Company Registration No. 06354832

Nichino Europe Co., Ltd.

Report and Financial Statements

30 September 2018

Nichino Europe Co., Ltd.

Contents

Year ended 30 September 2018

Nichino Europe Co., Ltd.

Officers and advisors

Year ended 30 September 2018

Directors

M Hilweg
J Inoshita
M Kawamura
H Nagai

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

Strategic Report

Year ended 30 September 2018

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 Company was incorporated on 29 August 2007; this report reviews the eleventh year of business. 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 mainly in the EU 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 £1,525,376 for the year ended 30 September 2018 (2017: £1,548,509) and had cash and cash equivalents of £1,795,242 at 30 September 2018 (2017: £1,775,018).

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 2019 onwards.

Sales increased significantly in FY2018 in comparison to FY2017, due to the increase of Technical grade sales.

	FY2018	**FY2017**
	£	**£**
Total sales	15,544,408	10,916,419
Gross profit	3,997,952	3,611,229
Operating profit	1,387,095	1,381,603

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 FY2019. The increased investment in development and registration is expected to offer the opportunity for the Company to increase sales of mainly toll formulated product further from FY2019.

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 £1,534,185 (2017: £2,318,954) and the carrying amounts of the Company's Euro denominated liabilities at the reporting date was £285,519 (2017: £364,273). The foreign exchange gain for the year was £48,353 (2017: loss £4,652).

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 £17 (2017: £10).

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 and 3 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 cash flow forecasts for the period to 30 September 2019.

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 required one loan during the year and repaid £1m 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 meets 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 remained at 11 this year (2017: 11) and remains at 2 for staff seconded from the parent company (2017: 2).

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.

Nichino Europe Co., Ltd.

Strategic Report (continued)

Year ended 30 September 2018

Approved by the Board of Directors on 15th November 2018 and signed on behalf of the Board.

Dr Manfred Hilweg, NOV 26, 2018

M Hilweg
Director

Directors' Report

Year ended 30 September 2018

The directors present their report and the financial statements for the year ended 30 September 2018.

Directors

The Directors in office in the year ended 30 September 2018 were as follows:

M Hilweg (appointed 22 December 2017)
J Inoshita
Y Katagiri (resigned 19 April 2018)
M Kawamura
H Nagai
H Nakashima (resigned 22 December 2017)

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 recommend the payment of a dividend for the current year equivalent to 5% of profit after tax - £61,260 (2017: £62,200). The dividend will be declared and paid in December 2018.

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, International Accounting Standard 1 requires that Directors:

- 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.

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 15th November 2018 and signed on behalf of the Board.

Dr. Manfred Hilweg, NOV 26, 2018

M Hilweg
Director

Nichino Europe Co., Ltd.

Independent Auditors' Report

Year ended 30 September 2018

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

OPINION

We have audited the financial statements of Nichino Europe Co., Ltd for the year ended 30 September 2018, 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 30 September 2018 and of its loss 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.

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

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.

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

USE OF OUR REPROT

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: 4 December 2018

Nichino Europe Co., Ltd.

Statement of comprehensive income

Year ended 30 September 2018

	Notes	2018 £	2017 £
Revenue	5	15,544,408	10,916,419
Cost of sales		(11,546,456)	(7,305,190)
Gross profit		3,997,952	3,611,229
Administration expenses		(2,610,857)	(2,229,626)
Operating profit	6	1,387,095	1,381,603
Investment revenue		17	10
Other income	7	144,596	184,819
Finance costs	8	(6,332)	(17,923)
Profit before tax		1,525,376	1,548,509
Tax	11	(300,193)	(304,611)
Profit for the year		1,225,183	1,243,898
Other comprehensive income			
Total comprehensive income for the year		1,225,183	1,243,898

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

The notes on pages 15 to 28 form part of these financial statements.

Nichino Europe Co., Ltd.

Statement of financial position

Year ended 30 September 2018

	Notes	2018 £	2017 £
Non-current assets			
Property, plant and equipment	12	13,297	10,382
Other intangible assets	13	2,561,117	1,675,457
		2,574,414	1,685,839
Current assets			
Inventories	14	1,085,673	1,545,514
Trade and other receivables	15	3,730,747	3,651,243
Cash and cash equivalents	16	1,795,242	1,775,018
		6,611,662	6,971,775
Total assets		9,186,076	8,657,614
Current liabilities			
Trade and other payables	17	4,550,853	5,186,333
		4,550,853	5,186,333
Net current assets		2,060,809	1,785,442
Non-current liabilities			
Deferred tax liabilities	19	2,260	1,301
Total liabilities		4,553,113	5,187,634
Net assets		4,632,963	3,469,980
Equity			
Share capital	20	30,000	30,000
Retained earnings		4,602,963	3,439,980
Total equity		4,632,963	3,469,980

The financial statements of Nichino Europe Co., Ltd. (registered number 06354832) were approved by the Board of Directors on 15th November 2018 and signed on its behalf.

D. Manfred Hilweg , Nov 26, 2018

M Hilweg
Director

The notes on pages 15 to 28 form part of these financial statements.

Nichino Europe Co., Ltd.

Statement of changes in equity

Year ended 30 September 2018

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 October 2016	30,000	2,196,082	2,226,082
Profit for the year	-	1,243,898	1,243,898
Balance at 1 October 2017	30,000	3,439,980	3,469,980
Profit for the year	-	1,225,183	1,225,183
Dividends	-	(62,200)	(62,200)
Balance at 30 September 2018	30,000	4,602,963	4,632,963

Nichino Europe Co., Ltd.

Cash flow statement

Year ended 30 September 2018

	Note	2018 £	2017 £
Net cash from operating activities	23	1,039,259	2,830,572
Cash flow from investing activities			
Interest received		17	10
Purchases of property, plant and equipment		(9,476)	(3,576)
Expenditure on product development		(947,376)	(598,119)
		(956,835)	(601,685)
Cash flow from financing activities			
(Repayment)/issue of non-current borrowings from the parent company		-	(1,500,000)
Issue of current borrowings from the parent company		1,000,000	-
(Repayment)/issue of current borrowings from the parent company		(1,000,000)	-
Dividends paid		(62,200)	
		(62,200)	(1,500,000)
Net increase/(decrease) in cash and cash equivalents		20,224	728,887
Cash and cash equivalents at beginning of year		1,775,018	1,046,131
Cash and cash equivalents at end of year	16	1,795,242	1,775,018

Notes to the financial statements

Year ended 30 September 2018

1. General information

Nichino Europe Co., Ltd. is a company incorporated in the United Kingdom under the Companies Act. 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. New and revised International Financial Reporting Standards

In the current financial year, 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).

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

Adoption of these amendments did not have any effect on the financial statements of the Company or result in changes in accounting policy or additional disclosure.

During the year, the IASB and IFRIC have issued a number of new and revised IFRS with an effective date after the date of these financial statements. The new standards and amendments issued include the following:

- Amendments to IFRS 9 Financial Instruments
- Amendments to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 16 Leases

The Directors anticipate that the adoption of these standards and amendments in future periods will have no material impact on the Company's financial statements.

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. 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 cash flow forecasts for the period to 30 September 2020.

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.

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 required one loan of £1.0m during the year which was fully repaid within the year. As at 30 September 2018 the Company held no loans from the parent company. The loans 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 maintained its level of toll formulation sales in Europe to represent 62% 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.

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. The Company managed the toll formulation and logistics of approximately 62% by value (86% by profit) of the total sales in the year.

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

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.

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

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset 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. 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.

3. Significant accounting policies (continued)

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.

Operating leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are 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.

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 £2,561,117 (2017: £1,675,457). The development and registration of products continues to progress in a very 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 8-15 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 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.

	2018 £	2017 £
Revenue by category:		
Sales of products	15,416,953	10,734,875
Sales commission	127,455	181,544
	15,544,408	10,916,419
Investment income:		
Interest income	17	10
Other income:		
Recharges of staff salaries to the parent company	144,518	184,819
Miscellaneous income	78	-
Total income	144,596	11,101,248
Revenue by customer location:		
United Kingdom	636,540	660,272
Rest of the World	14,907,868	10,256,147
	15,544,408	10,916,419

6. Operating profit

	2018 £	2017 £
This is stated after charging:		
Depreciation of plant and equipment owned by the company	6,561	6,121
Amortisation of development and registration costs	54,561	45,997
	61,122	52,118
Operating lease rentals		
hire of plant and machinery	1,343	1,343
other	34,470	22,250
Auditor's remuneration		
fees payable to the Company's auditor for the audit of the Company's annual accounts	16,500	16,135

7. Other income

	2018 £	2017 £
Recharges of staff salaries to the parent company	144,518	184,819
Miscellaneous income	78	-
	144,596	184,819

8. Finance costs

	2018 £	2017 £
Interest payable on current borrowings from the parent company	6,332	17,923
	6,332	17,923

9. Staff costs

	2018 £	2017 £
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	1,053,224	965,182
Social security costs	121,440	110,292
Other pension costs	24,329	23,346
	1,198,993	1,098,820

	No.	No.
The average number of employees, including directors, during the year was:		
Office and administration	5	5
Sales and marketing	2	2
Development and registration	6	6
	13	13

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.

	2018 £	2017 £
Short-term employee benefits	160,475	198,667
Post-employment benefits	-	-
	160,475	193,457

During the year retirement benefits were accruing to no directors (2017: nil) in respect of a money purchase scheme.

11. Taxation

	2018 £	2017 £
Current tax		
UK corporation tax at 19% (2017: 19.5%)	293,985	305,398
Adjustment in respect of prior years	5,249	-
	299,234	305,398
Deferred tax		
Deferred tax charge/(credit)	959	(787)
Tax expense for the year	300,193	304,611

The tax assessed for the year differs from the blended rate of UK taxation applicable to the company of 19% (2017: 19.5%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	1,525,376	1,548,509
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2017: 19.5%)	289,821	301,959
Expenses not deductible for tax purposes	5,590	2,609
Depreciation for period in deficit/(excess) of capital allowances	(1,046)	-
Adjustment in respect of prior years	5,249	-
Other timing differences	(380)	830
Change in recognised deferred tax liability	959	(787)
Tax expense for the year	300,193	304,611

12. Property, plant and equipment

	Office equipment £	Fixtures and fittings £	Total £
Cost			
Balance at 1 October 2016	37,126	13,043	50,169
Additions	2,492	1,084	3,576
Disposals	(935)	-	(935)
Balance at 30 September 2017	38,683	14,127	52,810
Additions	9,360	116	9,476
Disposals	-	-	-
Balanced at 30 September 2018	48,043	14,243	62,286
Depreciation			
Balance at 1 October 2016	30,893	6,274	37,167
Charge for the year	3,567	2,554	6,121
On disposals	(860)		(860)
Balance at 30 September 2017	33,600	8,828	42,428
Charge for the year	4,258	2,303	6,561
On disposals	-	-	-
Balance at 30 September 2018	37,858	11,131	48,989
Carrying amount			
At 30 September 2016	6,233	6,769	13,002
At 30 September 2017	5,083	5,299	10,382
At 30 September 2018	10,185	3,112	13,297

13. Other intangible assets

	Development costs £
Cost	
Balance at 1 October 2016	1,408,634
Additions	598,119
Impairment	(154,871)
Balance at 30 September 2017	1,851,882
Additions	947,376
Impairment	(7,155)
Balance at 30 September 2018	2,792,106
Amortisation	
Balance at 1 October 2016	130,428
Charge for the year	45,997
Balance at 30 September 2017	176,425
Charge for the year	54,561
Balance at 30 September 2018	230,989
Carrying amount	
At 30 September 2016	1,278,206
At 30 September 2017	1,675,457
At 30 September 2018	2,561,117

14. Inventories

	2018 £	2017 £
Raw materials	467,904	1,480,876
Finished goods	617,769	64,638
	1,085,673	1,545,514

15. Trade and other receivables

	2018 £	2017 £
Trade receivables	608,444	888,989
Related party receivables	67	504
Prepayments and accrued income	2,960,004	2,465,549
Other debtors	162,232	296,201
	3,730,747	3,651,243

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 (2017: £nil).

16. Cash and cash equivalents

Cash and cash equivalents of £1,795,242 (2017: £1,775,018) 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.

17. Trade and other payables

	2018 £	2017 £
Trade payables	4,326,143	4,880,405
Corporation tax	98,886	159,207
Other taxes and social security costs	11,553	14,675
Other creditors	8,846	9,944
Accruals and deferred income	105,425	122,102
	4,550,853	5,186,333

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 123 days (2017: 156 days). The Directors consider that the carrying amount of trade payables approximates their fair value.

18. Financial instruments

Categories of financial instruments

Under IFRS 7 and for the purposes of risk management, the following classes of financial assets and their carrying values have been identified:

	2018 £	2017 £
Trade receivables	608,444	888,989
Amounts owed by the parent company	67	504
Cash and cash equivalents	1,795,242	1,775,018
Loans and receivables (including cash and cash equivalents)	2,403,753	2,664,511

Under IFRS 7, and for the purposes of risk management, the following classes of financial liabilities and their carrying values have been identified:

18. Financial instruments (continued)

	2018 £	2017 £
Trade creditors and accruals	4,431,568	5,002,507
Amortised cost	4,431,568	5,002,507

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.

	2018 £	2017 £
Effect of 10% increase in Euro exchange rate on Profit or loss - gain/(loss)	(113,424)	(177,698)
Effect of 10% decrease in Euro exchange rate on Profit or loss - gain/(loss)	138,630	217,187

19. Deferred taxation

	2018 £	2017 £
Liability at 1 October	1,301	2,088
Charge/(credit) for the year	959	(787)
Liability at 30 September	2,260	1,301

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

20. Called up share capital

	2018 £	2017 £
Authorised		
300 ordinary shares of £100 each	30,000	30,000
Allotted, called up, and fully paid		
300 ordinary shares of £100 each	30,000	30,000

21. 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 £24,329 (2017: £23,346) in the year.

£64 was owed under this scheme at 30 September 2018 (2017: £2,000).

22. Other commitments

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

	Land and buildings		Other	
	2018	2017	2018	2017
	£	£	£	£
Expiry date:				
Within one year	35,000	45,850	21,909	19,677
Between one and two years	35,000	35,000	21,909	7,573
Between two and five years	70,000	105,000	14,444	7,573
	140,000	185,850	58,262	34,823

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

	2018	2017
	£	£
Profit before tax	1,525,376	1,548,509
Adjustments for:		
Investment revenues	(17)	(10)
Finance costs	6,332	17,923
Depreciation of property, plant and equipment	6,561	6,121
Proceeds on disposal of property, plant and equipment	-	75
Amortisation of intangible fixed assets	54,561	45,997
Impairment of intangible fixed assets	7,155	154,871
Decrease/(increase) increase in inventories	459,841	907,903
(Increase)/decrease in receivables	(79,504)	(476,076)
(Decrease)/increase in payables	(575,159)	803,250
Cash generated by operations	1,395,693	3,008,563
Interest paid	(6,127)	(17,923)
Taxes paid	(359,555)	(160,068)
Net cash from operating activities	1,029,806	2,830,572

24. Dividends

The Directors recommend the payment of a dividend for the current year equivalent to 5% of profit after tax - £61,260 (2017: £62,200). The dividend will be declared and paid in December 2018.

25. 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.

26. Current borrowings

A loan of £1,000,000 was provided by the parent company Nihon Nohyaku Co. Ltd., in October 2017. The loan was paid back in full in February 2018. Interest was charged at 0.99% plus a 0.5% service charge. This amounted to £6,167 (2017: £17,923) in the year ended 30 September 2018.

	£
At 1 October 2017	-
Issue of new loans in year from parent company	1,000,000
Repayment of loans in year	(1,000,000)
At 30 September 2018	-

27. 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 £144,518 (2017: £184,819). At 30 September 2018 the company was owed a net position of £67 by its parent (2017: £504).