrangement. Any amounts received or receivable from the customer that are payable to the principal are not included in the Company's turnover and therefore only the commission is recognised as revenue in these cases.

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all non-current assets at rates calculated to write-off the costs less estimated residual value of each asset evenly over their expected useful lives as follows:

Office equipment	33% straight line depreciation
Fixtures and fittings	25% straight line depreciation

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

3. Significant accounting policies (continued)

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Any tax credit receivable under the large company R & D tax scheme is included as other operating income.

An internally-generated intangible asset arising from the Company's development is recognised only if all of the following conditions are met:

- Completion of the asset is technically feasible;
- The Company intends to complete the intangible asset and use or sell it;
- The Company has the ability to use the asset or sell it;
- The intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset, or, if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Internally-generated intangible assets are being amortised on a straight-line basis over the expected life of the asset. The expected life of these assets is 7 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Annually, detailed sensitivity analysis is carried out to review whether the carrying amount of the asset is impaired or whether it will be recovered in full.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, formulation costs and overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the last purchase price. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excluded items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable.

Notes to the financial statements

Period ended 31 March 2020

3. Significant accounting policies (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not discounted.

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. The details of accounting policies under IAS 17 are disclosed separately below.

Policy applicable from 1 October 2019:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the rights to control the use of an identified asset, the Company assesses whether:

- The contract involves use of an identified asset and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

This policy is applied to contracts entered into or changed on or after 1 October 2019

As a lessee, the company recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease.

Policy applicable before 1 October 2019:

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remained with the lessor, were charged against profit as incurred.

Pension contributions

The Company contributes a monthly amount into the individual private pension plans of its employees. The administration of these pension plans is independent of the company. The pension cost charge represents contributions payable by the Company to the fund in respect of the year.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of transaction. Exchange rate differences are taken into account in arriving at the operating profit.

Notes to the financial statements

Period ended 31 March 2020

3. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument.

Financial Assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or as available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end. When financial assets are recognised, initially they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial Liabilities

Financial liabilities are initially measured at fair value and, if material, are subsequently measured at amortised cost using the effective interest method. 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 throughout the expected life of the financial liability.

Loans and Receivables

Trade receivables do not carry any interest and are recognised at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote. Trade receivables are categorised as loans and receivables.

Trade Payables

Trade payables are not interest bearing and are stated at their amortised cost. Trade payables are financial instruments which are categorised as amortised cost.

Cash and Cash Equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Cash and cash equivalents are categorised as loans and receivables. The Company's financial risk management objectives and policies are set out in the Directors' Report on pages 3 and 4.

4. Critical accounting judgements and key sources of estimation uncertainty

Recoverability of internally-generated intangible asset

During the year, management reconsidered the recoverability of its internally-generated intangible asset which is included in its Statement of Financial Position at £2,607,658 (30 September 2019: £3,170,203). The development and registration of products continues to progress in a satisfactory manner and market reaction has reconfirmed management's previous estimates of anticipated revenues from the asset. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full.

Useful economic life of internally-generated intangible asset

The useful economic lives of internally-generated intangible assets have been determined from a consideration of a number of factors – including regulatory (licence to sell), commercial viability and historical knowledge. The regulatory re-registration process in the EU has a cycle of approximately 7-15 years and with changing regulatory restrictions it is possible that a product may not be re-registered. The Company has products which have been sold continuously for 20 years or more in the EU, however, with the vagaries of the regulatory lifespan and the highly competitive market

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

situation in which new competitors appears from time to time, the Company has decided 7 years was a conservative time-span.

5. Revenue

Revenue represents amounts invoiced to third parties, derived from the sales of plant protection products and the provision of services that fall within the Company's sole principal activity.

	31 March 2020 £	30 September 2019 £
Revenue by category:		
Sales of products	15,281,413	13,870,256
Sales commission	6,336	52,573
	<u>15,287,749</u>	<u>13,922,829</u>
Revenue by customer location:		
United Kingdom	1,418,202	749,752
Rest of the World	13,869,547	13,173,077
	<u>15,287,749</u>	<u>13,922,829</u>

6. Operating profit

	31 March 2020 £	30 September 2019 £
This is stated after charging:		
Depreciation of plant and equipment owned by the company	4,568	7,686
Depreciation of right-of-use asset	16,748	-
Amortisation of development and registration costs	<u>26,822</u>	<u>60,046</u>
	48,138	67,732
Operating lease rentals		
hire of plant and machinery	-	1,917
other	-	35,000
Auditor's remuneration		
fees payable to the Company's auditor for the audit of the Company's annual accounts	<u>17,500</u>	<u>16,995</u>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

7. Other income

	2020 £	2019 £
R&D expenditure credit	14,290	113,640
Recharges of staff salaries to the parent company	69,055	143,014
Miscellaneous income	1,687	797
	<u>85,032</u>	<u>257,451</u>

8. Finance costs

	31 March 2020 £	30 September 2019 £
Interest payable on current borrowings from the parent company	15,623	18,717
Interest expense on lease liabilities	2,490	-
	<u>18,113</u>	<u>18,717</u>

9. Staff costs

	31 March 2020 £	30 September 2019 £
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	570,236	1,085,324
Social security costs	70,345	142,402
Other pension costs	16,101	26,156
	<u>656,682</u>	<u>1,253,882</u>

The average number of employees, including directors, during the period was:

	No.	No.
Office and administration	6	6
Sales and marketing	2	2
Development and registration	6	6
	<u>14</u>	<u>14</u>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

10. Remuneration of key management personnel

The remuneration of the directors, who are key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	31 March 2020 £	30 September 2019 £
Short-term employee benefits	126,178	219,142
Post-employment benefits	-	-
	<u>126,178</u>	<u>219,142</u>

During the year retirement benefits were accruing to nil directors (30 September 2019: nil) in respect of a money purchase scheme.

The highest paid director received remuneration of £67,737 (30 September 2019: £126,441). The value of the company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £NIL (30 September 2019: £NIL).

11. Taxation

	31 March 2020 £	30 September 2019 £
Current tax		
UK corporation tax at 19% (30 September 2019: 19%)	302,881	193,164
Adjustment in respect of prior years	18	10,241
	<u>302,899</u>	<u>203,405</u>
Deferred tax		
Deferred tax charge/(credit)	141	7
Tax expense for the period/year	<u>303,040</u>	<u>203,412</u>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

11. Taxation (continued)

The tax assessed for the year differs from the blended rate of UK taxation applicable to the company of 19% (30 September 2019: 19%). The differences are explained below:

	31 March 2020 £	30 September 2019 £
Profit on ordinary activities before tax	<u>1,485,119</u>	<u>1,085,816</u>
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2019: 19%)	282,173	206,305
Expenses not deductible for tax purposes	20,875	1,957
Depreciation for period in deficit/(excess) of capital allowances	-	(8)
Adjustment in respect of R&D expenditure	-	(15,070)
Adjustment in respect of prior years	18	10,241
Other timing differences	(9)	(20)
Change in recognised deferred tax liability	<u>(17)</u>	<u>7</u>
Tax expense for the year	<u>303,040</u>	<u>203,412</u>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

12. Property, plant and equipment

	Office equipment £	Fixtures & fittings £	Motor Vehicles £	Total £
Cost				
Balance at 1 October 2018	48,043	14,243	-	62,286
Additions	6,287	760	771	7,818
Disposals	(804)	-	-	(804)
Balance at 1 October 2019	53,526	15,003	771	69,300
Additions	5,397	-	-	5,397
Disposals	-	-	-	-
Balance at 31 March 2020	58,923	15,003	771	74,697
Depreciation				
Balance at 1 October 2018	37,858	11,131	-	48,989
Charge for the year	5,669	1,760	257	7,686
On disposals	(714)	-	-	(714)
Balance at 1 October 2019	42,813	12,891	257	55,961
Charge for the period	3,524	916	128	4,568
On disposals	-	-	-	-
Balance at 31 March 2020	46,337	13,807	771	60,529
Carrying amount				
At 30 September 2019	10,713	2,112	514	13,339
At 31 March 2020	12,586	1,196	386	14,168

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

13. Intangible assets

	Development costs £
Cost	
Balance at 1 October 2018	2,792,106
Additions	754,444
Impairment	(85,312)
	<hr/>
Balance at 30 September 2019	3,461,238
Additions	240,665
Impairment	(776,388)
	<hr/>
Balance at 31 March 2020	2,925,515
Amortisation	
Balance at 1 October 2018	230,989
Charge for the year	60,046
	<hr/>
Balance at 30 September 2019	291,035
Charge for the period	26,822
	<hr/>
Balance at 31 March 2020	317,857
Carrying amount	
At 30 September 2019	3,170,203
	<hr/>
At 31 March 2020	2,607,658
	<hr/>

14. Inventories

	31 March 2020 £	30 September 2019 £
Raw materials	1,781,784	4,904,722
Finished goods	3,994,150	1,048,205
	<hr/>	<hr/>
	5,775,934	5,952,927
	<hr/>	<hr/>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

15. Trade and other receivables

	31 March 2020 £	30 September 2019 £
Trade receivables	4,439,767	903,089
Related party receivables	-	11,304
Prepayments and accrued income	360,795	2,418,897
Other debtors	218,757	283,317
	<u>5,019,319</u>	<u>3,616,607</u>

All amounts are due within one year. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. There are no debtors within the trade receivables balance that are overdue (30 September 2019: £nil).

16. Leases: Right-of-use assets

The Company rents an office premises in the UK.

	Leasehold property £
Cost	
Balance at 1 October 2019	-
Additions	100,486
	<u>100,486</u>
Balance at 31 March 2020	100,486
Depreciation	
Balance at 1 October 2019	-
Charge for the period	16,748
	<u>16,748</u>
Balance at 31 March 2020	16,748
Carrying amount	
At 30 September 2019	-
At 31 March 2020	<u>83,738</u>

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Notes to the financial statements

Period ended 31 March 2020

16. Leases: Right-of-use assets (continued)

Lease liabilities

The Company's commitments in relation to leases are payable as follows:

	31 March 2020	30 September 2019
	£	£
Within one year	35,000	-
Between one and two years	35,000	-
Between two and five years	17,500	-
Total undiscounted lease liabilities at 31 March	87,500	-
Future finance charges	(2,024)	-
Present value of minimum lease payments	85,476	-

The present value of the Company's lease liabilities are as follows:

	31 March 2020	30 September 2019
	£	£
Current	33,486	-
Non-current	51,990	-
Minimum lease payments	85,476	-

17. Cash and cash equivalents

Cash and cash equivalents of £9,763,593 (30 September 2019: £2,082,426) comprise cash held by the Company and short term bank deposits with an original maturity of three months or less. The Directors consider that the carrying amount of these assets approximates their fair value.

18. Trade and other payables

	31 March 2020	30 September 2019
	£	£
Trade payables	16,199,427	8,096,938
Intercompany loan	-	1,000,000
Amounts owed to intercompany	6,412	-
Current tax	288,600	158,839
Other taxes and social security costs	13,194	15,781
Other creditors	10,727	10,371
Accruals and deferred income	66,100	97,199
	16,584,460	9,379,128

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 271 days (30 September 2019: 226 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

19. Financial instruments

Categories of financial instruments

For the purposes of risk management, the following classes of financial assets and their carrying values have been identified:

	31 March 2020 £	30 September 2019 £
Trade receivables	4,439,767	903,089
Amounts owed by the parent company	-	11,304
Cash and cash equivalents	9,763,593	2,082,426
	<u>14,203,360</u>	<u>2,996,819</u>

For the purposes of risk management, the following classes of financial liabilities and their carrying values have been identified:

	31 March 2020 £	30 September 2019 £
Trade creditors and accruals	16,351,003	8,194,137
Amounts owed to the parent company	6,412	-
Intercompany Loan	-	1,000,000
	<u>16,357,415</u>	<u>9,194,137</u>

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in sterling against the Euro and represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated items.

	31 March 2020 £	30 September 2019 £
Effect of 10% increase in Euro exchange rate on Profit or loss - gain/(loss)	197,770	479,685
Effect of 10% decrease in Euro exchange rate on Profit or loss - gain/(loss)	<u>(241,719)</u>	<u>(586,281)</u>

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

20. Deferred taxation

	31 March 2020 £	30 September 2019 £
Liability at 1 October 2019	2,267	2,260
Charge/(credit) for the period/year	141	7
Liability at 31 March 2020	<u>2,408</u>	<u>2,267</u>

The provision for deferred taxation is made up of accelerated capital allowances.

21. Called up share capital

	31 March 2020 £	30 September 2019 £
Authorised		
300 ordinary shares of £100 each	<u>30,000</u>	<u>30,000</u>
Allotted, called up, and fully paid		
300 ordinary shares of £100 each	<u>30,000</u>	<u>30,000</u>

22. Pension commitments

The Company contributes a monthly amount into the individual private pension plans of its employees.

The administration of these pension plans is independent of the Company. The pension cost charge represents contributions paid by the Company to the pension plans and amounted to £16,101 (30 September 2019: £26,156) in the period/year.

£Nil was owed under this scheme at 31 March 2020 (30 September 2019: £Nil).

23. Other commitments

The company has total commitments under non-cancellable leases as follows:

	Land and buildings 30		Other 30	
	31 March 2020 £	September 2019 £	31 March 2020 £	September 2019 £
Expiry date:				
Within one year	-	35,000	-	16,439
Between one and two years	-	35,000	-	8,452
Between two and five years	-	35,000	-	2,417
	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>27,308</u>

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Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

24. Reconciliation of profit from operations to net cash flow from operating activities

	31 March 2020 £	30 September 2019 £
Profit before tax	1,485,119	1,085,816
Adjustments for:		
Finance income	(26)	(1,005)
Finance costs	18,113	18,717
Depreciation of property, plant and equipment	21,316	7,686
Amortisation of intangible fixed assets	26,822	60,046
Impairment of intangible fixed assets	776,388	85,312
Decrease/(increase) increase in inventories	176,993	(4,867,254)
(Increase)/decrease in receivables	(1,402,712)	114,140
(Decrease)/increase in payables	8,077,387	3,654,569
(Decrease)/increase in provisions	141	7
	<hr/>	<hr/>
Cash generated by operations	9,179,541	158,034
Interest paid	(18,113)	(18,717)
Taxes paid	(158,848)	(29,706)
	<hr/>	<hr/>
Net cash from operating activities	<u>9,002,580</u>	<u>109,611</u>

25. Dividends

The Directors recommended the payment of a dividend for the current year equivalent to 20% of profit after tax - £236,416 (30 September 2019: - £44,120). This will be declared and paid in June 2020.

26. Ultimate parent undertaking and controlling party

The ultimate parent company and controlling party is Nihon Nohyaku Co. Ltd., a company incorporated in Japan by virtue of its 100% ownership of the issued ordinary share capital. The company prepares consolidated financial statements which are available from the Tokyo Exchange.

Nichino Europe Co., Ltd.

Notes to the financial statements

Period ended 31 March 2020

27. Current borrowings

A loan of £1,000,000 was provided by the parent company Nihon Nohyaku Co. Ltd., in August 2019. The loan was paid back in full in February 2020. Interest was charged at 1.40% plus a 0.5% service charge.

A loan of £1,461,729 was provided by the parent company Nihon Nohyaku Co. Ltd., in October 2019. The loan was paid back in full in March 2020. Interest was charged at 0.56% plus a 0.5% service charge.

Interest on these loans amounts to £15,623 (30 September 2019: £18,716) in the period ended 31 March 2020.

	£
At 1 October 2019	1,000,000
Issue of new loans in year from parent company	1,461,729
Repayment of loans in year	(2,461,729)
At 31 March 2020	-

28. Related Party Transactions

Nihon Nohyaku Co Ltd, the Company's parent company, has provided financing to the Company in the current and previous years. See note 26 for further details.

During the year, four employees of the Company provided services to its parent company which amounted to £69,055 (30 September 2019: £141,265). At 31 March 2020 the company was owed a net position of £6,412 by its parent (30 September 2019: £11,304).