Origin Enterprises plc

**Origin Enterprises plc**

Annual Report and Accounts 2018

# Origin Enterprises plc is a leading Agri-Services group, employing over 2,400 people across six countries.

The Group has leading market positions in Ireland, the UK, Belgium, Poland, Romania and Ukraine. Origin is listed on the ESM and AIM markets of the Irish and London Stock Exchanges.

**The Group operates in six countries across Ireland, the UK and Continental Europe.**

Find out more about **Our Businesses** on page 3

**Details of the markets in which we operate, are set out in this review.**

Find out more about our **Market Review** on pages 8 to 11

**Our objective is to grow a sustainable Agri-Services business which optimises value for our stakeholders.**

Find out more about **Strategy** on pages 16 and 17

### Strategic Report



### Governance



### Financial Statements



**Find out more on originenterprises.com**

## Highlights

# Resilient trading performance in a challenging year

Origin delivered a strong financial result during the year ended 31 July 2018 as follows:

- Adjusted diluted earnings per share[2] up 4.7% to 48.80 cent and up 7.6% on a constant currency basis.
- Operating profit[1] of €71.2 million, an increase of 1.7% and up 4.6% on a constant currency basis.
- Acquisitions contributed 5.0% to sales growth and 3.6% to operating profit growth in the year.
- Strong free cash flow generation of €56.6 million (2017: €32.5 million).
- Group operating margin[1] of 4.4%, a decrease of 20 basis points.
- Agreement to acquire interests in two Brazil-based agri-service businesses, Fortgreen and Ferrari Zagatto.
- Proposed final dividend of 17.85 cent, giving a total dividend of 21.0 cent (2017: 21.0 cent).

Revenue

€1.6bn

+6.5%

Constant currency[3] increase:
+9.0%

Operating Profit[1]

€71.2m

+1.7%

Constant currency[3] increase:
+4.6%

Adjusted Diluted EPS[2]

48.80 cent

+4.7%

Constant currency[3] increase:
+7.6%

Free Cash Flow

€56.6m

(2017: €32.5m)

ROCE

13.5%

(2017: 13.7%)

Dividend per Share

21.0 cent

(2017: 21.0 cent)

1. Before amortisation of non-ERP intangible assets and exceptional items, and before the Group's share of profits of associates and joint venture.
2. Before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million).
3. Excluding currency movements.

Note: All references to constant currency in this Annual Report are due to the fact that the translation of non-euro denominated earnings are impacted by movements in local currency rates versus the euro, the Group's presentation currency. In order to reflect underlying performance more accurately in the period, the Group calculates results on a constant currency basis by retranslating non-euro denominated current year earnings at prior year exchange rates.

# A focused Agri-Services group providing services and technology

Our businesses specialise in the provision of independent and innovative advice, inputs and related services to farmers to help them optimise crop yield and economic returns on a sustainable basis.

## Business-to-Business Agri-Inputs

Provides procurement and supply chain solutions to the Irish, UK and Belgian primary food production sectors covering the macro inputs that drive on-farm efficiency, i.e. prescription blended fertilisers and animal feed ingredients. In addition, Origin is a market leader in advisory, service and input provision to the professional sports turf, landscaping and amenity sectors in the UK.

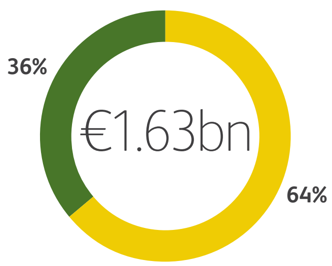
## Integrated Agronomy and On-Farm Services

Provides agronomy advice, services and inputs directly to arable, fruit and vegetable growers in the UK, Poland, Romania and Ukraine. Our customised solutions ensure the delivery of crop production systems that adhere to the highest safety, quality, environmental and sustainability standards.

## Digital Agricultural Services

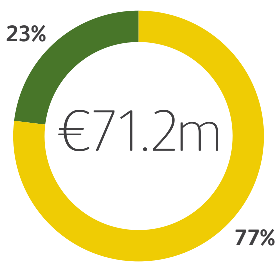
Provides bespoke digital agronomy applications and agri-tech services to primary producers, input manufacturers and agri-service companies.

Revenue

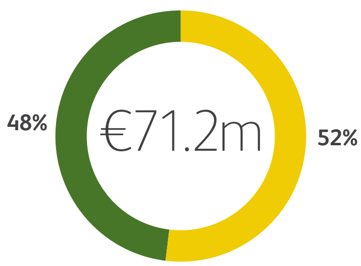



- Ireland & the UK
- Continental Europe

Operating Profit




- Ireland & the UK
- Continental Europe




- Direct Farm
- Business-to-Business

>2,400 **Employees**

700 **Sales Force**

112 **Distribution Points**

73 **Demonstration Farms**

Note: Stated statistics are as at 31 July 2018 and exclude the impact of the acquisition of Fortgreen in Brazil which was completed subsequent to the year end.

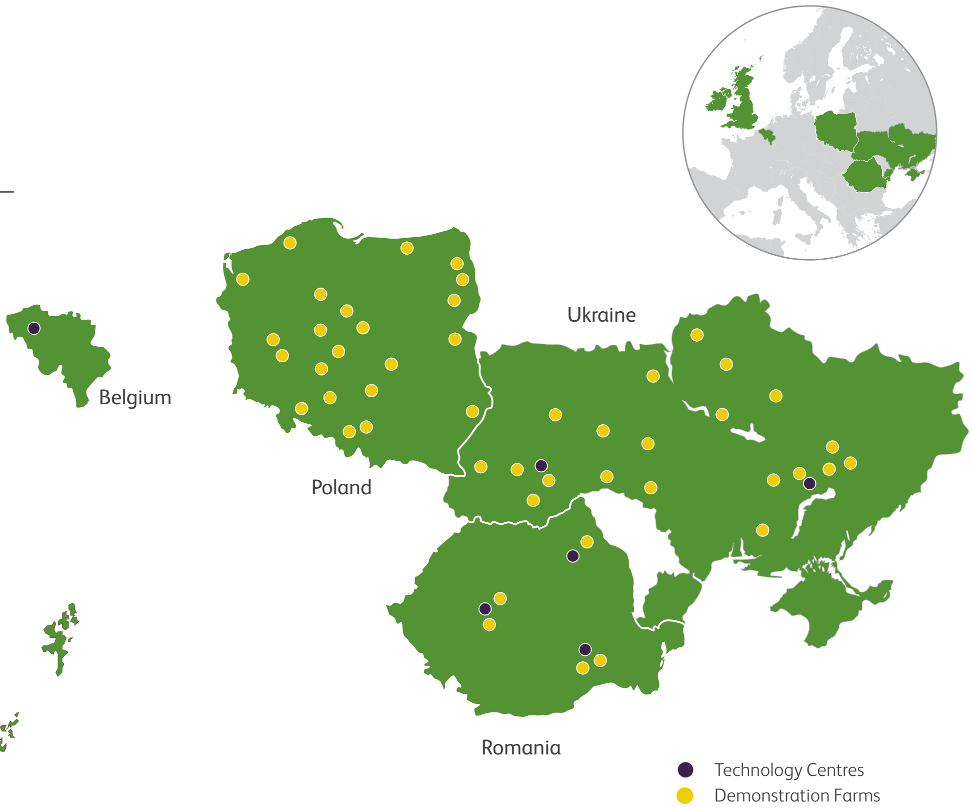
## Our Businesses

### Continental Europe

c.19,000
Customers

The Continental Europe segment includes the Group's operations in Belgium, Poland, Romania and Ukraine.

Find out more on **pages 10 and 11**





### Ireland and the UK

c.30,000
Customers

The Ireland and UK segment includes the Group's Business-to-Business Agri-Inputs operations, Integrated Agronomy and On-Farm Services operations and Digital Agricultural Services business in Ireland and the UK.

Find out more on **pages 8 and 9**

32
**Input Formulation and Processing Facilities**

12.7m ha
**Direct Farm Customer Footprint**

60,000
**Trial Units**

# Strong operational performance in 2018 with progress on key strategic priorities

Dear Shareholder

## Group Performance

Origin delivered a strong performance in 2018, against a market backdrop that was impacted by challenging operating and growing conditions for primary producers. Through this difficult trading environment, the Group continued to demonstrate the ability to support our customers while producing robust operational results and achieving underlying volume growth across all our primary business channels. Group operating profit amounted to €71.2 million, an increase of 4.6% on a constant currency basis or 1.7% on a reported basis. Adjusted diluted earnings per share was 48.80 cent, an increase of 7.6% on a constant currency basis or 4.7% on a reported basis.

Details of our financial performance are set out in the Financial Review of the Annual Report on pages 40 to 46.

## Strategy

Significant progress was made during the year in advancing our key strategic priorities. We continued our strategic acquisition programme with the completion of the acquisition of Bunn Fertiliser in the UK, the acquisition of Pillaert-Mekoson ('Pillaert') in Belgium and the agreement to acquire Fortgreen and Ferrari Zagatto in Brazil.

Bunn Fertiliser extends the Group's UK fertiliser capacity and capability and has now been successfully integrated into the Group. Pillaert strongly complements our prescription fertiliser and speciality nutrition business and provides an important expansion into a new market in Continental Europe.

The recent investment in Brazil represents an important first step for Origin into the world's second largest agricultural export market. The Brazilian business Fortgreen is focused on the development of value added crop nutrition and speciality inputs while Ferrari Zagatto is a leading provider of agronomy services, crop inputs and crop marketing services. Together they will provide us with a platform to address our strategic requirements for meaningful geographical diversification and seasonality balance.

Further examples of our strategic priorities being implemented during the year are included in the Strategy in Action section of the Annual Report on pages 22 to 27.

## Sustainability

Sustainability is key to the achievement of the Group's strategic priorities. Considerable progress was made on the delivery of the Group's sustainability objectives during the year through the identification, prioritisation and validation of the key sustainability factors impacting Origin. The details of the process undertaken and outcomes to date have been set out in the Sustainability Report on pages 28 to 33.

## Board and Governance

The Board views high standards of corporate governance as a vital element of how we conduct our business and achieve long-term success for the Group. Following the recent change to AIM Rule 26, the Board has committed to apply the principles of the Quoted Company Alliance Corporate Governance Code. Full details of our approach to governance are set out in the Corporate Governance Statement on pages 54 to 60 and, as a Board, we continue to be committed to excellence in governance practices.

During the year Imelda Hurley resigned as Chief Financial Officer and Company Secretary, having spent almost four years with the Group. Imelda provided strong financial leadership during a period of significant change and transition for the Group. I would like to thank Imelda for her invaluable contribution to the development of Origin throughout her tenure and to wish her well in her future endeavours.

Rose McHugh retired from the Board during the year following the completion of a second three-year term as a Non-Executive Director. During this time, Rose was a dedicated member of the Board and of the Risk Committee. I would like to thank Rose for her dedication and commitment to the Board of Origin during her tenure and to wish her every success in the future.

I would also like to thank all members of the Board for their continued support for the business and their consistent hard work and contribution to the success of Origin.

I am pleased to welcome Sean Coyle to the Company as the new Chief Financial Officer. Sean will be co-opted onto the Board on 1 October 2018, having joined the Group in September. He brings valuable experience to Origin, having held senior finance and operational roles at UDG Healthcare and, prior to that, Aer Lingus and Ryanair.

## Management and Employees

On behalf of the Board, I would like to thank our CEO Tom O'Mahony, our management team and employees for their continued contribution to the success of the Group during the year. We have diverse, experienced and engaged employees and it is their hard work, dedication and innovation which enables the Group to meet its operational and strategic objectives.

## Dividend

The Board is recommending a final dividend of 17.85 cent per ordinary share which brings the total dividend per ordinary share for the year ended 31 July 2018 to 21.0 cent, equivalent to the previous year's annual dividend.

## Outlook

The 2018 outturn for the Group represented solid progress against our operational goals and strategic priorities. Positive on-farm sentiment, a stable near-term planning environment and the Group's track record of strong cash generation leaves Origin well positioned to benefit from development opportunities and geographic expansion. I remain confident that the Group's business model and strategic priorities position Origin well to deliver long-term shareholder value.

On behalf of the Board, I would like to thank you, our shareholders, for your continued support.

**Rose Hynes**
Non-Executive Chairman
25 September 2018

# A market leader through acquisition, integration and organic growth

Origin is a recognised leader in the European Agri-Services market with operations in six countries. The Group supports primary producers across all our markets.

## What is Agronomy?

Agronomy combines crop science and applied farming expertise to enable growers to optimise the productivity of crops, whilst caring for the consumer, the soil and the environment.

## What is an Agronomist?

An Agronomist is a specialist plant and soil scientist who works directly with farmers to provide innovative research based advice and supply inputs and other related services, to optimise crop production, on a sustainable basis.

## What do Agronomists do?

Our Agronomists act as a trusted adviser to farmers in the provision of a range of services and inputs including:

- specialist advice;
- seed inputs;
- crop protection products; and
- nutrition products.

### What Sets Us Apart

Our Approach to Integrated Agronomy:

## Application Research and Analysis

- Investment in research and development to optimise crop productivity.
- 60,000 trial units managed across the UK and Continental Europe.
- Collaboration with key industry partners and universities.
- Analysis of the needs of primary producers.

## Prescription Development

- Advise primary producers on all components of crop and field management.
- Recommendation of customised solutions to optimise crop yields and quality.
- Ensuring environmental and regulatory compliance requirements are met.

## Application and Delivery

- Delivery of customised solutions to primary producers.
- Supply of seed, nutrition and crop protection technology to farms.
- Provision of ongoing advice and monitoring on the timing of the application of these products.

## Our Key Brands

### Ireland and the UK

### Continental Europe

## Our Approach to Business-to-Business Agri-Inputs:

### Foundations

- Well-established brands.
- Experienced and committed people.
- Strong on-farm presence.
- Flexible production facilities to cater for high seasonal variation in demand.

### Innovation and R&D

- Leading bespoke fertiliser blender in Ireland and the UK.
- Continuous and technically-led product development.
- Environmentally sustainable product offering.
- Continuing benchmarking of production and plant performance.

### Supply Chain

- Strategic locations and geographic spread.
- Well-invested blending and formulation facilities.
- Market share provides supply chain flexibility.
- Strong supplier partnerships.

# Ireland and the UK Transferring Knowledge

Origin has leading positions in the UK Integrated Agronomy Services market, the Irish and UK Fertiliser and Speciality Nutrition markets and the UK Amenity inputs market. These market positions were achieved through a combination of acquisitions and organic growth. Today we support primary food producers and influence food production across Ireland and the UK.

## Integrated Agronomy and On-Farm Services

In the UK, Origin is the market leader in the provision of integrated agronomy services and inputs to primary food producers.

Our aim is to help primary food producers deliver sustainable crop yield enhancement and achieve improved economic benefits through the provision of specialist independent and innovative advice, inputs and related services.

This is enabled by:

- a coordinated set of research and development activities, including replicated trials, undertaken across the Group to develop unique systems to optimise crop productivity on a sustainable basis;
- our team of expert agronomists who are specialist plant and soil scientists working directly with farmers and the agricultural community; and
- our highly efficient seed, fertiliser and crop protection supply chain.

In the UK, Origin influences agronomic decisions taken on:

- 33% of combinable crops;
- 55% of fruit farms;
- 45% of vegetable crops; and
- 45% of potato crops.

## Business-to-Business Agri-Inputs

In Ireland and the UK, Origin is a market leader in the blending and distribution of Fertiliser and Speciality Nutrition products. We are also the market leader in the amenity inputs market in the UK.

Based in the UK, our principal amenity businesses service the professional sports turf, landscaping, general amenity and niche agriculture sectors.

Our operations are founded on strong relationships with primary manufacturers and customers, and supported by strategically located and well invested formulation and blending facilities.

Our Business-to-Business model provides direct on-farm access supplying farmers with specialist products that are supported by continuous and technically-led product development, delivering sustainable crop yield enhancement to our customers.

For more detail on the Group's Fertiliser and Speciality Nutrition operations including our strategy of building scale and direct farm linkages please refer to pages 24 and 25.

Our Feed Ingredients business on the island of Ireland, R&H Hall, is a leading importer and supplier of raw material feed ingredients.

## Digital Agricultural Services

During 2017, the Group completed the acquisition of Resterra, the Digital Agricultural Services Group. Resterra, trading as AgSpace and IPF, complements the Group's model of using replicated trials to develop growing systems and assists Origin's growing digital technology capabilities. Resterra specialises in the delivery of bespoke digital precision agronomy applications and is a leading provider of agri-tech services to primary producers, input manufacturers and agri-services companies.

## Associates and Joint Venture

Our investment in associates and joint venture includes John Thompson & Sons Limited, in which Origin has a 50% shareholding. John Thompson & Sons Limited is the largest single site multispecies animal feed mill in the European Union.

## Ireland and the UK in Numbers

Revenue

€1.0bn

Employees

>1,300

Operating Profit

€54.8m

Sales Force

370

Direct Farm Footprint

1.4m ha

Principal Farm Size Range

100-2,000 ha

Case study:

# Origin's Explorer Spring Barley Programme: Technology Transfer and New Opportunities

Specific varieties of barley contain the attributes that make them suitable for the brewing industry. Explorer barley, which has been grown extensively across Europe, is one such variety. Trials undertaken by Origin have shown that Explorer can be grown successfully in the UK and produce economic yields for growers.

This specialist variety is grown on contract for AB inBev, which brews Budweiser in the UK. Explorer has good specific grain characteristics for the brewing industry and is ideally suited to the production processes for this globally renowned beer, and our growers are delighted to have a high yielding production crop and reliable offtake.

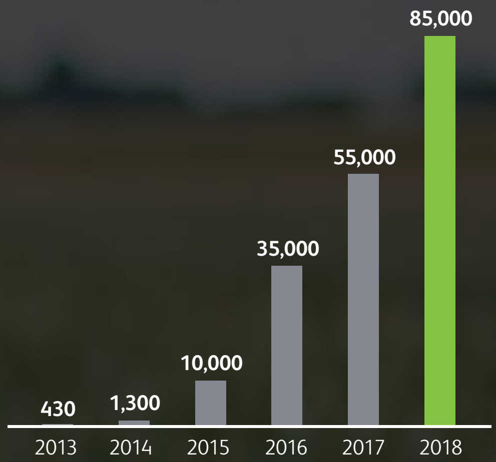
We continue to provide the latest agronomic advice to the growers to ensure that the highest standards are met and the crop meets the specific end-use requirements.

## The Explorer Programme

The Explorer programme illustrates Origin's key competency of Crop Technology Transfer, with many of the developments achieved at our technology centres having their roots in our network of trials across our geographies. This collaboration was key to ensuring that the carefully researched Explorer agronomy protocol delivers the correct specification of grain for malt production at encouraging yields.

To ensure the correct quality specifications are achieved, commercial field tests commenced in 2013 in the UK. These volumes have increased with approximately 85,000 tonnes in the UK now being produced under Origin's agronomic protocols.

Explorer Programme Development – UK (crop tonne)



# Continental Europe Continued Expansion

Origin is a recognised market leader in the provision of Agronomy Services and Crop Inputs in our Continental European markets. Through our businesses in Poland, Romania, Ukraine and Belgium, the Group has extensive experience servicing approximately 19,000 primary producers with a footprint of 11.3 million hectares. In 2018, the Group completed the acquisition of Pillaert in Belgium. Pillaert is a leading provider of standard and prescription fertilisers in Belgium and surrounding geographies and represents an excellent strategic fit for Origin.

## Poland

Origin is the second largest agri-services provider in the Polish market.

Of the total cropping area in Poland of 10.8 million hectares, our customers have a farming footprint of 3.0 million hectares. Input spend per hectare in Poland is approximately 85% of the EU average and average wheat yields are 33% less than the EU average.

A new €6 million state-of-the-art seed processing and input formulation facility in Aleksandrów was completed during the year and is fully commissioned. This facility will enhance the product capabilities of the business and extend its market leadership in the provision of high-performing certified seed varieties to Polish farmers. For more information, please see Strategy in Action on pages 22 and 23.

## Romania

Origin Romania is the largest agri-services provider in the Romanian market.

Of the total cropping area in Romania of 8.3 million hectares, Origin Romania's customers have a farming footprint of 1.9 million hectares. Input spend per hectare in Romania is approximately 67% of the EU average and average wheat yields are less than 50% of the EU average.

Research and development is key to Origin Romania's success and, during the year, our Romanian operations progressed the harmonisation of activities through our dedicated programme 'Agricultura Plus'.

## Ukraine

The Group's Ukrainian operation is the third largest agri-services provider in the Ukrainian market.

Of the total cropping area in Ukraine of 22.4 million hectares, our customers have a farming footprint of 6.4 million hectares. Input spend per hectare in Ukraine is approximately 79% of the EU average and average wheat yields are approximately 33% less than the EU average.

During the year, we made further investment in research and development activities to optimise yield enhancement through technology transfer in addition to increased investment in technology centres, which are known as 'Agrocentres' in Ukraine.

## Belgium

During the year, the Group completed the acquisition of Pillaert in Belgium, a new geography for the Group. Headquartered in Ghent, Pillaert is a leading provider of standard and prescription fertilisers in Belgium and surrounding geographies. The business, which enjoys a brand heritage of over 50 years, markets an extensive range of technically based nutrition applications and operates a strong business-to-business and retail customer franchise.

Pillaert is an excellent strategic fit for the Group and strongly complements our prescription fertiliser blending and specialised nutrition business portfolios. For more information, please see Strategy in Action on pages 24 and 25.

## Continental Europe in Numbers

Revenue*

€0.4bn

Employees

>1,100

Operating Profit*

€16.2m

Sales Force

330

Direct Farm Footprint

11.3m ha

Principal Farm Size Range

100-50,000 ha

* Excluding crop marketing.

# Organisational Design

The management structure for the Origin Group is set up on a decentralised model. Centrally provided services include Finance, Treasury, HR, IT and Research and Development and support the individual businesses which are in turn responsible for driving performance on a geographic profit centre basis. Following a review of the Group's structure, size and geographic scale, an organisational design process was undertaken across the Group to bring greater efficiencies to operations and to promote the transfer of technologies and processes across the Group. Following this review, three Divisions have been identified – Ireland and the UK, Continental Europe and Latin America (following the announcement to acquire interests in Fortgreen and Ferrari Zagatto in Brazil).

In recognition of the increasing size and contribution of the Continental Europe Division, a number of personnel and management structure changes were made during the year.

The Division incorporates the Group's operations in Belgium, Poland, Romania and Ukraine and accounts for 36% of Group revenue and 23% of operating profit approximately.

Reflecting its importance, the Group announced the appointment of Rafal Prendke as Chief Executive Officer of the Continental European Division during the year.

## Appointment of Rafal Prendke

Rafal, a native of Poznan, Poland, enjoys an extensive leadership, general management and business track record with over 20 years' experience gained in a multinational and multi-industry environment.

Rafal joined Origin in 2015 as Chief Executive Officer of the Group's Polish operations. He has been the driving force behind the creation of a leading agronomy services and input distribution business in Poland under the Agrii brand.

Rafal has assumed overall responsibility for the performance of Continental Europe. The appointment will optimally leverage both Group and in-country organisational strengths to spearhead future business development, technical innovation and growth.

Rafal, working with the senior leadership of Continental Europe and Origin, plays a pivotal role in defining growth opportunities, building execution plans together with supporting people development and overall organisational capability.

"Continental Europe represents an important growth opportunity for Origin as a region and I am determined, as the first Chief Executive of the Division, to ensure that we continue to make progress building on our current strong position and meeting our strategic objectives."

# Origin achieved a very satisfactory full year result, ahead of guidance, recording a 4.7% increase in adjusted diluted earnings per share and generating €56.6 million in free cash flow

It has been a significant year in terms of strategic development including our entry into the Latin American market. The agreement to acquire Fortgreen and Ferrari Zagatto in Brazil provides tangible growth opportunity in markets that address the Group's requirements for geographical diversification and seasonality balance.

## Financial and Operating Highlights

- Adjusted diluted earnings per share up 4.7% to 48.80 cent, ahead of guidance, and up 7.6% on a constant currency basis
- Operating profit of €71.2 million, an increase of 1.7% and up 4.6% on a constant currency basis
- Acquisitions contributed 5.0% to sales growth and 3.6% to operating profit growth in the year on a constant currency basis
- Reported net profit of €56.8 million, an increase of 24.5% primarily due to a significant reduction of exceptional items
- Group operating margin of 4.4%, a decrease of 20 basis points
- Strong free cash flow generation of €56.6 million (2017: €32.5 million)
- Expansion into Latin America through agreement to acquire interests in two Brazil based agri-service businesses, Fortgreen and Ferrari Zagatto
- Declan Giblin appointed CEO, Latin American Division
- Proposed final dividend of 17.85 cent, giving a total dividend of 21.0 cent (2017: 21.0 cent)

## Review of Operations

### Operational Review

| | | | Change on prior year | | |
|---|---|---|---|---|---|
| | **2018 €m** | 2017 €m | Change % | Underlying[3] % | Constant Currency[4] % |
| Revenue | **1,627.5** | 1,528.5 | 6.5% | 4.0% | 9.0% |
| Operating profit[1] | **71.2** | 70.0 | 1.7% | 1.0% | 4.6% |
| Operating margin[1] | **4.4%** | 4.6% | (20bps) | (20bps) | (20bps) |
| Adjusted diluted EPS (cent)[2] | **48.80** | 46.62 | 4.7% | 5.7% | 7.6% |

1. Before amortisation of non-ERP intangible assets and exceptional items.
2. Before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9m, 2017: €3.9m) and exceptional items, net of tax (2018: €Nil, 2017: €9.3m).
3. Excluding currency movements and the impact of acquisitions.
4. Excluding currency movements.

Origin has delivered a strong operational performance in 2018 with growth in Group revenue, operating profit and adjusted fully diluted earnings per share of 9.0%, 4.6% and 7.6% respectively on a constant currency basis. Operating margin decreased by 20 basis points to 4.4%. The overall performance benefited from the contribution of acquisitions in the year, delivering a 5.0% increase in revenue.

## Ireland and the UK

| | 2018 €m | 2017 €m | Change on prior year Change % | Underlying[3] % |
|---|---|---|---|---|
| Revenue | **1,038.1** | 955.0 | 8.7% | 6.1% |
| Operating profit[1] | **54.8** | 53.4 | 2.5% | 1.4% |
| Operating margin[1] | **5.3%** | 5.6% | (30bps) | (30bps) |
| Associates and joint venture[2] | **7.2** | 4.4 | 65.4% | 70.0% |

1. Before amortisation of non-ERP intangible assets and exceptional items.
2. Profit after interest and tax before amortisation of non-ERP intangible assets and before exceptional items.
3. Excluding currency movements and the impact of acquisitions.

Ireland and the UK delivered a satisfactory performance recording a 6.1% increase in underlying revenue with a 1.4% increase in underlying operating profit against a backdrop of what was a very challenging growing season for primary producers. Underlying volume growth in agronomy services and inputs was 2.1% reflecting increased fertiliser and feed volumes. Operating margin decreased by 30 basis points to 5.3% due to higher fertiliser prices in the year offset by an improved portfolio mix.

### Integrated Agronomy and On-Farm Services

Integrated Agronomy and On-Farm Services performed in line with last year with improved sales margins offset by lower agronomy service revenues and crop protection volumes. Crop drillings and input application were significantly curtailed in early spring as a result of unseasonably cold weather. A return to more settled weather conditions in the fourth quarter facilitated robust catch up activity levels on-farm, which resulted in a substantial recovery of shortfalls in third quarter volumes. There was a strong operational performance for the period as a whole with Origin's service orientated and customised agronomy model maintaining good momentum with new applications designed to maximise the economic potential of crops in a highly challenging growing season.

Improved farmer crop margins underpinned by the recent trend of higher output prices will help offset the impact of lower yield potential in 2018 resulting from the unseasonably dry conditions in the fourth quarter. The backdrop of more favourable farm sentiment is expected to positively influence growers crop planting intentions in 2019.

### Digital Agricultural Services

Digital Agricultural Services performed well in the period with continued momentum in product adoption by both agronomists and primary producers.

The roll out of the Group's digital platform, Contour, advanced in the period, with product enhancements to be delivered throughout 2019. Contour is a digital information service for agronomists and farmers which incorporates an integrated suite of whole farm and field level monitoring tools. Contour brings farmers and agronomists closer together by providing highly functional and shared applications which enable data driven solutions to maximise the return for farmers. In addition to soil and crop health information and localised weather data, Contour provides a yield prediction capability that supports in season crop performance analysis to evaluate agronomic decisions.

Over 700,000 hectares have now been on-boarded onto the Contour platform, which provides a strong basis for further development in 2019.

### Business-to-Business Agri-Inputs

Business-to-Business Agri-Inputs has performed strongly in the period, delivering good growth in operating profits principally supported by higher volumes of both fertiliser and feed ingredients.

#### Fertiliser

Fertiliser achieved higher volumes, revenues and profits in 2018 with performance underpinned by strong operational delivery as the business successfully met customers' demand requirements in a highly concentrated and delayed application window due to the challenging weather conditions experienced in the early part of the year. Fertiliser benefitted from incremental volume growth in the latter part of the season as farmers strived to replenish fodder stocks following extended drought conditions during much of the late grass growing season.

## Business-to-Business Agri-Inputs continued

### Fertiliser continued

Branded speciality nutrition continued to deliver strong growth through the development of differentiated and bespoke applications designed to be relevant to primary producers' crop specific and growing system requirements.

Bunn Fertiliser, acquired in August 2017, was successfully integrated into the UK and Group fertiliser platform in the year and has contributed positively to the performance of the enlarged business.

### Amenity

Origin Amenity delivered a good performance across all sales channels in 2018 against lower volumes due to the impact of poor spring weather followed by unusually high temperatures. Performance benefitted from the positive contribution from acquisitions that were completed in 2016 and 2017 providing new and differentiated product and service offerings.

The integration of Linemark, the UK based leader in advanced sports and amenity-marking solutions, acquired in 2017, was successfully completed in the period.

### Feed Ingredients

Feed Ingredients achieved an excellent performance in the period underpinned by strong volume growth and improved margins. Volume development largely reflects the combination of a more favourable demand backdrop for feed due to higher livestock numbers and lower availability of substitute farm produced fodder supply due to very poor grass growing conditions in the year.

The Group's animal feed manufacturing associate, John Thompson & Sons Limited, in which the Group has a 50% shareholding delivered a very satisfactory performance in the period.

## Continental Europe[1]

| | 2018 €m | 2017 €m | Change on prior year: Change % | Change on prior year: Underlying[3] % |
|---|---|---|---|---|
| Revenue | **431.0** | 397.3 | 8.5% | 5.4% |
| Operating profit[2] | **16.2** | 16.2 | 0.6% | 0.9% |
| Operating margin[2] | **3.8%** | 4.1% | (30bps) | (30bps) |

1. Excluding crop marketing. While crop marketing has a significant impact on revenue, its impact on operating profit is insignificant. For the year ending 31 July 2018 crop marketing revenues and profits attributable to Continental Europe amounted to €158.4 million and €0.2 million respectively (2017: €176.2 million and €0.4 million respectively). An analysis of revenues, profits and margins attributable to agronomy services and inputs more accurately reflects the underlying drivers of business performance.
2. Before amortisation of non-ERP intangible assets and exceptional items.
3. Excluding currency movements and the impact of acquisitions.

Continental Europe achieved a satisfactory performance in line with last year. The result is set against highly challenging operating conditions experienced by primary producers in the period arising from extreme weather conditions, which led to a condensed spring growing season followed by sustained dry conditions impacting yield development over the summer period.

Underlying business volumes grew 4.0% in the period due to continued development of the Group's fertiliser and nutrition portfolios. Operating margins declined 30 basis points to 3.8% reflecting a combination of higher fertiliser prices and the impact of more condensed seasonality in the period.

### Belgium

During the year, the Group completed the acquisition of Pillaert-Mekoson in Belgium, a new geography for the Group. Headquartered in Ghent, Pillaert-Mekoson is a leading provider of standard and prescription fertilisers in Belgium and surrounding geographies. The business, which enjoys a brand heritage of over 50 years, markets an extensive range of technically based nutrition applications and operates a strong business-to-business and retail customer franchise.

Pillaert-Mekoson was successfully integrated into the Group during the period and delivered a very satisfactory performance, with positive volume momentum achieved. This was driven by increased demand as a result of the impact of feed shortages during the year and the promotion of grass production.

### Poland

Poland delivered an improved result in the period against lower business volumes with performance benefitting from a combination of a favourable sales mix and efficiency gains. Trading conditions were highly challenging as service and input applications were significantly curtailed during the spring period due to unseasonably cold weather, followed by drought conditions in large areas of Poland, which adversely impacted crop yield.

Value added agronomy applications continued to drive overall development in direct farm channels. The launch of 'Agrii Demo' was favourably received in the period and helped to underscore the importance of technically led and integrated crop management solutions and approaches in delivering superior results for farmers.

## Financial and Operating Highlights

| Group Revenue | Operating Profit(i) | Operating Margin(i) | Adjusted Diluted EPS(ii) | ROCE |
|---|---|---|---|---|
| €1.6bn | €71.2m | 4.4% | 48.80c | 13.5% |
| +6.5% | +1.7% | (20bps) | +4.7% | (20bps) |

### Romania
Romania achieved a good result in the period with solid growth achieved across the principal sales channels. Crop development over the course of the year was satisfactory other than the impact of some localised drought conditions on yield. Total plantings were in line with last year at 8.3 million hectares.

Nutrition portfolios continued to deliver strong growth in the period as the Group capitalises on the market opportunity from primary producers' demand for improved ranges and speciality applications.

Strong momentum was achieved in relation to digital adoption in the period. Over 150,000 hectares were on-boarded onto the Group's Contour platform during the year, which provides an excellent foundation for further development in 2019.

### Ukraine
Ukraine recorded lower profits and margins in the period as currency volatility and input price inflation drove heightened competition. Although adverse weather conditions resulted in a delayed season and a reduction in the underlying level of volume application, total cropping remained in line with last year at approximately 22.4 million hectares.

Good progress was achieved in the development of speciality crop technology packages, which delivered solid growth in the period.

The business continues to successfully drive market share gain supported by a targeted expansion of the agronomy sales and distribution footprint.

## Acquisitions
Origin announced in June that it had reached agreement to acquire a 65% interest in the Brazilian business, Fortgreen Commercial Agricola Ltda. ('Fortgreen'). As part of this transaction, Origin has also agreed to acquire a 20% shareholding in the Brazilian business, Ferrari Zagatto E Cia Ltda. ('Ferrari Zagatto').

Fortgreen, which is headquartered in Paraná State in southern Brazil, and founded in 2004, is focused on the development of value added crop nutrition and speciality inputs. Ferrari Zagatto, founded in 1988, and also headquartered in Paraná, is one of the leading providers of agronomy services, crop inputs and crop marketing support to grain and speciality crop growers in Paraná.

In August 2018, Origin announced the completion of the acquisition of the 65% interest in Fortgreen following the satisfaction of the conditions of the transaction.

## Management Changes
Declan Giblin, Executive Director, with responsibility for Corporate Development, has been appointed Chief Executive Officer for the Group's Latin American Division effective 1 October 2018. The appointment follows the completion of the acquisition of the Brazilian based speciality nutrition and crop inputs business, Fortgreen, on 14 August 2018 and the agreement to acquire a 20% shareholding in Ferrari Zagatto in Brazil.

Declan will remain an Executive Director of Origin and will continue to retain responsibility for corporate development in Latin America.

The appointment of a Head of Corporate Development for Europe will be made in due course.

Also during the year, the Group announced the appointment of Sean Coyle as Chief Financial Officer. Sean joined Origin on 1 September 2018 and will be appointed as a Director of the Company with effect from 1 October 2018.

## Outlook
We have seen steadily improving sentiment on-farm over recent months which may be challenged in the UK by the uncertain nature of Brexit and its timing. The Group is well positioned to capitalise on its scalable and diversified business platforms, development opportunities and strong cash generation.

**Tom O'Mahony**
Chief Executive Officer
25 September 2018

| Net Debt | Free Cash Flow | Full Year Dividend[iii] |
|---|---|---|
| €38.4m | €56.6m | 21.0c |
| | (2017: €32.5m) | |

(i) Before amortisation of non-ERP intangible assets and exceptional items, and before the Group's share of profits of associates and joint venture.
(ii) Before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9m, 2017: €3.9m) and exceptional items, net of tax (2018: €Nil, 2017: €9.3m).
(iii) Interim dividend of 3.15 cent paid in April 2018. Total of interim dividend and proposed final dividend is 21.0c per ordinary share.

# Our Vision

To be the leading and trusted partner of choice to the farmers, growers and amenity professionals we serve. Working together we strive to deliver superior outcomes to build sustainable value for our customers, people, community, environment and shareholders.

## Strategic Priorities

### Focus: Application Research and Innovation

The aim of our application research and innovation is to focus on yield enhancement, localisation and technology transfer for our customers, which will be achieved through scalable research capabilities combined with digital technologies and highly technical specialists.

We will continue to prioritise customised focus through science based innovation and leverage our digital capabilities to positively support the competitiveness, profitability and sustainability of our customers' enterprises.

### Portfolio Positioning

Origin aims to maintain our position as a recognised market leader in each of the markets in which we operate. These leading market positions provide strong routes to market for our services and technologies to enable our customers to optimise the productivity of their crops.

We will focus on developing our core operations through operational efficiency, effective financial management, leveraging our scale and maximising technology transfer.

We will continue to target opportunities which leverage our operating model and provide balanced diversification and counter seasonality.

### People and Organisation

People are central to what we do at Origin. Our skilled and dedicated colleagues enable us to execute our strategic agenda and to drive performance.

Our people are key to ensuring we are the supplier of choice to our customers.

We aim to develop and empower entrepreneurial leadership teams and drive performance through devolved accountability.

### Corporate Development: Strategic Acquisitions and Business Expansion

Origin's Corporate Development function has a track record of making successful acquisitions.

We have a strong focus on efficient integration to ensure that our acquisition strategy is successful and value enhancing.

We aim to achieve scale through our buy-and-build acquisition strategy, in addition to organic growth and the expansion of our product-based capability set.

### Delivering Long-Term Shareholder Value

We aim to maximise long-term value for our shareholders. We continue to drive operational and commercial performance across the Group with particular areas of focus including:

- Targeting growth in new and existing markets.
- Maximising return on capital employed and maintaining an appropriate dividend policy.
- Converting earnings to cash in an efficient manner.
- Selective acquisitions complementing our existing businesses.

| 2018 Progress | 2019 Focus |
|---|---|
| • Origin operates 10 research facilities and 73 demonstration farms across six countries. In 2018, 60,000 trial units were undertaken across our operations.<br>• During the year, the Group advanced its collaborative research partnership with University College Dublin, and also launched 'Agri Demo' in Poland, an initiative demonstrating crop technologies including exclusive seed varieties, specialised crop nutrition products and tailored crop protection products.<br>• Roll out of the Group's digital platform, Contour, also advanced well in the period with approximately 700,000 hectares on-boarded to the platform. | The Group will continue to focus on application research, localisation and innovation via our technology centres and demonstration farms. This will help ensure that we remain at the forefront of innovative technologies and allow us to develop further a coordinated set of research and development activities across the Group. |
| • In 2018, on a constant currency basis, Origin delivered revenue growth of 9.0% and operating profit growth of 4.6%.<br>• The Group delivered underlying volume growth in agronomy services and inputs (excluding crop marketing volumes) of 2.7% for the year.<br>• During the year, the €6.0 million capital expenditure project for the expansion of a specialised seed processing and input formulation facility in Poland was completed, providing the Group with the production capability to achieve a market-leading position in the provision of seed technology in that geography. | The Group will continue to develop our core operations and will invest in the areas of our business that provide opportunities for future growth. Enhancements to the Group's Digital product offering will be delivered through 2019. |
| • The Group has over 2,400 employees of which 700 are agronomists/sales staff. | The Group will continue to keep people at the centre of our operations and will continue to invest in their development to enable Origin to execute our strategic agenda and to drive performance. In 2019, we will roll out an employee engagement programme to all employees across the Group, including an employee survey, focus groups and business unit site visits. |
| • During the year, Origin acquired the assets of Bunn Fertiliser in the UK and acquired Pillaert in Belgium for a total consideration of €24.4 million.<br>• In 2018 we continued to successfully integrate the acquisitions completed in 2017.<br>• The Group announced that agreement had been reached to acquire a 65% interest in Fortgreen and a 20% shareholding in Ferrari Zagatto, with Fortgreen completing in August 2018. | The Group will continue to develop our operations in markets which we believe provide opportunities for future growth and enter new geographies on a selective basis based on strategic importance, capital requirements and expected financial returns. In 2019 we will integrate our recently acquired Brazilian assets, supported by the appointment of CEO Latin America. |
| • In 2018, on a constant currency basis, Origin delivered revenue growth of 9.0% and operating profit growth of 4.6%.<br>• Total dividend per share of 21 cent has been proposed for 2018, which is consistent with 2017. ROCE for 2018 was 13.5%.<br>• Free cash flows of €56.6 million were generated during the year.<br>• During the year, Origin acquired the assets of Bunn in the UK and acquired Pillaert in Belgium for a total consideration of €24.4 million. | The Group will continue to focus on driving shareholder value through maximising the performance of our operations and making appropriate acquisitions. |

# Focusing on developing expertise and transferring knowledge

Our business model focuses on developing expertise and transferring knowledge across our markets, to optimise value for our stakeholders.

## Inputs

### M Expertise
Well-established routes-to-market in addition to investment in research, development of innovation and the use of data to deliver scalable solutions and provide value add.

### I Intellectual
Knowledge and IP transfer to primary producers across our geographies.

### F Financial
Solid financial base to fund growth organically and through acquisitions.

### H Human
Excellence of our people to meet the needs of primary producers.

### S Partnerships
Strong and established partnerships with stakeholders.

### N Sustainability
Commitment to communities and environments in which we operate.

## How We Add Value

To date, our delivery has been focused on two geographical regions – Ireland and the UK, and Continental Europe. Delivery across these two segments is via the following channels:

### Integrated Agronomy and On-Farm Services
Provides agronomy advice, services and inputs directly to arable, fruit and vegetable growers in the UK, Poland, Romania and Ukraine. Our customised solutions ensure the delivery of crop production systems that adhere to the highest safety, quality, environmental and sustainability standards.

### Business-to-Business Agri-Inputs
Provides procurement and supply chain solutions to the Irish, UK and Belgian primary food production sectors covering the macro inputs that drive on-farm efficiency, i.e. prescription blended fertilisers and animal feed ingredients. In addition, Origin is a market leader in advisory, service and input provision to the professional sports turf, landscaping and amenity sectors in the UK.

Find out more about our strategy on **pages 16 and 17**

**Strategic Priorities Key:**

- Focus: Application Research and Innovation
- Portfolio Positioning
- People and Organisation
- Corporate Development: Strategic Acquisitions and Business Expansion
- Delivering Long-Term Shareholder Value

### IIRC Capitals

This key provides a mapping to the 'capitals' of the International Integrated Reporting Council ('IIRC').

- F Financial
- H Human
- M Manufactured
- I Intellectual
- S Social
- N Natural

## Outputs

| Employees | Customers | Trials |
|---|---|---|
| >2,400 | 49,000 | 60,000 |

| Ha Customer Footprint | Revenue | Operating Profit |
|---|---|---|
| 12.7m | €1.6bn | €71.2m |

| Acquisition Cash Spend | ROCE | Dividend |
|---|---|---|
| €26.0m | 13.5% | 21.0c |

Find out what we achieve in strategy in action on **pages 22 to 27**

# Measuring our strategic progress

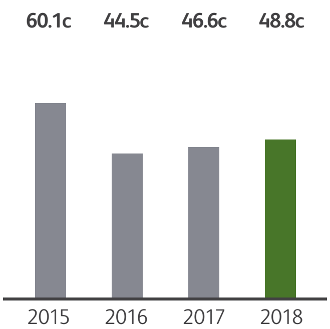
Origin employs financial and non-financial Key Performance Indicators ('KPIs') which benchmark progress towards our strategic priorities. KPIs are reviewed and monitored on a regular basis and are amended to reflect better the Group's key performance measures when required.

## Adjusted Diluted Earnings per Share ('EPS')

Measures adjusted diluted EPS in the current year compared to the prior year.

48.80c

+4.7%




2019 Focus

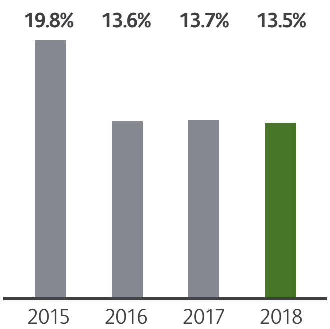
The Group's aim is to target growth in adjusted diluted EPS, while recognising that factors outside our control may cause inter-year variances.

## Return on Capital Employed ('ROCE')

ROCE is defined as Group earnings before interest, tax and amortisation of non-ERP related intangible assets taken as a percentage of Group Net Assets.

13.5%

(20bps)




2019 Focus

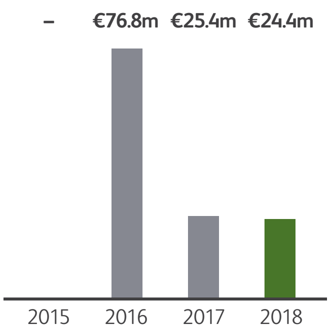
The Group's long-term goal is to deliver returns in excess of our cost of capital.

## Acquisition Consideration

Measures total acquisition consideration in respect of acquisitions completed during the current year, including deferred/contingent consideration.

€24.4m

(3.9%)




2019 Focus

Our aim is to target acquisitions that complement our existing business, adding to the Group's revenue and profit base.

**Strategic Priorities Key:**

Focus: Application Research and Innovation

Portfolio Positioning

People and Organisation

Corporate Development: Strategic Acquisitions and Business Expansion

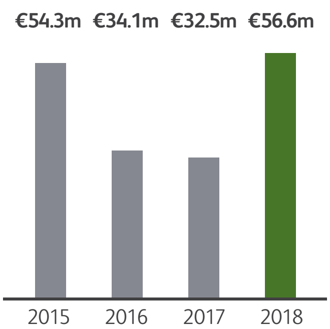
Delivering Long-Term Shareholder Value

## Free Cash Flow

Measures net cash in-flows from operating activities after taking account of working capital movements.

€56.6m

2017: €32.5m




2019 Focus

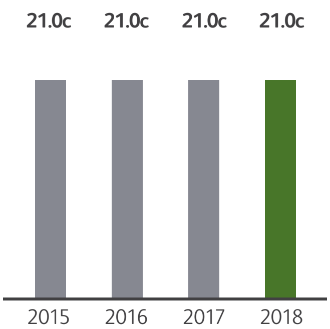
We aim to continue our record of cash generation and conversion, while noting that inter-year variances may arise, particularly as a result of working capital movements.

## Dividend

Measures the dividend per ordinary share proposed in the current financial year.

21.0c

2017: 21.0c




2019 Focus

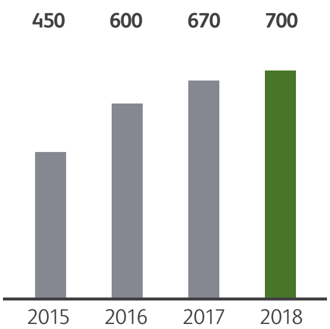
Our aim is to maintain dividends at an appropriate level taking account of the Group's financial performance.

## Number of Agronomists and Sales Staff

Measures the number of agronomists and sales representatives available to customers to ensure that the appropriate mix of experience and expertise is available.

700

2017: 670




2019 Focus

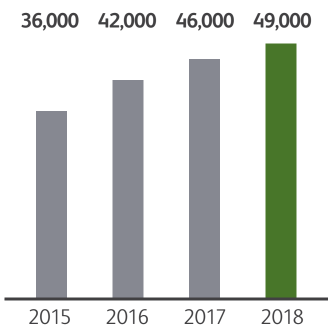
Our target is to remain adequately resourced with skilled agronomists and sales representatives who can meet our customers' needs.

## Number of Customers

Measures the number of customers to which Origin provides services during the financial year.

49,000

2017: 46,000




2019 Focus

We aim to increase market share in the coming year, and as a result increase the number of customers to which we provide services.

Focus: Application Research and Innovation

Portfolio Positioning

# Seeds

## for Farm Success

In Poland, Origin is leading the way with investment in application research, innovation and state-of-the-art infrastructure. The investment in the new Seed Processing and Input Formulation facility in Alexandrów, in addition to the launch of Agrii Demo, demonstrates our commitment to helping farmers in Poland optimise crop yield and economic returns.


Agrii Demo showcases Origin-developed technologies to demonstrate the effectiveness of our yield enhancing knowledge and experience.


At the grand opening of the Aleksandrów seed plant: Rafal Prendke (CEO Continental Europe), Leszek Skrzypczyk (Managing Director Agrii), Tom O'Mahony (CEO Origin) and Graham Harris (Chairman Agrii).

Agrii

## Launch of Aleksandrów

During 2017, Origin commenced construction of a new €6 million state-of-the-art Seed Processing and Input Formulation facility in Aleksandrów, Poland.

On 20 June 2018, after 16 months of construction, this facility was officially opened and is one of the most advanced production facilities for certified seed in Europe. In addition to certified seeds, it will produce innovative coated fertilisers and provide significant logistical capabilities for the Group's Polish operations.

The facility was designed and constructed taking the local environment into consideration. Careful consideration was given to the placement of bird breeding boxes on the facade of the building to support protected species living in this region.

Aleksandrów reinforces Origin's commitment to farming excellence in Poland, and cements its position as the number one provider of technically advanced seed varieties in the Polish market.

Agrii Demo

## Introducing Agrii Demo

In the UK, Origin has developed a network of industry-leading demonstration farms, called iFarms. These are sites where local farmers can view demonstrations of our agronomic innovations and discuss how these can be put into practice on-farm.

In Poland, we have replicated this successful model and launched 'Agrii Demo' – an industry-leading initiative with the focus of demonstrating Origin's world-class technologies including exclusive seed varieties, specialised crop nutrition products and tailored crop protection products. The aim of Agrii Demo is to illustrate the impact technology can bring and how on-farm yields can be optimised.

Agrii Demo is a nationwide project comprising 16 demonstration sites located with our customers across Poland. Origin-developed technologies are showcased to demonstrate the effectiveness of our yield-enhancing knowledge and experience. At each site, exclusive seed varieties are used, most of which have been produced at the Aleksandrów seed facility, together with a combination of exclusive nutrition and crop protection products to match local climatic and soil conditions precisely. The results of Agrii Demo will help deliver yield optimisation to farmers across Poland.

## Aleksandrów in Numbers:

Total facility size

12,000m²

Seed processing capacity per day (tonnes)

900

Seed varieties produced

**Cereals, oil seed rape, maize, sunflower, soya bean and grasses**

## Agrii Demo in Numbers

No. of Demo sites

16

Seed used

100%

**certified seeds**

Crops trialled

**Wheat, oil seed rape, rye and triticale**

Corporate Development

Portfolio Positioning

# Building Scale

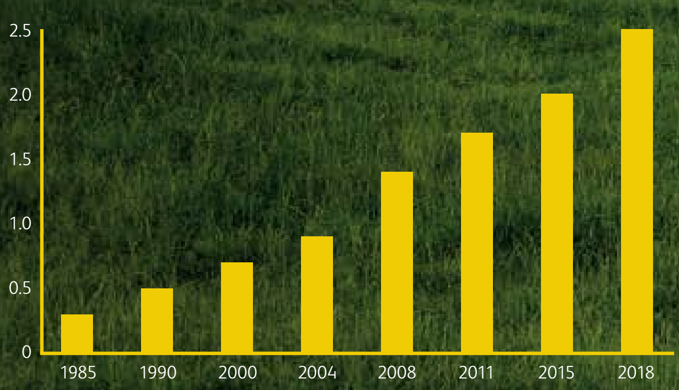
## and Direct Farm Linkages

Origin is a market leader in the blending and distribution of fertiliser and speciality nutrition products. Following a successful 'buy and build' strategy in the Fertiliser and Speciality Nutrition markets, we have established a franchise of 2.5 million tonnes annually across Ireland, the UK and Continental Europe.

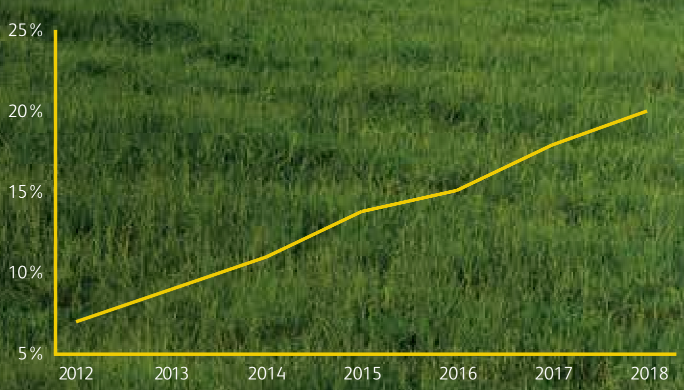
Our Business-to-Business operating model provides direct on-farm access, supplying farmers the specialist products they require.

This is supported by continuous and technically-led product development delivering sustainable crop yield enhancement to our customers. Origin's scale in the Fertiliser and Speciality Nutrition market across our geographies has developed as follows:

Fertiliser Development (tonnes)




Speciality Nutrition (as a percentage of total tonnes)




- 1978 **Ireland Blending**
- 1985 **Ireland Consolidation**
- 1990 **UK**
- 2000 **UK Consolidation**
- 2007 **UK and Poland Direct Farm**
- 2011 **Enhanced Speciality Capability**
- 2015 **Romania**
- 2017 **UK Consolidation**
- 2018 **Belgium**
- 2018 **Brazil**

## Speciality Nutrition

Crops require a certain amount of nutrients for normal and healthy growth. Each nutrient plays a different, but important role in crop growth and development. In aiming to reach maximum crop potential, farmers have to adjust the amount of nutrients applied according to crop needs, using appropriate nutrient management techniques. Without adequate nutrition, crops will not achieve their yield potential and farm profitability will be greatly reduced.

Speciality Nutrition is an increasingly important element of Origin's fertiliser offering. Our product portfolio has been developed over a number of years and provides farmers with technical solutions to specific challenges.

Our Speciality Nutrition products are highly relevant to our customers and provide us with distinctive market differentiation. In a market where Origin is aiming to grow, Speciality Nutrition allows us to compete effectively due to our blending and technical capabilities and track record of innovation. Origin's Speciality Nutrition brands provide our customers with a product offering tailored to their specific needs, enabling us to build lasting on-farm relationships. Examples of Origin's speciality products include:

- Richland
- Replenish
- Sweetgrass
- Selenigrass

## 2018 Developments

Origin has furthered our commitment to Fertiliser and Speciality Nutrition by continuing to invest in our 'buy and build' strategy. The acquisition of Bunn in the UK, Pillaert in Belgium and the completion of the acquisition, post year-end, of a controlling shareholding in Fortgreen in Brazil reinforces our commitment to our strategy and to these key inputs.

### Pillaert

Headquartered in Ghent, Pillaert is a leading provider of standard and prescription fertilisers in Belgium and surrounding regions. The business, which enjoys a brand heritage of over 50 years, markets an extensive range of technically based nutrition applications and operates a strong business-to-business and retail customer franchise.

The acquisition strongly complements our prescription fertiliser and speciality nutrition operations and the business benefits from a well invested and strategically located asset base. It also adds further scale to the Group's crop nutrition portfolios and provides an important expansion into a new geography offering multi-channel access to farm, with meaningful future growth potential. The total consideration of Bunn and Pillaert was approximately €24.4 million. Maintainable EBIT for the combined businesses is €3.2 million approximately.

### Bunn

Although the agreement to acquire the fertiliser activities and certain assets of Bunn was made during the 2017 financial year, completion of the transaction was subject to a number of conditions including obtaining clearance from the Competition and Markets Authority in the UK. The acquisition completed in August 2017.

Based in the UK, Bunn is a leading provider of prescription fertiliser blends and nutrition management systems servicing the arable, grassland and horticultural sectors. The business, which has traded for over 200 years, markets an extensive range of technically based nutrition applications and has an established business-to-business and retail customer franchise. The acquisition extended Origin's existing fertiliser blending activities, as well as its customer service capabilities, and enabled the Group to optimise operational and logistical efficiencies.

The Bunn acquisition also advanced the Group's capacity to manage supply chain complexity as well as providing complementary customer and product channel access. Bunn's strategically located sites complement the Group's well-invested blending and formulation facilities and geographic spread across the UK.

### Fortgreen

In June 2018, the Group announced it had reached agreement to acquire a 65% controlling interest in Fortgreen. Subsequent to the year-end, the Group announced the completion of the acquisition. Based in Paraná state in Brazil, Fortgreen is focused on the development of value added crop nutrition and speciality inputs. For an overview of the transaction and the Brazil market see pages 26 to 27.

## Pillaert Overview:

Volumes (tonnes)

220,000

Maintainable EBITDA

€1.8m

**Well-invested infrastructure**

**Strategically located in Flanders and Wallonia**

## Belgium Overview:

Hectares farmed

1.34m

No. of farms

37,000

**Fertiliser market size 1 million tonnes**

**Service providers seeking critical mass collaboration**

Corporate Development

# Geographical Expansion

## into Latin America

In June 2018, Origin announced it had reached agreement to acquire a 65% controlling interest in Fortgreen and a 20% shareholding in Ferrari Zagatto. Both entities are based in Paraná State in Brazil and represent the Group's first entry into the Latin American market. Subsequent to the year-end, the Fortgreen transaction was completed.

| | Fortgreen | Ferrari Zagatto |
|---|---|---|
| **Business focus** | Crop input development | Crop services |
| **Customer (no.)** | 1,200 | 4,000 |
| **Positioning** | Leading developer and manufacturer of high value nutrition and speciality inputs | Leading provider of agronomy services, inputs and crop handling/marketing services |
| **Revenue**[1] | €28.4 million | €88.2 million[2] |
| **EBITDA adjusted**[1] | €9.3 million | €4.3 million |
| **Enterprise valuation (100%)** | €60.2 million | €18.5 million |
| **Initial shareholding interest** | 65% | 20% |
| **Applications** | Corn, soya, wheat, cotton, coffee, sugar cane, vegetables | Corn, soya, wheat, cotton, coffee, vegetables |
| **Agronomists/technical sales personnel (no.)** | 60 | 65 |
| **Customer markets** | Branded retail | Direct farm |
| **Farm focus** | Medium, large | Small, medium, large |
| **Initial acquisition cost (payable on completion)** | €41.3 million | Not disclosed |
| **Maximum contingent acquisition consideration (payable 12 months following completion)** | €9.0 million | – |
| **Put and call option to acquire 100% interest** | Yes | Yes |

1. Revenue and adjusted EBITDA represent 100% amounts.
2. Inclusive of crop marketing revenues of €41.5 million approximately.

## Overview: Fortgreen

Fortgreen, which is headquartered in Paraná State in southern Brazil and was founded in 2004, is focused on the development and marketing of value added crop nutrition and speciality inputs. The business is an established leader in the manufacture and marketing of a complete portfolio of related crop technologies covering foliar fertilisers, bio stimulants, adjuvants and control release and slow release fertilisers.

Fortgreen operates a comprehensive research and new product development capability and services approximately 1,200 customers through an established business-to-business and retail distribution network.

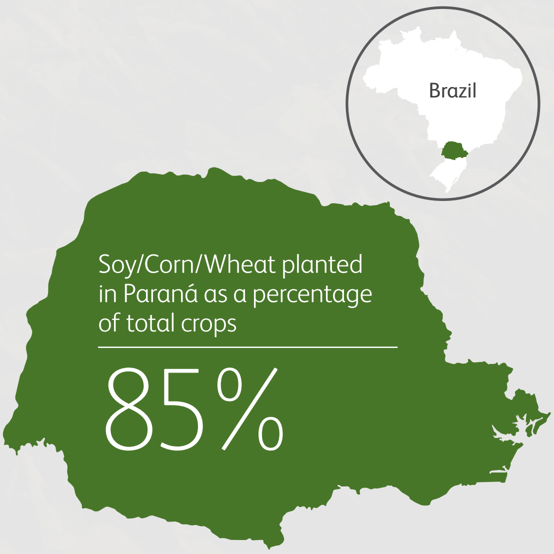
## Overview: Ferrari Zagatto

Ferrari Zagatto, founded in 1988 and also headquartered in Paraná, is one of the leading providers of agronomy services, crop inputs and crop marketing support to grain and speciality crop growers in Paraná.

## Brazil Market Overview

Brazil represents a significant opportunity for Origin to expand into a new geography. It is also consistent with Origin's strategic priority to scale its technology and service portfolios in markets which provide tangible growth opportunities. The transaction also provides the platform to address our requirements for meaningful geographical diversification and seasonality balance. Some key aspects of the Brazilian market include:

- highly productive/fertile soils;
- favourable climate;
- capacity to grow two crops per season;
- favourable logistics to export;
- second largest global agriculture exporter;
- crop production;
  - 230 million tonnes
  - Average yield 3.7t/ha
- total harvested area – 62 million hectares;
- primary producers – increasing professionalisation; and
- speciality nutrition – second stage application currently dedicated to professional holdings.




Source: CONAB

## Paraná State Overview

Paraná is a mature and strategically important agricultural region in Brazil comprised of well-established and well-capitalised mid-sized farm holdings. With a combinable cropping productive capacity of approximately 9 million hectares, Paraná is the second largest soybean and corn producing region in Brazil. In terms of primary crop production, the region benefits from a favourable climate, highly productive soils and competitive logistical advantages due to the good quality infrastructure with proximity to sea ports.

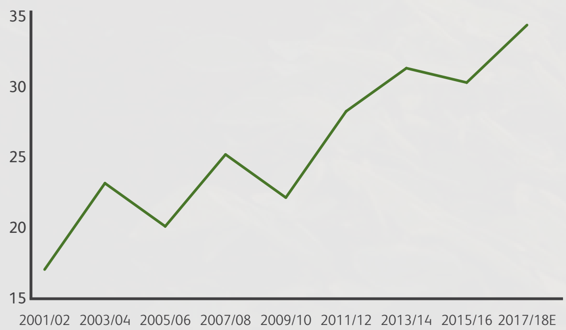
## Strategic Fit

Fortgreen is an excellent entry point for Origin into the Brazilian market which, due to the intensive cropping cycle supports increasing levels of fertiliser application to address soil nutrition requirements. The business benefits from an established and scalable platform which, together with proven local management expertise, facilitates exposure to the growing and value added segments within speciality crop nutrition.

Fortgreen's focus on technical service and in-field application has enabled the business to develop strong farm linkages through its business-to-business customer franchise and this will provide the Group with valuable insights into wider direct farm opportunities in Paraná and across Brazil more generally.

Ferrari Zagatto offers Origin opportunity to access some 4,000 new farm customer relationships and provides a springboard for future expansion in a fragmented agronomy service and input distribution market. Ferrari Zagatto also represents an excellent route-to-market for Fortgreen's crop technologies.

Brazil fertiliser consumption (million tonnes)




Source: CONAB, Rabobank, IBGE

# Embedding Sustainability

As a leading Agri-Services Group focused on providing specialist on-farm agronomy services, digital agricultural services and the supply of crop technologies and inputs, we place sustainability at the centre of our business model.

## Our Approach to Sustainability

Origin's history lies in the Irish cooperative movement dating back to the 1890s. That heritage and our journey to an international participant in the Agri-Services industry informs our ethos as an adaptable, progressive business focused on achieving long-term benefits for our stakeholders.

In a world facing significant global challenges relating to population growth, food security, resource scarcity and climate change, Origin, through our research, innovation and practical farming expertise, is well positioned to play a part in addressing these issues.

Our current programme focuses on the most material factors impacting our success in the medium to long term. During the financial year we started the process of determining our material factors as outlined below.

**Identification:** We reviewed key internal documentation including annual reports, risk registers and policies; and publicly available information for what matters to our key industry stakeholders, peers, multilateral organisations, government departments and regulators, trade and industry associations, and non-governmental organisations. We identified 23 distinct sustainability factors.

**Prioritisation:** We assessed the relative importance of each sustainability factor in relation to our businesses and to industry stakeholders based on pre-defined criteria.

**Validation:** We presented the findings to our Sustainability Steering Group to further explore and understand how they align with our Group's vision and strategic priorities. Eight factors were determined as material and these were then organised into four themes that are explored in the report:

- Climate-smart agriculture
- Crop and soil health
- Digital transformation
- Employee attraction, development & engagement
- Geopolitical and regulatory developments
- Industry leadership and collaboration
- Long lasting relationships and quality of service
- Sustainable food production

We will continue to review these eight factors as we continue our sustainability journey.

## What Matters to Us

### Localising solutions to improve agriculture

**Valuing the agronomist-farmer relationship (Long lasting relationships and quality of service)**

We focus on delivering high quality products and services, tailored to meet specific soil and crop needs. Central to the delivery of these products and services and maintaining our market leading position is the agronomist-farmer relationship. Origin's agronomists work directly with farmers providing independent advice on innovative farm practices and technologies, tailored to their needs which increase yields, protect the crops and help to safeguard the environment.

The value of the agronomist-farmer relationship cannot be underestimated. Many of these relationships exist for several decades and farmers see their agronomist as a trusted adviser, who not only supports them, but entire farming communities to achieve best practice farming solutions.

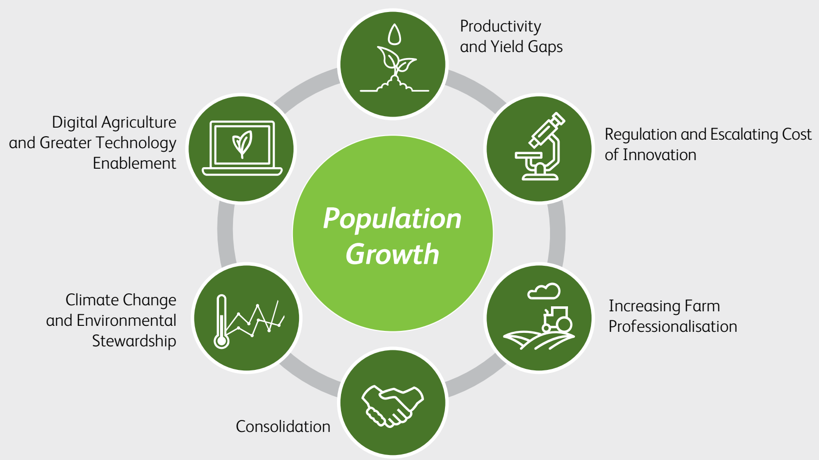
**Working with others and sharing our expertise (Industry leadership and collaboration)**

As a market-leading provider of agronomy services, crop technologies and farm inputs, Origin has a responsibility to constantly innovate and develop new solutions to ensure our customers can meet today's farming challenges with knowledge and confidence, while simultaneously driving progress across the agricultural industry. Working with others is at the heart of our research, development and innovation. Through our industry-leading research and development facilities, our iFarm network in the UK, and our expanding research footprint in Central and Eastern Europe, Origin has been conducting trials and research in collaboration with our customers, suppliers and leading universities for many years.

In February 2018, Origin launched the Contour platform in the UK, resulting from our commitment to collaboration and our continued investment in technology. As data science and farming technologies continue to develop, digitally-based advisory platforms such as Contour will provide the cornerstone of crop intelligence. An example of an

### The Strategic Context for Farming & Food

Macro trends



"At Origin we recognise that as our business continues to expand, we have greater responsibility to operate in an environmentally and socially responsible manner. During the year, we made further strides in our journey as we increased the understanding throughout the Group of the importance of sustainability in achieving our long-term vision."

Case study:

## Improving the seed selection process

Given the pressures on farmers to maximise return on investment from inputs, seed variety selection has becoming increasingly important. Characteristics like climate, soil type and condition, and disease pressures determine the best and highest yielding seeds for each region. Using data from our trial plots in the UK, Origin has developed an application for the selection of the most suitable seed variety in the UK, based on these characteristics.

In addition to the selection of the best seed, farmers are given the flexibility to process and price an order on any mobile device, which automatically dispatches the seed from the nearest depot. For Origin, it enables us to gain efficiencies in our order processing and logistics.

application on the Contour platform is the pest and disease models as outlined on page 33.

We also share insights and findings from our research, in collaboration with R&D organisations, universities and trade associations and through customer and supplier participation. Many members of our research, technical and management teams in our businesses are also members of the technical and advisory committees of leading trade associations. This provides Origin with a platform to share insights with other industry players and influence policies to benefit our business and the wider agricultural sector in areas including Greenhouse Gas Action Plans and Water Framework Policy.

### Enabling sustainable food production (Sustainable food production and digital transformation)

Feeding the world's population estimated at 9 billion people by 2050 is considered one of the major challenges of our time. Until now, the world's farmers have increased food production by improving yields through applying modern technologies but also by employing more land. However, as there is less and less additional land to rely on, solutions must be found to improve productivity based on sustainable farming technologies. Origin is in a strong position to make a difference on enabling sustainable food production through these solutions. Over the years, our precision farming solutions have enabled our customers to achieve yields above the national average.

### Localising global solutions through digital transformation (Digital transformation)

Origin, with our research and development, innovation and digital capabilities can take local data, apply agronomic research and best practice techniques, and through our digital platforms and mobile applications deliver localised solutions on a global scale. Our Seed Application solution is outlined above.

## People

### Valuing and empowering our people (Employee attraction, development & engagement)

Origin is a business centred around people, where strong working relationships form the basis of our success. We believe that by attracting motivated, highly skilled people, and nurturing their talent and individuality, we can create opportunities to fulfil their potential and provide our business with a strong competitive advantage.

## People continued

### Valuing and empowering our people (Employee attraction, development & engagement) continued

Origin is committed to the principles of diversity and inclusion with the recently launched Diversity and Inclusion Policy seeking to embed these principles more fully into the Group. All recruitment, selection and promotion decisions are based on merit in line with our commitment to create an inclusive workforce. We are also committed to ensuring our people enjoy working in a safe, empowering and professional environment, that is free from discrimination, bullying or harassment.

### Attracting and developing our people

Origin recognises the importance of attracting the best talent into our business, particularly in the highly competitive agri-food sector, where superb global leadership opportunities lie.

Our strategy for attracting the most talented candidates in the industry requires a strong investment in cultivating long-term relationships with potential candidates, forming relationships with industry and leading universities and demonstrating the potential for career growth in the Group.

In an increasingly competitive landscape for talent, we aim to create a workplace where our people can seek an ever more innovative working environment and a culture of innovation and creativity.

Growing our own talent is very important to us and to the success of the business. We offer continuous learning and development opportunities to our people in the form of in-country 'IQ' programmes which are being continuously developed to meet the demands of a changing market and skills requirements.

The principles of our 'IQ' programmes enable employees to enhance their current performance or prepare themselves for future roles through a Personal Development Plan which develops personal, academic, technical and digital skillsets.

Developing our management and leadership teams is a key part of sustaining our business for the future, whether an individual is at the start of their management career or one of our leadership team. Having the 'IQ' programmes in place as a robust platform for learning and development means that in the years ahead, we can focus on developing our workforce more than ever and provide the leaders of the future.

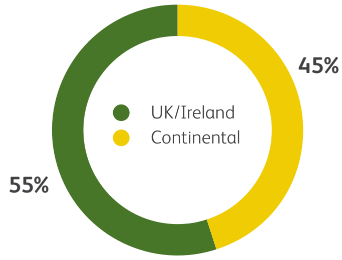
### Upskilling our people to future-proof our business

We recognise that the sector in which we operate, like others, changes at an ever-increasing rate. Continuous changes in technology and digital advancements, global challenges and the political landscape result in the need to focus heavily on the skills and talents required for the future.

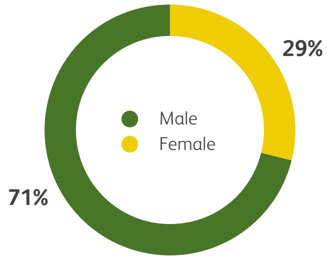
We are proud as a business to have a leadership team that recognises the need for developing professional skillsets and unlocking individual potential which creates competitive advantage and success.

The 'IQ' programmes are well placed to continue and enhance digital training in line with the rapid pace of technological change and our evolving customer demand. There are several technology training initiatives being undertaken to upskill our agronomists and a wider group of our people. Initiatives include those focused on technology and digital advancements, aimed to help demonstrate better and quicker decisions on-farm, and encourage farmers to increase their own usage of the technology.

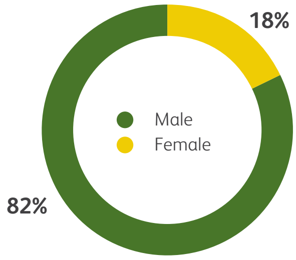
### Split of Employees by Division




### Gender Representation on Origin Board




### Gender Representation at Management Level




### Employee Participation in the Employee Engagement Survey

### Engaging our people

At Origin we recognise the value of sharing our ideas and information with each other and our stakeholders, for our continued success. As a Group, we enjoy regular meetings and conferences with our suppliers, customers and other third parties we work with. We also engage regularly with employees through a variety of means, including conferences, intranet, focus groups and employee surveys.

Our Stakeholder Engagement Strategy ('Let's Talk') was established during the year. The purpose of the strategy is to ensure that we enhance our existing feedback mechanisms, receiving employee feedback directly, digesting and responding where required. During the year, we undertook an employee engagement survey in two of our business units, with a plan to roll out the survey to all employees in the coming year. The key findings from the survey included the need to improve communication and employee engagement and provide more training and development, both of which we are actively addressing in the current year.

### Health, safety and wellbeing

Providing a safe and healthy working environment for our people is a key part of caring for our people. Our Health and Safety Officers continuously refine processes and procedures to ensure high safety standards throughout the Group.

Our Human Resource teams are developing various initiatives aimed at improving the way we identify and respond to the wellbeing issues of our people. The wellbeing initiatives are based on a four-pillar approach including: Early Intervention Services, One to One Counselling, Employee Assistance Programme and Human Resources Wellbeing Contact. Each business unit is at a different stage of implementation of these initiatives.

### Respecting human rights

Origin is committed to conducting all our activities in accordance with high standards of business conduct, which includes meaningful steps to respect the fundamental freedoms and rights of our people. Origin has suitable Human Resources policies and procedures which apply to each business in the Group. We share a copy of the UK Modern Slavery Act with all new starters as part of their induction programme to increase awareness of the Act and encourage employees to report any abuses via our whistleblowing channels.

Origin is also committed to ensuring that our supply chain is free from human rights abuses, including forced labour, slavery and trafficking.

The Group endeavours to maintain strong relationships with our partners and suppliers and has established procedures including the issuing of supplier questionnaires to assess salient risks within our supply chain. Our Slavery and Human Trafficking statement in response to the UK Modern Slavery Act is published on http://www.originenterprises.com.

### Creating a culture free from bribery and corruption

Origin operates an Anti-Bribery and Corruption policy which states that no employees or representatives of any Group business is to offer or accept any bribe, including small facilitation payments, or engage in any form of corrupt practice. The policy is designed to ensure that each business within the Group applies appropriate steps to comply with Origin's ethical standards so that the Company and our employees are protected from any penalties, fines and/or reputational damage. Origin recently launched an anti-bribery e-learning training programme which is being implemented throughout the Group.

### Community initiatives

We operate across a diverse range of communities with differing needs and in each of our geographies, we are committed to supporting projects, many of which are employee led, that make a difference to those around us. Examples of community initiatives and charitable organisations that are supported by our employees includes helping orphanages in Ukraine, working with World Vision in Romania and volunteering for LEAF and Farming Community Network in the UK.

FCN THE FARMING COMMUNITY NETWORK

**Case study:**

## The Farming Community Network

In the UK, many of our people volunteer for The Farming Community Network, an organisation that supports farmers and their families through difficult times. Given the solitary lifestyle of farmers and the fact that many continue to work long after retirement age, this organisation provides a lifeline to the farming community.

## Encouraging environmental stewardship

As one of the leading providers of fertiliser and agronomic services in Europe, Origin is focused on the energy efficiency of our own operating businesses where we undertake energy audits to identify opportunities to reduce our consumption. We have commenced a process of collating energy data from our business units to calculate our carbon emissions in future years. Origin also follows strict principles of environmental stewardship in all our activities, ensuring that proper care is taken from product development and purchasing of raw materials, through production, storage and distribution of the products and waste management. This is achieved through our appropriate management systems and processes and continuous investment in infrastructure. These management systems and processes encompass environmental matters including control of major accident hazards and traceability of fertiliser.

We also focus on how optimum fertiliser application and precision farming can help our customers in reducing their environmental impacts. Origin is committed to ensuring the efficacy of our product range through our ongoing research and development. Through our agronomists, Origin works closely with customers to ensure best agronomic practices are in place for the application of the products whilst helping the farmer meet their legislative requirements.

### Developing solutions for climate-ready agriculture (Climate ready agriculture)

Through research and development conducted at our iFarms and technology centres, Origin has developed many solutions for climate-ready agriculture. An example of such a solution is the reduction in nitrogen emissions through the development of fertiliser additives.

Since 2011, we have increased our focus on the development of speciality products to meet the requirements of farmers whilst providing climate-ready solutions. Further details of the growth of the speciality fertiliser markets is outlined on pages 24 and 25.

**Case study:**

## Improving soil and animal health through custom-made fertiliser solutions

Origin has the capability to provide custom-made fertiliser solutions to meet the specific requirements of crops and livestock, offering up to 10,000 different combinations of nutrients.

These nutrients help to supplement soil quality which stimulates crop growth, drives yield and improves quality in both arable and grassland systems. Similarly, minerals such as selenium can be added to fertiliser which is also beneficial for livestock.

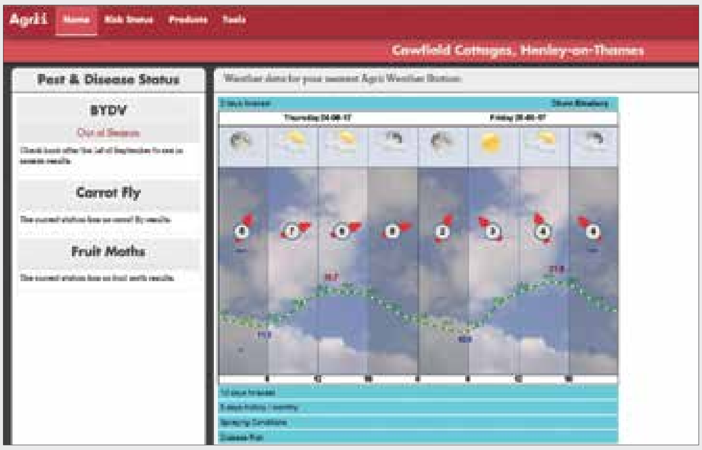
Fertiliser represents the largest input cost for farmers, hence by supplying products that meet the specific local requirements, Origin improves farming efficiency and increases productivity while benefiting both farmers' incomes and the environment.

### Developing techniques for Crop and Soil Health (Crop and soil health)

Soil is the fundamental resource on which agriculture is built. As the population continues to grow and food production tries to keep pace with it, soil resources become limited with soil health becoming more critical. Both sustainable cropping techniques and efficient use of fertiliser are critical to soil health.

Origin has developed many industry-leading techniques to improve soil health at the Stow Longa technology centre near Huntington in the UK. These techniques, including crop rotations, crop competitiveness, cover crops, companion cropping and cultivations, are being trialled on iFarms. The success of the crop competitiveness research and development work has resulted in methods to minimise the impact of blackgrass.

Origin has also developed a range of products which improve crop, soil and animal health. Details of these products are outlined above.




Case study:

## Helping farmers to manage pests and diseases in the growing process

Origin has developed pest and disease models for certain crops in a number of our geographies, which provide real-time risk status for our agronomists and customers.

The pest and disease application's engine allows climatological data to be input into various models and, using algorithms provides the risk status for each pest and disease, at that exact point in time, for any geographic location. The engine can also be used to predict upcoming threats by using weather forecast data or the previous years' climatological patterns.

The real-time risk status for each pest and disease is used by farmers to determine the best treatment to minimise or prevent crop damage. Early risk identification allows the farmer to optimise the use of treatments, thus reducing costs and benefiting the environment. In addition, the models allow Origin to identify crop varieties that have a greater resistance to various pests and diseases present at different geographic locations.

## Adapting to a changing landscape

### Emerging legislation (Geopolitical and regulatory developments)

Many of the products offered by Origin are subject to legislation regarding usage, emissions and effluent controls. The European Union, which operates on a precautionary principle, has in recent years, introduced regulations to ensure a higher level of environmental protection regarding pesticides and chemicals usage. These regulations may lead to a loss of products and prohibition of, or increased controls over, certain farming practices.

The loss of products poses a threat to our business, however through our diverse sources of supply, our ongoing collaborations with our suppliers, our development of speciality formulations and products and our research and development capabilities, Origin is in a strong position to react to any future regulatory and legislative changes.

Origin operates a fair and proportionate approach to legislation. We encourage environmental stewardship and ethical behaviour in all our activities and in our dealings with our suppliers and customers. We also engage with relevant policymakers when appropriate on behalf of our stakeholders.

### Brexit and uncertainty about the Common Agricultural Policy (Geopolitical and regulatory developments)

The expected departure of the UK from the European Union ('Brexit') in March 2019, brings significant uncertainty to the Group particularly around EU farm subsidy payments, agricultural practices, regulation and costs. It is also generating a level of uncertainty around sterling foreign exchanges rates, interest rates and the outlook for the UK economy.

Following Brexit, the UK Government has pledged to maintain farm subsidy payments at similar levels to current payments until 2022, and it is anticipated that a financial support mechanism will be put in place for UK farmers to help fund food production and stewardship of the countryside, thereafter. We expect that Brexit will lead to greater consolidation of farms and a greater use of technology and innovation.

Elsewhere in the European Union, there is a general expectation that the level of farm subsidy payments under the Common Agricultural Policy ('CAP') will be reduced over time, impacting farmers in the geographies in which we operate including Ireland, Belgium, Poland and Romania.

The uncertainty around Brexit and the future level of farm subsidy payments under CAP, requires Origin to consider our sales models and channels. It also brings opportunities as larger farms are more technically oriented and thus willing to use more advanced precision farming techniques and technologies.

## Looking Ahead

In the coming year, we will work to refine further our understanding of the material factors identified above. We will also endeavour to validate these material factors by engaging with relevant stakeholders.

We will strengthen our programmes and initiatives, setting measurement targets including: energy and water usage, staff engagement, wellbeing and diversity initiatives, customer uptake of digital services, precision farming techniques and seek to align these measurements with the strategic priorities of the Group.

We will continue to develop our reporting on the topics covered by the EU Non-Financial Reporting Directive (2014/95/EU) to provide stakeholders with concise relevant information on our Group-led policies, initiatives and outcomes.

We will also continue to collaborate with our stakeholders in encouraging environmental stewardship, through our investment in research as we continue to develop precision farming techniques and solutions.

# Identifying, evaluating and managing risks

The Board, supported by the Audit Committee and Risk Committee, is responsible for identifying, evaluating and managing the principal risks faced by the Group.

## Risk Management

Overall risk management is owned by the Board which is responsible for risk management and internal control systems throughout the Group. The Audit Committee and Risk Committee each assist the Board by taking delegated responsibility for risk identification and assessment and for reviewing the Group's risk management and internal control systems, along with making recommendations to the Board regarding the operation of the Group's Risk Management Framework.

In 2015, the Board established a Risk Committee to ensure a strong focus on risk management and having regard to risk management systems. During the past three years, the Risk Committee strengthened the risk management systems and embedded a strong risk culture throughout the Group. In September 2018, the Board approved the amalgamation of the Audit and Risk Committees.

The detailed Terms of Reference of the recently amalgamated Audit and Risk Committee are available on the Company's website: www.originenterprises.com. The principal duties and responsibilities of the Audit Committee for the year ended 31 July 2018 are summarised on page 62. The principal duties and responsibilities of the Risk Committee for the year ended 31 July 2018 are listed below:

- continually review the Group's overall risk assessment processes and its capability to identify and mitigate new risk types;
- consider the output of the consolidated Group Risk Review Process in terms of the risk map produced and the appropriateness of the positioning of individual risks;
- review and approve the statements to be included in the Annual Report concerning risk management and the Risk Committee;
- work and liaise as necessary with all other Board Committees, in particular with the Audit Committee;
- annually review the Risk Committee's Terms of Reference and carry out its performance evaluation review; and
- report to the Board on how it has discharged its responsibilities.

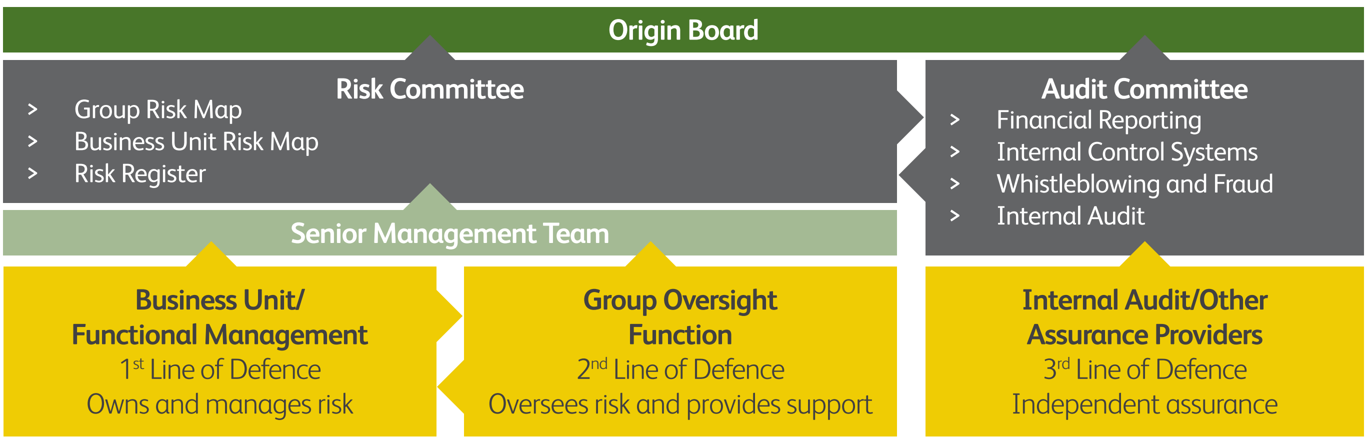
## Risk Management Framework

The Group has a Risk Management Framework and a formal risk assessment process in place through which risks are identified and mitigating controls are evaluated. The Risk Management Framework and the formal risk assessment process help reduce the possibility of failure and the uncertainty of the Group achieving its strategic objectives.

The risk assessment process is driven by business unit management who are best placed to identify the significant ongoing and emerging risks facing their businesses. The outputs of these risk assessment processes are subject to review and the risks identified, together with associated mitigating controls, are also subject to audit as part of our health and safety and operational/financial audit programmes.

The Group's Risk Management Framework is set out diagrammatically below and incorporates the 'three lines of defence' as follows:

- the first line comprises business unit and functional management who have day-to-day responsibility for identifying and managing risk along with devising, implementing and upholding effective internal controls in each respective business unit and functional area;
- the second line comprises Group oversight functions who provide specific functional expertise; and
- the third line is Internal Audit and external professional advisers who provide a level of independent assurance.



## Roles and Responsibilities

The roles and responsibilities in respect of the key elements of the Risk Management Framework are set out below.

| | |
|---|---|
| **Board** | • Set strategic objectives.<br>• Set delegation of authority.<br>• Continually review and monitor key risks of the Group.<br>• Report on the effectiveness of the risk management and internal control systems. |
| **Audit Committee** | • Review and consider reports from Internal Audit.<br>• Review and consider reports from External Auditors.<br>• Review internal control systems.<br>• Review whistleblowing arrangements.<br>• Review concerns raised through the whistleblowing arrangements.<br>• Review procedures for identifying and preventing fraud.<br>• Report to the Board on how it has discharged its responsibilities. |
| **Risk Committee** | • Review the Group's overall risk assessment processes.<br>• Review and monitor the key risks of the Group and the mitigating actions in place.<br>• Liaise with other Board Committees, in particular the Audit Committee.<br>• Report to the Board on how it has discharged its responsibilities. |
| **Senior Management Team** | • Develop the risk management and control environment.<br>• Review, assess and support the implementation of agreed risk mitigation and control programmes. |
| **Group Oversight Function** | • Oversee business unit and functional management.<br>• Promote the importance of a strong control environment.<br>• Additional focus in respect of Group finance, tax, treasury and information technology. |
| **Group Internal Audit** | • Monitor Risk Management Framework.<br>• Identify areas for improvement.<br>• Provide independent and objective assurance on risk matters to the Audit and Risk Committees. |

The Risk Committee comprises three Independent Non-Executive Directors, Gary Britton (Non-Executive Director, Chairman of the Risk Committee), Hugh McCutcheon (Senior Independent Director) and Kate Allum (Non-Executive Director). Rose McHugh retired from the Risk Committee on 17 May 2018 and Kate Allum's appointment to the Risk Committee was ratified by the Board on 27 June 2018.

## Length of Tenure

The length of tenure of the Directors on the Risk Committee as at 31 July 2018 is set out below:

| Length of tenure on Risk Committee | Years |
|---|---|
| Gary Britton | 2.75 |
| Hugh McCutcheon | 2.75 |
| Kate Allum | 0.10 |

## Risk Register and Risk Mapping Process

The Group's risk register process is based on a Group-wide approach to the identification and assessment of risks.

Each business unit is required to maintain a risk register, which is reviewed and updated for submission to Group Finance and Internal Audit half-yearly. A risk register template, pre-populated with a number of relevant risks covering strategic, operational, financial and compliance areas, has been developed. This template is then completed by each business unit, with the impact and probability of occurrence for each risk determined and scored.

A risk scoring matrix is issued to ensure a consistent approach is taken when completing the probability and impact assessments. New or emerging risks are added to the risk register as they are identified and the template is formally reviewed and updated annually.

From these risk registers a risk map is created for each business. This requires input from senior management in each business unit and Group Finance.

The Group risk register and risk map is prepared and maintained by Group Finance and is updated to reflect any significant changes noted during the reviews of business unit risk registers.

The Group and business unit risk maps are formally reviewed by the Risk Committee during the financial year.

The Risk Committee undertake a deep dive of the key risks and challenge business leaders on these risks.

The Group risk map which focuses on the principal risks is reported to the Audit Committee and the Board following each Risk Committee meeting.

## The principal risks and uncertainties which have the potential, in the short to medium term, to have a significant impact on the Group's business operations and strategy are set out below.

The risks outlined are not listed in order of importance. In addition, the principal mitigation measures are outlined. These mitigation measures are designed to give reasonable but not absolute protection against the impact of each of the potential events in question.

These risks represent the Board's view of the principal risks and uncertainties at this point in time, though it should be noted that this is not an exhaustive list of all relevant risks and uncertainties. Matters which are not known to the Board or events which the Board currently considers to be of low likelihood or low financial impact could emerge and give rise to material consequences.

**Link to Strategic Priorities Key:**

- Focus: Application Research and Innovation
- Portfolio Positioning
- People and Organisation
- Corporate Development: Strategic Acquisitions and Business Expansion
- Delivering Long-Term Shareholder Value

**Risk Movement Key:**

- Increased risk
- New risk
- No change

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| **Strategic/Commercial** | | | |

### Competitor activity, product innovation, pricing and margin erosion

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| The Group operates in a competitive environment where the pace of new innovation, changes in regulatory requirements and the impact of competitors' activity could have an adverse impact on margin and on the Group's results, including the risk of impairment of assets. | The business operates Group-wide product forums, undertakes extensive application research and innovation, and focuses on sales, marketing and distribution targeted at ensuring the Group is at the forefront of application methodologies, product innovation and the delivery of superior advisory and inputs offerings. In addition, the Group actively monitors competitor activity and develops strategies to maintain its competitive advantage. The Group's ERP system, Microsoft Dynamics AX, helps drive business efficiencies. The business also employs experienced teams who track potential or actual changes in regulatory requirements, such that they can be managed and, where possible, mitigated against. | | |

### Acquisitions and corporate development

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| The Group faces risks and challenges associated with acquiring new businesses including the failure to identify suitable acquisitions, to integrate acquisitions properly and to identify accurately all potential liabilities at the time of acquisition. | All significant acquisitions must be approved by the Board. Financial, legal, commercial and operational due diligence is performed both by external consultants and in-house resources in advance of all acquisitions. There is substantial experience within the Group which lends itself to strong project management capability in the area of acquisitions, transaction completion and integration. Post-acquisition reviews are undertaken to assess the business performance, progress and integration of newly acquired operations. Key findings are considered and where appropriate integrated into the planning process for future acquisitions. | | |

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| **Strategic/Commercial** | | | |
| **Commodity price volatility** | | | |
| The Group is exposed to commodity price risk, particularly in its Agri-Inputs business. It is also indirectly exposed to output price volatility in commodity markets which impacts on the value of outputs to the end customer. | The Group prioritises margin delivery and cost management as key focus points in mitigating input commodity price risk. From an output perspective the business is focused on maximising yield for the end customer by providing value added services, technologies and inputs that address the quality, efficiency and output requirements of primary food producers. | | |
| **Political** | | | |
| The Group is a multinational organisation and may be negatively impacted by political decisions, civil unrest or other developments in the geographies in which it operates, including trade disputes and tariffs which may impact access to products. | Political decisions are not within the control of the Group nor have they had a major impact on the Group's performance to date. Nevertheless, the Group monitors these risks and actively manages its businesses to ensure minimum disruption to its operations. | | |
| **Operational** | | | |
| **Adverse weather and climate change** | | | |
| Adverse weather conditions, changes in weather patterns and the impact of climate change affect farming conditions and yields. The environment in which the Group operates is highly seasonal. As a result, the Group's earning's profile is significantly weighted towards the second half of the financial year. This seasonality and the inherent uncertainty of weather conditions has an ongoing impact on working capital requirements and can significantly impact the Group's results. | Weather conditions and climate change are not within the control of the Group. Nevertheless, the Group monitors these risks and focuses on the management of the earnings profile, geographical diversity, investment in working capital, inventories, customer receivables and current liabilities, along with the monitoring of weather and climate change by divisional and Group managers. | | |
| **Compliance with legislation and regulations including environmental and health and safety matters** | | | |
| Compliance with laws and regulations is of critical importance to the Group. The business is subject to legislation in many areas including health and safety, emissions and effluent controls. Failure to comply with applicable legislation or regulatory obligations could result in enforcement action, legal liabilities, costs and damage to the Group's reputation. Product availability and potential changes in the regulatory environment and legislation could also have a material impact on the Group's results and reputation. | The Group monitors closely all changes to legislation and regulation. It operates thorough hygiene and health and safety systems across its businesses and has well-established product, environmental and discharge controls which ensure product traceability. The Group also develops diverse sources of supply and distribution capability for its products to ensure it continues to compete effectively and to anticipate and meet customer requirements on a continuing basis. The Group, through its membership of trade associations, will engage with government and other regulatory authorities to influence regulatory policy impacting the agricultural sector. | | |

**Link to Strategic Priorities Key:**

- Focus: Application Research and Innovation
- Portfolio Positioning
- People and Organisation
- Corporate Development: Strategic Acquisitions and Business Expansion
- Delivering Long-Term Shareholder Value

**Risk Movement Key:**

Increased risk | New risk | No change

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| **Operational** | | | |
| **Procurement and supply chain** | | | |
| The Group sources its products from a number of significant suppliers. The loss of any, or a number, of these suppliers could have a material impact on the Group's profitability and the ability to meet customer requirements. | The Group endeavours to maintain close commercial relationships with all its suppliers, the most significant of whom are large multinational organisations which supply across the Group's geographical markets. The Group, through its research and development capabilities, in collaboration with suppliers, customers and research bodies, is well positioned to develop innovative solutions to meet its customer needs. | No change | Portfolio Positioning |
| **Recruitment and retention of key personnel** | | | |
| The ongoing success of the Group is dependent on attracting and retaining high quality senior management and front line employees who can effectively implement the Group's strategy in both new and existing geographies. | The Group mitigates this risk through succession planning, strong recruitment processes, training programmes and offering competitive and attractive remuneration and benefits packages. In addition, the Group has recently appointed Chief Executives of both the Continental Europe and Latin America Divisions to complement existing management structures. | No change | People and Organisation |
| **IT/disaster recovery/cyber security** | | | |
| The Group is a multinational business with operations in a number of countries. The Group's IT strategy and its use of technology are key across the organisation and a robust IT disaster recovery plan is of high importance. Significant challenges would arise in the event there was a lack of access to the IT systems and environment or through cybercrime. | The Group ensures the presence of a robust IT strategy together with a related disaster recovery plan, both of which are frequently reviewed and updated. The Group's IT strategy and disaster recovery plan is overseen by the Group Chief Information Officer. Cyber security controls are in place, and are managed by external technical experts. | No change | Portfolio Positioning |

| Impact | Mitigation | Risk Movement | Strategic Priority |
|---|---|---|---|
| **Financial** | | | |
| **Brexit uncertainty** | | | |
| The Group has operations within and outside the European Union ('EU'). The UK's referendum decision to leave the EU ('Brexit') has increased uncertainty, particularly in relation to foreign exchange rates, interest rates and the short to medium-term outlook for the UK economy. There is a risk that this uncertainty could reduce demand in the Group's UK market, in other markets where there is currently a significant trade relationship with the UK and could adversely impact the financial performance of the Group. There is also a risk that any continuing and sustained weakening of sterling will impact the Group's translation of its sterling earnings with consequential impacts on the reported performance and results of the Group. | Management and the Board are continually monitoring the potential impacts of the UK's referendum decision to leave the EU on all of the Group's operations. Any potential developments, including new information and policy indications from the UK Government and the EU, will be reviewed on an ongoing basis with a view to taking appropriate actions targeted at managing and, where possible, mitigating the consequences of Brexit, including in the case of a hard Brexit in March 2019.<br><br>This includes contingency planning to ensure security of supply chain in the case of a limited transition period and/or the imposition of trade tariffs. | | |
| **EU farm subsidy payments** | | | |
| The Group has operations within and outside the European Union ('EU'). The uncertainty in relation to EU farm subsidy payments in the UK and in other EU countries, in the medium-term, could reduce demand for inputs in the Group's European markets, which could adversely impact the financial performance of the Group. | Management and the Board are monitoring the potential impact of changes in EU farm subsidy payments with a view to taking the appropriate actions as further clarity develops. | | |
| **Banking, credit, liquidity and market risk** | | | |
| The Group is a multinational organisation with interests both within and outside the Eurozone. As a result Origin is subject to the risk of adverse movements in foreign exchange rates, fluctuations in interest rates and other market risks (including movements in the market value of investments which impact the funding levels of our defined benefit pension schemes). The Group is also exposed to credit risk arising on customer receivables and financial assets. | The Group Treasury Department mitigates such risks under the supervision of the CFO. Foreign exchange rate and interest rate exposures are managed through appropriate derivative financial instruments. Where available/appropriate credit insurance is in place to mitigate credit risk. Financial risk management objectives and policies are further discussed in Note 22 to the financial statements. The Group closely monitors the ongoing costs of its defined benefit schemes and has closed all such schemes to new members. | | |
| **Fraud** | | | |
| The Group, like all businesses, is at risk of fraudulent and corrupt activities from both internal and external sources. | The Group places a high importance on the design and ongoing effectiveness of its internal control process. Physical and IT-based security measures are in place across the Group's subsidiaries to mitigate such risk. There are whistleblowing arrangements in place throughout the Group. The Group operates an anti-bribery and corruption policy. In addition, where economically available, the Group has appropriate insurances in place to provide cover against such an event. | | |

# This Financial Review provides an overview of the Group's financial performance for the year ended 31 July 2018 and of Origin's financial position at that date

## Overview of Results

As outlined in the Chief Executive's Review on page 12, the Group delivered a resilient trading performance in a challenging year.

The key financial highlights include:

- Adjusted diluted earnings per share up 4.7% to 48.80 cent and up 7.6% on a constant currency basis.
- Operating profit of €71.2 million, an increase of 1.7% and up 4.6% on a constant currency basis.
- Acquisitions contributed 5.0% to sales growth and 3.6% to operating profit growth in the year on a constant currency basis.
- Strong free cash flow generation of €56.6 million (2017: €32.5 million).
- Group operating margin of 4.4%, a decrease of 20 basis points.
- Expansion into Latin America through agreement to acquire interests in two Brazil-based agri-service businesses, Fortgreen and Ferrari Zagatto.
- Proposed final dividend of 17.85 cent, giving a total dividend of 21.0 cent (2017: 21.0 cent).

## Results Summary

| | 2018 €'m | 2017 €'m |
|---|---|---|
| **Revenue** | **1,627.5** | 1,528.5 |
| Operating profit[1] | **71.2** | 70.0 |
| Associates and joint venture[2], net | **7.2** | 4.4 |
| **Total Group operating profit**[1] | **78.4** | 74.4 |
| Finance expense, net | **(8.1)** | (6.9) |
| Profit before tax[1] | **70.3** | 67.5 |
| Income tax[4] | **(8.6)** | (8.7) |
| **Adjusted net profit** | **61.7** | 58.8 |
| **Adjusted diluted EPS (cent)**[3] | **48.80** | 46.62 |
| **Net debt**[5] | **(38.4)** | (31.5) |

1. Operating profit and total Group operating profit are stated before amortisation of non-ERP intangible assets and exceptional items.
2. Share of profit of associates and joint venture represents profit after interest and tax before amortisation of non-ERP intangible assets and before exceptional items.
3. Adjusted diluted earnings per share is stated before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million).
4. Income tax before tax impact of exceptional items and excluding tax on amortisation of non-ERP intangible assets.
5. Including restricted cash of €0.5 million (2017: €Nil).

## Adjusted Net Profit Reconciliation

| | 2018 €'m | 2017 €'m |
|---|---|---|
| Reported net profit | **56.8** | 45.6 |
| Amortisation of non-ERP intangible assets | **5.7** | 4.8 |
| Tax on amortisation of non-ERP related intangible assets | **(0.8)** | (0.9) |
| Exceptional items (net of tax) | **–** | 9.3 |
| Adjusted net profit | **61.7** | 58.8 |

## Reporting Segments

The results for year ended 31 July 2018 are set out in two separate reporting segments as set out below.

### Ireland and the UK

This segment includes the Group's wholly owned Irish and UK-based Business-to-Business Agri-Input operations, Integrated Agronomy and On-Farm Service operations and the Digital Agricultural Services business. In addition, this segment includes the Group's associates and joint venture undertakings.

### Continental Europe

This segment includes the Group's operations in Poland, Romania, Ukraine and Belgium.

An analysis of segmental revenues and operating profit for the Group before the Group's share of revenue/operating profit from associates and joint venture is set out below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Revenue €'m | Operating profit[1] €'m | Revenue €'m | Operating profit[1] €'m |
| Ireland and the UK | **1,038.1** | **54.8** | 955.0 | 53.4 |
| Continental Europe | **589.4** | **16.4** | 573.5 | 16.6 |
| | **1,627.5** | **71.2** | 1,528.5 | 70.0 |

The result from the Group's associates and joint venture undertakings was €7.2 million (2017: €4.4 million).

## Group Revenue

Group revenue comprises the totality of revenue from the Group's wholly owned operations which are based in Ireland, the UK, Belgium, Poland, Romania and Ukraine. These businesses provide Integrated Agronomy and On-Farm Services, Business-to-Business Agri-Inputs and Digital Agricultural Services.

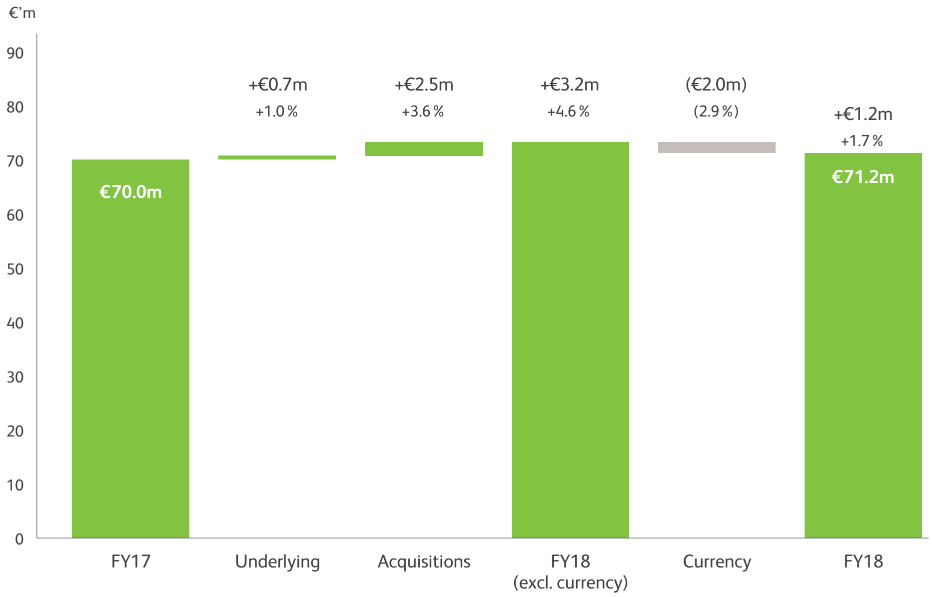
Group revenue increased to €1,627.5 million from €1,528.5 million in the prior year, an increase of 6.5%. On a constant currency basis, revenue increased by €137.5 million (9.0%) primarily reflecting an increase in fertiliser and feed volumes and fertiliser prices.

Underlying volume growth in agronomy services and crop inputs (excluding crop marketing volumes) was 2.7% for the year.

## Operating Profit

Operating profit[1] amounted to €71.2 million compared to €70.0 million in the previous year, an increase of 1.7%. On a constant currency basis, operating profit[1] increased by €3.2 million (4.6%). This is driven by increased fertiliser and feed volumes being partially offset by a reduction in agronomy service volumes in the period. The Group operating margin has decreased from 4.6% to 4.4% principally due to higher fertiliser prices in the year.

## Operating Profit Bridge




## Seasonality

The Group's operating profit[1] profile is significantly weighted towards the latter half of the financial year. An analysis of the quarterly revenue and operating profit[1] is set out in the following table:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | **Q1 €'m** | **Q2 €'m** | **Q3 €'m** | **Q4 €'m** | **Total €'m** |
| **Revenue** | **346.7** | **240.2** | **526.7** | **513.9** | **1,627.5** |
| **Operating profit[1]** | **6.7** | **(4.4)** | **24.4** | **44.5** | **71.2** |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Q1 €'m | Q2 €'m | Q3 €'m | Q4 €'m | Total €'m |
| Revenue | 333.6 | 230.9 | 548.7 | 415.3 | 1,528.5 |
| Operating profit[1] | 7.5 | (5.5) | 34.7 | 33.3 | 70.0 |

€68.9 million of operating profit[1] was generated in the seasonally more important second half of the current year, an increase of €0.9 million (1.3%) on the second half of 2017.

## Associates and Joint Venture

Origin's share of the profit after interest and taxation from associates and joint venture amounted to €7.2 million in the period (2017: €4.4 million). The improved performance in the period was principally supported by higher feed volumes.

## Finance Expense and Net Debt

Net finance costs amounted to €8.1 million, an increase of €1.2 million (16.9%) on the prior year level. The finance cost is primarily driven by gross debt balances with cash yields negligible in the current environment. Average net debt amounted to €226.0 million compared to €217.0 million last year. Actual net debt at 31 July 2018 was €38.4 million[5] compared to net debt of €31.5 million[5] at the end of the previous year.

Origin's financial position remains strong. At year end the Group had unsecured committed banking facilities of €430 million (2017: €430 million), of which €30 million will expire in August 2021 and €400 million will expire in May 2022.

## Taxation

The effective tax rate for the year ended 31 July 2018 was 14.0% (2017: 14.0%), and reflects the mix of geographies where profits were earned in the year and the settlement of certain historical tax matters.

## Exceptional Items

Exceptional items net of tax amounted to €Nil in the year. These principally relate to acquisition, disposal and restructuring costs and a fair value adjustment on the Group's investment properties, and are summarised in the table below:

| Year ended 31 July | 2018 €'m |
|---|---|
| Net transaction, other related costs and put option, net | 2.3 |
| Rationalisation costs, net | 0.7 |
| Business disposal, net | (1.5) |
| Fair value adjustment on investment properties | (1.5) |
| Total exceptional items, net of tax | – |

## Adjusted Diluted Earnings per Share[3] ('EPS')

EPS[3] amounted to 48.80 cent per share, an increase of 4.7% from 2017. The year-on-year increase of 2.18 cent per share can be summarised as follows:

| Impact of | Cent per share | % |
|---|---|---|
| Underlying growth | 2.66 | 5.7% |
| Acquisitions | 0.89 | 1.9% |
| Currency | (1.37) | (2.9%) |
| Total | 2.18 | 4.7 |

## Dividends

The Board recommends a final dividend of 17.85 cent per ordinary share which, when combined with the interim dividend of 3.15 cent per ordinary share, brings the total dividend for the year to 21.0 cent per ordinary share (2017: 21.0 cent). Subject to shareholder approval at the Annual General Meeting, this final dividend will be paid on 14 December 2018 to shareholders on the register on 30 November 2018.

## Capital Structure – Bank Facilities

The financial structure of the Group is managed to maximise shareholder value while providing the Group with the flexibility to take advantage of opportunities to develop the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions in the most efficient manner.

Origin's financial position remains strong. At year end the Group had unsecured committed banking facilities of €430 million (2017: €430 million), of which €30 million will expire in August 2021 and €400 million will expire in May 2022.

## Acquisitions

During the year, Origin acquired Bunn in the UK and Pillaert in Belgium. Both business were successfully integrated into the Group during the period and performed at expectation. Total acquisition cash expenditure during the year amounted to €26.0 million.

Origin announced in June that it had reached agreement to acquire a 65% interest in Fortgreen. As part of this transaction Origin has also agreed to acquire a 20% shareholding in Ferrari Zaggato.

In August 2018, Origin announced the completion of the acquisition of the 65% interest in Fortgreen following the satisfaction of the conditions of the transaction.

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3. Adjusted diluted earnings per share is stated before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million).
4. Income tax before tax impact of exceptional items and excluding tax on amortisation of non-ERP intangible assets.
5. Including restricted cash of €0.5 million (2017: €Nil).

## Cash Flow and Net Debt

Actual net debt at 31 July 2018 was €38.4million[5] compared with net debt of €31.5million[5] at the end of the previous year. The majority of Group borrowings are subject to financial covenants calculated in accordance with lenders' facility agreements. The Group's balance sheet is in a strong position. Group Treasury monitors compliance with all financial covenants which at 31 July 2018 included:

| | Covenant | 2018 Full year times | 2018 Half year times | 2017 Full year times | 2017 Half year times |
|---|---|---|---|---|---|
| Net debt: EBITDA | Maximum 3.50 | **0.54** | **2.17** | 0.49 | 1.95 |
| EBITDA: Net interest | Minimum 3.00 | **9.81** | **11.24** | 11.45 | 11.51 |

A summary cash flow is presented below:

| | 2018 €'m | 2017 €'m |
|---|---|---|
| Cash flow from operating activities, before exceptional items | **80.0** | 78.5 |
| Change in working capital | **0.7** | (26.0) |
| Interest and taxation | **(17.4)** | (14.5) |
| **Cash flow from ongoing operating activities** | **63.3** | 38.0 |
| Exceptional items | **(7.0)** | (11.7) |
| **Net cash flow from operating activities** | **56.3** | 26.3 |
| Dividends received | **2.5** | 3.8 |
| Net capital expenditure – Routine | **(7.9)** | (7.9) |
| – Investment | **(7.9)** | (6.9) |
| Acquisition expenditure (including debt acquired) | **(26.0)** | (25.5) |
| Cash consideration on disposal of equity investment | **5.3** | 0.3 |
| Dividends paid | **(26.4)** | (26.4) |
| Other | **(0.3)** | (0.6) |
| **Decrease in cash** | **(4.4)** | (36.9) |
| Opening net (debt)/cash | **(31.5)** | 3.1 |
| Translation | **(2.5)** | 2.3 |
| **Closing net debt**[5] | **(38.4)** | (31.5) |

## Working Capital

For the year ended 31 July 2018, there was a working capital inflow of €0.7 million. Continued management of working capital remains a key area of focus for the Group given the associated funding costs and related risks in the current environment. The year end represents the low point in the working capital cycle for the Group reflecting the seasonality of the business.

1. Operating profit and total Group operating profit are stated before amortisation of non-ERP intangible assets and exceptional items.
2. Share of profit of associates and joint venture represents profit after interest and tax before amortisation of non-ERP intangible assets and before exceptional items.
3. Adjusted diluted earnings per share is stated before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million).
4. Income tax before tax impact of exceptional items and excluding tax on amortisation of non-ERP intangible assets.
5. Including restricted cash of €0.5 million (2017: €Nil).

## Return on Capital Employed

Return on capital employed is a key performance indicator for the Group, with Origin delivering 13.5% in 2018 (2017: 13.7%).

| | 2018 €'m | 2017 €'m |
|---|---|---|
| Total assets | **1,204.1** | 1,083.0 |
| Total liabilities | **(873.8)** | (796.3) |
| Adjusted for: | | |
| Net debt[5] | **38.4** | 31.5 |
| Tax, put option and derivative financial instruments, net | **30.5** | 30.8 |
| Accumulated amortisation of non-ERP related intangible assets | **48.0** | 42.3 |
| **Capital employed – 31 July** | **447.2** | 391.3 |
| **Average capital employed** | **581.6** | 543.8 |
| Operating profit (excluding exceptional items) | **65.5** | 65.2 |
| Amortisation of non-ERP related intangible assets | **5.7** | 4.8 |
| Share of profit of associates and joint venture | **7.2** | 4.4 |
| **Return** | **78.4** | 74.4 |
| **Return on capital employed** | **13.5%** | 13.7% |

For the purposes of this calculation, ROCE represents Group earnings before interest, tax and amortisation of non-ERP related intangible assets from continuing operations ('EBITA') taken as a percentage of Group net assets:

(i) EBITA includes the net profit contribution from associates and joint venture (after interest and tax) and excludes the impact of exceptional and non-recurring items; and

(ii) Group net assets means total assets less total liabilities excluding net debt, derivative financial instruments, put option liabilities, accumulated amortisation of non-ERP related intangible assets and taxation related balances. Net assets are also adjusted to reflect the average level of acquisition investment spend and the average level of working capital for the accounting period.

## Free Cash Flow

The Group generated free cash flow in the year of €56.6 million (2017: €32.5 million). Free cash flow is an important metric as it indicates the amount of internally generated capital that is available for re-investment in the business or for distribution to shareholders.

| | 2018 €'m | 2017 €'m |
|---|---|---|
| EBITDA | **78.6** | 77.1 |
| Interest paid | **(6.9)** | (6.3) |
| Tax paid | **(10.4)** | (8.2) |
| Routine capital expenditure | **(7.9)** | (7.9) |
| Working capital inflow/(outflow) | **0.7** | (26.0) |
| Dividends received | **2.5** | 3.8 |
| **Free cash flow** | **56.6** | 32.5 |

Free Cash Flow means the total of earnings before interest, tax, depreciation, amortisation of non-ERP related intangible assets and exceptional items of wholly owned businesses ('EBITDA') adjusted to take account of interest, tax, routine capital expenditure, working capital cash-flows and dividends received.

Free Cash Flow Rate ('FCFR') means Free Cash Flow as a percentage of profit after tax of wholly owned businesses, excluding exceptional items and amortisation on non-ERP related intangible assets.

## Post Employment Benefit Obligations

The Group operates a number of defined benefit and defined contribution pension schemes with assets held in separate trustee administered funds. All of the defined benefit schemes have been closed to new members for a number of years and the majority are closed to future accrual.

Under IAS 19, 'Employee Benefits', the amounts recognised in the Consolidated Statement of Financial Position as at 31 July 2018 are as follows:

| | 2018 €'m | 2017 €'m |
|---|---|---|
| **Non-current liabilities** | | |
| Asset/(Deficit) in defined benefit schemes | **0.7** | (3.6) |

The movement during the year can be summarised as follows:

| | €'m |
|---|---|
| **Net liability at 1 August 2017** | **(3.6)** |
| Current service costs | (0.6) |
| Other finance expense, net | – |
| Contributions paid | 1.4 |
| Remeasurements | 3.6 |
| Translation | (0.1) |
| **Net asset at 31 July 2018** | **0.7** |

The remeasurements of €3.6 million principally relate to changes in demographic and financial assumptions together with remeasurement gains on scheme assets.

## Risk Exposures

The Group's international operations expose it to different financial risks that include currency risk, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner. Details of the Group's risk exposures and the controls in place to monitor such exposures are set out in Note 22 to the financial statements.

## Brexit

The UK's exit from the European Union continues to be an area of focus for the Group. Regular updates on the potential impacts of Brexit on Origin have been presented to the Board on a range of areas including the implications for UK domestic agricultural policy, regulation and the future trading relationship between the UK and the EU.

Given the Group's well-diversified business in the UK, Continental Europe and Latin America, we are maintaining a flexible approach to deal with the potential challenges that will arise following Brexit. We believe that we are well prepared for any short-term logistical disruption that may result from a no-deal Brexit. The Board and senior management will continue to closely monitor Brexit negotiations and adjust the Group's strategic and operational plans as necessary.

## Share Price

The Group's ordinary shares traded in the range of €5.02 to €7.05 during the year from 1 August 2017 to 31 July 2018. The Group's share price at 31 July 2018 was €6.04 (31 July 2017: €6.58).

## Investor Relations

The Group continues to focus on effective communications with shareholders. Contact with institutional shareholders is the responsibility of the executive management team including the Chief Executive Officer, Chief Financial Officer, Group Finance Director and Head of Investor Relations. During the year there were 170 meetings/conference calls with institutional investors across seven financial centres.

Brendan Corcoran was appointed as Head of Investor Relations and Group Planning during the year and joined the Group in September 2018.

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3. Adjusted diluted earnings per share is stated before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million).
4. Income tax before tax impact of exceptional items and excluding tax on amortisation of non-ERP intangible assets.
5. Including restricted cash of €0.5 million (2017: €Nil).

# Our Progress Since Establishment

The following table summarises the financial performance of the Group since flotation in June 2007. Over the period the Group has delivered compound annual growth in adjusted diluted EPS of 8.6%.

Cumulative cash flow over the period of €498.8 million reflects the strong cash-generative nature of the business and this cash flow has funded acquisition and development expenditure of €440.3 million.

Over the year the Group delivered a return on capital employed of 13.5%, well in excess of the Group's cost of capital. With year end net debt of €38.4 million[3], committed banking facilities as outlined earlier and the cash-generative nature of the business, Origin is well positioned to pursue future development opportunities.

| | 2007 €'m | 2008 €'m | 2009 €'m | 2010 €'m | 2011 €'m | 2012 €'m | 2013 €'m | 2014 €'m | 2015 €'m | 2016 €'m | 2017 €'m | **2018 €'m** | **CAGR** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 July** | | | | | | | | | | | | | |
| EBITA[1] | 42.8 | 74.1 | 81.0 | 82.4 | 89.8 | 85.7 | 97.1 | 95.5 | 95.4 | 74.0 | 75.3 | **79.8** | **5.8%** |
| Adjusted diluted EPS[2] (cent) | 19.63 | 34.05 | 36.16 | 37.26 | 43.34 | 45.16 | 52.11 | 57.51 | 60.10 | 44.51 | 46.62 | **48.80** | **8.6%** |
| Annual dividend (cent per share) | – | – | 8.0 | 9.0 | 11.0 | 15.0 | 17.25 | 20.0 | 21.0 | 21.0 | 21.0 | **21.0** | |
| Acquisition cash expenditure (cumulative) | – | 157.4 | 193.9 | 195.1 | 274.4 | 288.2 | 301.8 | 315.2 | 315.2 | 388.8 | 414.3 | **440.3** | |
| Cash flow after capex (cumulative) | 38.8 | 91.9 | 145.3 | 197.4 | 236.7 | 293.1 | 333.9 | 394.5 | 438.4 | 446.8 | 458.3 | **498.8** | |
| Return of capital (cumulative) | – | – | – | – | – | – | – | 100.0 | – | – | – | **–** | |
| Year-end net (debt)/cash | (71.7) | (175.1) | (153.8) | (111.9) | (92.1) | (67.8) | (29.6) | (11.9) | 88.8[3] | 3.1[3] | (31.5)[3] | **(38.4)[3]** | |
| Net debt/ EBITDA (times) | 1.42 | 2.13 | 1.77 | 1.33 | 1.17 | 0.81 | 0.38 | 0.14 | –[4] | –[4] | 0.49 | **0.54** | |
| ROCE%[5] | 16.6% | 19.4% | 20.5% | 18.8% | 19.1% | 17.4% | 18.3% | 19.7% | 19.8% | 13.6% | 13.7% | **13.5%** | |

1. Earnings before interest, taxation, amortisation and exceptional items including our share of the profit before tax of associates and joint venture before exceptional items and non-ERP intangible amortisation.
2. Before amortisation of non-ERP intangible assets, net of related deferred tax (2018: €4.9 million, 2017: €3.9 million) and exceptional items, net of tax (2018: €Nil, 2017: €9.3 million). 2007 adjusted to reflect the current capital structure of the Group.
3. Including restricted cash of €0.5 million (2017: €Nil, 2016: €2.9 million, 2015: €29.4 million).
4. Group in a net cash position at 31 July 2016 and 31 July 2015.
5. ROCE of total Group including associates and joint venture, based on average working capital and adjusted for acquisitions.

# The Board of Origin comprises a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors.

## Non-Executive Chairman

**Rose Hynes** (61)
Non-Executive Director

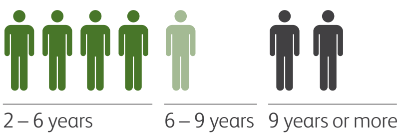
## Executive Directors

**Tom O'Mahony** (56)
Chief Executive Officer

**Declan Giblin** (62)
Executive Director

| | Rose Hynes | Tom O'Mahony | Declan Giblin |
|---|---|---|---|
| **Nationality:** | Irish | Irish | Irish |
| **Date of appointment:** | 1 October 2015 | 9 February 2007 | 15 October 2008 |
| **Committee membership:** | Chairman of the Nomination Committee and a member of the Remuneration Committee. | Member of the Nomination Committee. | |
| **Skills and experience:** | Rose previously held a number of senior executive positions with GPA Group plc in the period 1988 – 2002 including General Counsel and Head of the Commercial Department.<br><br>Rose is an Associate of the Irish Institute of Taxation and of the Chartered Institute of Arbitrators. She is a law graduate of University College Dublin and a lawyer. | Tom has been Chief Executive Officer of Origin since its formation in 2006. Prior to his appointment he was Chief Operations Officer of IAWS Group plc having previously held a number of senior management positions at IAWS, spanning functional areas including corporate development, business integration and financial control within the Group. | Declan is Head of Corporate Development of Origin having led Origin's recent entry into the Latin American market. He was formerly Chief Executive of Masstock and has been the driving force behind the development of Agrii over a 25-year period.<br><br>Declan is a member of the Chartered Institute of Management Accountants having previously worked with PwC. |
| **Principal current directorships:** | Chairman of Shannon Group plc and Non-Executive Director of Total Produce plc, IPL Plastics Inc. and Eircom Holdings (Ireland) Limited. | | |

Board diversity, by tenure (years)



## Non-Executive Directors

**Kate Allum** (53)
Non-Executive Director

**Gary Britton** (64)
Non-Executive Director

**Hugh McCutcheon** (64)
Non-Executive Senior Independent Director

**Christopher Richards** (64)
Non-Executive Director

| | Kate Allum | Gary Britton | Hugh McCutcheon | Christopher Richards |
|---|---|---|---|---|
| **Nationality:** | British | Irish | Irish | British |
| **Date of appointment:** | 1 October 2015 | 1 October 2015 | 21 November 2011 | 1 October 2015 |
| **Committee membership:** | Chairman of the Remuneration Committee and a Member of the Audit and Risk Committees. | Chairman of the Risk Committee and a Member of the Audit Committee. | Chairman of the Audit Committee and a Member of the Risk and Nomination Committees. | Member of the Remuneration Committee. |
| **Skills and experience:** | Kate is Chief Executive Officer of CeDo Limited.<br><br>Kate previously held a number of senior management positions in the food and agricultural sector, including Chief Executive of First Milk Limited and Head of European Supply Chain for McDonald's Restaurants. | Gary was previously a partner in KPMG where he served in a number of senior positions, including the firm's Board, the Remuneration and Risk Committees and as head of its Audit Practice. Gary was formerly a Non-Executive Director of The Irish Stock Exchange plc and KBC Bank Ireland plc.<br><br>Gary is a fellow of Chartered Accountants Ireland, the Institute of Directors and the Institute of Banking. He is also a Certified Bank Director as designated by the Institute of Banking. | Hugh spent over 20 years with Davy and was for more than 10 years the Head of Corporate Finance and a member of the firm's Board. Hugh has worked with a whole range of corporate clients and with the Department of Finance.<br><br>Hugh is a fellow of Chartered Accountants Ireland having trained with PwC. | Chris is Executive Chairman and Interim Chief Executive Officer of Plant Health Care plc. He has more than 30 years international experience in the agriculture industry and currently farms in the west of England. Chris previously spent 20 years in various leadership roles with Syngenta and its predecessor companies before serving as Chief Executive Officer and, later, Non-Executive Chairman of Arysta Life Science. |
| **Principal current directorships:** | Non-Executive Director of Cranswick plc. | Non-Executive Director of Cairn Homes plc. | Non-Executive Director of IPL Plastics Inc. and an Alternate Director at the Irish Takeover Panel. | Non-Executive Chairman of Nanoco Group plc and Non-Executive Director of Volac International Limited. |

### Board diversity, by gender

# Directors' Report

The Directors present their Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 July 2018, which are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

## Principal Activity and Business Review

The Group's principal activities comprise the provision of value added services, technologies and inputs that address the quality, efficiency and output requirements of primary food producers. The manufacturing, research and development, trading, distribution and digital services operations are based in Ireland, the UK, Belgium, Brazil, Poland, Romania and Ukraine.

During the year under review, the Group continued its strategic acquisition programme with the completion of the acquisition of Bunn Fertiliser in the UK and Pillaert-Mekoson in Belgium. The Group announced the agreement to acquire Fortgreen and Ferrari Zagatto in Brazil with Fortgreen completing subsequent to the year end.

A comprehensive review of the performance and development of the Group is included in the Chief Executive's Review on pages 12 to 15 and the Financial Review on pages 40 to 46. The Directors consider the state of affairs of the Company and the Group to be satisfactory. A list of the Group's principal subsidiaries and associates is set out in Note 34 to the Group financial statements.

The key performance indicators relevant to the Group are set out in the Strategic Report on pages 20 and 21.

## Results for the Year

The results for the year are set out in the Consolidated Income Statement on page 85. Revenue for the financial year was €1,627.5 million (2017: €1,528.5 million). The profit after tax and exceptional items for the financial year was €56.8 million (2017: €45.6 million).

## Future Developments

The Group will continue to pursue new developments to enhance shareholder value, through a combination of organic growth, acquisitions and development opportunities.

## Dividends

The Board is recommending a final dividend of 17.85 cent per ordinary share which, when combined with the interim dividend of 3.15 cent per ordinary share, brings the total dividend for the year to 21.0 cent per ordinary share (2017: 21.0 cent). Subject to shareholder approval, the final dividend is payable on 14 December 2018 to shareholders on the register on 30 November 2018.

## Share Capital and Treasury Shares

At 31 July 2018, Origin's total authorised share capital comprised 250,000,000 ordinary shares of €0.01 each (2017: 250,000,000), and the Company's total issued share capital (including treasury shares) comprised 126,382,206 ordinary shares of €0.01 each (2017: 126,382,206). At 31 July 2018, 800,330 securities were held as treasury shares (2017: 800,330).

Details of the share capital of the Company are set out in Note 27 and are deemed to form part of this report.

In respect of share transfers, the Directors may refuse to register any share transfer unless: (i) it is in respect of a share on which the Company does not have a lien; (ii) it is in respect of only one class of shares; (iii) it is in favour of not more than four joint holders as transferees; (iv) no restriction has been imposed and is in force on the transferor or transferee in default of complying with a notice to disclose beneficial ownership under the Articles of Association or under Chapter 4 of Part 17 of the Companies Act 2014; and (v) the required formalities for the registration of transfers have been satisfied. With the exception of transfers of shares through a stock exchange on which the shares are traded, the Directors may also decline to register: (i) any transfer of a share which is not fully paid; or (ii) any transfer to or by a minor or person of unsound mind, but this shall not apply to a transfer of such a share resulting from a sale of the share through a stock exchange on which the share is traded.

The rights and obligations to the ordinary shares are set out in the Articles of Association of the Company which are available on the Company's website: www.originenterprises.com.

## Principal Risks and Uncertainties

Under Irish Company law (Section 327(1)(b) of the Companies Act 2014), Origin is required to give a description of the principal risks and uncertainties facing the Group. These are addressed in the Risk Report on pages 34 to 39.

## Financial Instruments and Financial Risk

The financial risks include market risks, liquidity risks and credit risks. Details of the financial instruments used along with the financial management objectives and policies to which they relate are set out in Note 22 to the financial statements.

## Corporate Governance

The Corporate Governance Statement on pages 54 to 60 sets out the Group's application of corporate governance principles, the Group's system of risk management and internal control and the adoption of the going concern basis in preparing the financial statements. The Corporate Governance Statement shall be treated as forming part of the Directors' Report.

## Directors and Company Secretary

Changes to the Board of Directors during the year:

- Imelda Hurley resigned from the Board as an Executive Director and Company Secretary on 28 February 2018.
- Peter Dunne was appointed as Company Secretary on 28 February 2018.
- Rose McHugh retired from the Board as a Non-Executive Director on 17 May 2018.

### Directors:

Rose Hynes (Non-Executive Chairman)
Tom O'Mahony (Chief Executive Officer)
Declan Giblin (Executive Director)
Kate Allum (Non-Executive Director)
Gary Britton (Non-Executive Director)
Hugh McCutcheon (Non-Executive Senior Independent Director)
Christopher Richards (Non-Executive Director)

### Company Secretary:

Peter Dunne

The biographical details of the Directors are set out on pages 48 and 49 of this Annual Report.

## Directors' Interests in Share Capital at 31 July 2018

The interests of the Directors and the Company Secretary in the shares of the Company are set out in the Annual Report on Remuneration on pages 71 to 75.

## Substantial Holdings

As at 31 July 2018, the Directors have been notified of the following shareholdings which amount to 3% or more of the Company's issued ordinary share capital, excluding treasury shares:

| | Number of shares | % |
|---|---|---|
| Setanta Asset Management Limited | 17,404,207 | 13.9 |
| FMR LLC | 11,378,695 | 9.1 |
| Artemis Investment Management LLP | 10,557,309 | 8.4 |
| Invesco Limited | 8,789,032 | 7.0 |
| F&C Management Limited | 4,893,562 | 3.9 |
| DNCA Finance | 4,585,000 | 3.7 |

As at 20 September 2018, the Directors have been notified of the following shareholdings which amount to 3% or more of the Company's issued ordinary share capital:

| | Number of shares | % |
|---|---|---|
| Setanta Asset Management Limited | 17,174,488 | 13.7 |
| FMR LLC | 11,378,695 | 9.1 |
| Artemis Investment Management LLP | 10,524,786 | 8.4 |
| Invesco Limited | 8,287,069 | 6.6 |
| DNCA Finance | 5,627,688 | 4.5 |
| F&C Management Limited | 4,263,898 | 3.4 |

## Directors' Compliance Statement

The Directors acknowledge that they are responsible for securing compliance by the Company with its relevant obligations as defined in the Companies Act 2014 (hereinafter called the Relevant Obligations).

The Directors confirm that they have drawn up and adopted a compliance policy statement setting out the Company's policies that, in the Directors' opinion, are appropriate to the Company in respect of its compliance with its Relevant Obligations.

The Directors further confirm that the Company has put in place appropriate arrangements or structures that are, in the Directors' opinion, designed to secure material compliance with its Relevant Obligations and that they have reviewed the effectiveness of these arrangements or structures during the financial period to which this Annual Report relates.

## Audit Committee
Pursuant to the Company's Articles of Association, the Board has established an Audit Committee that in all material respects meets the requirements of Section 167 of the Companies Act 2014. The Audit Committee was fully constituted and active during the current and prior financial periods under review in these financial statements.

## Disclosure of Information to Auditors
The Directors in office at the date of this report have each confirmed that:
- as far as he/she is aware, there is no relevant audit information of which the Company's statutory auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's statutory auditors are aware of that information.

## Accounting Records
The Directors believe that they have complied with the requirements of Section 281 to 285 of the Companies Act 2014 with regard to accounting records by employing personnel with appropriate expertise and by providing adequate resources to the finance function. The accounting records of the Company are maintained at the Company's registered office at: 4–6 Riverwalk, Citywest Business Campus, Dublin 24.

## Corporate Social Responsibility
Origin recognises the importance of conducting its business in a socially responsible manner. The Group understands its responsibilities as an important member of the communities in which it operates and aims to not only provide employment opportunities to the local population but to earn a positive reputation in those communities by carrying out its commercial dealings and operations with integrity and in compliance with local and national regulations.

The Directors believe that the Group's long-term success will benefit from a motivated and committed workforce and, therefore, aims to provide its employees with an environment to work safely and develop their skills and practices in a well-structured manner. Health and safety in the workplace is given high priority across the Group and is driven internally by health and safety reviews and procedures.

## Non-Financial Reporting Obligations Directive
For the purpose of Statutory Instrument S.I.360/2017 European Union (Disclosure of Non-Financial and Diversity Information for certain large undertakings and groups), the areas of environmental matters, social and employee matters, respect for human rights, and bribery and corruption are discussed in Strategy on pages 16 to 17, Business Model on pages 18 to 19, Key Performance Indicators on pages 20 to 21, the Sustainability Report on pages 28 to 33 and the Risk Report on pages 34 to 39 and are deemed to be incorporated in this part of the Directors' Report.

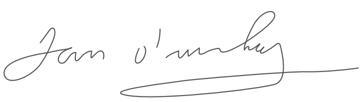
## Research and Development
Certain Group companies are involved in research and development activities which are focused on improving the quality, capabilities and range of technologies available to support our businesses.

## Political Donations
No political donations were made in the current year (2017: €Nil).

## Events Since The End of the Financial Year
The Group completed the acquisition of a 65% interest in Fortgreen in Brazil after the end of the financial year. The separate transaction to acquire a 20% shareholding in Ferrari Zagatto is expected to complete during the first half of the 2019 financial year. There were no other material events after the end of the financial year to report.

## Auditors
The auditors, PricewaterhouseCoopers, will continue in office in accordance with Section 383(2) of the Companies Act 2014.

On behalf of the Board



**Rose Hynes**
Director
25 September 2018

**Tom O'Mahony**
Director
25 September 2018

## Chairman's Overview

In Origin, we view high standards of corporate governance as a vital element of how we conduct our business and achieve long-term success for the Group.

Dear Shareholder

We, as a Board of Directors, regard good governance as one of the foundations of a sustainable corporate growth strategy. The Board has adopted the Quoted Companies Alliance Corporate Governance Code ('QCA Code') as the basis for its corporate governance structure. In doing so, the Board regards this as a strong foundation as we continue to apply the highest standards of corporate governance consistent with the size and complexity of the business.

Details of our compliance with the QCA Code are outlined in our Corporate Governance Statement on pages 54 to 60. There are detailed reports from our respective Audit, Remuneration and Nomination Committees on pages 61 to 78. A detailed Risk Report is outlined on pages 34 to 39.

The Board also recognises the importance of maintaining a culture across the Group that promotes ethical behaviour and values and supports excellence in our business. We also have a strong boardroom culture, with constructive challenge flowing freely from the Non-Executive Directors, underpinned by a mutual respect between all Directors.

On an ongoing basis, we seek to ensure that we have the right balance of skills, experience, diversity and independence on the Board. The Board currently comprises of five Non-Executive Directors and two Executive Directors. Sean Coyle will be co-opted to the Board as an Executive Director on 1 October 2018. Biographies of the Directors are set out on pages 48 and 49.

During the year, we announced the resignation of Imelda Hurley as Chief Financial Officer and Executive Director. Following a comprehensive search and selection process, we announced the appointment of Sean Coyle as Chief Financial Officer. I would like to thank Imelda for her strong financial leadership during a period of significant change and transition for the Group and welcome Sean to the Group as we prepare for our next phase of growth. Further details on this change is set out on the Nomination Committee Report on page 76.

Hugh McCutcheon was re-appointed as Senior Independent Director for an additional three-year term on 21 November 2017. Rose McHugh retired from the Board as a Non-Executive Director on 17 May 2018 following the completion of a second three-year term. I would like to thank Rose for her contribution as a Director throughout her time on the Board.

During the year, in line with best practice, we facilitated an external evaluation of the effectiveness of the Board and its Committees. The Board and I found this to be a hugely valuable process and I am pleased to report that the findings of this independent review were positive. A number of actions were agreed which will be implemented during the current financial year. More information on this process is outlined on page 58 of this report.

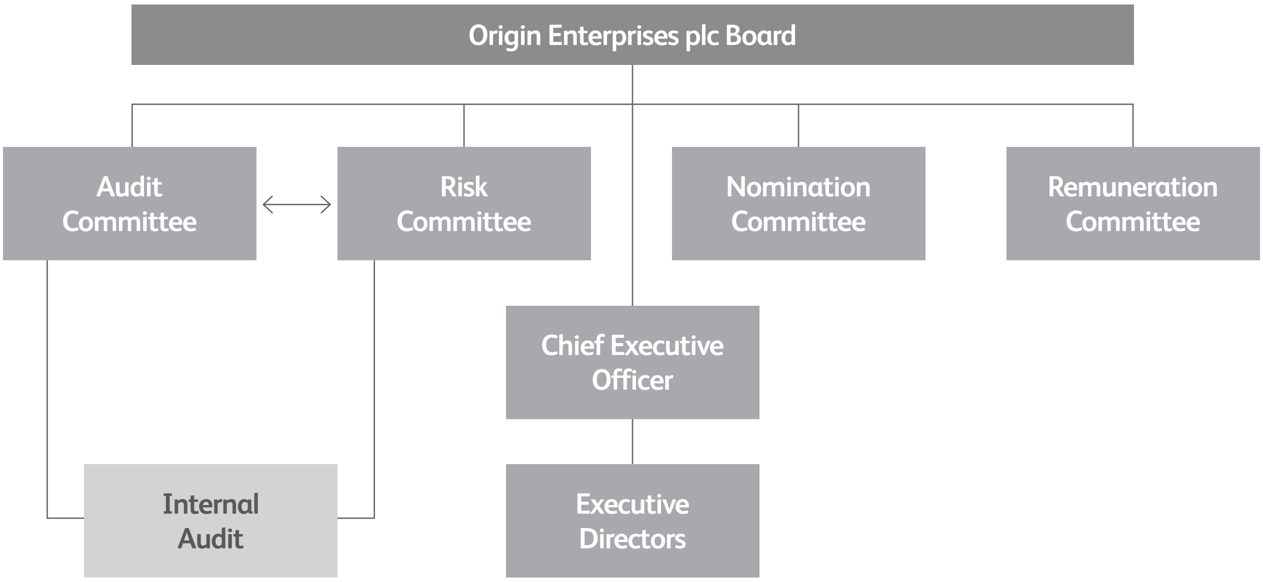
The Board continues to invest time in the development of skills and knowledge relevant to the performance of our duties. During the year we received presentations on developments in corporate governance and executive remuneration.

During the year, as part of our annual review of the Company's corporate governance framework, the Board approved a change in its re-election policy. Previously, one third of the Directors retired by rotation each year and sought re-election at the Annual General Meeting ('AGM') in line with the Company's Articles of Association. Under the new policy all Directors shall retire at the 2018 AGM and offer themselves for re-election.

**Rose Hynes**
Chairman
25 September 2018

The Board of Origin have committed to apply the principles of the QCA Code. This statement details the Company's key governance principles and practices and how it has complied fully with the principles of the QCA Code. A copy of the QCA Code can be obtained from the Quoted Companies Alliance website, www.theqca.com.

## Corporate Governance Framework




## The Board of Directors

The Board of Origin currently comprises a Non-Executive Chairman, four Non-Executive Directors and two Executive Directors, namely the Chief Executive Officer ('CEO') and the Head of Corporate Development. The newly appointed Chief Financial Officer ('CFO') will be co-opted to the Board as an Executive Director on 1 October 2018. The role of the Board is to provide leadership and the Directors are collectively responsible for the long-term success of the Group.

The offices of the Chairman and the CEO are separate and clearly distinct. The division of their responsibilities is set out in writing and has been approved by the Board. The CEO, together with the other Executive Directors, is responsible for the day-to-day running of the Group, carrying out agreed strategy and implementing specific Board decisions. Detailed biographies of current Directors are set out on pages 48 and 49.

The Board has delegated some of its duties and responsibilities to the various Committees of the Board whose composition and activities are set out in their reports on pages 61 to 78. A Risk Report is outlined on pages 34 to 39.

Directors have access to independent professional advice in the furtherance of their duties should they think it necessary.

## Schedule of Matters Reserved for the Board

There are certain matters that are deemed sufficiently significant to be reserved for the Board. A schedule of matters, set out below, reserved for the Board, has been reviewed by the Board during the year to ensure it continues to be appropriate for the Company.

| Matters reserved for the Board include: |
| --- |
| Setting of Group strategy and long-term objectives |
| Approval of annual and interim results and report, interim management statements and any non-routine stock exchange announcements |
| Approval of the annual budget |
| Approval of the dividend policy |
| Changes to the Company's capital structure |
| Policy on remuneration for Executive Directors and Senior Management Team |
| Approval of significant acquisitions |
| Approval of significant capital expenditure |

## Chairman

The Chairman is responsible for the leadership of the Board and ensuring it is effective in carrying out all aspects of its duties and responsibilities. The Chairman is also responsible for setting the Board's agenda and ensuring that adequate time is available for the consideration of all agenda items, in particular strategic issues. The Chairman is the link between the Board and the Company. She is specifically responsible for establishing and maintaining an effective working relationship with the Chief Executive Officer and promotes a culture of open dialogue between the Executive and Non-Executive Directors. She has the responsibility to ensure that there is ongoing and effective communication with shareholders and to ensure that members of the Board develop and maintain an understanding of the views of the shareholders.

## Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Group's operations and for the implementation of Group strategy and policies agreed by the Board. The Chief Executive also has a key role in the process of setting and reviewing strategy. The Chief Executive instils the Company's culture and standards which include appropriate corporate governance throughout the Group. In executing his responsibilities, the Chief Executive is supported by the Chief Financial Officer and the Head of Corporate Development, who together are responsible for ensuring that high quality information is provided to the Board on the Group's financial and strategic performance.

## Non-Executive Directors

The Non-Executive Directors' main responsibility is to review the performance of management and the Group's financial information, assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place. The Non-Executive Directors review the relationship with external auditors through the Audit Committee, monitor the risk management framework through the Risk Committee, monitor the remuneration structures and policy through the Remuneration Committee and consider the Board composition and succession planning through the Nomination Committee. The Non-Executive Directors provide a valuable breadth of diversity, experience and independent judgement to Board discussions. Details of the Non-Executive Directors are set out on pages 48 and 49.

## Senior Independent Director

The Senior Independent Director is responsible for providing advice to the Chairman as necessary, serving as an intermediary to the other Directors when necessary, supporting the Chairman with the annual Board evaluation if required, conducting an annual performance review of the Chairman, and being available to shareholders should they have any matters for discussion other than through the normal channels.

## Company Secretary

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring compliance with Board procedures. The Company Secretary is also responsible for supporting the Chairman and other Board members as necessary, including the management of Board and Committee meetings, advising on Directors' duties and facilitating appropriate, quality and timely information flows between the business and the Board. Both the appointment and removal of the Company Secretary are matters for the Board as a whole.

## Appointment of Directors

The Nomination Committee is responsible for reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any new appointments of Non-Executive Directors. The report of the Nomination Committee is set out on pages 76 to 78.

The Board may appoint a person willing to act as a Director, either to fill a vacancy or as an additional Director, provided that the appointment does not cause the number of Directors to exceed 15 as set out in the Company's Articles of Association. Such new Directors will hold office only until the next AGM, at which, the new Director will be subject to election by ordinary resolution of the Company.

The terms of appointment of each of the Non-Executive Directors are set out in the Directors' Letters of Appointment and are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

New Non-Executive Directors are required to serve an initial three-year term of office which may be extended, subject to Board approval.

## Re-election of Directors

The Company's Articles of Association provide that one third of the Directors shall retire by rotation each year and that each Director seeks re-election at the AGM every three years. New Directors are subject to election by shareholders at the next AGM following their appointment. The Board approved a change to its re-election policy during the year, in that all Directors shall retire annually and offer themselves for re-election at the AGM.

Details of the length of tenure of each Director on the Board as at 31 July 2018 are set out in the Nomination Committee Report on page 77.

## Induction and Training

All new Directors are comprehensively briefed on the Group and its operations upon joining the Board. They also receive extensive induction materials (via the Directors' electronic boardroom). Training requirements are considered as part of the annual Board evaluation process.

During the year New Bridge Street (part of Aon plc) advised the Board and the Remuneration Committee on the impact of legislative and corporate governance changes on the Company's remuneration policy and reporting, and on corporate governance best practice.

The Chairman and Company Secretary review Directors' training needs.

## Independence

The Board has carried out its annual evaluation of the independence of each of its Non-Executive Directors and has given regard to the highest standards in governance in doing so. Non-Executive Directors should be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

Since their appointment, all current Non-Executive Directors, including the Chairman, have been considered by the Board to be independent and free from any business or other relationship which could materially affect their judgement. The Board notes that Rose Hynes and Hugh McCutcheon serve together on the board of IPL Plastics Inc. The Board remain satisfied that they are able to apply objective, unfettered and independent judgement and act in the best interest of the Company regardless of this relationship.

At least half of the Board comprises Non-Executive Directors in line with best practice corporate governance.

## Commitment

Under the terms of their appointment, all Directors agreed to the time commitment schedule which requires them to allocate sufficient time to discharge their responsibilities effectively. This matter is considered by the Nomination Committee on an ongoing basis in accordance with its terms of reference.

## Board Meetings

A schedule of Board and Committee meetings is circulated to all Board members annually setting out the dates on which Board and Committee meetings will be held. Board papers are circulated electronically at least three days in advance of the meetings.

During the year ended 31 July 2018 the Board held a total of 12 meetings, eight scheduled meetings and four unscheduled. There is regular contact between meetings in order to progress the Company's business. Individual attendance at Board meetings and Committee meetings is set out in the following table.

Board of Directors: Attendance at Meetings During the Year Ended 31 July 2018

| | | Committees | | | |
|---|---|---|---|---|---|
| | Board | Audit | Remuneration | Nomination | Risk |
| **Continuing Directors** | | | | | |
| Kate Allum* | 11/12 | 3/3 | 4/4 | 1/1 | – |
| Gary Britton | 12/12 | 3/3 | – | – | 3/3 |
| Declan Giblin | 12/12 | – | – | – | – |
| Rose Hynes | 12/12 | – | 4/4 | 4/4 | – |
| Hugh McCutcheon | 12/12 | 3/3 | – | 3/3 | 3/3 |
| Tom O'Mahony | 12/12 | – | – | 4/4 | – |
| Christopher Richards | 12/12 | – | 4/4 | – | – |
| **Former Directors** | | | | | |
| Imelda Hurley** | 5/5 | 1/1 | 1/1 | 1/1 | 1/1 |
| Rose McHugh*** | 8/8 | – | – | – | 2/2 |

The attendance statistics represent: Total number of meetings attended by the Director/Total number of meetings held during the year to which the Director was eligible to attend.

* Kate Allum attended a supplemental meeting of the Nomination Committee to consider the re-appointment of Hugh McCutcheon.
** Imelda Hurley resigned as a Director on 28 February 2018.
*** Rose McHugh resigned as a Director on 17 May 2018.

## Committees

The Board has delegated certain responsibilities to Board Committees namely:

- Audit Committee.
- Remuneration Committee.
- Nomination Committee.
- Risk Committee.

These Committees operate under clearly defined Terms of Reference and report to the Board at each Board meeting via the relevant Committee's Chairman. The Terms of Reference for the Committees were reviewed during the year and will be subject to an annual review in future years. Any revisions will be proposed by the respective Committees and then approved by the Board. The Terms of Reference for each Board Committee are available to view on the Company's website: www.originenterprises.com.

### Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its financial and risk oversight responsibilities. In terms of risk oversight the Audit Committee works closely with the Risk Committee. Further details of the activities of the Audit Committee are set out in the report on pages 61 to 64.

### Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration policy for the Executive Directors, Chairman and the Senior Management Team. Further details of the activities of the Remuneration Committee are set out in the report on pages 65 to 75.

### Nomination Committee

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, including with respect to diversity of background and gender and having regard to the Group's businesses and strategic objectives. Further details of the activities of the Nomination Committee are set out in the report on pages 76 to 78.

### Risk Committee

The primary function of the Risk Committee is to assist the Board in fulfilling its risk oversight responsibilities, working closely with the Audit Committee in this regard. Further details of the Risk Committee are outlined in the Risk Report on pages 34 to 39.

## Remuneration

It has been the Company's practice since 2015 to put the Remuneration Report to an advisory, non-binding shareholder vote at the AGM. Accordingly, the Annual Report on Remuneration will be put to an advisory, non-binding shareholder vote at the Company's 2018 AGM.

## Share Ownership and Dealing

Details of each of the Directors' interests in Origin's shares are set out in the Remuneration Committee Report on pages 65 to 75.

The Board has adopted the Origin Enterprises plc Share Dealing Policy (the 'Policy'). The Policy relates to the dealings in shares of the Company by Directors and certain employees of the Group and is designed to ensure that these individuals neither abuse, nor set themselves under suspicion of abusing, information held about the Group which is not in the public domain. It is also designed to ensure compliance with the EU Market Abuse Regulation (596/2014) which came into effect on 3 July 2016.

The Policy requires Directors and certain employees to obtain clearance from the Company Secretary and the Non-Executive Chairman prior to dealing in the shares of the Company and prohibits them outright from dealing in shares during prohibited periods and when in possession of inside information.

## Risk Management and Internal Control Procedures

The Board is responsible for identifying, evaluating and managing the principal risks faced by the Group in achieving its strategic objectives. It is ultimately responsible for monitoring risk management systems including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board has delegated responsibility for the ongoing monitoring of the effectiveness of the risk management and internal control systems to the Audit and Risk Committees. Details in relation to the Audit Committee's work in this regard are set out in the Audit Committee Report on pages 61 to 64. Details in relation to the Risk Committee's work in this regard are set out in the Risk Report on pages 34 to 39. Since the establishment of the Risk Committee in 2015, the risk management systems have been strengthened and a strong risk culture has been embedded throughout the Group, resulting in the approval of the amalgamation of the Audit and Risk Committees in September 2018.

The Directors have established a number of key procedures designed to provide an effective system of internal control and risk management. The key procedures which are supported by detailed controls and processes include:

### Internal Audit
A Group internal audit function, reporting directly to the Audit Committee, undertakes examinations of business processes on a risk basis and reports on controls throughout the Group.

### Control Environment
Maintaining an organisation structure with defined lines of responsibility and specified delegation of authority within which the Group's activities can be planned and monitored. The control environment is overseen by experienced Group and divisional management teams.

### Financial Reporting
A comprehensive financial reporting system involving setting of annual budgets and plans, timely monthly reporting and variance analysis and ongoing review, supported by information systems developed for this purpose.

### Whistleblowing Arrangements
The Audit Committee is responsible for the review of the Group's whistleblowing arrangements and for ensuring that these arrangements are suitable for the Group's employees. The Audit Committee reviewed these arrangements during the year and satisfied itself that they are adequate for the needs of the Group.

### Risk Management Framework
The Group has a robust Risk Management Framework to identify, manage and monitor risks. Details of the operation of the Risk Management Framework are outlined in the Risk Report on pages 34 to 39.

### Annual Review of Internal Controls and Risk Management Systems
The Directors confirm that they have conducted an annual review of the effectiveness of internal control and risk management systems as operated up to and including the date of approval of the financial statements. This has had regard to the processes for identifying the principal business risks facing the Group, the methods for managing those risks, the controls that are in place to contain them and the procedures to monitor them.

## Consolidated Financial Statements
The consolidated financial statements are prepared subject to the oversight and control of the Chief Financial Officer, ensuring correct data is captured and all information that is required to be provided is disclosed. The consolidated financial statements are reviewed by the Audit Committee and approved by the Board.

## Board Evaluation
The Board conducts an annual evaluation of its performance and that of each of its principal Committees, the Audit, Remuneration, Nomination and Risk Committees, with the evaluation being externally facilitated every three years. In the year ended 31 July 2018, this process was for the first time, externally facilitated, using the Institute of Directors in Ireland ('IoD').

The criteria against which the Board and its principal Committees' effectiveness is considered includes: corporate strategy, business principles, internal controls and risk management, performance and measurement, stakeholders, Board and Committee memberships, workings of Board and Committee meetings, Board effectiveness and the Board's Chairman. The various phases of the external evaluation process which commenced in March and concluded in May 2018 are as follows:

- a comprehensive brief was given to the IoD facilitator by the Chairman;
- each Director completed a confidential questionnaire, where they were asked to express their views on the quality of nine aspects of the Board's performance;
- each member of the Audit, Remuneration, Nomination and Risk Committees completed a questionnaire on the performance of the Committees;
- at the Board meeting on 23 May, the Board considered the IoD report, incorporating findings and recommendations, which was attended by the IoD facilitators;
- following this discussion, the Board formally concluded on its own performance, that of its Committees and on the performance of the Chairman; and
- a number of action plans were agreed and will be implemented during the current year.

Overall, the independent evaluation confirmed that the Board and its Committees operate effectively and to a high standard.

Executive Directors' performance is reviewed by the Remuneration Committee in conjunction with the Chief Executive Officer, except in the case of his own performance review.

The Chairman met with the other Non-Executive Directors without the Executive Directors present on a number of occasions during the year.

## Culture

Origin operates a decentralised business model, where each country and business has unique elements in its culture. These businesses, centred on employees and customers, operate within a Group culture that strives for innovation and operational and people excellence. The close involvement of the Executive Directors and Senior Executives with the businesses continues to foster a culture of excellence across the Group.

Through the Group's principles and policies, the Directors are committed to ethical behaviours and values. The Board receives regular contributions from Senior Executives, including updates on culture, principles and policies at meetings of the Board and Committees to assess that ethical values and behaviours are recognised and respected through the Group.

## Relations with Shareholders

The Board has responsibility for ensuring that satisfactory engagement with the Company's shareholders takes place. Presentations are made to both existing and prospective institutional shareholders, principally after the release of the interim and annual results. Origin issues interim management statements relating to the first and third quarters of the financial year. Information is disseminated to shareholders and the market generally, via regulatory information services, as well as the Company's website, www.originenterprises.com, which provides the full text of press releases and all regulatory announcements. All current and historical Annual and Interim Reports and investor presentations are also made available on the Company's website.

The Board is kept informed of the views of shareholders through the Chief Executive and Chief Financial Officers' attendance at investor meetings and results presentations. Furthermore, relevant feedback from such meetings, investor relations reports and broker notes are provided to the entire Board on a regular basis. The Chairman is also readily available to meet institutional shareholders as and when appropriate. The Senior Independent Director and other Non-Executive Directors will attend meetings with major shareholders if requested. No such meetings were requested during the year. The Company Secretary engages annually with proxy advisers in advance of the AGM.

The Executive Directors have held over 170 separate meetings and conference calls with existing and prospective shareholders during the financial year including:

| Date | Activity |
|---|---|
| September 2017 | 2017 Preliminary Results |
| September 2017 | Roadshows in Dublin, London, Paris and Edinburgh |
| November 2017 | Trading update and AGM |
| January 2018 | Roadshows in New York and Boston |
| March 2018 | Interim Results for 2018 |
| March 2018 | Roadshows in Dublin, London, Paris and Edinburgh |
| June 2018 | Quarter 3 Trading Update/Brazil Acquisition |
| June 2018 | Roadshows in London and Frankfurt |

All shareholders are given the opportunity to ask questions at the AGM which will take place at The Merrion Hotel, Upper Merrion Street, Dublin 2 at 11.00am on Friday, 23 November 2018. The Group Chairman along with the Chairs of the Audit, Nomination, Remuneration and Risk Committees will be available to answer questions at that meeting. Further information on the AGM will be made available on publication of the notice of AGM.

A copy of the Memorandum and Articles of Association of the Company may be inspected at the registered office of the Company or on the Company's website: www.originenterprises.com.

## General Meetings

### Matters of Ordinary Business

General meetings of the Company are convened in accordance with, and governed by, the Articles of Association and the Companies Act 2014. The Company is required to hold an AGM at intervals of no more than 15 months from the previous AGM, provided that an AGM is held in each calendar year. The AGM has the power to consider the following matters, which are deemed by the Articles of Association to be items of ordinary business: (i) declaring a dividend; (ii) the consideration of the financial statements and reports of the Directors and Auditor; (iii) the election of Directors in the place of those retiring by rotation or otherwise; (iv) the re-appointment of the retiring Auditor and the fixing of the remuneration of the Auditor; (v) generally authorising the Directors, for a period to expire no later than the conclusion of the next AGM, to allot relevant securities with a nominal value not exceeding the authorised but unissued share capital of the Company; (vi) generally authorising the Directors, for a period to expire no later than the conclusion of the next AGM, to allot equity securities non-pre-emptively; and (vii) generally authorising the Directors, for a period to expire no later than the conclusion of the next AGM, to exercise the power of the Company to make market purchases of the Company's shares.

### Matters of Special Business

All other business transacted at an AGM and all business transacted at an Extraordinary General Meeting (an 'EGM') are deemed by the Articles of Association to be special business. Matters which must be attended to by the Company in general meeting pursuant to the Companies Act 2014 include: (i) amending the Memorandum and Articles of Association; (ii) changing the name of the Company; (iii) increasing the authorised share capital, consolidating or dividing share capital into shares of larger or smaller amounts or cancelling shares which have not been taken by any person; (iv) reducing the issued share capital; (v) approving the holding of the AGM outside the State; (vi) commencing the voluntary winding up of the Company; (vii) re-registering the Company as a company of another type; (viii) approving a substantial property transaction between the Company and a Director; (ix) approving a guarantee or security for a loan or similar transaction made by the Company to a Director or connected person of a Director; and (x) approving the draft terms of a cross-border merger.

### Attendance at Meetings and Exercise of Voting Rights

A quorum for an AGM or an EGM of the Company is constituted by three members entitled to vote and present in person, by proxy or duly authorised representative in the case of a corporate member. The passing of resolutions at a general meeting, other than special resolutions, requires a majority of more than 50% of the votes cast. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Votes may be given either personally or by proxy or by a duly authorised representative of a corporate member. Subject to rights or restrictions for the time being attached to any class or classes of shares, on a show of hands, every member present in person and every proxy or duly authorised representative of a corporate body shall have one vote. No individual shall have more than one vote and, on a poll, every member present in person or by proxy, or a duly authorised representative of a corporate body, shall have one vote for every share carrying voting rights of which the individual is the holder.

The instrument appointing a proxy must be deposited at the registered office of the Company or at another place specified for that purpose in the notice of the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

Restrictions may be placed on specified shares such that their holder or holders will not be entitled to vote at any general meeting, in circumstances where the holder or holders of those shares has failed to pay any call at the time appointed for payment or the holder or holders has failed to comply, to the satisfaction of the Directors, with a notice to disclose beneficial ownership under the Articles of Association or under Chapter 4 of Part 17 of the Companies Act 2014.

Shareholders have the right to attend, speak and vote at general meetings. In accordance with Irish company law, the Company specifies a record date for each general meeting, by which date shareholders must be registered in the Register of Members of the Company in order to be entitled to attend.

## D&O Insurance

The Company maintains Directors' and Officers' liability insurance cover, the level of which is reviewed annually.

## Going Concern

The Group's business activities are set out in the Chief Executive's Review on pages 12 to 15. As noted in the financial statements, the Group has generated cash flow from operating activities of €56.3 million during the year and its net debt at 31 July 2018 is €38.4 million.

The Directors have a reasonable expectation, having made appropriate enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

# Audit Committee Report

## About this Committee

The Audit Committee comprises three independent Non-Executive Directors:

- Hugh McCutcheon (Senior Independent Director, Chairman of the Audit Committee).
- Kate Allum (Non-Executive Director, Chairman of the Remuneration Committee).
- Gary Britton (Non-Executive Director, Chairman of the Risk Committee).

The members of the Committee have significant financial and business experience.

Further biographical details of the members of the Audit Committee are set out on page 49.

Dear Shareholder

I am pleased to present the report of the Audit Committee for the year ended 31 July 2018 which has been prepared by the Audit Committee and approved by the Board. The principal duties and responsibilities of the Audit Committee for the year ended 31 July 2018 are summarised in the following report.

In September 2018, the Board approved the amalgamation of the Audit and Risk Committees and the appointment of Gary Britton as Chairman of the newly formed Committee effective from 26 September 2018. The responsibilities of the recently amalgamated Audit and Risk Committee are available on the Company's website, www.originenterprises.com.

Following the change to AIM Rule 26 in March 2018, the Board of Origin has committed to apply the principles of the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). Details of the Company's compliance with the QCA Code are outlined in the Corporate Governance Section of the Annual Report on pages 54 to 60.

A key responsibility of the Audit Committee for the year ended 31 July 2018 is to review the Company's risk management and internal control systems. Details in regard to these matters are set out on pages 34 to 39. This report sets out further details of the duties and responsibilities of the Committee as well as an overview of its activities.

PricewaterhouseCoopers ('PwC') is the External Auditor for the Group and has been in place since 28 April 2010.

**Hugh McCutcheon**
Chairman of the Audit Committee
25 September 2018

## Duties and Responsibilities

The principal duties and responsibilities of the Audit Committee include the following:

- monitor the integrity of the financial statements (including the Annual Report, Interim Report and preliminary results announcements);
- monitor and review the financial reporting process, review and challenge the judgements of management in relation to interim and annual financial statements;
- review the effectiveness of the Company's internal financial controls and internal control and risk management systems along with reviewing and approving the statements to be included in the Annual Report concerning internal control and risk management systems;
- review the Group's whistleblowing arrangements;
- review the Company's procedures for detecting and preventing fraud;
- review the effectiveness of the Internal Audit function;
- review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor;
- oversee the relationship with the External Auditor, including (but not limited to) monitoring all matters associated with the appointment, terms, remuneration and performance of the External Auditor and reviewing the scope and results of the audit and the effectiveness of the process; and
- annually review the Audit Committee's Terms of Reference and conduct a performance evaluation of the Committee.

## Length of Tenure

The length of tenure of the Directors on the Audit Committee as at 31 July 2018 is set out below:

| Length of tenure on Audit Committee | Years |
|---|---|
| Kate Allum | 2.75 |
| Gary Britton | 2.77 |
| Hugh McCutcheon | 6.63 |

## Meetings

The Audit Committee met three times during the year. The Chief Financial Officer was only available to attend one meeting in the year. Each Committee meeting was attended by the Group Finance Director. The Head of Internal Audit and the External Auditor also attended these meetings as required. The Audit Committee also met with both the Head of Internal Audit and the External Audit Lead Partner without Executive Management being present.

## Financial Reporting

The primary role of the Audit Committee, in relation to financial reporting, is to review the appropriateness of the half-year and annual financial statements, with both management and the External Auditor, and to report to the Board. This review focuses on, amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements; and
- material areas in which significant judgements have been applied or there has been discussion with the External Auditor.

As part of this review, the Audit Committee considers reports made by the Chief Financial Officer and/or the Group Finance Director and reports from the External Auditor on the outcomes of its half-year review and annual audit. The Audit Committee assesses the External Auditor annually in respect of its independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the Auditor as a whole. In addition, the Audit Committee reviews and considers the Company's draft Annual Report and the Group's financial statements in advance of final approval.

In addition, ahead of final approval of the Annual Report and the financial statements, the Audit Committee discussed with management the key sources of estimation and critical accounting judgements outlined in Note 33 to the Group's financial statements. The significant areas of focus considered by the Audit Committee in relation to the Group's financial statements for the year ended 31 July 2018, and how these have been addressed, are listed on page 63. In concluding that the list represents the primary areas of judgement, the Audit Committee considered a detailed report which referenced both quantitative and qualitative judgement factors across each significant account balance, assessing the impact on the user of the financial statements. These are also areas of higher audit risk and, accordingly, the External Auditor reported to the Audit Committee on these judgements which were then duly considered by the Audit Committee.

The significant areas of judgement that were discussed at the interim and year-end Audit Committee meetings included the matters outlined below.

| Area of Judgement | Discussion |
|---|---|
| **Goodwill & intangible assets impairment** | The Committee recognises that impairment reviews of goodwill and intangible assets involve a range of judgemental assumptions. These assumptions typically include business plans and projections, cash flow forecasts and associated discount rates.<br>Management provided the Committee with an analysis of the impairment reviews undertaken by cash-generating unit including the forecasts and key assumptions used together with a summary of the resulting headroom.<br>This analysis, together with the detail set out in Note 14 to the financial statements, was reviewed and challenged by the Committee. Following these discussions, the Committee is satisfied that the approach to impairment reviews, the key assumptions made and conclusions reached are appropriate. |
| **Settlement price adjustments payable** | The Committee acknowledges the level of judgement required in estimating settlement price adjustments payable given the complexity of such arrangements in addition to the timing of payment.<br>The Committee discussed the basis used for calculating settlement price adjustments, the historical accuracy of settlement price adjustment calculations, the level of judgement required and the expected settlement date of related payments with management. Following these discussions, the Committee is satisfied that the accounting treatment adopted is appropriate and that settlement price adjustments are accurately stated at year end. |
| **Rebates receivable** | The Committee considered the basis used for calculating rebates receivable, the historical accuracy of rebate calculations, the level of judgement required and the expected settlement date of rebate payments through a review of the calculation and discussion with management.<br>In addition, the Committee considered the value of rebates received after the year end relating to the current financial year to support the judgements taken in the financial statements.<br>The Committee is satisfied that the accounting treatment adopted is appropriate and that rebates receivable at the year end are recoverable. |

These significant areas of audit judgement have been highlighted by the External Auditor in their audit opinion on pages 80 to 84. These judgements have been duly considered by the Audit Committee and the relevant disclosures in Notes 14, 18 and 33 deemed appropriate.

## Risk Management, Internal Control and Internal Audit

The Audit Committee has been delegated responsibility by the Board for reviewing the effectiveness of the Company's internal financial controls and internal control and risk management systems.

The Chairman of the Audit Committee reports to the Board on the Audit Committee's activities and how it has discharged its responsibilities in this regard.

### Risk Management

In order to ensure a strong focus on risk management and having regard to risk management systems, the Board established a Risk Committee in 2015. The Audit and Risk Committees work in tandem with each other in discharging the Board's responsibilities with regard to risk management, with the Chair of the Audit Committee being a member of the Risk Committee and similarly the Chair of the Risk Committee being a member of the Audit Committee.

The Risk Committee's main duties encompass the review of the Group's overall risk assessment processes, including the ability to identify and manage new risks. Additionally, it is responsible for considering the appropriateness of the Group's risk review process and advising the Board in respect of the current risk exposures of the Group.

The Risk Committee has responsibility for reviewing the Group's risk register and ensuring that the processes for identifying, managing and mitigating risks are operating effectively. The principal risks facing the Group and the processes and steps taken to mitigate these risks are set out in the Risk Report on pages 34 to 39.

During the past three years, the Risk Committee strengthened the risk management systems and embedded a strong risk culture throughout the Group. In September 2018, the Board approved the amalgamation of the Audit and Risk Committees.

### Internal Control and Internal Audit

The Audit Committee considers the results of internal control reviews and reviews the effectiveness of the Internal Audit function as part of its annual activities.

The Group's internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the Group's objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Audit Committee considers the materiality of financial and operational risks and the relationship between the costs of, and benefit from, internal control systems.

The Head of Internal Audit is appointed by the Audit Committee and has responsibility for all Internal Audit matters and ensuring the effective operation of the Internal Audit function. The Internal Audit function is currently outsourced to a third party service provider, EY. The Head of Internal Audit independently reports to the Audit Committee in relation to their work and findings.

Each year, the Internal Audit function sets out a rolling programme of Internal Audit reviews to be carried out across the Group's businesses throughout Ireland, the UK and Continental Europe. The Internal Audit review programme is tailored to focus attention on the particular financial reporting and operational risks at each location, which may have a material financial impact on the Group's results. The Audit Committee receives this annual audit plan in advance and reviews the adequacy of the plan and considers whether it represents an appropriate allocation of Internal Audit resources given its knowledge of the Group's risk profile.

The Internal Audit function reports its findings to the Audit Committee with each report comprising findings and detailed recommendations as to processes and controls which could be implemented or improved in order to reduce the level of financial reporting and operating risk. It also updates the Audit Committee on processes and improvements made, where appropriate, at each location since its previous Internal Audit review.

The Audit Committee is responsible for ensuring the Internal Audit function is adequately resourced and that the Committee undertakes an annual review of the effectiveness of the Internal Audit function.

## External Auditor

The Audit Committee oversees the relationship with the External Auditor, including approval of the External Auditor's fees. PwC conducted the external audit in respect of the year ended 31 July 2018.

### Appointment, Independence and Effectiveness

The Audit Committee considers the re-appointment of the External Auditor each year, whilst assessing its independence on an ongoing basis. PwC has been our Auditor since 2010 during which time the audit has not been put out to tender. There are no contractual obligations that restrict the Audit Committee's choice of External Auditor. The External Auditor is required to rotate the Audit Partner every five years. The current Audit Partner has completed five years as Auditor for the Company.

In addition, the Audit Committee considers the effectiveness of the external audit process on an annual basis, reporting its findings to the Board as part of its recommendations. This process is carried out with the completion of a detailed questionnaire which includes consideration of the Audit Partner, the audit approach, communication, independence, objectivity and reporting. The questionnaire is completed and the results are considered by members of the Audit Committee.

The Audit Committee considered the length of PwC's tenure and the results of the detailed questionnaire when assessing their continued effectiveness, independence and re-appointment. The Audit Committee continues to consider PwC to be independent and effective in the role of Auditor. Accordingly, the Audit Committee has provided the Board with its recommendation to re-appoint PwC as External Auditor.

### Non-Audit Services

During the year, the Audit Committee undertook its annual review of the policy on engagement of the External Auditor to provide non-audit services. This policy is designed to further safeguard the independence and objectivity of the External Auditor. Details of the amounts paid to the External Auditor for non-audit services are set out in Note 5 to the Group's financial statements.

## Whistleblowing Arrangements

The Audit Committee is responsible for the review of the Group's whistleblowing arrangements and for ensuring that these are suitable for the Group's employees. The Audit Committee reviewed these arrangements during the year and satisfied itself that they are adequate for the needs of the Group.

## Annual Evaluation of Performance

The Board conducts an annual evaluation of its own performance and that of its Committees and Committee Chairmen. In the year ended 31 July 2018, this process was externally facilitated by the Institute of Directors in Ireland. The conclusion from this process was that the Audit Committee operated effectively and to a high standard.

## Reporting

The Chairman of the Audit Committee reports to the Board at each meeting on the activities and key discussion areas of the Audit Committee. The Chairman of the Audit Committee attends the Company's AGM to answer questions on the report on the Audit Committee's activities and matters within the remit of the Audit Committee's role and responsibilities.

# Remuneration Committee Report

## About this Committee

The Remuneration Committee comprises three Independent Non-Executive Directors:

- Kate Allum (Non-Executive Director, Chairman of the Remuneration Committee).
- Rose Hynes (Non-Executive Chairman).
- Christopher Richards (Non-Executive Director).

Further biographical details of the members of the Remuneration Committee are set out on pages 48 and 49.

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee Report for the year ended 31 July 2018. The objective of the report is to provide shareholders with information on the Company's remuneration policy to enable them to understand the link between remuneration structures and the Group's financial performance.

The responsibilities of the Remuneration Committee are summarised in the following report and are set out in full in the Terms of Reference for the Remuneration Committee which were reviewed in the current year and are available on the Company's website, www.originenterprises.com.

## Governance Structure

As an Irish incorporated company listed on both the Irish ESM and UK AIM markets, Origin is not obliged to adhere to UK legislation on the disclosure of Directors' remuneration. That said, we recognise the importance of having remuneration policies, practices and reporting that reflect best corporate governance practices, having regard to the Company's size and the markets on which its shares are traded. We are again putting our Remuneration Committee Report to a shareholder vote at the 2018 AGM on a voluntary basis.

We continue to ensure that there is a demonstrable link between reward and long-term value creation. Origin's remuneration policy seeks to incentivise Executives to create shareholder value. Consequently their remuneration is weighted towards performance-related elements with targets to incentivise the delivery of strategy over the short and long-term.

## Performance for the Year ended 31 July 2018

Origin achieved a year of strong underlying performance. Operating profit increased by 1.7% in the year on a reported basis and 4.6% on a constant currency basis. Adjusted diluted earnings per share was 48.80 cent, an increase of 4.7% on a reported basis and 7.6% on a constant currency basis. Return on invested capital, a key metric for Origin, was 13.5%.

## Pay Outcomes for 2018

Annual bonus is based on a combination of financial and non-financial metrics that are central to the delivery of strategy and the creation of long-term shareholder value. Details of the financial and non-financial metrics are set out on page 71. The financial performance for the year ended 31 July 2018, has been reflected in bonus outcomes of 87% of the maximum.

No long-term incentives were scheduled to vest by reference to Company performance in the year to 31 July 2018. During the year a further share award was made to Executive Directors under the Company's long-term incentive plan which was approved by shareholders at the 2015 AGM ('2015 LTIP'). Details of the individual awards made under the 2015 LTIP and the relevant performance conditions for these awards are set out later in this report.

## Remuneration Activities in 2018

As well as overseeing the matters detailed as the Committee's principal duties and responsibilities in the year, the Committee also reviewed and approved the redesign of Declan Giblin's remuneration arrangements which are related to Declan taking up the new role of CEO Latin America. As is set out in the Chief Executive's Report, Declan Giblin has agreed to re-locate to Brazil to oversee this very important development for the Group. Accordingly, it was appropriate and necessary to establish specific remuneration arrangements for Declan which will apply for the anticipated three-year period during which he will take on these additional responsibilities for the development of the Latin American Division and its integration within the Group. Details of these remuneration arrangements are set out on page 72.

For completeness, while a matter for the full Board, during financial year 2018 a review was undertaken of the fees of Non-Executive Directors (including the Chairman). The findings of the review indicated that the fee levels are largely market aligned at the present time, and therefore no changes to the current fee levels were made for financial year 2019.

The Remuneration Committee believes that all of the actions which it has taken on remuneration matters in the last year are in the best interests of shareholders. Remuneration at Origin remains appropriate, with incentive arrangements which are well-designed and support the Company's overall strategy, and which are subject to rigorous oversight by the Committee.

We hope that we will continue to receive your support at the forthcoming AGM.

**Kate Allum**
Chairman of the Remuneration Committee
25 September 2018

## Duties and Responsibilities

The principal duties and responsibilities of the Remuneration Committee include the following:

- set an appropriate remuneration policy for all Executive Directors and the Group's Chairman;
- recommend and monitor the level and structure of remuneration for senior management;
- determine the total individual remuneration package of each Executive Director, the Group Chairman and other designated Senior Executives including bonuses, incentive payments, share options and other awards;
- approve the design of, and determine targets for, any performance-related pay schemes operated by the Company, and approve the total annual payments made under such schemes;
- determine the policy for, and scope of, pension arrangements for each Executive Director;
- review the design of all share incentive plans for approval by the Board and shareholders;
- ensure that contractual terms on termination of any Director, and any payments made, are fair to the individual, and the Company and that failure is not rewarded;
- oversee any major changes in employee benefits structures throughout the Group; and
- ensure the Company maintains contact as required with its principal shareholders regarding remuneration matters.

## Length of Tenure

The Remuneration Committee comprises three Independent Non-Executive Directors, Kate Allum (Non-Executive Director and Chairman of the Remuneration Committee), Rose Hynes (Non-Executive Chairman) and Chris Richards (Non-Executive Director). The quorum for Committee meetings is two and only members are entitled to attend. The Remuneration Committee may extend an invitation to other persons to attend meetings and to be present for particular agenda items as required.

The Company Secretary is secretary to the Remuneration Committee.

The length of tenure of the current Remuneration Committee members as at 31 July 2018 is set out below:

| Length of tenure on Remuneration Committee | Years |
|---|---|
| Kate Allum | 2.77 |
| Rose Hynes | 2.77 |
| Christopher Richards | 2.75 |

## Meetings and Committee Governance

The Remuneration Committee met four times during the financial year. For full details on individual Remuneration Committee members' attendance at meetings, see page 56. The principal activities carried out included:

- annual review of the Terms of Reference for the Committee;
- review of the remuneration policy;
- consideration of Non-Executive Chairman benchmarking;
- consideration of the 2018 bonus scheme for Executives;
- approval of the awards under the 2015 LTIP and SAYE scheme; and
- annual review of the Committee's effectiveness.

The Committee has access to independent advice and also consults with shareholders where it considers it appropriate to do so. During the current year New Bridge Street (part of Aon plc) advised the Company on the impact of legislative and corporate governance changes on remuneration policy and reporting, and FIT Remuneration Consultants advised the Company in respect of the benchmarking of the Non-Executive Directors' fees.

New Bridge Street and FIT Remuneration Consultants are members of the Remuneration Consultants Group and abide by the Remuneration Consultants Group Code of Conduct, which requires the advice of member firms to be objective and impartial. The fees paid to New Bridge Street and FIT in respect of Remuneration Committee matters over the financial year under review were £11,814 and £8,529 respectively.

The remuneration of the Group Chairman and the Executive Directors is determined by the Board on the advice of the Remuneration Committee, with the Group Chairman absenting herself from all discussions relating to her remuneration.

## Annual Evaluation of Performance

The Board conducts an annual evaluation of its own performance and that of its Committees and Committee Chairmen. In the year ended 31 July 2018, this process was externally facilitated by the Institute of Directors in Ireland. The conclusion from this process was that the Remuneration Committee operated effectively and to a high standard.

## Directors' Remuneration Policy

The Directors' remuneration policy (the 'Remuneration Policy') is set out below. As an Irish incorporated Company listed on both the Irish ESM and UK AIM markets, Origin is not required to comply with UK legislation which requires UK companies to submit their remuneration policies to a binding shareholder vote. That said, we recognise the importance of having remuneration policies, practices and reporting that reflect best corporate governance practices. In formulating our Remuneration Policy, full consideration has been given to best practice, having regard to the Company's size and the markets on which its shares are traded. The Company aims to provide a remuneration structure that is aligned with shareholders' interests and is competitive in the marketplace and that motivates Executive Directors to deliver sustainable value for shareholders. The Group's policy is that performance-related components should form a significant portion of the Directors' overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders. Long-term incentives also form an important part of the remuneration structure.

## Consideration of Shareholder Views

The Remuneration Committee considers shareholder feedback received at each year's AGM. This feedback, in addition to any feedback received during any meetings held from time to time, is considered as part of the Remuneration Committee's annual review of the Remuneration Policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies, should any material changes be proposed to the prevailing Remuneration Policy.

Details of votes cast for and against the resolution at last year's AGM to approve the Company's Remuneration Report are set out in the Annual Report on Remuneration on page 75.

## Summary of the Remuneration Policy

The table below summarises the Remuneration Policy for 2018 onwards:

| Element of remuneration | Approach | Maximum opportunity |
|---|---|---|
| **Salary**<br>To provide competitive fixed remuneration and to motivate Executive Directors of superior calibre in order to deliver for the business.<br><br>To attract and retain skilled and experienced Executives. | The basic salary for each Executive Director is reviewed annually by the Remuneration Committee.<br><br>Individual salary adjustments take into account:<br>• each Executive Director's performance against agreed challenging objectives;<br>• the Group's financial circumstances; and<br>• competitive market practice. | There is no prescribed maximum annual increase. The Remuneration Committee is guided by general increases in the market for the functional roles held by the respective Executive Directors along with general increases for the broader employee population of the Group. On occasion, the Remuneration Committee may need to recognise, for example, an increase in the scale, scope or responsibility of a role.<br><br>Salary will be benchmarked against market rates at least every three years.<br><br>Current salary levels are set out on page 71. |
| **Benefits**<br>To provide benefits consistent with the market. | Current benefit provision may include a company car or car allowance and private health insurance. Other benefits may be payable, where appropriate. Specifically, this may include payments related to relocation. | Not applicable. |

| Element of remuneration | Approach | Maximum opportunity |
| --- | --- | --- |
| **Bonus**<br>Incentivises annual achievement of performance targets. | Bonus payments to Executive Directors are based on the meeting of pre-determined targets for a number of financial measures, in addition to the attainment of corporate and personal objectives. These are approved by the Remuneration Committee annually.<br><br>Bonus payments are not pensionable.<br><br>Annual incentive payments are determined by the Remuneration Committee after the year end based on actual performance achieved against these targets. The Remuneration Committee can apply appropriate discretion in specific circumstances in determining the incentive payment to be awarded.<br><br>For 2018, 80% of the maximum bonus potential is based on financial targets (namely adjusted diluted EPS, ROIC and free cash flow ratio ('FCFR')) and 20% is based on other corporate and personal objectives such as the successful completion and integration of a number of acquisitions, the development of certain corporate strategies and the review of organisational design across the Group.<br><br>The measures, their weighting and the targets are reviewed on an annual basis. On the basis that the targets for 2019 are commercially sensitive, they are not being disclosed prospectively. The targets for 2018's bonus are disclosed on page 74.<br><br>A clawback provision is in operation. | Maximum bonus of 100% of basic salary in cash.<br><br>As detailed on page 72, a separate and extended bonus opportunity will be made available to Declan Giblin for the anticipated three-year period during which he will take on additional responsibilities for the development of the Latin American Division, and will be linked to the specific performance of that role. |
| **Long-Term Incentive Plan (2015) ('LTIP')**<br>Designed to align the interests of Executives with the delivery of sustainable earnings growth and the interests of shareholders. | Grant of options at a set €Nil or nominal option price, conditional on the achievement of challenging performance targets over a three-year period. A two-year holding period follows the testing period, ensuring Executives' interests are aligned with those of shareholders over the five-year period.<br><br>Clawback provisions apply in any circumstance in which the Remuneration Committee believes they are appropriate. The clawback provisions apply throughout the overall five-year period.<br><br>Performance targets are measured over three years based on a combination of adjusted diluted earnings per share ('EPS') growth, return on invested capital ('ROIC') performance and free cash flow ratio ('FCFR') performance.<br><br>The Committee has discretion to use different or additional performance measures to ensure that LTIP awards remain appropriately aligned to the business strategy and objectives.<br><br>The Committee will consider the Group's overall performance before determining the final vesting level.<br><br>Further detail is included in Note 9. | Plan limits:<br><br>100% (normal limit) of basic salary.<br><br>200% (exceptional limit – e.g. recruitment) of basic salary. |
| **All employee share plans**<br>To encourage employee share ownership and therefore increase alignment with shareholders' interests. | **2015 UK/Ireland Sharesave Scheme**<br>A HMRC/Irish Revenue approved plan under which regular monthly savings are made over a three-year period and can be used to fund the exercise of an option, the exercise price being discounted by up to 20%.<br><br>Performance conditions are not applicable to any employee share plans. | **2015 UK/Ireland Sharesave Plan**<br>Maximum permitted savings of £500/€500 per month across all ongoing Sharesave contracts for any individual. |
| **Share ownership guidelines**<br>To increase alignment of Executives' interests with shareholders' interests. | Executive Directors are required to retain 50% of the net-of-tax amount vested in LTIP shares until the guideline is met. | LTIP retention guideline applies until the Executive Director holds shares to the value of 100% of salary. |

| Element of remuneration | Approach | Maximum opportunity |
|---|---|---|
| **Pension**<br>To provide retirement benefits. | Defined benefit, defined contribution and/or salary supplement arrangements.<br><br>Life cover of up to four times salary is also provided.<br><br>The defined benefit arrangement applies to one Executive Director and relates to an historic agreement. | Defined contribution benefit of up to 22.5% of basic salary (35% for the Chief Executive Officer in connection with historic arrangements). |
| **Non-Executive Director fees**<br>Reflect time commitments and the responsibilities of each role.<br><br>Reflect fees paid by similarly sized companies. | Fees are reviewed on an annual basis and are intended to be in line with the general market. The remuneration for each Non-Executive Director is set by a subcommittee of the Board, comprising Executive Directors only. | As with Executive Directors, there is no prescribed maximum annual increase. General fee levels in the Non-Executive Director market are taken into account. On occasion, an increase in the scale, scope or responsibility of a role may need to be recognised.<br><br>Current fee levels are set out on page 73. |

Notes:
A description of how the Company intends to implement the Remuneration Policy is set out in the Annual Report on Remuneration.

Differences between the Group's policy for the remuneration of Executive Directors (as set out above) and its approach to the remuneration of employees generally include the following:
- a lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the Executive Directors and certain Senior Executives;
- benefits offered to certain employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms;
- the majority of employees participate in local defined contribution pension arrangements (post-employment benefits are detailed in Note 26 to the financial statements);
- participation in the LTIP is currently limited to the Executive Directors (other employees are eligible to participate in the Company's Sharesave Scheme); and
- participation in a cash-based long-term incentive is limited to certain selected senior managers.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the Executive Directors and Senior Executives, a greater emphasis tends to be placed on performance-related pay.

The choice of performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately stretching and tied to the delivery of earnings, appropriate return on invested capital and specific corporate and individual objectives.

The performance conditions applicable to the 2015 LTIP were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of sustainable long-term value to shareholders.

The Remuneration Committee operates share plans in accordance with their respective rules and in accordance with the Rules for ESM companies, the Rules for AIM companies and the Rules of Irish Revenue and HMRC, where relevant. The Remuneration Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans.

Performance conditions are not applicable to any employee share plans. Non-Executive Directors do not currently participate in the Company's Sharesave Scheme.

Details of remuneration received by the Directors including salary and fees, taxable benefits, pension contributions, annual bonuses and long-term incentive awards are set out in the Annual Report on Remuneration.

## Service Contracts for Executive Directors

The Remuneration Committee review the contractual terms for any new Executive Directors to ensure these reflect best market practice.

The current service agreements of the Executive Directors are not fixed term and in the case of the Chief Executive Officer ('CEO') are terminable by either the Company giving 12 months' notice or the respective Executive Director giving six months' notice and, in the case of the Head of Corporate Development, 24 months' notice by either party (arising as a result of his historical contract arrangements). The notice periods for all future appointments will be no longer than 12 months.

The service contracts make provision, at the Board's discretion, for early termination by way of payment of salary in lieu of notice. Incidental expenses may also be payable where appropriate. In calculating the amount payable to an Executive Director on termination of employment, the Board would take into account the commercial interests of the Company.

| Provision | Detailed terms |
|---|---|
| Notice period | Six months' notice from the CEO/CFO and 12 months' notice from the Company.<br><br>24 months' notice from the Head of Corporate Development and from the Company. |
| Termination payment | For any unexpired period of notice on termination, up to 12 months' salary (and other remuneration) in respect of the CEO/CFO and 24 months' salary in respect of the Head of Corporate Development.<br><br>Annual bonus may be payable with respect to performance in the financial year of cessation (pro-rated for time, unless the Committee determines otherwise).<br><br>In the case of the LTIP, the default treatment is that any unvested awards lapse on cessation of employment. |
| Remuneration entitlements | A bonus may be payable (subject to Remuneration Committee discretion) and outstanding share awards may vest. |
| Change of control | No Executive Directors' contract contains additional provisions in respect of change of control. |

## Non-Executive Directors

Each of the Non-Executive Directors is appointed under a letter of appointment, detailing arrangements that may generally be terminated at will, by either party, without compensation. Their appointment is reviewed on a three-year basis.

## Implementation of the Remuneration Policy for the Year Ending 31 July 2019

A summary of how the Remuneration Policy will be applied during the financial year ending 31 July 2019 is set out below.

## Basic Salary for Executive Directors

The Remuneration Committee has maintained salary at 2018 levels for the 2019 financial year with no increases to be awarded.

| Executive Director (€'000) | 2019 | 2018 | % increase |
|---|---|---|---|
| T O'Mahony | 500 | 500 | Nil |
| D Giblin[1] | 423 | 423 | Nil |

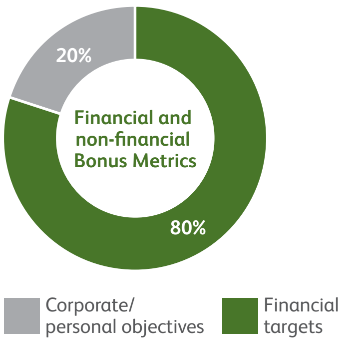
1. Remuneration in respect of D Giblin is set in sterling and has been translated to euro at an average exchange rate 0.88677 for 2018. For the purposes of the above table the average exchange rate for 2018 has also been used to translate the related salary for 2019. In Sterling, Declan Giblin's salary amounts to £375,000.

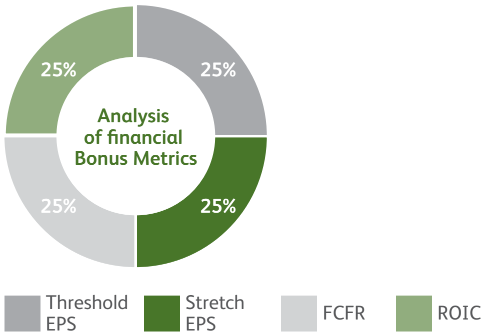
For the forthcoming financial year, the Group's employees are, in general, receiving pay rises ranging from 0% to 2% depending on promotional increases and individual performance.

## Annual Bonus

The maximum bonus achievable in 2019 for T O'Mahony will remain at 100% of basic salary. 2019 bonus arrangements for D Giblin are set out on page 72. The choice of the performance metrics applicable to the annual bonus scheme reflect the Remuneration Committee's belief that any incentive compensation should be appropriately stretching and tied to the delivery of earnings targets, free cash flow ratio targets, appropriate return on invested capital targets and specific corporate and individual objectives.

The key metrics underlying the 2018 bonus plan were as follows:




These metrics were applied to all Executive Directors and the maximum bonus achievable was 100% of basic salary. Corporate objectives included the successful completion and integration of a number of acquisitions, the development of certain corporate strategies and the review of organisational design across the Group.

The measures, their weighting and the targets are reviewed on an annual basis. On the basis that the 2019 targets are commercially sensitive, they are not being disclosed prospectively.

## Pension Arrangements

D Giblin participates in the UK defined benefit section of the Group's UK pension scheme, which relates to a historic arrangement.

T O'Mahony participates in the defined contribution section of the Group's Irish pension scheme. The Company contributes 35% of salary to T O'Mahony's pension.

Members of the Irish and UK pension schemes are entitled to life assurance cover of up to four times salary and a retirement pension subject to the scheme rules. If a member dies whilst in pensionable service, the value of the members' retirement account will be used by the trustees to provide a lump sum and/or a pension payable to dependents.

## Long-Term Share-Based Incentives

### 2015 LTIP

Following a review of the remuneration policies of the Group, a new LTIP, in line with evolving market practice, was proposed and approved by shareholders at the AGM held in November 2015. The Remuneration Committee believes that the 2015 LTIP continues to be an appropriate plan and aligns Executive Directors' interests with shareholders' interests and better reflects the Group's strategic objectives.

In addition to the three-year performance period under the LTIP, all awards are subject to an additional two-year holding period ensuring that the LTIP has a five-year time horizon in line with best practice.

A summary of the awards made under the 2015 LTIP to date is set out on page 74.

A summary of the performance conditions applicable to this 2015 LTIP awards to date is set out below:

| Metric | Weighting | Vesting at threshold | Condition |
|---|---|---|---|
| Adjusted Diluted Earnings per Share ('EPS') | 30% | 30% | Adjusted Diluted EPS growth over the three-year period in excess of 5% on a pro-rata basis (straight-line) to 10% (maximum stretch) for full pay-out. |
| Return on Invested Capital ('ROIC') (i) | 40% | 30% | An average annual ROIC of at least 12.5% (threshold) on a pro-rata basis to 17.5% (maximum stretch) for full pay-out. |
| Free Cash Flow Ratio (ii) | 30% | 30% | An average annual free cash flow ratio of at least 50% (threshold) on a pro-rata basis to 100% (maximum stretch) for a full pay-out. |

(i) For the purposes of these calculations, the definition of ROIC used is consistent with the definition of ROCE as set out in the Financial Review on page 45.

(ii) The definition of Free Cash Flow Ratio is set out in the Financial Review on page 45.

The Remuneration Committee will consider further 2015 LTIP awards during financial year 2019, but before doing so will, as is normal, review the continued appropriateness of the performance metrics and the related targets for awards. Details of any 2015 LTIP awards made in financial year 2019, including the performance measures and targets, will be disclosed in the Remuneration Committee Report for financial year 2019.

## Declan Giblin – Arrangements for new CEO, Latin America Role

As described in the Chief Executive's Review, Declan Giblin has agreed to relocate to Brazil to lead the development of our new Latin American Division. Declan will remain an Executive Director of Origin, although his new title will be CEO, Latin America. Declan's new role is initially envisaged as being for a three-year period. The change of role and responsibilities has resulted in the following remuneration changes for the financial year 2019:

- **Base salary:** Unchanged at £375,000 sterling.
- **Assignment allowance:** £225,000 p.a.: this additional element of fixed pay will be paid for three years only and reflects the additional responsibility of the new role and the personal disruption of moving to a new continent. It will not form part of base salary for the purposes of pension, annual bonus, LTIP or other benefits.
- **Annual bonus:** for the duration of the three-year period, Declan's annual bonus arrangements will be altered to ensure that there is an appropriate balance between both Group and Latin American specific metrics. These alterations are designed to support the development of the Latin American business while continuing to provide strong alignment with shareholders' interests through Group measures.
- For a three-year period from financial year 2019, Declan's annual bonus plan will incorporate the following changes:
  - maximum bonus opportunity of 150% of base salary, up from 100% of base salary;
  - the additional 50% of salary in annual opportunity will relate solely to Latin America specific performance measures and will only apply for a three-year period;
  - within the previous limit of 100% of base salary, the performance measures will represent a mix of both Group performance measures and Latin American specific performance measures; and
  - any pay-outs under the bonus scheme during the three-year period will be deferred in their entirety and remain subject to Declan serving the full three-year assignment term.
- There will be no change in LTIP grant levels, ensuring a continuing focus on Group performance over a long-term period, with all awards subject to a five-year horizon.
- Benefits will include accommodation and travel allowances.
- All variable awards remain subject to clawback.

## Long-Term Cash-Based Incentives

Historically, the Group also utilised a cash-based LTIP. The 2012 LTIP scheme came to an end on 31 July 2015 and no further awards have been or will be made to Executive Directors under it.

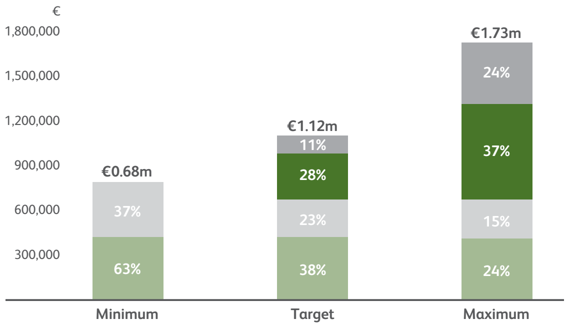
## Remuneration Outcomes in Different Performance Scenarios

Remuneration consists of fixed pay (salary, pension and benefits), short-term variable pay and long-term variable pay. A significant portion of Executive Directors' remuneration is linked to the delivery of key business goals over the short and long-term and the creation of shareholder value.

The chart below illustrates the composition of the Executive Directors' remuneration packages for 2019 at different levels of performance, both as a percentage of total remuneration opportunity and as a total value.

T O'Mahony, Executive Director


D Giblin, Executive Director




Notes:
'Minimum' includes the value of fixed pay and assignment allowance.
'Target' includes fixed pay and 'target' annual bonus (50% of the maximum) and threshold vesting of the maximum LTIP (30% of the maximum).
'Maximum' includes fixed pay and maximum annual bonus (100% of salary) and full vesting of LTIP awards (100% of salary).

Fees of the Non-Executive Directors for the 2018 and 2019 financial years are detailed below:

| Position | 2019 | 2018 | % increase |
|---|---|---|---|
| Chairman | 130,000 | 130,000 | Nil |
| Base fee | 62,000 | 62,000 | Nil |
| **Additional fees:** | | | |
| Audit Committee Chair | 13,000 | 13,000 | Nil |
| Risk Committee Chair | 8,000 | 8,000 | Nil |
| Remuneration Committee Chair | 8,000 | 8,000 | Nil |

## Remuneration Received by Directors for the Year Ended 31 July 2018

Directors' remuneration (audited) for the year ended 31 July 2018 was as follows:

| | | Salary and fees[1] €'000 | Taxable benefits[2] €'000 | Pension[3] €'000 | Annual bonus[4] €'000 | Long-term incentives[5] €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **T O'Mahony** | **2018** | **500** | **26** | **175** | **435** | **–** | **1,136** |
| | 2017 | 500 | 26 | 175 | 330 | – | 1,031 |
| **I Hurley*** | **2018** | **204** | **–** | **44** | **135** | **–** | **383** |
| | 2017 | 350 | – | 75 | 231 | – | 656 |
| **D Giblin** | **2018** | **423** | **24** | **26** | **368** | **–** | **841** |
| | 2017 | 434 | 14 | 26 | 287 | – | 761 |
| **R Hynes** | **2018** | **130** | **2** | **–** | **–** | **–** | **132** |
| | 2017 | 130 | 11 | – | – | – | 141 |
| **H McCutcheon** | **2018** | **75** | **–** | **–** | **–** | **–** | **75** |
| | 2017 | 75 | – | – | – | – | 75 |
| **K Allum** | **2018** | **70** | **–** | **–** | **–** | **–** | **70** |
| | 2017 | 70 | – | – | – | – | 70 |
| **G Britton** | **2018** | **70** | **–** | **–** | **–** | **–** | **70** |
| | 2017 | 70 | – | – | – | – | 70 |
| **R McHugh**** | **2018** | **52** | **4** | **–** | **–** | **–** | **56** |
| | 2017 | 62 | 6 | – | – | – | 68 |
| **C Richards** | **2018** | **62** | **–** | **–** | **–** | **–** | **62** |
| | 2017 | 62 | – | – | – | – | 62 |

* I Hurley resigned from the Board on 28 February 2018. The amounts included in the table above represents emoluments for the period 1 August 2017 to 28 February 2018.
** R McHugh retired from the Board on 17 May 2018.

Notes:

1. Salary and Fees (audited)
   In 2018, D Giblin received a salary of £375,000, converted at an average exchange rate of 0.88677 (2017: 0.86333). The amount charged and disclosed in the 2017 accounts was €434,000, based on a sterling salary of £375,000.

2. Taxable Benefits (audited)
   Benefits include a company car or company car allowance (D Giblin and T O'Mahony) and private medical insurance (including immediate family members) (D Giblin). Benefits also include mileage claimed by Non-Executive Directors for travel to Board meetings, which has been grossed up for Irish tax purposes.

3. Pensions (audited)
   The Company contributes 35% of salary to T O'Mahony's pension.

   Figures for D Giblin represent the defined benefit provision for the year in respect of his membership of a UK scheme, as calculated in line with applicable legislation.

| | Number of Directors | |
|---|---|---|
| | **2018** | 2017 |
| Retirement benefits are accruing to the following number of Directors under: | | |
| Defined contribution scheme | **1** | 2 |
| Defined benefit scheme | **1** | 1 |

4. Annual Bonus Payments
   The payment of annual bonuses, presented in the table below, was based on performance measured by reference to growth in the Group's EPS and ROIC along with the achievement of specified corporate and personal objectives measured over the course of the 2018 financial year.

| Executive | Maximum % of salary | EPS required for threshold bonus | ROIC required for threshold bonus % | FCFR required for threshold bonus | Actual adjusted diluted EPS | Actual ROIC | Actual FCFR | Actual bonus (% of salary) |
|---|---|---|---|---|---|---|---|---|
| T O'Mahony | 100% | 47.10 | 12.5% | 75% – 100% | 48.80 | 13.5% | 106% | 87% |
| D Giblin | 100% | 47.10 | 12.5% | 75% – 100% | 48.80 | 13.5% | 106% | 87% |

The final bonus outcome is determined by calculating the pay-out based on achievement of EPS growth targets, minimum ROIC, FCFR and corporate and personal performance based on the Remuneration Committee assessment of the achievement of the financial bonus matrix and corporate and personal objectives. For 2018, non-financial objectives included the completion and integration of a number of acquisitions, the development of certain corporate strategies and the review of organisational design across the Group.

Maximum bonus is only paid where the stretch EPS growth, ROIC target and personal performance are fully achieved. The Remuneration Committee believes that this combination of financial and personal objectives strongly aligns with the Group's strategic goals and the determination of bonus outcomes elsewhere in the Group.

The Executive Directors achieved a strong performance in respect of the financial bonus matrix and met their corporate and personal objectives in 2018. Notwithstanding this performance, the Remuneration Committee exercised its discretion in relation to the bonus payment and determined that a bonus of 87% of basic salary would be paid to reflect the overall performance in the year.

5. LTIP Awards (audited)
   No LTIP awards vested based on the Group's performance in the year ending 31 July 2018. The LTIP awards made to I Hurley under the 2015 LTIP were forfeited following her resignation as an Executive Director on 28 February 2018.

   A summary of the awards made during the year under the 2015 LTIP is set out below.

| Executive Director | Face value of award at grant | Number of shares awarded | End of performance period | Date from which exercisable |
|---|---|---|---|---|
| T O'Mahony | 100% of salary | 77,519 | 31/07/2020 | 28/09/2020 |
| D Giblin | 95% of salary | 63,076 | 31/07/2020 | 28/09/2020 |
| I Hurley* | 95% of salary | 51,550 | 31/07/2020 | 28/09/2020 |

The number of shares awarded under the 2015 LTIP was calculated using the closing share price of €6.45 on 27 September 2017.

* LTIP awards to I Hurley were forfeited following her resignation as an Executive Director on 28 February 2018.

## Outstanding Share Awards

The table below sets out details of outstanding share awards held by Executive Directors.

| Plan | Grant date | Exercise/ Option price | No. of share awards at 1 August 2017 | Granted during the year | Vested/ Exercised during the year | Forfeited during the year | No. of share awards at 31 July 2018 | End of performance period | Date from which exercisable | Expiry date |
|---|---|---|---|---|---|---|---|---|---|---|
| **T O'Mahony** | | | | | | | | | | |
| 2015 LTIP | 10/03/2017 | 0.01 | 73,529 | – | – | – | 73,529 | 31/07/2019 | 10/03/2020 | 9/03/2024 |
| 2015 LTIP | 28/09/2017 | 0.01 | – | 77,519 | – | – | 77,519 | 31/07/2020 | 28/09/2020 | 27/09/2024 |
| | **Total** | | **73,529** | **77,519** | **–** | **–** | **151,048** | | | |
| **D Giblin** | | | | | | | | | | |
| 2015 LTIP | 10/03/2017 | 0.01 | 60,459 | – | – | – | 60,459 | 31/07/2019 | 10/03/2020 | 9/03/2024 |
| 2015 LTIP | 28/09/2017 | 0.01 | – | 63,076 | – | – | 63,076 | 31/07/2020 | 28/09/2020 | 27/09/2024 |
| | **Total** | | **60,459** | **63,076** | **–** | **–** | **123,535** | | | |
| **I Hurley *** | | | | | | | | | | |
| 2015 LTIP | 10/03/2017 | 0.01 | 48,897 | – | – | 48,897 | – | 31/07/2019 | 10/03/2020 | 9/03/2024 |
| 2015 LTIP | 28/09/2017 | 0.01 | – | 51,550 | – | 51,550 | – | 31/07/2020 | 28/09/2020 | 27/09/2024 |
| | **Total** | | **48,897** | **51,550** | **–** | **100,447** | **–** | | | |

* I Hurley resigned as an Executive Director on 28 February 2018. The LTIP awards made under the 2015 LTIP were forfeited.

2015 LTIP awards are subject to the performance conditions outlined in the Long-Term Incentives section of the Annual Report on Remuneration, set out on pages 71 and 72.

Non-Executive Directors do not participate in any Group share incentive or award scheme.

## Payments to Past Directors (audited)

During the financial year, R McHugh retired from the Board. She was paid fees of €52,000 for the year to the date of her retirement.

## Payments in Lieu of Notice (audited)

I Hurley ceased to be an Executive Director of the Company on 28 February 2018. In line with her employment contract, I Hurley was entitled to an aggregate payment in lieu of notice of €645,000. In addition, I Hurley received a pension payment of €75,000. I Hurley was not paid any amounts under any Group Long Term Incentive Plan and no amounts will become payable to her in respect of any Group Long Term Incentive Plan at any point in the future.

## Statement of Directors' and Company Secretary's Shareholdings and Share Interests (audited)

| | Beneficially owned at 1 August 2017 | Beneficially owned at 31 July 2018 | Outstanding awards made under 2015 LTIP at 31 July 2018 | Outstanding deferred share awards | Outstanding share awards under all employee share plans |
|---|---|---|---|---|---|
| T O'Mahony | 1,646,373 | 1,646,373 | 151,048 | – | – |
| D Giblin | 302,735 | 302,735 | 123,535 | – | – |
| R Hynes | 3,875 | 3,875 | – | – | – |
| H McCutcheon | 45,000 | 45,000 | – | – | – |
| K Allum | – | – | – | – | – |
| G Britton | 5,000 | 5,000 | – | – | – |
| C Richards | 3,405 | 3,405 | – | – | – |
| P Dunne | – | – | – | – | – |

## Statement of Voting at the AGM

At the Company's 2017 AGM, the following votes were received from shareholders:

| | Remuneration Report | % |
|---|---|---|
| Votes cast in favour [1] | 91,301,707 | 100 |
| Votes cast against | – | – |
| Total votes cast | 91,301,707 | 100 |
| Abstentions | – | – |

1. Does not include Chairman's discretionary votes.

# Nomination Committee Report

## About this Committee

The Nomination Committee comprises:

- Rose Hynes (Non-Executive Chairman).
- Hugh McCutcheon (Senior Independent Director).
- Tom O'Mahony (Executive Director, Chief Executive Officer).

Further biographical details of the members of the Nomination Committee are set out on pages 48 and 49.

Dear Shareholder

As Chairman of the Nomination Committee I am pleased to present the report of the Nomination Committee for the year ended 31 July 2018 which has been prepared by the Nomination Committee and approved by the Board.

The responsibilities of the Nomination Committee are summarised in the following report and set out in full in the Terms of Reference for the Nomination Committee, which were reviewed in the current year and are available on the Company's website, www.originenterprises.com.

Following the change to AIM Rule 26 in March 2018, the Board of Origin has committed to apply the principles of the Quoted Companies Alliance Corporate Governance Code ('QCA Code'). Details of the Company's compliance with the QCA Code are outlined in the Corporate Governance Section of the Annual Report on pages 54 to 60.

The Nomination Committee is responsible for reviewing the structure, size, performance and composition of the Board, including with respect to diversity of background and gender, having regard to the Group's businesses and strategic objectives. The Committee is satisfied at the strength of the Board's current composition.

The Committee keeps under review the leadership needs of the organisation, both Executive Directors and Non-Executive Directors, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace, having regard to strategic and commercial changes affecting the Company and the market in which it operates.

This year, following the resignation of Imelda Hurley as Chief Financial Officer and Executive Director on 28 February 2018, the appointment of her successor was an area of focus, culminating in the appointment of Sean Coyle after a comprehensive search and selection process. Sean Coyle assumed the role of Chief Financial Officer on 1 September 2018 and will be co-opted to the Board on 1 October 2018.

The Committee also undertook a process which led to the recommendation to the Board that Hugh McCutcheon be re-appointed as Senior Independent Director for an additional term commencing on 21 November 2017.

Rose McHugh retired from the Board as a Non-Executive Director on 17 May 2018 following the completion of a second three-year term.

This report sets out further details of the duties and responsibilities of the Committee, as well as an overview of its activities during the year.

**Rose Hynes**
Chairman of the Nomination Committee
25 September 2018

## Duties and Responsibilities

The principal duties and responsibilities of the Nomination Committee include the following:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- consider succession planning for Directors and other Senior Executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation, both Executive Directors and Non-Executive Directors, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- before any appointment is made to the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment;
- be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- make recommendations to the Board as regards the re-appointment of any Non-Executive Director at the conclusion of their specified term of office;
- make recommendations to the Board concerning suitable candidates for the role of Senior Independent Director and the appointment of any Director to Executive or other office;
- make recommendations to the Board as regards membership of the Audit, Remuneration and Risk Committees, respectively, and any other Board Committees as appropriate; and
- conduct an annual Committee evaluation process and additionally review the results of the Board's performance evaluation process that relate to the composition of the Board.

## Length of Tenure

The length of tenure of the Directors on the Board and on the Nomination Committee as at 31 July 2018 is set out below.

| Length of tenure on Board | Years |
|---|---|
| Kate Allum | 2.83 |
| Gary Britton | 2.83 |
| Declan Giblin | 9.80 |
| Rose Hynes | 2.83 |
| Hugh McCutcheon | 6.69 |
| Tom O'Mahony | 11.48 |
| Christopher Richards | 2.83 |
| Average tenure | 5.61 |

| Length of tenure on Nomination Committee | Years |
|---|---|
| Rose Hynes | 2.75 |
| Hugh McCutcheon | 2.75 |
| Tom O'Mahony | 2.75 |

Tom O'Mahony has stepped down from the Nomination Committee, and has been replaced by Gary Britton. This was approved by the Board in September 2018 and will be effective from 26 September 2018. The Nomination Committee will be solely comprised of Non-Executive Directors.

## Board Composition

### Elections and Re-elections at AGM

Rose Hynes and Christopher Richards were elected by the shareholders as Directors at the Company's AGM on 27 November 2015. Tom O'Mahony and Hugh McCutcheon were last re-elected at the Company's AGM on 25 November 2016. Kate Allum, Gary Britton and Declan Giblin were last re-elected at the Company's AGM on 24 November 2017. In line with best practice corporate governance from the 2018 AGM all Directors shall offer themselves for re-election on an annual basis.

### Appointment of Chief Financial Officer

Following the resignation of Imelda Hurley as Chief Financial Officer and Executive Director during 2018, a comprehensive search and selection process was carried out to identify a replacement. The process, which included the services of external recruitment consultant, considered candidates from a wide range of backgrounds on merit and against objective criteria. A shortlist of potential appointees was developed and following an extensive interview process, the appointment of Sean Coyle was announced on 7 June 2018. Sean Coyle assumed the role of Chief Financial Officer on 1 September 2018 and will be co-opted to the Board on 1 October 2018.

### Re-appointment of Non-Executive Director

During the year, Hugh McCutcheon completed his second three-year term as a Non-Executive Director. Following a rigorous review of his skills, experience, independence and knowledge, the Board, led by the Nomination Committee, recommend that as Hugh McCutcheon continues to be effective and independent and makes a valuable contribution to the Board, and in order to maintain continuity and succession on the Board and its Committees, he be re-appointed to serve an additional term.

### Retirement of Non-Executive Director

Rose McHugh retired as a Non-Executive Director on 17 May 2018, following the completion of her second three-year term.

## Boardroom Diversity

The Board is keen to ensure the Group benefits from the existence of a high quality Board comprising of individuals with an appropriate balance of skills and experience. In considering nominations to the Board, the Nomination Committee takes into account the benefit of Board diversity, including diversity of business background, geographical diversity and gender diversity. Gender diversity will continue to be given consideration by the Nomination Committee in respect of all Board appointments.

The Board currently comprises seven members in total of which two are Executive and five are Non-Executive (including the Chairman). Female Directors constitute 29% of the Board.

## Succession Planning

Succession planning is an important element of good governance, ensuring that we are fully prepared for planned or unexpected departures from key positions. The Board through the Nomination Committee is committed to effectively managing leadership succession and assessing the Senior Executives' talent pool in the Group. The Nomination Committee has reviewed the succession plans for the Board and Senior Executives. The Board proactively engages with Senior Executives, through regular contributions from the senior management teams at Board and Committees meetings and by their own attendance at staff conferences. Ongoing updates on succession planning are also provided to the Board by the Chief Executive Officer.

## Annual Evaluation of Performance

The Board conducts an annual evaluation of its own performance and that of its Committees and Committee Chairmen. In the year ended 31 July 2018, this process was externally facilitated by the Institute of Directors in Ireland. The conclusion from this process was that the Nomination Committee operated effectively and to a high standard.

## Meetings

The Nomination Committee met four times during the year. The principal duties and responsibilities of the Nomination Committee include the following:

- completing an annual review of the Terms of Reference of the Nomination Committee;
- completing a review of the composition of the individual Committees and the Board having regard to skills, experience, diversity and the time required of each of the Non-Executive Directors in discharging their responsibilities;
- giving detailed consideration to diversity including gender diversity at Board level;
- making recommendations to the Board on the re-appointment of Non-Executive Directors at the conclusion of their specified terms of office;
- overseeing the appointment of Executive Directors;
- completing a review of succession planning at the senior leadership level; and
- undertaking an effectiveness review of the Committee.

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with Irish law.

Irish law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law and in accordance with the Rules of the AIM and ESM exchanges issued by the London and Irish Stock Exchanges, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU ('EU IFRS') with those parts of the Companies Act 2014 applicable to companies reporting under EU IFRS. The Directors have elected to prepare the Company financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Irish law the Directors shall not approve the Group and Company financial statements unless they are satisfied that they give a true and fair view of the Group's and Company's assets, liabilities and financial position as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing each of the Group and Company financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question and ensure that they contain the additional information required by the Companies Act 2014; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

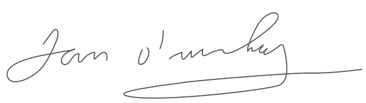
The Directors are responsible for keeping adequate accounting records that are sufficient to:
- correctly record and explain the transactions of the Group and Company;
- enable, at any time, the assets, liabilities and financial position of the Group and Company and profit or loss of the Group to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and the requirements of the AIM and ESM Rules, the Directors are also responsible for preparing a Directors' Report that complies with that law and those rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board



**Rose Hynes**
Director
25 September 2018

**Tom O'Mahony**
Director
25 September 2018

## Independent Auditors’ Report to the Members of Origin Enterprises plc

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- Origin Enterprises plc’s Group financial statements and Company financial statements (the “financial statements”) give a true and fair view of the Group’s and the Company’s assets, liabilities and financial position as at 31 July 2018 and of the Group’s profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise:

- the Consolidated Statement of Financial Position as at 31 July 2018;
- the Company Balance Sheet as at 31 July 2018;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended;
- the Group Accounting Policies and Company Accounting Policies; and
- the Notes to the Group financial statements and the Notes to the Company financial statements.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

#### Basis for opinion

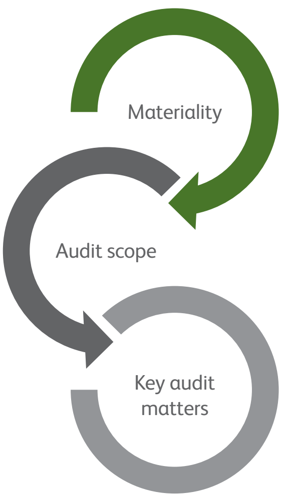
We conducted our audit in accordance with International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA’s Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Our audit approach

##### Overview




**Materiality**

- €3.2 million (2017: €3 million) – Group financial statements.
- Based on 5% of profit before tax and exceptional items.
- €2.5 million (2017: €1.5 million) – Company financial statements.
- Based on 1% of net assets (2017: 0.6% of net assets).

**Audit scope**

- We conducted audit work on 13 reporting components. We paid particular attention to these components due to their size or risk characteristics and to ensure appropriate audit coverage. An audit of the full financial information of these 13 components was performed.
- Taken together, the reporting components where an audit of the full financial information was performed accounts for in excess of 91% of Group revenues, 84% of Group profit before tax and exceptional items and 91% of total assets.

**Key audit matters**

- Goodwill and intangible assets.
- Settlement price adjustments.
- Rebates receivable.

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| Goodwill and intangible assets<br>See accounting policy in relation to impairment, Note 14 – Goodwill and intangible assets and Note 33 – Accounting estimates and judgements.<br><br>The Group has goodwill and intangible assets (excluding computer and ERP related intangibles) of €203.3m at 31 July 2018 representing approximately 17% of the Group's total assets at year end. Identified cash generating units (CGUs) containing goodwill are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment.<br><br>The value in use calculations used in the impairment testing have been prepared using the senior management approved budgets and forecasts for each CGU. The impairment models are based on using a cash flow forecast for Year 1 extracted from the 2019 budgets approved by senior management. Growth rates are then applied to Year 1 forecasted cashflows to forecast for Years 2 & 3. The terminal value growth rates used for periods beyond Year 3 are based on the long term growth rate for the country of operation of each CGU.<br><br>We focused on this area given the scale of the assets and because the determination of whether an impairment charge for goodwill and/or intangible assets was necessary involves significant judgement in estimating the future performance of the CGUs.<br><br>In particular, we focused on the Ukraine CGU as management's calculations have determined that this CGU has limited headroom and the impairment test is sensitive to the growth and discount rate assumptions. | We evaluated the methodology used and tested the mathematical accuracy of the underlying calculations in the Group's impairment models. We determined the key assumptions used in the value in use calculations as those assumptions that required the most judgement and had the most significant impact on the value in use. Year 1 budgets, year 2 and year 3 growth rates, terminal value growth rates and discount rates are considered key assumptions.<br><br>We evaluated management's expected future cash flows for Year 1, and the process by which they were developed, including comparing them to the latest senior management approved budgets. We assessed the underlying key assumptions in the Year 1 budget, and the growth rates applied for Years 2 & 3. We considered the Group's past record of achieving its forecasts over time, taking into account the impact of factors such as changes in weather, crop conditions, product mix and competitor activity and found the key assumptions to be reasonable.<br><br>We used PwC Corporate Finance specialists in assessing management's calculation of discount rates. Our specialists developed a range of discount rates for each CGU that in their view of various economic indicators would be appropriate in estimating the value in use of the CGUs. We are satisfied that the discount rate used by the Group for each CGU falls within those ranges.<br><br>We considered the appropriateness of the Group's long term forecast growth rate assumptions used to calculate terminal values by comparing them to independent sources, including publicly available information, and concluded that they fell within a reasonable range for each CGU.<br><br>We performed sensitivity analysis on the impact of changes in key assumptions on the impairment assessments for CGUs. In particular, we focused on the Ukraine CGU which has lower headroom and consequently is most sensitive to changes in key assumptions.<br><br>As part of this sensitivity analysis, for the UK CGUs we also considered the potential impact of Brexit on future cash flows.<br><br>We assessed the appropriateness of the related disclosures within the financial statements, in particular the disclosure of sensitivities and headroom in relation to the Ukraine CGU, and we consider the disclosures included in Note 14 to be reasonable. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Settlement price adjustments<br>See accounting policy in relation to revenue and Note 33 – Accounting estimates and judgements.<br><br>The estimation of final settlement prices for some customers in the Group is subject to considerable management judgement due to an absence of contractual arrangements and the fact that negotiations with customers are not normally concluded until several months after year end.<br><br>As set out in Note 33, the estimation of the final settlement price adjustment is impacted by commodity prices, competitor pricing pressures, prevailing market conditions and the timing of the Group's financial year end as it is non-coterminous with the year end of its main customers.<br><br>We focused on this area given the level of judgement involved and the level of fluctuation in final settlement prices historically. | We confirmed the consistency of the process year-on-year undertaken by management in compiling the settlement price adjustment to revenue and trade receivables. The key inputs to the calculation of the settlement price adjustment are invoice prices, estimated settlement prices and invoice quantities. For a sample of transactions we tested the accuracy of the calculation and agreed the invoice prices and quantities to underlying documentation.<br><br>We obtained an understanding from management of the significant judgements exercised in estimating the final settlement price and we evaluated those judgements in the context of known market developments, including trends in commodity prices. We have determined that management have applied a reasonable approach taking into account the level of inherent estimation uncertainty given the nature of these adjustments. Based on our procedures we did not identify evidence of management bias in the judgements made.<br><br>We also performed a look back test designed to assess the accuracy of the prior year estimate by comparing a sample of prior year settlement price adjustments to credit notes issued to the customer.<br><br>We assessed the appropriateness of the related disclosures within the financial statements. |
| Rebates receivable<br>See accounting policy in relation to rebates. See also Note 33 – Accounting estimates and judgements.<br><br>The Group has entered into a number of rebate and incentive arrangements with some of its suppliers. Although a significant portion of rebates receivable are contractual and are based on net settlement prices, for some rebate arrangements the amount of the rebate is dependent on the level of purchase volumes. The processes used to estimate rebates receivable also require an element of manual calculation.<br><br>We focused on this area as due to the number of arrangements in place, the range of contractual terms and the manual calculations, there is an increased risk of error in the calculation of rebates receivable at the year end. The rebates receivable have been included within trade and other receivables in Note 18. | We obtained and read copies of relevant supplier rebate agreements and met with the relevant members of management in order to understand the impact of these arrangements on the financial statements.<br><br>For rebates related to net settlement prices, we tested a sample of rebates receivable at year end by agreeing the quantities and gross price to the original invoice and the net settlement prices to contractual agreements which were independently confirmed by suppliers.<br><br>For a sample of volume related rebates receivable we confirmed rebate terms with suppliers. We tested the inputs to the calculations by rerunning the system generated reports used as the basis for the calculation of the volume related rebates receivable.<br><br>For rebates earned and received during the year we tested a sample of these against credit notes received. We independently confirmed these credit notes with relevant suppliers.<br><br>We also performed a look back test designed to assess the accuracy of the prior year estimate by comparing a sample of prior year rebates receivable to credit notes received from the supplier for net settlement and volume based rebates. We independently confirmed these credit notes with relevant suppliers.<br><br>Based on these procedures we determined that the amounts had been recognised in the correct period, calculated appropriately based on the contracted rates in the supplier agreements we obtained and the estimates are reasonable. |

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group is structured along two operating segments: Ireland and the United Kingdom and Continental and Eastern Europe. The Group financial statements are a consolidation of 18 reporting units, comprising the Group's operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC ROI, from other PwC network firms and from one non-PwC firm operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

As part of our Group audit scoping we identified 13 Origin reporting units, which in our view, required an audit of their full financial information due to their size or risk characteristics. These operations accounted for approximately 91% of Group turnover, 84% of Group profit before tax and exceptional items and 91% of total assets. Taken collectively these reporting units represent the principal business units of the Group.

The Group audit team follows a programme of planned site visits that is designed so that senior team members visit the full scope audit reporting units on a rotational basis. In addition to these visits at the planning stage, post audit conference calls or onsite visits were held to discuss component auditor's key audit findings.

This, together with additional procedures over central functions, IT systems, treasury and areas of judgement including the key audit matters noted above, taxation, business combinations and post-retirement benefits performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Company financial statements |
|---|---|---|
| **Overall materiality** | €3.2 million (2017: €3 million). | €2.5 million (2017: €1.5 million). |
| **How we determined it** | 5% of profit before tax and exceptional items. | 1% of net assets (2017: 0.6% of net assets). |
| **Rationale for benchmark applied** | We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders. | We applied this benchmark as the Company is primarily an investment holding Company. |

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was €0.06 million to €3 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €0.3 million (Group audit) (2017: €0.3 million) and €0.3 million (Company audit) (2017: €0.3 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) 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 Group's or 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 July 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 79, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Directors are also responsible for such internal control as they 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 Group's and 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 Group or 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 (Ireland) 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 IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company Balance Sheet is in agreement with the accounting records.

### Companies Act 2014 exception reporting

#### Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

**John Dillon**
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
25 September 2018

## Consolidated Income Statement
### For the financial year ended 31 July 2018

| | Notes | Pre-exceptional 2018 €'000 | Exceptional 2018 €'000 | Total 2018 €'000 | Pre-exceptional 2017 €'000 | Exceptional 2017 €'000 | Total 2017 €'000 |
|---|---|---|---|---|---|---|---|
| Revenue | 1 | **1,627,533** | **–** | **1,627,533** | 1,528,468 | – | 1,528,468 |
| Cost of sales | | **(1,389,926)** | **–** | **(1,389,926)** | (1,297,009) | – | (1,297,009) |
| **Gross profit** | | **237,607** | **–** | **237,607** | 231,459 | – | 231,459 |
| Operating costs | 2, 3 | **(172,072)** | **663** | **(171,409)** | (166,287) | (12,524) | (178,811) |
| Share of profit of associates and joint venture | 7 | **7,221** | **–** | **7,221** | 4,366 | – | 4,366 |
| **Operating profit** | 5 | **72,756** | **663** | **73,419** | 69,538 | (12,524) | 57,014 |
| Finance income | 4 | **1,432** | **–** | **1,432** | 703 | – | 703 |
| Finance expense | 4 | **(9,514)** | **–** | **(9,514)** | (7,617) | – | (7,617) |
| **Profit before income tax** | | **64,674** | **663** | **65,337** | 62,624 | (12,524) | 50,100 |
| Income tax (expense)/credit | 3, 10 | **(7,900)** | **(652)** | **(8,552)** | (7,702) | 3,222 | (4,480) |
| **Profit for the year** | | **56,774** | **11** | **56,785** | 54,922 | (9,302) | 45,620 |

| | Notes | 2018 | 2017 |
|---|---|---|---|
| Basic earnings per share | 11 | **45.22c** | 36.33c |
| Diluted earnings per share | 11 | **44.94c** | 36.15c |

# Consolidated Statement of Comprehensive Income
## For the financial year ended 31 July 2018

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Profit for the year** | **56,785** | 45,620 |
| **Other comprehensive income/(expense)** | | |
| **Items that are not reclassified subsequently to the Group income statement:** | | |
| *Group/Associate defined benefit pension obligations* | | |
| – remeasurements on Group's defined benefit pension schemes | **3,628** | 3,407 |
| – deferred tax effect of remeasurements | **(504)** | (519) |
| – share of remeasurements on associate's defined benefit pension schemes | **5,865** | (614) |
| – share of deferred tax effect of remeasurements – associates | **(997)** | 135 |
| **Items that may be reclassified subsequently to the Group income statement:** | | |
| Group foreign exchange translation details | | |
| – exchange difference on translation of foreign operations | **(1,243)** | (10,674) |
| *Group/Associate cash flow hedges* | | |
| – effective portion of changes in fair value of cash flow hedges | **1,396** | (2,025) |
| – fair value of cash flow hedges transferred to operating costs and other income | **888** | 1,754 |
| – deferred tax effect of cash flow hedges | **(333)** | 86 |
| – share of associates and joint venture cash flow hedges | **4,827** | (4,289) |
| – deferred tax effect of share of associates and joint venture cash flow hedges | **(603)** | 536 |
| **Other comprehensive income/(expense) for the year, net of tax** | **12,924** | (12,203) |
| **Total comprehensive income for the year attributable to equity shareholders** | **69,709** | 33,417 |

# Consolidated Statement of Financial Position
## As at 31 July 2018

| | Notes | 2018 €'000 | 2017 €'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **117,929** | 105,271 |
| Investment properties | 13 | **11,825** | 9,675 |
| Goodwill and intangible assets | 14 | **216,334** | 205,961 |
| Investments in associates and joint venture | 15 | **48,171** | 34,206 |
| Other financial assets | 16 | **450** | 531 |
| Derivative financial instruments | 22 | **835** | 169 |
| Post employment benefit surplus | 26 | **725** | – |
| Deferred tax assets | 23 | **3,280** | 3,475 |
| **Total non-current assets** | | **399,549** | 359,288 |
| **Current assets** | | | |
| Inventory | 17 | **194,192** | 159,245 |
| Trade and other receivables | 18 | **461,199** | 401,303 |
| Derivative financial instruments | 22 | **1,399** | 560 |
| Restricted cash | | **500** | – |
| Cash and cash equivalents | 20 | **147,212** | 162,631 |
| **Total current assets** | | **804,502** | 723,739 |
| **TOTAL ASSETS** | | **1,204,051** | 1,083,027 |
| **EQUITY** | | | |
| Called up share capital presented as equity | 27 | **1,264** | 1,264 |
| Share premium | | **160,422** | 160,422 |
| Retained earnings and other reserves | | **168,561** | 125,043 |
| **TOTAL EQUITY** | | **330,247** | 286,729 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 21 | **165,232** | 177,854 |
| Deferred tax liabilities | 23 | **22,171** | 17,553 |
| Put option liability | 25 | **5,531** | 5,450 |
| Provision for liabilities | 24 | **8,045** | 8,072 |
| Post employment benefit obligations | 26 | **–** | 3,646 |
| Derivative financial instruments | 22 | **46** | 204 |
| **Total non-current liabilities** | | **201,025** | 212,779 |
| **Current liabilities** | | | |
| Interest-bearing borrowings | 21 | **20,836** | 16,227 |
| Trade and other payables | 19 | **638,161** | 548,130 |
| Corporation tax payable | | **8,143** | 11,090 |
| Provision for liabilities | 24 | **5,467** | 7,392 |
| Derivative financial instruments | 22 | **172** | 680 |
| **Total current liabilities** | | **672,779** | 583,519 |
| **TOTAL LIABILITIES** | | **873,804** | 796,298 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,204,051** | 1,083,027 |

On behalf of the Board

Rose Hynes

Tom O'Mahony

**Rose Hynes**
Director
25 September 2018

**Tom O'Mahony**
Director
25 September 2018

# Consolidated Statement of Changes in Equity
## For the financial year ended 31 July 2018

| | Share capital €'000 | Share premium €'000 | Treasury shares €'000 | Capital redemption reserve €'000 | Cashflow hedge reserve €'000 | Revaluation reserve €'000 | Share-based payment reserve €'000 | Re-organisation reserve €'000 | Foreign currency translation reserve €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | | | | | |
| **At 1 August 2017** | **1,264** | **160,422** | **(8)** | **134** | **(2,665)** | **12,843** | **358** | **(196,884)** | **(38,076)** | **349,341** | **286,729** |
| Profit for the year | – | – | – | – | – | – | – | – | – | **56,785** | **56,785** |
| Other comprehensive income/(expense) for the year | – | – | – | – | **6,175** | – | – | – | **(1,243)** | **7,992** | **12,924** |
| **Total comprehensive income/(expense) for the year** | – | – | – | – | **6,175** | – | – | – | **(1,243)** | **64,777** | **69,709** |
| Share based payment charge | – | – | – | – | – | – | **180** | – | – | – | **180** |
| Dividend paid to shareholders | – | – | – | – | – | – | – | – | – | **(26,371)** | **(26,371)** |
| **At 31 July 2018** | **1,264** | **160,422** | **(8)** | **134** | **3,510** | **12,843** | **538** | **(196,884)** | **(39,319)** | **387,747** | **330,247** |

| | Share capital €'000 | Share premium €'000 | Treasury shares €'000 | Capital redemption reserve €'000 | Cashflow hedge reserve €'000 | Revaluation reserve €'000 | Share-based payment reserve €'000 | Re-organisation reserve €'000 | Foreign currency translation reserve €'000 | Retained earnings €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2017 | | | | | | | | | | | |
| At 1 August 2016 | 1,264 | 160,399 | (8) | 134 | 1,273 | 12,843 | – | (196,884) | (27,402) | 327,683 | 279,302 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 45,620 | 45,620 |
| Other comprehensive income/(expense) for the year | – | – | – | – | (3,938) | – | – | – | (10,674) | 2,409 | (12,203) |
| Total comprehensive income/(expense) for the year | – | – | – | – | (3,938) | – | – | – | (10,674) | 48,029 | 33,417 |
| Share based payment charge | – | – | – | – | – | – | 358 | – | – | – | 358 |
| Issue of new shares | – | 23 | – | – | – | – | – | – | – | – | 23 |
| Dividend paid to shareholders | – | – | – | – | – | – | – | – | – | (26,371) | (26,371) |
| At 31 July 2017 | 1,264 | 160,422 | (8) | 134 | (2,665) | 12,843 | 358 | (196,884) | (38,076) | 349,341 | 286,729 |

## Consolidated Statement of Cash Flows
### For the financial year ended 31 July 2018

| | Notes | 2018 €'000 | 2017 €'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **65,337** | 50,100 |
| Exceptional items | | **(663)** | 12,524 |
| Finance income | | **(1,432)** | (703) |
| Finance expenses | | **9,514** | 7,617 |
| Profit on disposal of property, plant and equipment | | **(285)** | (229) |
| Share of profit of associates and joint venture | 15 | **(7,221)** | (4,366) |
| Depreciation of property, plant and equipment | 12 | **7,451** | 7,099 |
| Amortisation of intangible assets | 14 | **7,946** | 6,718 |
| Employee share-based payment charge | 8 | **180** | 358 |
| Pension contributions in excess of service costs | 26 | **(852)** | (576) |
| Payment of exceptional rationalisation costs | 24 | **(3,334)** | (10,145) |
| Payment of exceptional acquisition costs | | **(3,688)** | (1,532) |
| **Operating cash flow before changes in working capital** | | **72,953** | 66,865 |
| Movement in inventory | | **(28,505)** | (2,706) |
| Movement in trade and other receivables | | **(58,469)** | 13,765 |
| Movement in trade and other payables | | **87,713** | (37,115) |
| **Cash generated from operating activities** | | **73,692** | 40,809 |
| Interest paid | | **(6,927)** | (6,336) |
| Income tax paid | | **(10,428)** | (8,166) |
| **Cash inflow from operating activities** | | **56,337** | 26,307 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | | **1,410** | 409 |
| Proceeds from sale of equity investment | | **–** | 306 |
| Purchase of property, plant and equipment | | **(11,602)** | (11,206) |
| Additions to intangible assets | | **(5,645)** | (3,566) |
| Arising on acquisitions | 32 | **(23,857)** | (20,305) |
| Payment of contingent acquisition consideration | 24 | **(1,627)** | (3,408) |
| Proceeds from sale of Chemicals division | | **5,250** | – |
| Payment of put option liability | | **–** | (1,746) |
| Restricted cash | | **(500)** | 2,948 |
| Repayment from associates and joint venture | | **85** | – |
| Dividends received from associates | | **2,483** | 3,822 |
| **Cash outflow from investing activities** | | **(34,003)** | (32,746) |
| **Cash flows from financing activities** | | | |
| Drawdown of bank loans | | **141,775** | 113,471 |
| Repayment of bank loans | | **(158,155)** | (89,440) |
| Payment of dividends to equity shareholders | | **(26,371)** | (26,371) |
| **Cash outflow from financing activities** | | **(42,751)** | (2,340) |
| Net decrease in cash and cash equivalents | | **(20,417)** | (8,779) |
| Translation adjustment | | **261** | (3,963) |
| Cash and cash equivalents at start of year | | **146,715** | 159,457 |
| **Cash and cash equivalents at end of year** | 20, 21 | **126,559** | 146,715 |

Origin Enterprises plc (the 'Company') is a company domiciled and incorporated in Ireland. The Company registration number is 426261 and the Company address is 4-6 Riverwalk, Citywest Business Campus, Dublin 24, Ireland. The Group's financial statements for the year ended 31 July 2018 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as the 'Group') and show the Group's interest in associates and joint venture using the equity method of accounting.

The Company and Group financial statements of the Company were authorised for issue by the Directors on 25 September 2018.

## Statement of compliance

As permitted by Company law and as required by the Rules of the AIM and ESM exchanges the Group financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') and their interpretations issued by the International Accounting Standards Board ('IASB') as adopted by the EU.

The IFRSs adopted by the EU applied by the Group in the preparation of these financial statements are those that were effective for accounting periods beginning on or after 1 August 2017.

## New IFRS accounting standards and interpretations not yet adopted by the EU and not yet effective

The Group has not applied the following IFRS's and International Financial Reporting Interpretations Committee ('IFRIC') Interpretations that have not yet been adopted by the EU:

- Amendments to IAS 19, 'Employee benefits';
- Amendments to IAS 28, 'Investments in associates'; and
- Annual Improvements to IFRS's 2015-2017 Cycle.

The Group is currently assessing the impact in relation to the adoption of the above standards and interpretations for future periods. The Directors assess that at this point they do not believe the standards will have a significant impact on the financial statements of the Group in future periods.

## New IFRS accounting standards and interpretations not yet effective

The Group has not applied the following IFRS's and IFRIC Interpretations that have been issued and adopted by the EU but are not yet effective:

- Amendments to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions';
- Amendments to IFRS 4: Applying IFRS 9, 'Financial Instruments' with IFRS 4, 'Insurance Contracts';
- Amendments to IAS 40, 'Transfers of Investment Property';
- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- IFRS 16, 'Leases';
- Annual Improvements to IFRS's 2014-2016 Cycle; and
- IFRIC Interpretation 22, 'Foreign Currency Translations and Advance Consideration'.

The Group is currently assessing the impact in relation to the adoption of the above standards and interpretations for future periods. Excluding IFRS 16 'Leases' which is currently under review, the Directors assess that at this point the above standards are not expected to have a material impact on the Group financial statements.

The Group's evaluation of the effect of adoption of IFRS 16, 'Leases' is ongoing. The Group expects that the adoption of IFRS 16 will have a material impact on the financial statements, significantly increasing the Group's recognised assets and liabilities. The fair values of these leases are currently being evaluated. As a result of the transition to IFRS 16, the fair value of these leases representing the present value of the lease payments over the expected lease contract period will be recognised as a Right of Use Asset with a corresponding value recognised as a lease liability. This standard will be effective for and will be adopted by the Group for the 2020 financial year beginning 1 August 2019. Information on the Group's leases currently classified as operating leases is provided in Note 30.

## New IFRS accounting standards and interpretations adopted in 2017/2018

During the year ended 31 July 2018, the Group adopted the amendments to IFRSs, International Accounting Standards ('IASs') and IFRIC pronouncements as set out below.

None of these had a material impact on the consolidated results or financial position of the Group:

- Amendments to IAS 7 as a result of the Disclosure Initiative;
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses'; and
- Annual improvements 2014 – 2016 – IFRS 12, 'Disclosures of interests in other entities' regarding clarification of the scope of the standard.

## Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs and IFRIC interpretations as adopted by the European Union and those parts of the Companies Act 2014 applicable to companies reporting under IFRS.

The Directors have elected to prepare the Company financial statements in accordance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

The financial statements have been prepared on the going concern basis of accounting and under the historical cost convention, as modified by the revaluation of investment properties, and certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 33.

## Basis of consolidation

The Group financial statements reflect the consolidation of the results, assets and liabilities of the parent undertaking, the Company and all of its subsidiaries, together with the Group's share of profits/losses of associates and joint ventures. Where a subsidiary, associate or joint venture is acquired or disposed of during the financial year, the Group financial statements include the attributable results from, or to, the effective date when control passes, or, in the case of associates and joint ventures, when joint control or significant influence is obtained or ceases.

### Subsidiary undertakings

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Consolidated Income Statement.

The anticipated acquisition method of accounting is applied in relation to option arrangements entered into with minority shareholders whereby the non-controlling interest is not recognised but rather treated as already acquired by the Group both in the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income. This treatment has been adopted as the Directors have formed the view that, based on the structure, pricing and timing of option contracts, significant risks and rewards are deemed to have transferred to Origin.

### Associates and joint ventures

Associates are those entities in which the Group has significant influence over, but not control of, the financial and operating policy decisions. Joint ventures are those entities over which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Investments in associates and joint ventures are accounted for using the equity method of accounting.

Under the equity method of accounting, the Group's share of the post-acquisition profits or losses of its associates and joint ventures is recognised in the Consolidated Income Statement. The income statement reflects, in profit before tax, the Group's share of profit after tax of its associates and joint ventures in accordance with IAS 28, 'Investments in Associates and Joint Ventures'.

The Group's interest in their net assets is included as investments in associates and joint ventures in the Consolidated Statement of Financial Position at an amount representing cost at acquisition plus the Group's share of post-acquisition retained income and expenses. The Group's investment in associates and joint ventures includes goodwill on acquisition. The amounts included in the financial statements in respect of the post-acquisition income and expenses of associates and joint ventures are taken from their latest financial statements prepared up to their respective year ends, together with management accounts for the intervening periods to the Group's year end. The fair value of any investment retained in a former subsidiary is regarded as a cost on initial recognition of an investment in an associate or joint venture. Where necessary, the accounting policies of associates and joint ventures have been changed to ensure consistency with the policies adopted by the Group.

## **Basis of consolidation** continued

### Transactions eliminated on consolidation

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-Group transactions are eliminated in preparing the Group financial statements. Unrealised gains and income and expenses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that they do not provide evidence of impairment.

## Revenue

Revenue represents the fair value of the sale consideration received for the goods supplied to third parties, after deducting discounts and settlement price adjustments estimated based on individual customer arrangements and historical experience and exclusive of value added tax. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Estimated settlement price adjustments and discounts granted to customers are classified as a reduction of revenues and netted off the related trade receivable balances in Note 18. Further details of the estimation involved in determining settlement price adjustments payable at year end is included in Note 33.

## Rebates

Rebates are a feature of commercial arrangements with certain suppliers. Rebates received and receivable are deducted from cost of sales in the income statement at the year end and the Group is required to calculate rebates receivable due from suppliers for volume-based rebates. The calculation takes into account current performance, historical data for prior years and a review of the terms contained within supplier contracts. Rebates receivable are included within trade and other receivables in Note 18.

## Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker, being the Origin Executive Directors, to make decisions about resources to be allocated to segments and to assess performance, and for which discrete financial information is available.

The Group has two operating segments: Ireland and the UK, and Continental Europe (see Note 1 for further information). Segment assets and liabilities consist of property, plant and equipment, goodwill and intangible assets and other assets and liabilities that can be reasonably allocated to the reported segment. Unallocated assets and liabilities principally include current and deferred income tax balances together with financial assets and liabilities.

## Employee benefits

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee administered funds, determined by periodic actuarial calculations.

### Pension obligations/surplus

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as the related employee service is received. The Group's net obligation in respect of defined benefit pension plans is calculated, separately for each plan, by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the year-end date on high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. Fair value is based on market price information, and in the case of quoted securities is the published bid price.

Defined benefit costs are categorised as: (1) service costs; (2) net interest expense or income; and (3) remeasurement. Service cost includes current and past service cost as well as gains and losses on curtailments and settlements; it is included in operating profit. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate to the net defined benefit asset or liability at the beginning of the year; it is included in finance costs. Remeasurement is comprised of the return on plan assets other than interest at the discount rate and actuarial gains and losses; it is recognised in other comprehensive income in the period in which it arises and is not subsequently reclassified to profit or loss. Settlement gains or losses, where they arise, are recognised in the Consolidated Income Statement as exceptional items.

### Long-Term Incentive Plans

The Group has established the '2012 Origin Long Term Incentive Plan' ('the 2012 LTIP Plan') and the '2015 Origin Long Term Incentive Plan' ('the 2015 LTIP Plan').

## **Employee benefits** continued

### Long-Term Incentive Plans continued

All equity instruments issued under the 2012 LTIP Plan and the 2015 LTIP Plan are equity-settled share-based payments as defined in IFRS 2, 'Share-based Payments'. The fair value of equity instruments issued is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instrument. The fair value of the equity instruments issued is measured taking into account the market-related vesting conditions under which the equity instruments were issued. The plans are subject to non-market vesting conditions and, therefore, the amount recognised as an expense is adjusted to reflect the actual number of equity instruments that are expected to vest.

As explained further in Note 9, the Group has implemented a long-term incentive plan which operates in a similar way to a long-term cash bonus. At each balance sheet date, the related provision is calculated based on the estimated fair value of the obligation resulting from applying a straight-line charge approach to the estimated final cash obligation over the term of the award (three years). Remeasurements are recognised immediately through profit or loss.

## Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case the related tax is also recognised in the Consolidated Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantially enacted at the year-end date, and any adjustment to tax payable in respect of previous years.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and tax provisions in the period in which such determination is made.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year end date. If a temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, no deferred tax is recognised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates and joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be recovered. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end date are translated to functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments, are translated to euro at the foreign exchange rates ruling at the year-end date. The revenues and expenses of foreign operations are translated to euro at the average exchange rates. Foreign exchange differences arising on translation of the net assets of a foreign operation are recognised directly in the Consolidated Statement of Comprehensive Income, in a translation reserve. Exchange gains or losses on long-term intra-Group loans that are regarded as part of the net investment in non-euro denominated operations, are taken to the translation reserve to the extent that they are neither planned nor expected to be repaid in the foreseeable future.

## Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or, in the case of an interim dividend, when it has been approved by the Board of Directors and paid.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure including repairs and maintenance costs is recognised in the income statement as an expense as incurred.

Depreciation is calculated to write off the cost less estimated residual value of property, plant and equipment, other than freehold land, on a straight-line basis, by reference to the following estimated useful lives:

| | |
|---|---|
| Buildings | 20 to 50 years |
| Plant and machinery | 3 to 15 years |
| Motor vehicles | 3 to 7.5 years |

The residual value of assets, if significant, and the useful life of assets are reassessed annually.

Gains and losses on disposals of property, plant and equipment are recognised on the completion of sale. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

## Investment properties

Investment property, principally comprising land, is held for capital appreciation. Investment property is stated at fair value. The fair value is based on the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date. Any gain or loss arising from a change in fair value is recognised in the Consolidated Income Statement. When property is transferred to investment property following a change in use, any difference arising at the date of transfer between the carrying amount of the property immediately prior to transfer and its fair value is recognised in equity if it is a gain unless the increase reverses a previous impairment loss in that property in which case the increase is recognised in profit or loss. Upon disposal of the property, the gain would be transferred to retained earnings in equity. Any loss arising in this manner, unless it represents the reversal of a previously recognised gain, would be recognised immediately in the Consolidated Income Statement. Investment properties are disclosed as a Level 3 fair value if one or more of the significant inputs is not based on observable market data and as a Level 2 fair value where all significant inputs required to fair value the investment properties are observable.

## Leased assets

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the payments is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under the finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

## Business combinations and goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and the joint venture. In respect of acquisitions that have occurred since 1 August 2005, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation from the date of acquisition up to 31 July 2005, which represents the amount recorded under Irish GAAP. Goodwill is now stated at cost or deemed cost less any accumulated impairment losses. In respect of associates and the joint venture, the carrying amount of goodwill is included in the carrying amount of the investment.

## Contingent acquisition consideration

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date and classified as a financial liability or as equity in accordance with IAS 32. Subsequent changes to the fair value of the contingent consideration that is deemed to be a liability are recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## Deferred acquisition consideration

To the extent that deferred acquisition consideration is payable after more than one year from the date of acquisition, it is discounted at an appropriate loan interest rate and accordingly carried at net present value on the Consolidated Statement of Financial Position. An appropriate interest charge, using the Group's incremental cost of capital, at a constant rate on the carrying amount adjusted to reflect market conditions, is reflected in the Consolidated Income Statement over the earnout period, increasing the carrying amount so that the obligation will reflect its settlement at the time of maturity.

## Intangible assets
Intangible assets acquired as part of a business combination are initially recognised at fair value being their deemed cost as at the date of acquisition. These generally include brand and customer related intangible assets. Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other directly attributable costs.

Internally generated intangible assets are recognised when the following can be demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intentions to complete the development;
- its ability to use or sell the intangible asset;
- its ability to generate future economic benefits;
- the availability of resources to complete the development; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, as follows:

| | |
|---|---|
| Brands | up to 20 years |
| Customer related | up to 20 years |
| Supplier agreements | up to 20 years |
| Developed technology | up to 10 years |
| Internally generated | up to 10 years |
| Computer related | 3 to 7 years |

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses incurred.

## Impairment
The carrying amounts of the Group's assets, other than inventories (which are carried at the lower of cost and net realisable value), deferred tax assets (which are recognised based on recoverability), investment properties (which are carried at fair value), and financial instruments (which are carried at fair value), are reviewed to determine whether there is an indication of impairment when an event or transaction indicates that there may be. If any such indication exists, an impairment test is carried out and the asset is written down to its recoverable amount. An impairment test is carried out annually on goodwill.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Income Statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro-rata basis. An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined at either the first-in, first-out ('FIFO') method or the weighted average method, depending on the inventory type. Cost includes all expenditure, which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in marketing, distribution and selling.

## Cash and cash equivalents
Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank and in hand and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

## Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

## Financial assets and liabilities

### Trade and other receivables

Trade and other receivables are initially measured at fair value and are, thereafter, measured at amortised cost using the effective interest method, less any provision for impairment. Trade and other receivables are discounted when the time value of money is considered material. A provision is established for irrecoverable amounts when there is objective evidence (including a customer going into liquidation or receivership, the commencement of legal proceedings or poor payment history) that amounts due under the original payment terms will not be collected.

Financial assets are derecognised when the rights to receive cashflows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Where risks associated with receivables are transferred out of the Group under receivables purchase agreements, such receivables are recognised in the Statement of Financial Position to the extent of the Group's continued involvement and retained risk.

### Short-term bank deposits

Short-term bank deposits of more than three months maturity which do not meet the definition of cash and cash equivalents are classified as loans and receivables within current assets and stated at amortised cost in the Consolidated Statement of Financial Position.

### Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost, using the effective interest method.

### Derivatives

All derivatives are initially recorded at fair value on the date the contract is entered into and subsequently, at reporting dates remeasured to their fair value. The gain or loss arising on remeasurement is recognised in the income statement except where the instrument is a designated hedging instrument.

Derivative financial instruments are used to manage the Group's exposure to foreign currency risk and interest rate risk through the use of forward currency contracts and interest rate swaps. These derivatives are generally designated as cash flow hedges in accordance with IAS 39. The Group does not enter into speculative derivative transactions.

### Put option liability

Where put/call option agreements are in place in respect of shares held by non-controlling shareholders, the liability is measured in accordance with the requirements of IAS 32 and IAS 39 and is stated at fair value. Such liabilities are shown as current or non-current financial liabilities in the Consolidated Statement of Financial Position. The change in the fair value of such options in the year is recognised in the Consolidated Income Statement within exceptional items.

### Cash flow hedges

Subject to the satisfaction of certain criteria, relating to the documentation of the risk, objectives and strategy for the hedging transaction and the ongoing measurement of its effectiveness, cash flow hedges are accounted for under hedge accounting rules. In such cases, any unrealised gain or loss arising on the effective portion of the derivative instrument is recognised in the cash flow hedging reserve, a separate component of equity. Unrealised gains or losses on any ineffective portion of the derivative are recognised in the income statement. When the hedged transaction occurs the related gains or losses in the hedging reserve are transferred to the Consolidated Income Statement.

### Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost using an effective interest rate method.

### Finance lease liabilities

Fair value for disclosure purposes is based on the present value of future cash flows discounted at appropriate current market rates.

## Exceptional items

The Group has adopted an income statement format which seeks to highlight significant items within the Group results for the year. The Group believes that this presentation provides a more informative analysis as it highlights one off items. Such items may include: significant restructuring costs, acquisition related costs, organisation redesign costs, profit or loss on disposal or termination of operations, profit or loss on disposal of property, plant and equipment, profit or loss on disposal of investments, changes in fair value of investment properties, changes in fair value of put option liabilities, settlement gains or losses on defined benefit plans, claims and significant impairment of assets. Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the Consolidated Income Statement and related notes as exceptional items.

## Borrowing costs

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in the Consolidated Income Statement using the effective interest method.

## Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## Finance income

Finance income is recognised using the effective interest method.

## 1 Segment information

IFRS 8, 'Operating Segments', requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker ('CODM') in order to allocate resources to the segments and to assess their performance.

The Group has two operating segments as follows:

### Ireland and the UK

This segment includes the Group's wholly owned Irish and UK-based Business-to-Business Agri-Inputs operations, Integrated Agronomy and On-Farm Services operations and Digital Agricultural Services business. In addition, this segment includes the Group's Associate and joint venture undertakings.

### Continental Europe

This segment includes the Group's Business-to-Business Agri-Inputs operations, Integrated Agronomy and On-Farm Services operations in Poland, Romania, Belgium and Ukraine.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit as included in the internal management reports that are reviewed by the Group's CODM, being the Origin Executive Directors. Segment operating profit is used to measure performance, as this information is the most relevant in evaluating the results of the Group's segments.

Segment results, assets and liabilities include all items directly attributable to a segment.

Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

(a) Analysis by segment

(i) Segment revenue and results

| | Ireland & the UK | | Continental Europe | | Total Group | |
|---|---|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Total revenue | **1,395,377** | 1,266,159 | **589,480** | 573,483 | **1,984,857** | 1,839,642 |
| Less revenue from associates and joint venture | **(357,324)** | (311,174) | **–** | – | **(357,324)** | (311,174) |
| **Revenue** | **1,038,053** | 954,985 | **589,480** | 573,483 | **1,627,533** | 1,528,468 |
| **Segment result** | **54,752** | 53,431 | **16,438** | 16,578 | **71,190** | 70,009 |
| Profit from associates and joint venture | **7,221** | 4,366 | **–** | – | **7,221** | 4,366 |
| Amortisation of non-ERP intangible assets | **(3,863)** | (3,071) | **(1,792)** | (1,766) | **(5,655)** | (4,837) |
| **Operating profit before exceptional items** | **58,110** | 54,726 | **14,646** | 14,812 | **72,756** | 69,538 |
| Exceptional items | **(17)** | (12,145) | **680** | (379) | **663** | (12,524) |
| **Operating profit** | **58,093** | 42,581 | **15,326** | 14,433 | **73,419** | 57,014 |

(ii) Segment earnings before financing costs and tax is reconciled to reported profit before tax and profit after tax as follows:

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| **Operating profit** | **73,419** | 57,014 |
| Finance income | **1,432** | 703 |
| Finance expense | **(9,514)** | (7,617) |
| **Reported profit before tax** | **65,337** | 50,100 |
| Income tax expense | **(8,552)** | (4,480) |
| **Reported profit after tax** | **56,785** | 45,620 |

## 1 Segment information continued

### (a) Analysis by segment continued

(iii) Segment assets

| | Ireland & the UK | | Continental Europe | | Total Group | |
|---|---|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Assets excluding investment in associates and joint venture and investment properties | **582,718** | 536,519 | **419,486** | 344,936 | **1,002,204** | 881,455 |
| Investment in associates and joint venture (including other financial assets) | **48,621** | 34,737 | **–** | – | **48,621** | 34,737 |
| **Segment assets** | **631,339** | 571,256 | **419,486** | 344,936 | **1,050,825** | 916,192 |

| | | |
|---|---|---|
| **Reconciliation to total assets as reported in Consolidated Statement of Financial Position:** | | |
| Cash and cash equivalents | **147,212** | 162,631 |
| Restricted cash | **500** | – |
| Derivative financial instruments | **2,234** | 729 |
| Deferred tax assets | **3,280** | 3,475 |
| **Total assets as reported in Consolidated Statement of Financial Position** | **1,204,051** | 1,083,027 |

(iv) Segment liabilities

| | Ireland & the UK | | Continental Europe | | Total Group | |
|---|---|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Segment liabilities | **405,631** | 357,362 | **251,573** | 215,328 | **657,204** | 572,690 |

| | | |
|---|---|---|
| **Reconciliation to total liabilities as reported in Consolidated Statement of Financial Position:** | | |
| Interest-bearing loans and liabilities | **186,068** | 194,081 |
| Derivative financial instruments | **218** | 884 |
| Current and deferred tax liabilities | **30,314** | 28,643 |
| **Total liabilities as reported in Consolidated Statement of Financial Position** | **873,804** | 796,298 |

(v) Other segment information

| | Ireland & the UK | | Continental Europe | | Total Group | |
|---|---|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Depreciation | **5,225** | 5,059 | **2,226** | 2,040 | **7,451** | 7,099 |
| Intangible amortisation | **6,155** | 4,953 | **1,791** | 1,765 | **7,946** | 6,718 |
| Exceptional (loss)/gains (Note 3) | **(17)** | (12,145) | **680** | (379) | **663** | (12,524) |
| Capital expenditure – property, plant and equipment | **5,314** | 6,982 | **6,314** | 4,834 | **11,628** | 11,816 |
| Capital expenditure – ERP and computer intangibles | **2,689** | 2,600 | **519** | 299 | **3,208** | 2,899 |
| Total capital expenditure | **8,003** | 9,582 | **6,833** | 5,133 | **14,836** | 14,715 |

### (b) Analysis by geography

| | Ireland & the UK | | Continental Europe | | Total Group | |
|---|---|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Revenue | **1,038,053** | 954,985 | **589,480** | 573,483 | **1,627,533** | 1,528,468 |
| Assets | **631,339** | 571,256 | **419,486** | 344,936 | **1,050,825** | 916,192 |
| IFRS 8 non-current assets* | **303,160** | 274,753 | **91,549** | 80,891 | **394,709** | 355,644 |

* The total non-current assets in the UK are €239.6 million (2017: €213.1 million).

## 2 Operating costs

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Distribution expenses | **89,923** | 90,231 |
| Administration expenses | **76,494** | 71,219 |
| Amortisation of non-ERP related intangible assets | **5,655** | 4,837 |
| | **172,072** | 166,287 |
| Exceptional items (Note 3) | **(663)** | 12,524 |
| | **171,409** | 178,811 |

## 3 Exceptional items

Exceptional items are those that, in management's judgement, should be separately presented and disclosed by virtue of their nature or amount. Such items are included within the Consolidated Income Statement caption to which they relate. The following exceptional items arose during the year:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Rationalisation costs (i) | **(876)** | (10,990) |
| Gain on disposal of business (ii) | **1,870** | – |
| Transaction and strategy related costs (iii) | **(2,560)** | (2,460) |
| Organisational design costs (iv) | **–** | (1,740) |
| Fair value adjustment on investment properties (v) | **2,150** | – |
| Fair value adjustment on put option liability (vi) | **79** | 2,666 |
| **Total exceptional credit/(charge) before tax** | **663** | (12,524) |
| Tax (charge)/credit on exceptional items | **(652)** | 3,222 |
| **Total exceptional credit/(charge) after tax** | **11** | (9,302) |

### (i) Rationalisation costs

Rationalisation costs comprise the compensation and termination payments arising from the restructuring of our agronomy services businesses in the UK, net of unutilised accruals relating to previous restructuring programmes of €0.6 million. The tax impact of this exceptional item in the current year is a tax credit of €0.2 million (2017: €2.1 million).

### (ii) Gain on disposal of business

Following the disposal of the Group's Chemicals business operated through Goulding Chemicals Limited and the closure of a seed plant in the UK, a gain of €2.6 million and a loss of €0.7 million, respectively, were recorded. The tax impact of this exceptional item in the current year was a tax charge of €0.4 million.

### (iii) Transaction and strategy related costs

Transaction related costs principally comprise costs incurred in relation to acquisitions completed during the year and post year end. Strategy related costs relate to once off consultancy costs in the prior year associated with the Group's Agri Services five-year strategy review. The tax impact of this exceptional item in the current year is a tax credit of €0.2 million (2017: €0.9 million).

### (iv) Organisational design costs

During the prior year the Group incurred costs relating to the commencement of an organisation redesign project, the purpose of which was to enhance the Origin Group's central capabilities to enable it to continue to support the Group as it grows. The primary areas of focus were on how the reporting and management structures, in addition to centralised functions needed to evolve as the Group continued to integrate existing businesses and expand its footprint. The tax impact of this exceptional item in the prior year was a tax credit of €0.2 million.

### (v) Fair value adjustment of investment properties

This gain relates to the movement in fair value of investment properties. See Note 13 for further details. The tax impact of this exceptional item in the current year is €0.6 million.

### (vi) Fair value adjustment on put option liability

This gain relates to the movement in fair value of the put option liability in respect of the Agroscope acquisition. See Note 25 for further details. The tax impact of this exceptional item in the current year is €Nil (2017: €Nil).

## 4 Finance income and expense

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Recognised in the Consolidated Income Statement** | | |
| *Finance income* | | |
| Interest income on bank deposits | **1,432** | 703 |
| Total finance income | **1,432** | 703 |
| *Finance expenses* | | |
| Interest payable on bank loans and overdrafts | **(9,274)** | (7,210) |
| Unwinding of discount rate on put option liability (Note 25) | **(160)** | (237) |
| Defined benefit pension obligations: net interest cost (Note 26) | **(80)** | (170) |
| **Total finance expenses** | **(9,514)** | (7,617) |
| **Finance costs, net** | **(8,082)** | (6,914) |
| **Recognised directly in Other Comprehensive Income** | | |
| Effective portion of changes in fair value of interest rate swaps | **825** | 784 |

## 5 Statutory and other information

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Group operating profit before exceptional items is stated after charging: | | |
| Raw materials and consumables used | **1,381,227** | 1,289,551 |
| Amortisation of intangible assets (Note 14) | **7,946** | 6,718 |
| Depreciation of property, plant and equipment (Note 12) | **7,451** | 7,099 |
| Operating lease rentals | **13,110** | 11,968 |
| Foreign exchange expense | **685** | 522 |

### Auditors' remuneration

Remuneration (including expenses) for the statutory audit of the entity financial statements and other services carried out for the Company by the Company's auditors is as follows:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Audit of the consolidated financial statements | **511** | 458 |
| Other assurance services | **70** | 90 |
| Other non-audit services | **–** | 1 |

## 6 Directors' emoluments

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Emoluments | **2,825** | 2,934 |
| Emoluments above include the following contributions to retirement benefit schemes: | | |
| – Defined contribution | **219** | 250 |
| – Defined benefit | **26** | 26 |
| | **245** | 276 |

Further details are shown in the Remuneration Committee Report on pages 65 to 75.

Retirement benefits are accruing to one Director (2017: one Director) under a defined benefit scheme and to one Director (2017: two Directors) under a defined contribution scheme.

## 7 Share of profit after tax of associates and joint venture

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Total Group share of:** | | |
| Revenue | **357,324** | 311,174 |
| Profit after tax | **7,221** | 4,366 |

## 8 Employment

The average number of persons (including Executive Directors) employed by the Group during the year was as follows:

| | 2018 Number | 2017 Number |
|---|---|---|
| Sales and distribution | **1,383** | 1,346 |
| Production | **376** | 336 |
| Management and administration | **671** | 653 |
| | **2,430** | 2,335 |

| | 2018 Number | 2017 Number |
|---|---|---|
| Average number of Non-Executive Directors | **6** | 6 |
| Average number of Executive Directors | **3** | 3 |

Aggregate employment costs of the Group are analysed as follows:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Wages and salaries | **103,502** | 97,248 |
| Social insurance costs | **11,069** | 11,525 |
| Retirement benefit costs (Note 26) included in Consolidated Income Statement: | | |
| – defined benefit schemes – current service cost | **552** | 758 |
| – defined benefit schemes – past service cost | **–** | 131 |
| – defined benefit schemes – net interest cost | **80** | 170 |
| – defined contribution schemes | **2,957** | 2,780 |
| Share based payment charge | **180** | 358 |
| Cash based long term incentive plan | **1,016** | 600 |
| Termination benefits (Note 3) | **876** | 10,990 |
| | **120,232** | 124,560 |
| Retirement benefit costs (Note 26) included in Other Comprehensive Income: | | |
| – defined benefit schemes – remeasurements | **(3,628)** | (3,407) |
| | **116,604** | 121,153 |

## 9 Long Term Incentive Plans

The Executive Directors and Other Senior Employees participate in the following Long Term Incentive Plans:

### 2015 LTIP Plan

The 2015 Origin Long Term Incentive Plan ('2015 LTIP Plan') is a share-based payment plan which was approved by the shareholders on 27 November 2015. The details of awards under the plan are as follows:

#### 2017 Awards

**Award**

On 10 March 2017, under the terms of the 2015 LTIP Plan, Mr T O'Mahony, Ms I Hurley and Mr D Giblin were granted 73,529, 48,897 and 60,459 share options respectively, which are subject to certain targets, thresholds and conditions being met, as set out below.

**Targets and thresholds**

Vesting of share options and transfer of ownership of resulting shares is determined by reference to the following conditions:

- Up to 30% of the shares subject to the award will vest depending on the growth in the Company's consolidated Adjusted Earnings per Share ('**Adjusted EPS**') over a three-year performance period starting on the first day of the financial year in which the award is granted, determined in accordance with the table below.

| Annualised Adjusted Diluted EPS growth | Proportion of the Adjusted Diluted EPS award vesting |
|---|---|
| Below 5% | 0% |
| 5% | 30% |
| Between 5% and 10% | 30% – 100% pro rata |
| 10% and above | 100% |

Vesting under the EPS performance condition is also contingent on the Company's annualised EPS over the three-year performance period being positive.

- Up to 40% of the shares subject to an award will vest depending on the Company's Return On Investment Capital ('**ROIC**') over a three-year performance period starting on the first day of the financial year in which the award is granted, determined in accordance with the table below.

| Average Annual ROIC Return | Proportion of the ROIC award vesting |
|---|---|
| Below 12.5% | 0% |
| 12.5% | 30% |
| Between 12.5% and 17.5% | 30% – 100% pro rata |
| 17.5% and above | 100% |

- Up to 30% of the shares subject to an award will vest depending on the Company's Free Cash Flow Ratio ('**FCFR**') over a three-year performance period starting on the first day of the financial year in which the award is granted, determined in accordance with the table below.

| Average Annual FCFR | Proportion of the FCFR award vesting |
|---|---|
| Below 50% | 0% |
| 50% | 30% |
| Between 50% and 100% | 30% – 100% pro rata |
| 100% and above | 100% |

**Additional conditions**

Additional conditions attaching to the vesting of the share options and transfer of ownership of resulting shares include the following:

- as a general rule, the participant must remain in service throughout the performance period, except in certain pre-determined circumstances;
- the Committee will specify a minimum retention period during which either vested options cannot be exercised or if vested options can be exercised there will be a restriction on the disposal of the shares acquired for the period. This period must be for a minimum of two years; and
- where a participant whose primary management responsibility is in respect of a business division of the Company is granted an award, the Remuneration Committee at its discretion may determine that a maximum of 40% of an award will be subject to divisional financial or other performance conditions related to the business division.

**Transfer of ownership/ vesting**

Under the terms of the 2015 LTIP Plan, awards will vest no earlier than the third anniversary of the award date and in the case of options cannot be exercised later than the seventh anniversary of the award date.

An award will not vest unless the Committee is satisfied that the Company's underlying financial performance has shown a sustained improvement in the period since the award date. If this condition is met, the extent of vesting for awards granted to employees of the Company following the adoption of the Plan will be determined by the performance conditions set out above.

## 9 Long Term Incentive Plans continued

### 2015 LTIP Plan continued

**Movement in the number of share options outstanding is as follows:**

| | Number of share options 2018 | Number of share options 2017 |
|---|---|---|
| At 1 August | **182,885** | – |
| Forfeiture | **(100,447)** | – |
| Granted | **192,145**(ii) | 182,885(i) |
| **At 31 July** | **274,583** | 182,885 |

| Grant date | Expiry date | Exercise price | Number of share options 2018 | Number of share options 2017 |
|---|---|---|---|---|
| 10 March 2017 | 9 March 2024 | €0.01 | **133,988** | 182,885 |
| 28 September 2017 | 27 September 2024 | €0.01 | **140,595** | – |

(i) The fair value of the share options granted was €6.16 derived using the Black Scholes valuation model. The significant inputs into the model were weighted average share price of €6.80 at the grant date, exercise price of €0.01 and dividend yield of 3.1%.

(ii) The fair value of the share options granted was €5.81 derived using the Black Scholes valuation model. The significant inputs into the model were weighted average share price of €6.45 at the grant date, exercise price of €0.01 and dividend yield of 3.3%.

### Cash based long term incentive plan

During the prior year a cash based Long Term Incentive Plan ('LTIP') for key employees was implemented. The LTIP is intended to enable the retention and reward of key employees who are central to the achievement of the Group's growth strategy in the coming years. The implementation of the scheme commenced in 2017 when certain employees were granted awards which have the characteristics of a long-term cash bonus based on a maximum fixed amount with vesting of cash bonuses based on the achievement of non-market performance conditions (Adjusted earnings per share, Free cash flow ratio, Return on Investment and Earnings before interest and tax) over a three-year period to 31 July 2019. The potential balance payable at the end of the three-year period in 2020, based on awards outstanding at year end is €1.5 million of which €0.5 million has been booked within non-current provisions in the balance sheet and charged to the income statement within payroll costs in the years ended 31 July 2017 and 31 July 2018 in line with the accounting policy on pages 92 and 93. In order to calculate the fair value of the obligation at the end of the term of the Plan, the Group has used the actual results for 2017 and 2018 and a forecast for 2019, resulting in a 48% probability that the performance conditions over the three years will be achieved and have also assumed that no members of the scheme will leave the Company before the end of the service period.

During the current year a new cash based Long Term Incentive Plan for key employees was implemented with similar terms to the 2017 LTIP. The performance conditions for this new scheme are evaluated over a three-year period to 31 July 2020. The potential balance payable at the end of the three years is €1.7 million of which €0.6 million has been booked in non-current provisions in the balance sheet and charged to the income statement within payroll costs in the year ended 31 July 2018. In order to calculate the fair value of the obligation at the end of the term of the plan the Group has used the actual results for 2018, the budget for 2019 and a forecast for 2020, resulting in a 49% probability that the performance conditions over the three years will be achieved and have also assumed that no members of the scheme will leave the Company before the end of the service period.

### Save As You Earn ('SAYE') scheme – UK and Ireland

The Save As You Earn (SAYE) scheme ('the scheme') is a share based savings plan which was approved by the shareholders on 27 November 2015. The details of awards under the plan are as follows:

| | |
|---|---|
| **Award** | An HMRC/Revenue approved plan under which regular monthly savings are made over a three-year period which can be used to fund the exercise of an option, the exercise price being discounted by up to 20%. The maximum permitted savings of £500/€500 per month across all ongoing sharesave contracts for any individual. |
| **Conditions** | Conditions attaching to the transfer of ownership of the equity entitlements and vesting of the share options include the following:<br>• in general, the employee must remain in service throughout the three-year savings period;<br>• the option may not be granted if the result would be that the aggregate number of shares issuable pursuant to options granted under the Scheme or under any other share award or share option plan operated by the Group in the preceding 10 years exceeding 10% of the Group's issued ordinary share capital at the date of grant; and<br>• the option may not be granted if the result would be that the aggregate number of shares issuable pursuant to options granted under the Scheme or under any other share award or share option plan operated by the Group in the preceding three years exceeding 3% of the Group's issued ordinary share capital at the date of grant. |
| **Transfer of Ownership/ Vesting** | Under the terms of the SAYE scheme, the eligible employee will have a choice at the end of the three-year period (representing the term of the scheme), to cash in their total savings or alternatively purchase shares at the discounted price agreed at the time of entry into the SAYE scheme. Ownership of shares will not transfer until this time. |

## 9 Long Term Incentive Plans continued

### Save As You Earn ('SAYE') scheme – UK and Ireland continued

The value of the SAYE scheme at 31 July 2018 is as follows:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| At 1 August | **330** | – |
| Charge | **53** | 330 |
| **At 31 July** | **383** | 330 |

| Grant date | Expiry date | Option price | Exercise price | Share options No of shares 2018 | Share options No of shares 2017 |
|---|---|---|---|---|---|
| 1 June 2016 | 1 June 2019 | €1.78 | €5.48 | **234,584*** | 393,311 |
| 1 June 2017 | 1 June 2020 | €1.93 | €5.64 | **65,818*** | 138,016 |
| 1 June 2018 | 1 June 2021 | €1.40 | €4.20 | **364,358** | – |
| | | | | **664,760** | 531,327 |

* The main driver of the movement from year end July 2017 was a number of employees who ceased contributing to Scheme 1 and Scheme 2 and opted to contribute to Scheme 3.

The main variable inputs used to calculate the SAYE schemes are as follows:

| | Scheme 1 | Scheme 2 | Scheme 3 |
|---|---|---|---|
| Share price | €6.85 | €7.05 | €5.25 |
| Exercise price | €5.48 | €5.64 | €4.20 |
| Term | 3 years | 3 years | 3 years |
| Share price volatility | 27.3% | 30.1% | 28.9% |
| Discount rate | 3.0% | 3.0% | 3.0% |

## 10 Income tax

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Current tax | **7,077** | 3,443 |
| Deferred tax | **1,475** | 1,037 |
| **Income tax expense** | **8,552** | 4,480 |
| **Reconciliation of average effective tax rate to Irish corporate tax rate:** | | |
| Profit before income tax | **65,337** | 50,100 |
| Share of profits of associates and joint venture | **(7,221)** | (4,366) |
| | **58,116** | 45,734 |
| Taxation based on Irish corporate rate of 12.5% | **7,265** | 5,717 |
| Effect of deferred tax rate change | **98** | (353) |
| Expenses not deductible for tax purposes | **1,377** | 1,472 |
| Higher rates of tax on overseas earnings | **2,208** | 2,358 |
| Changes in estimate/adjustment in respect of previous periods: | | |
| – Current tax | **(3,321)** | (3,424) |
| – Deferred tax | **805** | 234 |
| Non-taxable income | **(690)** | (803) |
| Utilisation of unprovided deferred tax assets | **–** | (970) |
| Other | **810** | 249 |
| | **8,552** | 4,480 |

## 10 Income tax continued

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Movement on deferred tax (liability)/asset recognised directly in the Consolidated Statement of Comprehensive Income** | | |
| Relating to Group employee benefit schemes | **504** | 519 |
| Property, plant and equipment | **375** | 30 |
| Foreign exchange | **(55)** | (271) |
| Derivative financial instruments and other | **333** | (86) |
| **Recognised in the Consolidated Statement of Comprehensive Income (Note 23)** | **1,157** | 192 |

As a multinational group operating in a number of jurisdictions, the Group is subject to regular audits by tax authorities on an ongoing basis. Certain audits were closed out during the year and the majority of the move in the current tax change in estimate figure represents the relevant adjustment.

A deferred tax asset of €3.3 million (2017: €3.5 million) has been recognised on the basis that the realisation of the related tax benefit through future taxable profits is probable. This includes deferred tax assets which are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable.

The total deductible temporary differences which have not been recognised are €13.7 million (2017: €15 million).

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As the Group can rely on participations exemptions and tax credits that would be available in the context of the Group's investments in subsidiaries in the majority of the jurisdictions in which the Group operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognised would not be material.

## 11 Earnings per share

### Basic earnings per share

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Profit for the financial year attributable to equity shareholders | **56,785** | 45,620 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the year | **125,582** | 125,582 |
| | **Cent** | Cent |
| Basic earnings per share | **45.22** | 36.33 |

### Diluted earnings per share

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Profit for the financial year attributable to equity shareholders | **56,785** | 45,620 |
| | **'000** | '000 |
| Weighted average number of ordinary shares used in basic calculation | **125,582** | 125,582 |
| Impact of shares with a dilutive effect | **120** | 77 |
| Impact of the SAYE scheme (Note 9) | **665** | 531 |
| Weighted average number of ordinary shares (diluted) for the year | **126,367** | 126,190 |
| | **Cent** | Cent |
| Diluted earnings per share | **44.94** | 36.15 |

## 11 Earnings per share continued
### Adjusted basic earnings per share

| | 2018 '000 | 2017 '000 |
|---|---|---|
| Weighted average number of ordinary shares for the year | **125,582** | 125,582 |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Profit for the financial year | **56,785** | 45,620 |
| Adjustments: | | |
| Amortisation of non-ERP related intangible assets (Note 14) | **5,655** | 4,837 |
| Tax on amortisation of non-ERP related intangible assets | **(768)** | (934) |
| Exceptional items, net of tax | **(11)** | 9,302 |
| Adjusted earnings | **61,661** | 58,825 |

| | Cent | Cent |
|---|---|---|
| Adjusted basic earnings per share | **49.10** | 46.84 |

### Adjusted diluted earnings per share

| | 2018 '000 | 2017 '000 |
|---|---|---|
| Weighted average number of ordinary shares used in basic calculation | **125,582** | 125,582 |
| Impact of shares with a dilutive effect | **120** | 77 |
| Impact of the SAYE scheme (Note 9) | **665** | 531 |
| Weighted average number of ordinary shares (diluted) for the year | **126,367** | 126,190 |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Adjusted earnings (as above) | **61,661** | 58,825 |

| | Cent | Cent |
|---|---|---|
| Adjusted diluted earnings per share | **48.80** | 46.62 |

## 12 Property, plant and equipment

| | Land and buildings €'000 | Plant and machinery €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 August 2017 | 92,279 | 60,850 | 7,108 | 160,237 |
| Additions | 4,816 | 5,796 | 1,016 | 11,628 |
| Arising on acquisition (Note 32) | 8,837 | 1,020 | 230 | 10,087 |
| Disposals | (1,087) | (2,492) | (819) | (4,398) |
| Translation adjustments | (68) | 229 | (99) | 62 |
| **At 31 July 2018** | **104,777** | **65,403** | **7,436** | **177,616** |
| **Accumulated depreciation** | | | | |
| At 1 August 2017 | 12,836 | 38,775 | 3,355 | 54,966 |
| Depreciation charge for year | 1,708 | 4,804 | 939 | 7,451 |
| Disposals | (218) | (1,974) | (635) | (2,827) |
| Translation adjustments | 28 | 98 | (29) | 97 |
| **At 31 July 2018** | **14,354** | **41,703** | **3,630** | **59,687** |
| **Net book amounts** | | | | |
| **At 31 July 2018** | **90,423** | **23,700** | **3,806** | **117,929** |
| At 31 July 2017 | 79,443 | 22,075 | 3,753 | 105,271 |

## 12 Property, plant and equipment continued

| | Land and buildings €'000 | Plant and machinery €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 August 2016 | 89,788 | 55,698 | 5,895 | 151,381 |
| Additions | 3,593 | 6,690 | 1,533 | 11,816 |
| Arising on acquisition | 60 | 328 | – | 388 |
| Disposals | – | (340) | (1,125) | (1,465) |
| Translation adjustments | (1,162) | (1,526) | 805 | (1,883) |
| **At 31 July 2017** | **92,279** | **60,850** | **7,108** | **160,237** |
| **Accumulated depreciation** | | | | |
| At 1 August 2016 | 10,940 | 34,735 | 2,910 | 48,585 |
| Depreciation charge for year | 1,389 | 4,760 | 950 | 7,099 |
| Disposals | – | (306) | (979) | (1,285) |
| Translation adjustments | 507 | (414) | 474 | 567 |
| **At 31 July 2017** | **12,836** | **38,775** | **3,355** | **54,966** |
| **Net book amounts** | | | | |
| **At 31 July 2017** | **79,443** | **22,075** | **3,753** | **105,271** |
| At 31 July 2016 | 78,848 | 20,963 | 2,985 | 102,796 |

### Assets held under finance leases

The net book value in respect of assets held under finance leases and accordingly capitalised in property, plant and equipment is as follows:

| | Plant and machinery €'000 | Motor vehicles €'000 | Total €'000 |
|---|---|---|---|
| **At 31 July 2018** | **327** | **1,079** | **1,406** |
| At 31 July 2017 | 689 | 608 | 1,297 |

## 13 Investment properties

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| At 1 August | **9,675** | 9,675 |
| Fair value adjustment | **2,150** | – |
| At 31 July | **11,825** | 9,675 |

Investment property comprises land located in Ireland in areas designated for future development and regeneration.

### Measurement of Fair Value

Investment property is carried at fair value and regarded as a Level 2 fair value.

At 31 July 2018 the valuation of the Group's investment properties was determined by the Directors using a market approach with reference to local knowledge and judgement. As part of the Director's assessment, guidance was obtained from an independent valuation expert. Following this assessment an uplift of €2,150,000 was reflected in the value of the Group's investment properties as at 31 July 2018.

## 14 Goodwill and intangible assets

| | Goodwill €'000 | Intangible assets: Brand €'000 | Customer related €'000 | Supplier agreements €'000 | Developed technology €'000 | Computer related €'000 | ERP (i) related €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 August 2017 | 128,701 | 22,029 | 77,276 | 665 | 4,446 | 3,777 | 22,940 | 259,834 |
| Additions | – | 212 | 449 | – | 1,776 | 2,263 | 945 | 5,645 |
| Arising on acquisition (Note 32) | 8,933 | 546 | 2,518 | – | – | – | – | 11,997 |
| Disposals | – | – | – | – | – | (167) | – | (167) |
| Translation adjustment | 478 | 64 | 328 | 5 | 34 | 4 | 22 | 935 |
| **At 31 July 2018** | **138,112** | **22,851** | **80,571** | **670** | **6,256** | **5,877** | **23,907** | **278,244** |
| **Accumulated Amortisation** | | | | | | | | |
| At 1 August 2017 | – | 8,233 | 30,973 | 665 | 89 | 2,340 | 11,573 | 53,873 |
| Amortisation | – | 905 | 3,505 | – | 554 | 691 | 2,291 | 7,946 |
| Disposals | – | – | – | – | – | (167) | – | (167) |
| Translation adjustment | – | 59 | 183 | 5 | – | 11 | – | 258 |
| **At 31 July 2018** | **–** | **9,197** | **34,661** | **670** | **643** | **2,875** | **13,864** | **61,910** |
| **Net book value** | | | | | | | | |
| **At 31 July 2018** | **138,112** | **13,654** | **45,910** | **–** | **5,613** | **3,002** | **10,043** | **216,334** |
| At 31 July 2017 | 128,701 | 13,796 | 46,303 | – | 4,357 | 1,437 | 11,367 | 205,961 |

(i) ERP related amortisation is charged to administration expenses within operating costs in the income statement.
(ii) Material individual intangible assets are as follows – customer lists with a carrying value of €9.5 million and €5.9 million, respectively, that have remaining residual lives of 14 and 10 years.

| | Goodwill €'000 | Intangible assets: Brand €'000 | Customer related €'000 | Supplier agreements €'000 | Developed technology €'000 | Computer related €'000 | ERP (i) related €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At 1 August 2016 | 118,750 | 21,067 | 77,256 | 707 | – | 3,133 | 20,924 | 241,837 |
| Additions | – | – | 667 | – | – | 715 | 2,184 | 3,566 |
| Arising on acquisition | 15,732 | 2,000 | 3,243 | – | 4,557 | 70 | – | 25,602 |
| Translation adjustment | (5,781) | (1,038) | (3,890) | (42) | (111) | (141) | (168) | (11,171) |
| **At 31 July 2017** | **128,701** | **22,029** | **77,276** | **665** | **4,446** | **3,777** | **22,940** | **259,834** |
| **Accumulated Amortisation** | | | | | | | | |
| At 1 August 2016 | – | 7,841 | 29,255 | 707 | – | 1,643 | 9,695 | 49,141 |
| Amortisation | – | 848 | 3,284 | – | 91 | 614 | 1,881 | 6,718 |
| Translation adjustment | – | (456) | (1,566) | (42) | (2) | 83 | (3) | (1,986) |
| **At 31 July 2017** | **–** | **8,233** | **30,973** | **665** | **89** | **2,340** | **11,573** | **53,873** |
| **Net book value** | | | | | | | | |
| **At 31 July 2017** | **128,701** | **13,796** | **46,303** | **–** | **4,357** | **1,437** | **11,367** | **205,961** |
| At 31 July 2016 | 118,750 | 13,226 | 48,001 | – | – | 1,490 | 11,229 | 192,696 |

(i) ERP related amortisation is charged to administration expenses within operating costs in the income statement.
(ii) Material individual intangible assets are as follows – customer lists with a carrying value of €10.1 million and €6.4 million, respectively, that have remaining residual lives of 15 and 11 years.

## 14 Goodwill and intangible assets continued

### Cash generating units (CGUs)

Goodwill acquired through business combination activity has been allocated to cash-generating units ('CGUs') that are expected to benefit from the business combination. The carrying amount of goodwill allocated to cash generating units across the Group and the key assumptions used in the impairment calculations are summarised as follows:

| | Pre-tax discount rate 2018 | Pre-tax discount rate 2017 | Projection period 2019/2018 | EBIT Growth rate in Year 2 & 3 of projection period 2019/2018 | Terminal value growth rate 2018/2017 | 2018 €'000 | 2017 €'000 |
|---|---|---|---|---|---|---|---|
| Agri-Services | | | | | | | |
| Agronomy – UK | **10.5%** | 8.5% | **3 years** | **5%** | **2%** | **74,566** | 74,000 |
| Amenity – UK | **10.5%** | 8.5% | **3 years** | **5%** | **2%** | **8,257** | 8,205 |
| Fertiliser – UK | **10.5%** | 8.5% | **3 years** | **5%** | **2%** | **13,936** | 6,863 |
| Ukraine | **15.4%** | 16.2% | **3 years** | **10%** | **2%** | **7,763** | 7,723 |
| Agrii Polska | **10.9%** | 9.2% | **3 years** | **5%** | **2%** | **8,686** | 8,748 |
| Belgium | **11.6%** | – | **3 years** | **5%** | **2%** | **2,013** | – |
| Romania | **11.4%** | 9.7% | **3 years** | **5%** | **2%** | **22,891** | 23,162 |
| | | | | | | **138,112** | 128,701 |

### Impairment testing of goodwill

No impairment losses have been recognised by the Group in respect of goodwill in either the current or prior financial year. The recoverable amounts of cash generating units ('CGUs') are based on value in use computations. The cash flow forecasts used for 2019 (Year 1) are extracted from the 2019 budget document formally approved by senior management. The cash flow projections are based on current operating results of the individual CGUs and a conservative assumption regarding future organic growth. For the purposes of the calculation of value in use, management have approved that the cash flows are projected over a three-year period with additional cash flows in subsequent years calculated using a terminal value methodology. In calculating the terminal value similar assumptions regarding growth have been used.

The cash flows are discounted using appropriate risk adjusted discount rates as disclosed in the table above. Any significant adverse change in the expected future operational results and cash flows may result in the value in use being less than the carrying value of a CGU and would require that the carrying value of the CGU be impaired and stated at the greater of the value in use or the fair value less costs to sell of the CGU. However, the results of the impairment testing undertaken in the current year indicates sufficient headroom.

Key assumptions include management's estimates of future profitability, growth rates, foreign exchange rates, discount rates, replacement capital expenditure requirements and trade working capital investment needs. These assumptions are based on management's past experience. Capital expenditure requirements and profitability are based on the Group's budgets and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to increase in line with activity.

Given the limited headroom in Ukraine (€3.4 million), the Group completed a number of sensitivities on the assumptions in the impairment models with the following results:

- Reduction of 4% in growth rates in Years 1, 2 and 3 eliminates all headroom.
- Increase of 1.3% in pre-tax discount rates eliminates all headroom.

The value in use and excess of value in use over the carrying amount of the CGUs are as follows:

| | Value in use | | Excess | |
|---|---|---|---|---|
| | **2018 €'000** | 2017 €'000 | **2018 €'000** | 2017 €'000 |
| Agronomy – UK | **361,788** | 462,634 | **147,166** | 235,198 |
| Amenity – UK | **96,019** | 120,745 | **68,194** | 94,172 |
| Fertiliser – UK | **130,819** | 196,758 | **87,671** | 168,446 |
| Ukraine | **39,712** | 39,837 | **3,441** | 3,912 |
| Agrii Polska | **76,989** | 85,660 | **37,120** | 45,662 |
| Belgium | **18,258** | – | **4,137** | – |
| Romania | **121,568** | 144,054 | **32,591** | 58,493 |

## 15 Investments in associates and joint venture

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| At 1 August | **34,206** | 39,008 |
| Share of profits after tax | **7,221** | 4,366 |
| Dividends received | **(2,483)** | (3,822) |
| Share of other comprehensive income/(expense) | **9,092** | (4,232) |
| Translation adjustment | **135** | (1,114) |
| **At 31 July** | **48,171** | 34,206 |
| **Split as follows:** | | |
| Total associates | **23,265** | 17,620 |
| Total joint venture | **24,906** | 16,586 |
| | **48,171** | 34,206 |

The information below reflects the amounts presented in the financial statements of the associates and the joint venture (and not Origin's share of those amounts) adjusted for differences in accounting policies between the Group and those applied by its associates and joint venture.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Associates and joint venture income statement (100%):** | | |
| Revenue | **713,356** | 622,348 |
| Other comprehensive income | **18,184** | (8,464) |
| Dividends received by Group | **(2,483)** | (3,822) |
| Exchange differences arising on consolidation | **135** | (1,114) |

The investment in associates and joint venture as at 31 July 2018 is analysed as follows:

| | Associates €'000 | Joint venture €'000 | Total €'000 |
|---|---|---|---|
| Non-current assets | 11,623 | 10,781 | 22,404 |
| Current assets | 32,028 | 34,326 | 66,354 |
| Non-current liabilities | (8,104) | (4,669) | (12,773) |
| Current liabilities | (12,282) | (15,532) | (27,814) |
| **At 31 July 2018** | **23,265** | **24,906** | **48,171** |

The investment in associates and joint venture as at 31 July 2017 is analysed as follows:

| | Associates €'000 | Joint venture €'000 | Total €'000 |
|---|---|---|---|
| Non-current assets | 5,679 | 8,163 | 13,842 |
| Current assets | 37,485 | 30,879 | 68,364 |
| Non-current liabilities | (4,561) | (6,444) | (11,005) |
| Current liabilities | (20,983) | (16,012) | (36,995) |
| **At 31 July 2017** | 17,620 | 16,586 | 34,206 |

The amounts included in these financial statements in respect of the income and expenses of associates and the joint venture are taken from their latest financial statements prepared up to their respective year ends together with management accounts for the intervening periods to the Group's year end.

## 16 Other financial assets

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Non-current** | | |
| **Other financial assets** | | |
| At 1 August | **531** | 2,550 |
| Reclassification to current receivables | **–** | (1,684) |
| Disposal of equity investment | **–** | (303) |
| Repayments during the year | **(85)** | – |
| Translation adjustments | **4** | (32) |
| At 31 July | **450** | 531 |

## 17 Inventory

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Raw materials | **54,967** | 42,548 |
| Finished goods | **126,044** | 115,018 |
| Consumable stores | **13,181** | 1,679 |
| | **194,192** | 159,245 |

## 18 Trade and other receivables

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Trade receivables (i) | **417,462** | 371,048 |
| Amounts due from related parties | **14,003** | 10,838 |
| Value added tax | **4,136** | 2,564 |
| Other receivables | **9,238** | 2,372 |
| Prepayments and accrued income | **16,360** | 14,481 |
| | **461,199** | 401,303 |

(i) Includes rebates from suppliers.

## 19 Trade and other payables

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Trade payables (i) | **534,223** | 443,497 |
| Accruals and other payables | **70,582** | 74,528 |
| Amounts due to other related parties | **6,027** | 5,298 |
| Income tax and social insurance | **5,103** | 4,676 |
| Value added tax | **22,226** | 20,131 |
| | **638,161** | 548,130 |

(i) Certain Origin Enterprises plc subsidiary suppliers factor their trade payables from Origin Enterprises plc subsidiaries with third parties through supplier finance arrangements. At 31 July 2018 approximately €15.2 million (2017: €7.5 million) of the Origin Enterprises plc trade payables were known to have been sold onward under such arrangements whereby an Origin Enterprises plc subsidiary confirms invoices. Origin Enterprises plc continues to recognise these liabilities as trade payables and will settle the liabilities in line with the original payment terms of the related invoices.

## 20 Cash and cash equivalents

In accordance with IAS 7, 'Cash Flow Statements', cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Where investments are categorised as cash equivalents, the related balances have a maturity of three months or less from the date of acquisition. Bank overdrafts are classified as current interest-bearing borrowings in the Consolidated Statement of Financial Position.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Cash at bank and in hand | **147,212** | 162,631 |
| Bank overdrafts (Note 21) | **(20,653)** | (15,916) |
| Included in the Consolidated Statement of Cash Flows | **126,559** | 146,715 |

Cash at bank earns interest at floating rates based on daily deposit bank rates.

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

## 21 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| *Included in non-current liabilities:* | | |
| Bank loans | **164,553** | 177,426 |
| Finance leases | **679** | 428 |
| **Non-current interest-bearing loans and borrowings** | **165,232** | 177,854 |
| *Included in current liabilities:* | | |
| Bank overdrafts | **20,653** | 15,916 |
| Finance leases | **183** | 311 |
| **Current interest-bearing loans and borrowings** | **20,836** | 16,227 |
| **Total interest-bearing loans and borrowings** | **186,068** | 194,081 |

### Analysis of net debt

| | 2017 €'000 | Cash flow €'000 | Non-cash movements €'000 | Translation adjustment €'000 | 2018 €'000 |
|---|---|---|---|---|---|
| Cash | 162,631 | (15,432) | – | 13 | 147,212 |
| Overdraft | (15,916) | (4,985) | – | 248 | (20,653) |
| Cash and cash equivalents | 146,715 | (20,417) | – | 261 | 126,559 |
| Finance lease obligations | (739) | (7) | (128) | 12 | (862) |
| Loans | (177,426) | 16,387 | (677) | (2,837) | (164,553) |
| **Net debt** | **(31,450)** | **(4,037)** | **(805)** | **(2,564)** | **(38,856)** |
| Restricted cash (Note 32) | – | 500 | – | – | 500 |
| **Net debt including restricted cash** | **(31,450)** | **(3,537)** | **(805)** | **(2,564)** | **(38,356)** |

Cash pooling is availed of across the Group in order to reduce interest costs, however, no overdraft balances have been offset in the Statement of Financial Position at the year end.

## 21 Interest-bearing loans and borrowings continued

The details of outstanding loans are as follows:

| | Currency | Nominal value €'000 | Carrying amount €'000 |
|---|---|---|---|
| **2018** | | | |
| Unsecured loan facility: | | | |
| – term facility maturing in May 2022 | **EUR** | **32,000** | **31,656** |
| – term facility maturing in May 2022 | **STG** | **67,545** | **66,818** |
| – term facility maturing in May 2022 | **RON** | **26,684** | **26,398** |
| – term facility maturing in May 2022 | **PLN** | **9,787** | **9,681** |
| – term facility maturing in September 2021 | **EUR** | **30,000** | **30,000** |
| | | **166,016** | **164,553** |
| **2017** | | | |
| Unsecured loan facility: | | | |
| – term facility maturing in May 2022 | **EUR** | 37,894 | 37,363 |
| – term facility maturing in May 2022 | **STG** | 78,204 | 77,105 |
| – term facility maturing in May 2022 | **RON** | 27,092 | 26,711 |
| – term facility maturing in May 2022 | **PLN** | 6,336 | 6,247 |
| – term facility maturing in September 2018 | **EUR** | 30,000 | 30,000 |
| | | **179,526** | **177,426** |

At 31 July 2018, the average interest rate being paid on the Group's borrowings was 1.94% (2017: 1.56%).

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Repayment schedule – loans, overdrafts and finance leases** | | |
| Within one year | **20,836** | 16,227 |
| Between one and five years | **165,232** | 177,854 |
| **Loans and overdrafts** | **186,068** | 194,081 |

### Guarantees

Group borrowings are secured by guarantees from Origin Enterprises plc and certain principal operational entities of the Group.

## 22 Financial instruments and financial risk

| | Fair value hierarchy | Financial instruments at fair value €'000 | Loans and receivables €'000 | Financial liabilities at amortised cost €'000 | Total carrying value €'000 | Fair value €'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Other financial assets | | – | 450 | – | 450 | 450 |
| Trade and other receivables | | – | 440,703 | – | 440,703 | 440,703 |
| Derivative financial assets | Level 2 | 2,234 | – | – | 2,234 | 2,234 |
| Cash and cash equivalents | | – | 147,212 | – | 147,212 | 147,212 |
| **Total financial assets** | | **2,234** | **588,365** | **–** | **590,599** | **590,599** |
| Trade and other payables | | – | – | (613,795) | (613,795) | (613,795) |
| Contingent consideration | Level 3 | (7,591) | – | – | (7,591) | (7,591) |
| Bank overdrafts | | – | – | (20,653) | (20,653) | (20,653) |
| Bank borrowings (greater than one year) | Level 2 | – | – | (164,553) | (164,553) | (164,553) |
| Finance lease liabilities | | – | – | (862) | (862) | (862) |
| Put option liability | Level 3 | (5,531) | – | – | (5,531) | (5,531) |
| Derivative financial liabilities | Level 2 | (218) | – | – | (218) | (218) |
| **Total financial liabilities** | | **(13,340)** | **–** | **(799,863)** | **(813,203)** | **(813,203)** |
| **2017** | | | | | | |
| Other financial assets | | – | 531 | – | 531 | 531 |
| Trade and other receivables | | – | 384,258 | – | 384,258 | 384,258 |
| Derivative financial assets | Level 2 | 729 | – | – | 729 | 729 |
| Cash and cash equivalents | | – | 162,631 | – | 162,631 | 162,631 |
| **Total financial assets** | | 729 | 547,420 | – | 548,149 | 548,149 |
| Trade and other payables | | – | – | (527,225) | (527,225) | (527,225) |
| Contingent consideration | Level 3 | (9,289) | – | – | (9,289) | (9,289) |
| Bank overdrafts | | – | – | (15,916) | (15,916) | (15,916) |
| Bank borrowings (greater than one year) | Level 2 | – | – | (177,426) | (177,426) | (177,426) |
| Finance lease liabilities | | – | – | (739) | (739) | (739) |
| Put option liability | Level 3 | (5,450) | – | – | (5,450) | (5,450) |
| Derivative financial liabilities | Level 2 | (884) | – | – | (884) | (884) |
| **Total financial liabilities** | | (15,623) | – | (721,306) | (736,929) | (736,929) |

### Estimation of fair values

Set out below are the major methods and assumptions used in estimating the fair values of the financial assets and liabilities disclosed in the preceding table.

#### Trade and other receivables/payables

For any receivables and payables with a remaining life of less than six months or demand balances, the carrying value less impairment provision, where appropriate, is deemed to reflect fair value. All other receivables and payables are discounted to fair value on initial recognition.

#### Contingent consideration

The fair value of the contingent consideration has been determined based on an agreed earnings before interest and tax-based formula which includes an expectation of future trading performance ('EBIT') discounted to present value using a cost of debt rate of 3%. A reconciliation from opening to closing balance has been included in Note 24.

#### Cash and cash equivalents including short-term bank deposits and restricted cash

For short-term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than three months, the carrying amount is deemed to reflect fair value.

## 22 Financial instruments and financial risk continued

### Estimation of fair values continued

#### Derivatives – forward foreign exchange contracts

Forward foreign exchange contracts are marked to market using quoted forward exchange rates at the reporting date.

The absolute principal amount of the outstanding forward foreign exchange contracts at 31 July 2018 was €100,012,000 (2017: €49,764,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts as of 31 July 2018 are recognised in the Consolidated Income Statement in the period or periods during which the hedged transaction affects the Consolidated Income Statement. This is generally within 12 months of the end of the reporting period.

#### Derivatives – interest rate swaps

The fair value of interest rate swaps is calculated as the present value of the expected future cash flows based on observable yield curves.

The notional principal amounts of the outstanding interest rate swap contracts at 31 July 2018 were €103,836,000 (2017: €74,688,000).

At 31 July 2018, the average fixed interest rate on the swap portfolio was 0.72%. The main floating rates are EURIBOR and LIBOR. Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31 July 2018 will be continually released to the Consolidated Income Statement within finance cost until the maturity of the relevant interest rate swap.

#### Interest-bearing loans and borrowings

For interest-bearing loans and borrowings with a contractual repricing date of less than one year, the nominal amount is deemed to reflect fair value. For loans with repricing dates of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the year-end date and adjusted for movements in credit spreads.

#### Finance lease liabilities

Fair value is based on the present value of future cash flows discounted at market rates at the year-end date.

#### Put option liability

The fair value of the put option liability has been determined based on an agreed earnings before interest and tax based formula that is not capped which includes an expectation of future trading performance ('EBIT') and timing of when the options are expected to be exercised, discounted to present day value using a cost of debt rate of 3%. The valuation technique applied to fair value the put option liability was the income approach. A reconciliation from opening to closing balance has been included in Note 25.

#### Fair value hierarchy

The tables at the beginning of this note summarise the financial instruments carried at fair value, by valuation method, as of 31 July 2018. Fair value classification levels have been assigned to the Group's financial instruments carried at fair value. The different levels assigned are defined as follows:

Level 1: Price quoted in active markets
Level 2: Valuation techniques based on observable market data
Level 3: Valuation techniques based on unobservable input

### Risk exposures

The Group's international operations expose it to different financial risks that include currency risk, credit risk, liquidity risk, commodity price risk and interest rate risk. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks. It is the policy of the Board to manage these risks in a non-speculative manner.

The Group has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing the risk. Further quantitative disclosures are included throughout this note.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group has established an internal audit function under the direction of the Audit Committee. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

## 22 Financial instruments and financial risk continued

### Risk exposures continued

The Board, through its Audit Committee and Risk Committee, has reviewed the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks will be managed effectively. The Board has embedded these structures and procedures throughout the Group and considers these to be a robust and efficient mechanism for creating a culture of risk awareness throughout the business.

### Credit risk

#### Exposure to credit risk

Credit risk arises from credit to customers arising on outstanding receivables and outstanding transactions as well as cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. The Group uses credit insurance where appropriate to limit the exposure.

#### Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. There is no concentration of credit risk by dependence on individual customers or geographically. While a high proportion of receivables are located in the UK and Continental Europe, the risk is mitigated due to the geographic spread throughout, rather than an isolated geographic region.

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customers' track record and historic default rates. Individual risk limits are generally set by customer and risk is only accepted above such limits in defined circumstances. The utilisation of credit limits is regularly monitored and credit insurance is used where appropriate. Impairment provisions are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and is written off directly against the trade receivable. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and other financial assets.

#### Cash and short-term bank deposits and restricted cash

Group surplus cash is invested in the form of short-term bank deposits with financial institutions. Deposit terms are for a maximum of three months. Cash and short-term deposits are invested with institutions within Origin's bank financing syndicate, with limits on amounts held with individual banks or institutions at any one time.

#### Exposure to credit risk

The carrying amount of financial assets, net of impairment provisions represents the Group's maximum credit exposure. The maximum exposure to credit risk at year end was as follows:

| | **Carrying amount 2018 €'000** | Carrying amount 2017 €'000 |
|---|---|---|
| Other financial assets | **450** | 531 |
| Trade and other receivables | **440,703** | 384,258 |
| Cash and cash equivalents | **147,212** | 162,631 |
| Derivative financial assets | **2,234** | 729 |
| | **590,599** | 548,149 |

#### Trade receivables

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables. Trade receivables are monitored by geographic region and by largest customers. The maximum exposure to credit risk for trade receivables at the reporting date by geographic region based on location of customers was as follows:

| | **Carrying amount 2018 €'000** | Carrying amount 2017 €'000 |
|---|---|---|
| Ireland and the UK | **174,868** | 163,255 |
| Continental Europe | **242,594** | 207,793 |
| | **417,462** | 371,048 |

## 22 Financial instruments and financial risk continued

### Credit risk continued

#### Trade receivables continued

At 31 July 2018 trade receivables of €355,280,000 (2017: €309,631,000) were not past due and were not impaired. These receivable balances relate to customers for which there is no recent history of default. The following table details the ageing of gross trade receivables, and the related impairment provisions in respect of specific amounts expected to be irrecoverable;

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Gross €'000 | Impairment €'000 | Gross €'000 | Impairment €'000 |
| Not past due | **355,280** | **–** | 309,631 | – |
| Past due 0-30 days | **50,846** | **(3,379)** | 42,705 | – |
| Past due 31-120 days | **14,010** | **(2,535)** | 20,954 | (2,242) |
| Past due +121 days | **13,660** | **(10,420)** | 9,794 | (9,794) |
| **At 31 July** | **433,796** | **(16,334)** | 383,084 | (12,036) |

An analysis of movement in impairment provisions in respect of trade receivables was as follows:

| | Impairment 2018 €'000 | Impairment 2017 €'000 |
|---|---|---|
| **1 August** | **(12,036)** | (9,532) |
| Charge to the Consolidated Income Statement | **(4,389)** | (3,111) |
| Receivables written off as uncollectable | **18** | 276 |
| Translation adjustments | **73** | 331 |
| **31 July** | **(16,334)** | (12,036) |

The Group also manages credit risk through the use of a receivable purchase agreement with a financial institution. Under the terms of this non-recourse agreement, the Group has transferred credit risk of certain trade receivables amounting to €22.5 million as at 31 July 2018 (2017: €10.1 million). The Group has continued to recognise an asset of €2,425,000 (2017: €132,000) representing the extent of its continuing involvement.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between flexibility and continuity of funding. Short-term flexibility is achieved through the availability of overdraft facilities. The Group's policy is that not more than 40% of bank facilities should mature in the twelve-month period following the year end. As at 31 July 2018, 100% of bank facilities mature after one year.

The contractual maturities of the Group's loans and borrowings are set out in Note 21.

## 22 Financial instruments and financial risk continued

### Liquidity risk continued

The contractual maturities of the other financial liabilities are set out below:

| | Carrying amount €'000 | Contractual cash flows €'000 | 6 months or less €'000 | 6-12 months €'000 | 1-2 years €'000 | 2-5 years €'000 |
|---|---|---|---|---|---|---|
| **2018** | | | | | | |
| Variable-rate bank loans | **(164,553)** | **(176,121)** | **(1,596)** | **(1,596)** | **(3,192)** | **(169,737)** |
| Trade and other payables | **(613,795)** | **(613,795)** | **(613,795)** | **–** | **–** | **–** |
| Contingent consideration | **(7,591)** | **(7,870)** | **(1,093)** | **(726)** | **(3,068)** | **(2,983)** |
| Put option liability | **(5,531)** | **(5,531)** | **–** | **–** | **(5,531)** | **–** |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps used for hedging | **(46)** | **(46)** | **–** | **–** | **–** | **(46)** |
| Currency forward contracts used for hedging | | | | | | |
| – Inflows | **25,515** | **25,515** | **23,690** | **1,825** | **–** | **–** |
| – Outflows | **(25,687)** | **(25,687)** | **(23,857)** | **(1,830)** | **–** | **–** |
| | **(218)** | **(218)** | **(167)** | **(5)** | **–** | **(46)** |

| | Carrying amount €'000 | Contractual cash flows €'000 | 6 months or less €'000 | 6-12 months €'000 | 1-2 years €'000 | 2-5 years €'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| Variable-rate bank loans | (177,426) | (188,892) | (1,382) | (1,382) | (32,360) | (153,768) |
| Trade and other payables | (527,225) | (527,225) | (527,225) | – | – | – |
| Contingent consideration | (9,289) | (10,131) | – | (1,817) | (804) | (7,510) |
| Put option liability | (5,450) | (5,450) | – | – | – | (5,450) |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps used for hedging | (204) | (204) | – | – | – | (204) |
| Currency forward contracts used for hedging | | | | | | |
| – Inflows | 28,356 | 28,356 | 24,502 | 3,854 | – | – |
| – Outflows | (29,036) | (29,036) | (25,078) | (3,958) | – | – |
| | (884) | (884) | (576) | (104) | – | (204) |

### Accounting for derivatives and hedging activities

The fair value of derivative financial assets and liabilities at the year end date is set out in the following table:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Assets €'000** | **Liabilities €'000** | Assets €'000 | Liabilities €'000 |
| **Cash flow hedges** | | | | |
| Currency forward contracts | **1,399** | **(172)** | 560 | (680) |
| Interest rate swaps | **835** | **(46)** | 169 | (204) |
| **At 31 July** | **2,234** | **(218)** | 729 | (884) |

#### Cash flow hedges

Cash flow hedges are those of highly probable forecasted future income or expenses. In order to qualify for hedge accounting, the Group is required to document the relationship between the item being hedged and the hedging instrument and demonstrate, at inception, that the hedge relationship will be highly effective on an ongoing basis. The hedge relationship must be tested for effectiveness on subsequent reporting dates.

There is no significant difference between the timing of the cash flows and income statement effect of cash flow hedges.

## 22 Financial instruments and financial risk continued

### Market risk

Market risk is the risk that changes in market prices and indices, such as foreign exchange rates, and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of the Group's risk management strategy is to manage and control market risk exposures within acceptable parameters, while optimising the return earned by the Group. The Group has two types of market risk being currency risk and interest rate risk, each of which is dealt with as follows:

#### Currency risk

In addition to the Group's operations carried out in eurozone economies, it also has significant operations in the UK and certain operations in Poland, Romania and Ukraine. In addition, purchases are also denominated in US dollars. As a result the Consolidated Statement of Financial Position is exposed to currency fluctuations on foreign denominated subsidiaries. The Group manages its Consolidated Statement of Financial Position having regard to the currency exposures arising from its assets being denominated in different currencies. To this end, where foreign currency assets are funded by borrowing, such borrowing is generally sourced in the currency of the related assets.

Transactional exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group uses forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The Group requires all its operating units, where possible, use forward currency contracts to eliminate the currency exposures on certain foreign currency purchases. The forward currency contracts must be in the same currency as the hedged item.

#### Exposure to currency risk

The Group's exposure to transactional foreign currency risk at the year-end date is as follows:

| | RON €'000 | Euro €'000 | Sterling €'000 | US Dollar €'000 | Total €'000 |
|---|---|---|---|---|---|
| **2018** | | | | | |
| Trade receivables | **–** | **3,787** | **–** | **185** | **3,972** |
| Cash and cash equivalents | **9** | **3,359** | **3,668** | **3,764** | **10,800** |
| Other payables | **–** | **(11,606)** | **(662)** | **(4,229)** | **(16,497)** |
| | **9** | **(4,460)** | **3,006** | **(280)** | **(1,725)** |
| **2017** | | | | | |
| Trade receivables | – | 1,460 | – | 8,002 | 9,462 |
| Cash and cash equivalents | 176 | 1,368 | 1,889 | 1,932 | 5,365 |
| Other payables | – | (10,270) | (642) | (12,916) | (23,828) |
| | 176 | (7,442) | 1,247 | (2,982) | (9,001) |

Hedged items are excluded from the tables above.

#### Currency sensitivity analysis

A 10% strengthening/weakening of the euro against the following currencies at 31 July 2018 would have affected profit or loss on a transactional basis by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

A positive number below indicates an increase in profit where the euro strengthens or weakens 10% against the relevant currency.

| | 10% strengthening income statement €'000 | 10% weakening income statement €'000 |
|---|---|---|
| **2018** | | |
| Dollar | **28** | **(28)** |
| Sterling | **301** | **(301)** |
| Romanian Leu | **1** | **(1)** |
| **At 31 July 2018** | **330** | **(330)** |
| **2017** | | |
| Dollar | 298 | (298) |
| Sterling | 125 | (125) |
| Romanian Leu | 18 | (18) |
| **At 31 July 2017** | 441 | (441) |

## 22 Financial instruments and financial risk continued

### Market risk continued

#### Interest rate risk

The Group's debt bears both floating and fixed rates of interest per the original contracts. Fixed-rate debt is achieved through the use of interest rate swaps.

At 31 July, the interest rate profile of the Group's interest bearing financial instruments was as follows:

| | **Carrying amount 2018 €'000** | Carrying amount 2017 €'000 |
|---|---|---|
| **Fixed-rate instruments** | | |
| Finance lease liabilities | **(862)** | (739) |
| **At 31 July** | **(862)** | (739) |
| **Variable-rate instruments** | | |
| Interest-bearing borrowings | **(164,553)** | (177,426) |
| Bank overdraft | **(20,653)** | (15,916) |
| Cash and cash equivalents | **147,212** | 162,631 |
| **At 31 July** | **(37,994)** | (30,711) |
| **Total interest-bearing financial instruments** | **(38,856)** | (31,450) |

#### Cash flow sensitivity analysis for variable-rate instruments

The sensitivity analysis below is based on the exposure to interest rates for both derivatives and non-derivative instruments. A change of 50 basis points in interest rates at the reporting date would have increased/decreased profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

| | Principal amount €'000 | Income statement 50 bp increase €'000 |
|---|---|---|
| **2018** | | |
| Unhedged variable-rate instruments | **(60,717)** | **(304)** |
| Bank overdraft | **(20,653)** | **(103)** |
| **Cash flow sensitivity (net)** | **(81,370)** | **(407)** |
| **2017** | | |
| Unhedged variable-rate instruments | (102,738) | (514) |
| Bank overdraft | (15,916) | (80) |
| **Cash flow sensitivity (net)** | (118,654) | (594) |

A 50 basis points decrease in interest rates at the reporting date would have had the equal but opposite effect on the above.

## 23 Deferred tax

The deductible and taxable temporary differences at the year end dates in respect of which deferred tax has been recognised are analysed as follows:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Deferred tax assets (deductible temporary differences)** | | |
| Pension related | **480** | 1,454 |
| Property, plant and equipment | **30** | 28 |
| Hedge related | **–** | 17 |
| Other deductible temporary differences | **2,770** | 1,976 |
| **Total** | **3,280** | 3,475 |
| **Deferred tax liabilities (taxable temporary differences)** | | |
| Property, plant and equipment | **(5,734)** | (4,620) |
| Investment property | **(2,264)** | (1,620) |
| Pension related | **(91)** | – |
| Intangibles | **(9,926)** | (9,831) |
| Hedge related | **(316)** | – |
| Other | **(3,840)** | (1,482) |
| **Total** | **(22,171)** | (17,553) |
| **Net deferred tax liability** | **(18,891)** | (14,078) |

Movements in deferred tax assets and liabilities, during the year, were as follows:

| | Property, plant and equipment €'000 | Investment property €'000 | Hedge related €'000 | Pension related €'000 | Intangibles €'000 | Other €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **At 1 August 2017** | **(4,592)** | **(1,620)** | **17** | **1,454** | **(9,831)** | **494** | **(14,078)** |
| **Recognised in the Consolidated Income Statement** | **91** | **(644)** | **–** | **(563)** | **768** | **(1,107)** | **(1,455)** |
| **Acquisitions related** | **(815)** | **–** | **–** | **–** | **(811)** | **(428)** | **(2,054)** |
| **Recognised in Other Comprehensive Income** | **(375)** | **–** | **(333)** | **(504)** | **–** | **55** | **(1,157)** |
| **Foreign exchange and other** | **(13)** | **–** | **–** | **2** | **(52)** | **(84)** | **(147)** |
| **At 31 July 2018** | **(5,704)** | **(2,264)** | **(316)** | **389** | **(9,926)** | **(1,070)** | **(18,891)** |
| **2017** | | | | | | | |
| At 1 August 2016 | (4,856) | (1,620) | (68) | 2,500 | (9,556) | 1,867 | (11,733) |
| Recognised in the Consolidated Income Statement | 130 | – | – | (442) | 934 | (1,659) | (1,037) |
| Acquisitions related | – | – | – | – | (1,666) | – | (1,666) |
| Recognised in Other Comprehensive Income | (30) | – | 86 | (519) | – | 271 | (192) |
| Foreign exchange and other | 164 | – | (1) | (85) | 457 | 15 | 550 |
| **At 31 July 2017** | **(4,592)** | **(1,620)** | **17** | **1,454** | **(9,831)** | **494** | **(14,078)** |

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. As the Group can rely on participation exemptions and tax credits that would be available in the context of the Group's investments in subsidiaries in the majority of the jurisdictions in which the Group operates, the aggregate amount of temporary differences in respect of which deferred tax liabilities have not been recognised would not be material.

Other deferred tax assets relate mainly to losses forward.

## 24 Provision for liabilities

The estimate of provisions is a key judgement in the preparation of the financial statements.

| | Contingent acquisition consideration €'000 (i) | Rationalisation €'000 (ii) | Other €'000 (iii) | Total €'000 |
|---|---|---|---|---|
| **2018** | | | | |
| **At beginning of year** | **9,289** | **3,902** | **2,273** | **15,464** |
| Arising on acquisition (Note 32) | **500** | **–** | **2,495** | **2,995** |
| Provided in year | **–** | **991** | **1,016** | **2,007** |
| Paid in year | **(1,627)** | **(3,334)** | **(3)** | **(4,964)** |
| Released in year | **(622)** | **(115)** | **(1,400)** | **(2,137)** |
| Currency translation adjustment | **51** | **50** | **46** | **147** |
| **At end of year** | **7,591** | **1,494** | **4,427** | **13,512** |
| **Current** | **1,817** | **1,494** | **2,156** | **5,467** |
| **Non-current** | **5,774** | **–** | **2,271** | **8,045** |
| **2017** | | | | |
| **At beginning of year** | 7,838 | 3,410 | 2,530 | 13,778 |
| Arising on acquisition | 5,129 | – | – | 5,129 |
| Provided in year | – | 10,990 | 600 | 11,590 |
| Paid in year | (3,408) | (10,145) | (7) | (13,560) |
| Released in year | – | (127) | (850) | (977) |
| Currency translation adjustment | (270) | (226) | – | (496) |
| **At end of year** | 9,289 | 3,902 | 2,273 | 15,464 |
| **Current** | 1,817 | 3,902 | 1,673 | 7,392 |
| **Non-current** | 7,472 | – | 600 | 8,072 |

(i) Contingent acquisition consideration relates to the acquisition of Comfert SRL ('Comfert') in December 2015, R&T Liming in March 2016, Headland Amenity Limited ('Headland') in July 2016, Resterra Group ('Resterra') in March 2017 and Pillaert Group in December 2017. The amount attributable to Comfert is €1.3 million, Headland €0.1 million, R&T Liming €0.6 million, Resterra €5.1 million and Pillaert €0.5 million. In the prior year the split of the contingent consideration related €2.9 million to Comfert, Headland €0.5 million, €0.9 million to R&T Liming and Resterra €4.9 million.

(ii) Rationalisation costs relate to termination payments arising from the restructuring of Agri-Services in the UK.

(iii) Other provisions relate to various onerous leases, operating and employment related costs.

## 25 Put option liability

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| At 1 August | **5,450** | 10,358 |
| Fair value adjustment (Note 3) | **(79)** | (2,666) |
| Interest payable (Note 4) | **160** | 237 |
| Repayments | **–** | (2,479) |
| At 31 July | **5,531** | 5,450 |

The fair value of the put option liability has been determined based on an agreed earnings before interest and tax-based formula that is not capped which includes an expectation of future trading performance ('EBIT') and timing of when the options are expected to be exercised, discounted to present value using a cost of debt rate of 3%. The valuation technique applied to fair value the put option liability was the income approach. This is a Level 3 fair value measurement.

The assumption is that the holder of the Put Option will exercise this option during FY2020.

An increase of 5% or 10% in the profit assumption included in the Put Option calculation would increase the liability by €171,000 and €342,000, respectively. A decrease of 5% or 10% in the profit assumption included in the Put Option calculation would decrease the liability by €171,000 and €342,000, respectively.

## 26 Post employment benefit obligations

The Group operates a number of defined benefit pension schemes and defined contribution schemes with assets held in separate trustee administered funds. All of the defined benefit schemes are closed to new members. The trustees of the various pension funds are required by law to act in the best interests of the scheme participants and are responsible for investment strategy and scheme administration. The majority of the Group's defined benefit pension schemes are closed to future benefits accrual with a small minority accruing benefits. The level of benefits available to members depends on length of service and either their average salary over their period of employment, their salary in the final years leading up to retirement and in some cases historical salaries depending on the rules of the individual scheme. Under IAS 19, 'Employee Benefits', the total surplus in the Group's defined benefit schemes at 31 July 2018 was €725,000 (2017: deficit of €3,646,000).

The pension charge included in the Consolidated Income Statement for the year in respect of the Group's defined benefit schemes was €632,000 (2017: €1,059,000) and a charge of €2,957,000 (2017: €2,780,000) in respect of the Group's defined contribution schemes.

Employee benefits included in the Consolidated Statement of Financial Position comprises the following:

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| Surplus/(deficit) in defined benefit schemes | **725** | (3,646) |

The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial reviews carried out at 31 July 2018 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

### Employee benefit plan risks

The employee benefit plans expose the Group to a number of risks, the most significant of which are:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The plans hold a significant proportion of equities which, though expected to outperform corporate bonds in the long-term, create volatility and risk. The allocation to equities is monitored to ensure it remains appropriate given the plans long-term objectives.

#### Changes in bond yields

A decrease in corporate bond yields will increase the plans' liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### Inflation risk

In certain schemes the plans' benefit obligations are linked to inflation, with the result that higher inflation will lead to higher liabilities (although caps on the level of inflationary increases are in place). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

#### Life expectancy

In the event that members live longer than assumed a further deficit will emerge in the schemes.

The Group targets that the investment positions are managed with an overall asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations.

Most of the plans are closed and therefore, under the projected unit credit method, the current service cost is expected to increase as the members approach retirement and to decrease as members retire or leave service. The expected employee and employer contributions for the year ending 31 July 2019 are €156,000 and €1,280,000, respectively.

## 26 Post employment benefit obligations continued

### Financial assumptions – scheme liabilities

The significant long-term assumptions used by the Group's actuaries in the computation of scheme liabilities as at 31 July 2018 and 31 July 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Republic of Ireland schemes** | | |
| Rate of increase in salaries | **0.00%–2.35%** | 0.00%–2.35% |
| Discount rate on scheme liabilities | **2.10%** | 2.20% |
| Inflation rate | **1.75%** | 1.60% |
| **UK scheme** | | |
| Rate of increase in salaries | **0.00%–3.40%** | 0.00%–3.30% |
| Rate of increases in pensions in payment and deferred benefits | **0.00%–3.70%** | 0.00%–3.30% |
| Discount rate on scheme liabilities | **2.70%** | 2.50% |
| Inflation rate | **2.60%** | 2.30% |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in both geographic regions. The mortality assumptions imply the following life expectancies in years of an active member on retiring at age 65, 20 years from now:

| | 2018 ROI | 2018 UK | 2017 ROI | 2017 UK |
|---|---|---|---|---|
| Male | **24.1** | **23.1** | 25.2 | 23.3 |
| Female | **26.1** | **25.0** | 27.3 | 25.5 |

The mortality assumptions imply the following life expectancies in years of an active member, aged 65, retiring now:

| | 2018 ROI | 2018 UK | 2017 ROI | 2017 UK |
|---|---|---|---|---|
| Male | **22.4** | **21.9** | 23.0 | 22.0 |
| Female | **24.3** | **23.8** | 25.0 | 24.0 |

#### Sensitivity analysis for principal assumptions used to measure scheme liabilities

There are inherent uncertainties surrounding the financial assumptions adopted in calculating the actuarial valuation of the Group's defined benefit pension schemes. The following table analyses (for the Group's Irish and UK pension schemes) the estimated impact on plan liabilities resulting from changes to key actuarial assumptions, whilst holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised in the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**Republic of Ireland schemes**

| Assumption | Change in assumption | Impact on plan liabilities |
|---|---|---|
| Discount rate | Increase/decrease 0.50% | Decrease by 8.3%/increase by 9.4% |
| Price inflation | Increase/decrease 0.50% | Increase/decrease by 0.7% |
| Salary | Increase/decrease 0.50% | Increase/decrease by 0.0% |
| Mortality | Increase/decrease by one year | Decrease by 1.9%/increase by 1.8% |

**UK scheme**

| Assumption | Change in assumption | Impact on plan liabilities |
|---|---|---|
| Discount rate | Increase/decrease 0.50% | Decrease by 7.5%/increase by 8.5% |
| Price inflation | Increase/decrease 0.50% | Increase by 3.8%/decrease by 5.7% |
| Salary | Increase/decrease 0.50% | Increase by 0.5%/decrease by 0.4% |
| Mortality | Increase/decrease by one year | Decrease/increase by 3.6% |

## 26 Post employment benefit obligations continued

| | 2018 ROI €'000 | 2018 UK €'000 | 2018 Total €'000 |
|---|---|---|---|
| **Net pension asset** | | | |
| Market value of scheme assets: | | | |
| Equities | **2,635** | **16,203** | **18,838** |
| Bonds | **8,975** | **–** | **8,975** |
| Property | **4,806** | **676** | **5,482** |
| Investment funds | **–** | **58,373** | **58,373** |
| Insurance policy and insurance annuity | **–** | **6,750** | **6,750** |
| Other | **53** | **677** | **730** |
| Total market value of assets | **16,469** | **82,679** | **99,148** |
| Present value of scheme obligations | **(15,525)** | **(82,898)** | **(98,423)** |
| **Asset in the schemes** | **944** | **(219)** | **725** |

| | 2017 ROI €'000 | 2017 UK €'000 | 2017 Total €'000 |
|---|---|---|---|
| **Net pension liability** | | | |
| Market value of scheme assets: | | | |
| Equities | 2,422 | 14,823 | 17,245 |
| Bonds | 8,796 | – | 8,796 |
| Property | 4,612 | 503 | 5,115 |
| Investment funds | – | 58,647 | 58,647 |
| Insurance policy and insurance annuity | – | 6,923 | 6,923 |
| Other | 42 | 112 | 154 |
| Total market value of assets | 15,872 | 81,008 | 96,880 |
| Present value of scheme obligations | (16,363) | (84,163) | (100,526) |
| **Liability in the schemes** | (491) | (3,155) | (3,646) |

The majority of equity securities and bonds have quoted prices in active markets.

The major categories of scheme assets are as follows:

| | 2018 ROI €'000 | 2018 UK €'000 |
|---|---|---|
| **Split of scheme assets:** | | |
| Equities: | | |
| – Developed | **15.0%** | **19.0%** |
| – Emerging | **1.0%** | **1.0%** |
| Bonds: | | |
| – Government | **55.0%** | **0.0%** |
| Property – Ireland and the UK | **29.0%** | **1.0%** |
| Investment funds | **0.0%** | **71.0%** |
| Insurance policy and insurance annuity | **0.0%** | **8.0%** |
| | **100%** | **100%** |

| | 2017 ROI €'000 | 2017 UK €'000 |
|---|---|---|
| **Split of scheme assets:** | | |
| Equities: | | |
| – Developed | 13.0% | 17.0% |
| – Emerging | 1.0% | 1.0% |
| Bonds: | | |
| – Government | 57.0% | 7.0% |
| Property – Ireland and the UK | 29.0% | 1.0% |
| Investment funds | 0.0% | 66.0% |
| Insurance policy and insurance annuity | 0.0% | 8.0% |
| | 100% | 100% |

## 26 Post employment benefit obligations continued

| Movement in the fair value of scheme assets | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Fair value of assets at 1 August | **96,880** | 101,502 |
| Interest income | **2,350** | 2,185 |
| Remeasurements: | | |
| – Return on plan assets excluding amounts included in interest income | **2,253** | 2,056 |
| Employer contributions | **1,404** | 1,465 |
| Employee contributions | **161** | 178 |
| Settlement payments | **(845)** | (974) |
| Benefit payments | **(3,674)** | (4,448) |
| Translation adjustments | **619** | (5,084) |
| **Fair value of assets at 31 July** | **99,148** | 96,880 |

As at 31 July 2018 and 2017 the pension schemes held no shares in Origin Enterprises plc.

| Movement in the present value of scheme obligations | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Value of scheme obligations at 1 August | **(100,526)** | (109,215) |
| Current service costs | **(552)** | (758) |
| Past service costs | **–** | (131) |
| Interest on scheme obligations | **(2,430)** | (2,355) |
| Employee contributions | **(161)** | (178) |
| Settlement payments | **845** | 974 |
| Benefit payments | **3,674** | 4,448 |
| Remeasurements: | | |
| – Experience gain | **(274)** | 77 |
| – Effect of changes in demographic assumptions | **1,172** | 1,345 |
| – Effect of changes in financial assumptions | **477** | (71) |
| Translation adjustments | **(648)** | 5,338 |
| **Value of scheme obligations at 31 July** | **(98,423)** | (100,526) |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Movement in net asset/(liability) recognised in the Consolidated Statement of Financial Position** | | |
| Net liability in schemes at 1 August | **(3,646)** | (7,713) |
| Current service cost | **(552)** | (758) |
| Past service cost | **–** | (131) |
| Employer contributions | **1,404** | 1,465 |
| Other finance expense | **(80)** | (170) |
| Remeasurements | **3,628** | 3,407 |
| Translation adjustments | **(29)** | 254 |
| **Net asset/(liability) in schemes at 31 July** | **725** | (3,646) |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Analysis of defined benefit expense recognised in the Consolidated Income Statement** | | |
| Current service cost | **(552)** | (758) |
| Past service cost | **–** | (131) |
| **Total recognised in operating profit** | **(552)** | (889) |
| | | |
| **Net interest cost (included in financing costs in Note 4)** | **(80)** | (170) |
| **Net charge to Consolidated Income Statement** | **(632)** | (1,059) |

## 26 Post employment benefit obligations continued

### Maturity analysis

The maturity profile of the Group's defined benefit obligation (on a discounted basis) is as follows:

| | 2018 ROI €'000 | 2018 UK €'000 | 2018 Total €'000 |
|---|---|---|---|
| Within one year | **273** | **2,238** | **2,511** |
| Between one and two years | **304** | **2,387** | **2,691** |
| Between two and three years | **361** | **2,609** | **2,970** |
| Between three and four years | **390** | **2,776** | **3,166** |
| Between four and five years | **422** | **2,929** | **3,351** |
| After five years | **13,775** | **69,959** | **83,734** |
| **Total** | **15,525** | **82,898** | **98,423** |

| | 2017 ROI €'000 | 2017 UK €'000 | 2017 Total €'000 |
|---|---|---|---|
| Within one year | 253 | 2,096 | 2,349 |
| Between one and two years | 267 | 2,221 | 2,488 |
| Between two and three years | 297 | 2,368 | 2,665 |
| Between three and four years | 353 | 2,590 | 2,943 |
| Between four and five years | 380 | 2,755 | 3,135 |
| After five years | 14,813 | 72,133 | 86,946 |
| **Total** | **16,363** | **84,163** | **100,526** |

Average duration and scheme composition

| | 2018 ROI | 2018 UK |
|---|---|---|
| Average duration of defined benefit obligation (years) | **18.3** | **17.0** |

| | 2017 ROI | 2017 UK |
|---|---|---|
| Average duration of defined benefit obligation (years) | 18.0 | 17.0 |

| | 2018 ROI €'000 | 2018 UK €'000 | 2018 Total €'000 |
|---|---|---|---|
| Allocation of defined benefit obligation by participant: | | | |
| Active plan participants | **3,655** | **16,130** | **19,785** |
| Deferred plan participants | **7,521** | **31,457** | **38,978** |
| Retirees | **4,349** | **35,311** | **39,660** |
| | **15,525** | **82,898** | **98,423** |

| | 2017 ROI €'000 | 2017 UK €'000 | 2017 Total €'000 |
|---|---|---|---|
| Allocation of defined benefit obligation by participant: | | | |
| Active plan participants | 3,736 | 16,259 | 19,995 |
| Deferred plan participants | 8,371 | 32,405 | 40,776 |
| Retirees | 4,256 | 35,499 | 39,755 |
| | **16,363** | **84,163** | **100,526** |

## 26 Post employment benefit obligations continued

### Defined benefit pension credit recognised in Other Comprehensive Income

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Remeasurement gain on scheme assets | **2,253** | 2,056 |
| Remeasurement gain on scheme liabilities: | | |
| Effect of experience gains on scheme liabilities | **(274)** | 77 |
| Effect of changes in demographical and financial assumptions | **1,649** | 1,274 |
| Remeasurements | **3,628** | 3,407 |
| Deferred tax | **(504)** | (519) |
| **Defined benefit pension credit recognised in the Consolidated Statement of Comprehensive Income** | **3,124** | 2,888 |

The cumulative loss recognised in the Consolidated Statement of Comprehensive Income is €26,655,000 (2017: €29,779,000). The actual return on the plan assets was €4,603,000 (2017: €4,241,000).

## 27 Share capital

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Authorised** | | |
| 250,000,000 ordinary shares of €0.01 each (i) | **2,500** | 2,500 |
| **Allotted, called up and fully paid** | | |
| 126,382,206 (2017: 126,382,206) ordinary shares of €0.01 each (i) (ii) (iii) | **1,264** | 1,264 |

(i) Ordinary shareholders are entitled to dividends as declared and each ordinary share carries equal voting rights at meetings of the Company.

(ii) In December 2012, the issued ordinary share capital was increased by the issue of 1,212,871 ordinary shares of nominal value of €0.01 each, at an issue price of €4.04 each, pursuant to a share subscription by a wholly owned subsidiary for the purposes of the Origin Long Term Incentive Plan 2012 ('2012 LTIP Plan'). Under the terms of 2012 LTIP Plan, 412,541 of these shares were transferred to the Directors and senior management as a result of certain financial targets having been achieved in the three years to 31 July 2015. The remaining 800,330 ordinary shares continue to be held as treasury shares.

(iii) In July 2017, the issued ordinary share capital was increased by the issue of 3,429 ordinary shares of nominal value €0.01 each, at an issue price of €5.48 each, pursuant to the terms of the Origin Save As You Earn Scheme (2016).

## 28 Dividends

The Board is recommending a final dividend of 17.85 cent per ordinary share which when combined with the interim dividend of 3.15 cent per ordinary share brings the total dividend for the year to 21.0 cent per share (total dividend of €26.4 million) (2017: 21.0 cent per share). Subject to shareholders' approval at the Annual General Meeting, the dividend will be paid on 14 December 2018 to shareholders on the register on 30 November 2018.
In accordance with IFRS, this dividend has not been provided for in the Consolidated Statement of Financial Position as at 31 July 2018.

## 29 Consolidated Statement of Changes in Equity

### Capital redemption reserve

The capital redemption reserve was created in the year ending 31 July 2011 and arose on the redemption of deferred convertible ordinary shares.

### Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

### Revaluation reserve

The revaluation reserve relates to revaluation surpluses arising on revaluations of property, plant and equipment.

### Share-based payment reserve

This reserve comprises amounts credited to reserves in connection with equity awards less the effect of any exercises of such awards.

### Reorganisation reserve

The difference between the fair value of the investment recorded in the Company balance sheet and the carrying value of the assets and liabilities transferred in 2007 on the formation of Origin has been recognised as a reorganisation reserve in other reserves within equity together with the currency translation reserve, cash flow reserve and revaluation reserve.

### Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences from 1 August 2005, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the year end date. Exchange gains or losses on long-term intra-Group loans that are regarded as part of the net investments in non-euro denominated operations, are taken to the translation reserve to the extent that they are neither planned nor expected to be repaid in the foreseeable future.

### Capital management

The capital managed by the Group consists of the consolidated equity and net debt. The Group has set the following goals for the management of its capital:

- to maintain a prudent net debt (as set out in Note 21) to EBITDA and interest cover ratio (interest as a percentage of EBIT) to support a prudent capital base and ensure a long-term sustainable business;
- to comply with covenants as determined by debt providers;
- to achieve an adequate return for investors; and
- to apply a dividend policy which takes into account the level of peer group dividends, the Group's financial performance and position, the Group's future outlook and other relevant factors including tax and other legal considerations.

The Group employs two key target ratios to monitor equity and to be compliant with its bank covenants:

- the Group's net debt to EBITDA ratio is below 3.50. The ratio is 0.54 times at 31 July 2018 (2017: 0.49), 31 January 2018 2.17 times (2017: 1.95 times); and
- the Group's interest cover (EBITDA to interest) is above 3.00. The ratio is 9.81 times at 31 July 2018 (2017: 11.45), 31 January 2018 11.24 times (2017: 11.51 times).

## 30 Commitments

Non-cancellable operating lease rentals are payable as set out below. These amounts represent minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| Within one year | **7,686** | 7,077 |
| In two to five years | **15,507** | 13,078 |
| After more than five years | **15,316** | 9,751 |
| | **38,509** | 29,906 |

The Group leases a number of properties under operating leases. The leases typically run for periods of 15 to 25 years. Rents are generally reviewed every five years.

### Future purchase commitments: property, plant and equipment

| | **Land and buildings €'000** | **Plant and machinery €'000** | **Other €'000** | **Total 2018 €'000** |
|---|---|---|---|---|
| **At 31 July 2018** | | | | |
| Contracted for but not provided for | **–** | **583** | **–** | **583** |

| | Land and buildings €'000 | Plant and machinery €'000 | Other €'000 | Total 2017 |
|---|---|---|---|---|
| **At 31 July 2017** | | | | |
| Contracted for but not provided for | 2,869 | 642 | 240 | 3,751 |

### Future purchase commitments: software development

| | **Total 2018 €'000** | Total 2017 €'000 |
|---|---|---|
| Contracted for but not provided for | **–** | 502 |
| **Total** | **–** | 502 |

The Group has a financial commitment of €7.7 million attributable to a strategic partnership with University College Dublin. The commitment is over a five-year period.

## 31 Related party transactions

In the normal course of business, the Group undertakes trading transactions with its associates, joint venture and other related parties. A summary of transactions with these related parties during the year is as follows:

| | **2018** | | | | |
|---|---|---|---|---|---|
| | **Sale of goods €'000** | **Purchase of goods €'000** | **Receiving services from €'000** | **Rendering services to €'000** | **Total €'000** |
| Transactions with joint venture | **–** | **(114,339)** | **–** | **446** | **(113,893)** |
| Transactions with associates | **62,832** | **(562)** | **(718)** | **1,101** | **62,653** |
| Transactions with other | **106** | **–** | **–** | **–** | **106** |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Sale of goods €'000 | Purchase of goods €'000 | Receiving services from €'000 | Rendering services to €'000 | Total €'000 |
| Transactions with joint venture | – | (103,730) | – | 216 | (103,514) |
| Transactions with associates | 65,706 | (2,196) | (781) | 294 | 63,023 |
| Transactions with other | 138 | (8) | – | – | 130 |

The trading balances owing to the Group from related parties were €14,003,000 (2017: €10,838,000) and the trading balances owing from the Group to these related parties were €6,027,000 (2017: €5,298,000). Other financial assets on the Consolidated Statement of Financial Position comprise €450,000 (2017: €531,000) in relation to a loan to West Twin Investments Limited. As at 31 July 2018 the Group owed the founder of Agroscope International LLC and registered owner of 30% of Origin Holdings Ukraine BV an amount of €1,288,000 (2017: €1,281,000).

## 31 Related party transactions continued

### Compensation of key management personnel

For the purposes of the disclosure requirements of IAS 24, 'Related Party Disclosures', the term 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Group) comprises the Board of Directors and their management team who have responsibility for managing the business and affairs of the Group and its reporting segments. Comparatives are presented on a consistent basis.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **3,073** | 3,042 |
| Post employment benefits | **245** | 278 |
| Share based payments | **123** | 66 |
| Other long-term employee benefits | **105** | 34 |
| **Total** | **3,546** | 3,420 |

## 32 Acquisition of subsidiary undertakings

During the year the Group completed a number of acquisitions. These acquisitions improved the strategic position of the Group's integrated agronomy services business and further the Group's focus on building new capability, systems and process development. Details of the acquisitions are as follows:

Details of the net assets acquired and goodwill arising from the business combinations are as follows:

| | Provisional* fair value |
|---|---|
| **Assets** | |
| **Non-current** | |
| Property, plant and equipment | **10,087** |
| Intangible assets | **3,064** |
| **Total non-current assets** | **13,151** |
| | |
| **Current assets** | |
| Inventory | **6,718** |
| Trade receivables (i) | **4,578** |
| Other receivables | **508** |
| **Total current assets** | **11,804** |
| | |
| **Liabilities** | |
| Trade payables | **(1,430)** |
| Onerous lease provision | **(2,495)** |
| Other payables | **(3,181)** |
| Corporation tax | **(371)** |
| Deferred tax liability | **(2,054)** |
| **Total liabilities** | **(9,531)** |
| **Total identifiable net assets at fair value (excluding cash acquired)** | **15,424** |
| Goodwill arising on acquisition | **8,933** |
| **Total net assets acquired (excluding cash acquired)** | **24,357** |
| **Consideration satisfied by:** | |
| Cash consideration | **29,985** |
| Cash acquired | **(6,128)** |
| **Net cash outflow** | **23,857** |
| Contingent consideration | **500** |
| **Total consideration related to acquisitions** | **24,357** |

(i) Gross trade receivables acquired were €4.6 million. All amounts are deemed to be recoverable.

* Acquisition accounting of Bunn Fertilisers Limited has been finalised.

## 32 Acquisition of subsidiary undertakings continued

During the period, the Group completed the acquisition of the fertiliser activities and certain assets of Bunn Fertilisers Limited ('Bunn) in the UK and the acquisition of Pillaert-Mekoson Group ('Pillaert-Mekoson') in Belgium. These acquisitions complement the Group's prescription fertilisers and speciality nutrition business. Details of the acquisitions are as follows:

1. On 10 August 2017 the Group completed the acquisition of the fertiliser activities and certain assets of Bunn. Based in the UK, Bunn is a leading producer of prescription fertiliser blends and nutrition management systems servicing the arable grassland and horticulture sector.

2. On 23 January 2018 the Group announced it had acquired 100% of Pillaert-Mekoson. Based in Belgium, Pillaert-Mekoson markets an extensive range of technically based nutrition applications and operates a strong business and retail customer franchise.

Goodwill recognised on acquisitions is attributable to the skills and technical talent of the acquired businesses workforce and the synergies expected to be achieved from integrating the companies into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

Contingent consideration of €500,000 arose on the acquisition of Pillaert-Mekoson. This is based on an agreed earnings before interest, tax, depreciation and amortisation based formula.

Contingent consideration arrangements require the Group to make future payments in relation to a number of acquisitions. The expected amounts of all future payments that the Group could be required to make under these arrangements total €7.9 million (discounted to €7.6 million).

The final amount payable in relation to prior year acquisitions will be dependent upon annual earnings targets being achieved in the three years to 2021.

Post-acquisition revenues and operating profit relating to the current year acquisitions amounted to €76.1 million and €3.3 million (2017: €4.4 million and €1.1 million). If the acquisitions had occurred on 1 August 2017, management estimates that consolidated revenue would have been €88.3 million (2017: €11.1 million) and consolidated operating profit for the year would have been €4.5 million (2017: €2.2 million). In determining these amounts management has assumed that the fair value adjustments that arose on the dates of acquisition would have been the same if the acquisition occurred on 1 August 2017 (2017: 1 August 2016).

For the acquisitions completed in 2017, there have been no material revisions of the provisions fair value adjustments since the initial values were established.

## 33 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

| | |
|---|---|
| Note 10 | Income Tax |
| Note 13 | Investment properties |
| Note 14 | Goodwill and intangible assets – measurement of the recoverable amounts of CGUs, useful lives of intangibles |
| Note 18 | Trade and other receivables |
| Note 22 | Financial instruments and financial risk |
| Note 23 | Deferred tax |
| Note 24 | Provision for liabilities |
| Note 26 | Post employment benefit obligations |

An element of judgement is required in estimating a portion of the rebates receivable from suppliers in certain agricultural chemicals and fertiliser products at year end given the number and complexity of rebate arrangements in addition to the timing of payments. There are numerous contractual terms and requirements that must be met in order to obtain certain rebates.

Impairment testing of assets, particularly of goodwill, involves estimating the future cash flows for a cash generating unit and an appropriate discount rate to determine a recoverable value as set out in Note 14.

The estimation of employee benefit costs requires the use of actuaries and the determination of appropriate assumptions such as discount rates and expected future rates of return as set out in Note 26.

Income tax and deferred tax assets and liabilities are recognised for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry forwards. The valuation of tax loss carry forwards, deferred tax assets and the Company's ability to utilise tax losses is based upon management's estimates of future taxable income in different tax jurisdictions. For further detailed information, please refer to Note 23.

Exceptional items are those which are separately disclosed to highlight significant items, by virtue of their scale and nature, within the Group results for the year in order to aid the user's understanding of underlying performance of the Group. Management exercises judgement in assessing which items are classified as exceptional in order to ensure that the treatment of exceptional items is consistent with the accounting policy.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and tax provisions in the period in which such determination is made.

The Group acknowledges the level of judgement required in estimating settlement price adjustments payable to certain customers given the complexity of such arrangements in addition to the timing of payment. The estimation of the final settlements payable is impacted by commodity prices, competitor pricing pressures, prevailing market conditions and the timing of the Group's financial year end as it is non-coterminous with the year end of its main customers. The Group records the estimated settlement price adjustments when the related sales are made based on market conditions and historical experience.

## 34 Principal subsidiaries and associated undertakings

| Name of undertaking | Nature of business | % of ordinary shares | Registered office |
|---|---|---|---|
| Agrii Polska sp.Z.O.O | Specialist agronomy products and services | 100 | Obornicka street 233, 60-650 Poznan, Poland |
| Agroscope International LLC | Specialist agronomy products and services | 70 | 25B Sahaydachnoho Street, Kyiv 04070, Ukraine |
| BHH Limited | Provender milling | 50 | 35/39 York Road, Belfast BT15 3GW, Northern Ireland |
| Comfert S.R.L. | Specialist agronomy products and services | 100 | 34 Calea Moinesti Str. Bacau, Romania |
| Goulding Chemicals Limited | Fertiliser blending and distribution | 100 | 4-6 Riverwalk, Citywest Business Campus, Dublin 24, Ireland |
| Hall Silos Limited | Grain handling | 100 | 4A Campsie Real Estate, McLean Road, Londonderry, BT47 3PF, Northern Ireland |
| Headland Amenity Limited | Turf management services | 100 | Orchard Road, Royston, Hertfordshire, SG8 5HW, UK |
| Linemark UK Limited | Sports and amenity provider | 100 | Orchard Road, Royston, Hertfordshire, SG8 5HW, UK |
| Masstock Group Holdings Limited | Specialist agronomy products and services | 100 | Andoversford, Cheltenham, Gloucestershire, GL54 4LZ, UK |
| Mekoson Agro | Wholesaler of mineral fertiliser | 100 | 20 Rue de la Reffe, 4920 Aywaille, Belgium |
| Origin UK Operations Limited | Fertiliser blending and distribution | 100 | Orchard Road, Royston, Hertfordshire, SG8 5HW, UK |
| Origin NI Limited | Agricultural and construction inputs | 100 | Orchard Road, Royston, Hertfordshire, SG8 5HW, UK |
| Pillaert Meststoffen | Wholesaler of mineral Fertiliser | 100 | Scheldekanaaltragel 3, 9052, Gent, Belgium |
| R&H Hall | Grain and feed trading | 50 | La Touche House, Custom House Dock, IFSC, Dublin 1, Ireland |
| R&H Hall Trading Limited | Grain and feed trading | 100 | 4A Campsie Real Estate, McLean Road, Londonderry, BT47 3PF, Northern Ireland |
| Redoxim S.R.L. | Specialist agronomy products and services | 100 | 3 Calea Lugojului St., Ghiroda Village, Ghiroda Commune Timis County, Romania |
| Resterra Group | Digital agricultural services group | 100 | Unit 5, Dorcan Business Village, Murdock Road, Swindon, SN3 5HY, England |
| Rigby Taylor Limited | Turf management services | 100 | Orchard Road, Royston, Hertfordshire, SG8 5HW, UK |
| United Agri Products Limited | Specialist agronomy products and services | 100 | Andoversford, Cheltenham, Gloucestershire, GL54 4LZ, UK |
| West Twin Silos Limited | Silo operation | 50 | McCaughey Road, Belfast BT3 9AG, Northern Ireland |

The country of registration is also the principal location of activities in each case.

## 35 Subsequent events

On 14 August 2018 Origin announced it had completed the acquisition of a 65% controlling interest in the Brazil based speciality nutrition and crop inputs business Fortgreen Commercial Agricola Ltda. ('Fortgreen').

Due to the short time frame between completion date and the date of issuance of this report, it was not possible to reliably estimate the fair values of assets and liabilities or the goodwill amount associated with this acquisition.

The separate transaction to acquire a 20% shareholding in the Brazil based agronomy services and crop input distribution business, Ferrari Zagatto E Cia. Ltda., ('Ferrari'), is expected to complete during the first half of the FY2019 financial year.

Origin has agreed a put and call option with the Founders to acquire the remaining 35% shareholding in Fortgreen on specified dates, with the purchase price based on an agreed formula linked to future profitability. Separately Origin has been granted an option to purchase an additional 40% interest in Ferrari in 2020 which, if exercised, will lead to the acquisition of the balance of the Founders' shareholding on specified dates with the purchase price based on an agreed formula linked to future profitability.

There have been no other material events subsequent to 31 July 2018 that would require adjustment to or disclosure in this report.

## 36 Approval of financial statements

The Group financial statements were approved by the Board on 25 September 2018.

# Company Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

## Basis of preparation

The Company financial statements have been prepared on a going concern basis and in accordance with Irish GAAP (accounting standards issued by the UK Financial Reporting Council and the Companies Act 2014). The entity financial statements comply with Financial Reporting Standard 102, The Financial Reporting Standard applicable to in the UK and Republic of Ireland (FRS 102).

The entity financial statements have been prepared under the historical cost convention, as modified by the measurement of certain financial assets and liabilities at fair value through profit or loss, and the measurement of freehold land and buildings at their deemed cost on transition to FRS 102 on 1 August 2014.

## Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the cost or valuation of tangible assets, other than freehold land, on a straight-line basis, by reference to the following estimated useful lives:

| | |
|---|---|
| Fixtures and fittings | 25 years |
| Computer hardware | 4 years |

## Investment properties

Investment properties are stated at open market value. Changes in the fair value of the investment properties are shown in the profit and loss account for the year.

## Financial fixed assets

Investments in subsidiaries are carried at cost less accumulated impairment losses. Dividends shall be recognised when the shareholder's right to receive payment is established.

## Retirement benefits

For the Company's defined benefit schemes, the difference between the market value of the scheme's assets and the actuarially assessed present value of the scheme's liabilities, calculated using the projected unit credit method, is disclosed as an asset/liability in the balance sheet, to the extent that it is deemed to be recoverable.

The amount charged to operating profit is the actuarially determined cost of pension benefits promised to employees and earned during the year plus the cost of any benefit improvements granted to members during the period.

The net interest cost on the net defined benefit liability is determined by multiplying the net defined benefit liability by the discount rate (both as determined at the start of the financial year) taking account of any changes in the net defined benefit liability during the financial year as a result of contribution and benefit payments. This net interest cost is recognised in profit or loss as 'finance expense' and presented within 'interest payable and similar charges'.

Actuarial gains and loss arising from experience adjustments and charges in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets less the interest income on plan assets included in the net interest cost, are presented in 'remeasurement of a defined benefit liability' in other comprehensive income.

## Taxation

Current tax is provided on the Company's taxable profits, at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, as required by FRS 102. Provision is made at the rates expected to apply when the timing differences reverse.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

## Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at actual rates. The resulting monetary assets and liabilities are translated at the balance sheet rate or the transaction rate and the exchange differences are dealt with in the profit and loss account.

## Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12 (b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and published Group financial statements, in which the Company's results are consolidated, include a cash flow statement.

## Long-Term Incentive Plan

The Company has granted Equity Entitlements under the Origin Enterprises Long-Term Incentive Plan 2012. All disclosures relating to the plan are made in Note 9 to the Group financial statements.

## Put option liability

Where a put/call option agreement is in place in respect of shares held by non-controlling shareholders, the put element of the liability is present valued. Such liabilities are shown as current or non-current liabilities in the Company balance sheet. The change in the net present value of such options in the year is recognised in the profit and loss account within net finance costs. All disclosures relating to the liability are made in Note 25 of the Group Financial Statements.

## Related party disclosures

The Company discloses transactions with related parties that are not wholly owned within the Group. In accordance with FRS 102 33.1A, it does not disclose transactions with members of the same group that are wholly owned.

## Intangible assets

Intangible assets acquired as part of a business combination are initially recognised at fair value being their deemed cost as at the date of acquisition. These generally include brand and customer related intangible assets. Computer software that is not an integral part of an item of computer hardware is also classified as an intangible asset. Where intangible assets are separately acquired, they are capitalised at cost. Cost comprises purchase price and other directly attributable costs.

Internally generated intangible assets are recognised when the following can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intentions to complete the development;
- its ability to use or sell the intangible asset;
- its ability to generate future economic benefits;
- the availability of resources to complete the development; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets with finite lives are amortised over the period of their expected useful lives in equal annual instalments, as follows:

| | |
|---|---|
| Brands | up to 20 years |
| Customer related | up to 20 years |
| Supplier agreements | up to 20 years |
| Developed technology | up to 10 years |
| Internally generated | up to 10 years |
| Computer related | 3 to 7 years |

Subsequent to initial recognition, intangible assets are stated at cost less accumulated amortisation and impairment losses incurred.

## General

Origin Enterprises plc (the 'Company') is a Company domiciled and incorporated in Ireland. The Company registration number is 426261 and the Company address is 4-6 Riverwalk, Citywest Business Campus, Dublin 24, Ireland.

# Company Balance Sheet
## As at 31 July 2018

| | Notes | 2018 €'000 | 2017 €'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment properties | 1 | **1,925** | 1,925 |
| Tangible assets | 2 | **12,181** | 12,265 |
| Intangible assets | 3 | **2,675** | 1,489 |
| Post employment benefit surplus | 8 | **944** | – |
| Financial assets | 4 | **34,472** | 34,472 |
| | | **52,197** | 50,151 |
| **Current assets** | | | |
| Debtors | 5 | **474,124** | 447,756 |
| Cash at bank and in hand | | **23,668** | 38,901 |
| | | **497,792** | 486,657 |
| **Creditors** (amounts falling due within one year) | 6 | **(290,108)** | (279,043) |
| **Net current assets** | | **207,684** | 207,614 |
| **Total assets less current liabilities** | | **259,881** | 257,765 |
| Put option liability | | **(5,531)** | (5,450) |
| Post employment benefit obligation | 8 | **–** | (822) |
| **Net assets** | | **254,350** | 251,493 |
| **Capital and reserves** | | | |
| Called up share capital – presented as equity | 9 | **1,264** | 1,264 |
| Share premium | | **164,774** | 164,774 |
| Profit and loss account and other reserves | | **88,312** | 85,455 |
| **Shareholders' funds** | | **254,350** | 251,493 |

The profit for the year attributable to shareholders dealt with in the financial statements of the holding company for the year ended 31 July 2018 was €28,194,000 (2017: €43,031,000). As permitted by Section 304 of the Companies Act 2014, the income statement of the Company has not been separately presented in these financial statements.

On behalf of the Board

**Rose Hynes**
Director

**Tom O'Mahony**
Director

## Company Statement of Changes in Equity
### For the financial year ended 31 July 2018

| | Share capital €'000 | Treasury shares €'000 | Share premium €'000 | Capital redemption reserve €'000 | LTIP reserve €'000 | Profit and loss €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **2018** | | | | | | | |
| **At 1 August 2017** | **1,264** | **(8)** | **164,774** | **134** | **358** | **84,971** | **251,493** |
| Profit for the year | **–** | **–** | **–** | **–** | **–** | **28,194** | **28,194** |
| Remeasurements on post employment liabilities | **–** | **–** | **–** | **–** | **–** | **1,168** | **1,168** |
| Deferred tax on remeasurements | **–** | **–** | **–** | **–** | **–** | **(146)** | **(146)** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **–** | **29,216** | **29,216** |
| Share-based payment | **–** | **–** | **–** | **–** | **180** | **–** | **180** |
| Dividend paid to shareholders | **–** | **–** | **–** | **–** | **–** | **(26,539)** | **(26,539)** |
| **At 31 July 2018** | **1,264** | **(8)** | **164,774** | **134** | **538** | **87,648** | **254,350** |

| | Share capital €'000 | Treasury shares €'000 | Share premium €'000 | Capital redemption reserve €'000 | LTIP reserve €'000 | Profit and loss €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| **At 1 August 2016** | 1,264 | (8) | 165,287 | 134 | – | 67,306 | 233,983 |
| Profit for the year | – | – | – | – | – | 43,031 | 43,031 |
| Remeasurements on post employment liabilities | – | – | – | – | – | 1,341 | 1,341 |
| Deferred tax on remeasurements | – | – | – | – | – | (168) | (168) |
| **Total comprehensive income for the year** | – | – | – | – | – | 44,204 | 44,204 |
| Redemption of shares | – | – | (536) | – | – | – | (536) |
| Issue of shares | – | – | 23 | – | – | – | 23 |
| Share-based payment | – | – | – | – | 358 | – | 358 |
| Dividend paid to shareholders | – | – | – | – | – | (26,539) | (26,539) |
| **At 31 July 2017** | **1,264** | **(8)** | **164,774** | **134** | **358** | **84,971** | **251,493** |

# Notes to the Company Financial Statements

## 1 Investment properties

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| At 1 August and 31 July | **1,925** | 1,925 |

At 31 July 2018 the valuation of the Group's investment properties was determined by the Directors using a market approach with reference to local knowledge and judgement. As part of the Director's assessment, guidance was obtained from an independent valuation expert.

The Directors are satisfied based on the guidance received and on current market activity that there has been no change in the fair value of investment properties in the year ended 31 July 2018.

## 2 Tangible fixed assets

| | Land €'000 | Fixtures and fittings €'000 | Total €'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 August 2017 | 11,215 | 1,745 | 12,960 |
| Additions | – | 17 | 17 |
| **At 31 July 2018** | **11,215** | **1,762** | **12,977** |
| **Accumulated depreciation** | | | |
| At 1 August 2017 | – | 695 | 695 |
| Depreciation charge for year | – | 101 | 101 |
| **At 31 July 2018** | **–** | **796** | **796** |
| **Net book amounts** | | | |
| **At 31 July 2018** | **11,215** | **966** | **12,181** |
| At 31 July 2017 | 11,215 | 1,050 | 12,265 |

| | Land €'000 | Fixtures and fittings €'000 | Total €'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 August 2016 | 11,215 | 1,716 | 12,931 |
| Additions | – | 29 | 29 |
| **At 31 July 2017** | **11,215** | **1,745** | **12,960** |
| **Accumulated depreciation** | | | |
| At 1 August 2016 | – | 581 | 581 |
| Depreciation charge for year | – | 114 | 114 |
| **At 31 July 2017** | **–** | **695** | **695** |
| **Net book amounts** | | | |
| **At 31 July 2017** | **11,215** | **1,050** | **12,265** |
| At 31 July 2016 | 11,215 | 1,135 | 12,350 |

## 3 Intangible assets

| | Developed technology €'000 | Brand €'000 | Intellectual property €'000 | Software €'000 | Total €'000 |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 August 2017 | – | 184 | 1,778 | 338 | 2,300 |
| Additions/transfers | 1,186 | 199 | – | 20 | 1,405 |
| **At 31 July 2018** | **1,186** | **383** | **1,778** | **358** | **3,705** |
| **Amortisation** | | | | | |
| At 1 August 2017 | – | 29 | 709 | 73 | 811 |
| Charge for year | – | 10 | 161 | 48 | 219 |
| **At 31 July 2018** | **–** | **39** | **870** | **121** | **1,030** |
| **Net book amounts** | | | | | |
| **At 31 July 2018** | **1,186** | **344** | **908** | **237** | **2,675** |
| At 31 July 2017 | – | 155 | 1,069 | 265 | 1,489 |

| | Brand €'000 | Intellectual property €'000 | Software €'000 | Total €'000 |
|---|---|---|---|---|
| **Cost or valuation** | | | | |
| At 1 August 2016 | 184 | 1,778 | 338 | 2,300 |
| Additions | – | – | – | – |
| **At 31 July 2017** | **184** | **1,778** | **338** | **2,300** |
| **Amortisation** | | | | |
| At 1 August 2016 | 20 | 548 | 25 | 593 |
| Charge for year | 9 | 161 | 48 | 218 |
| **At 31 July 2017** | **29** | **709** | **73** | **811** |
| **Net book amounts** | | | | |
| **At 31 July 2017** | **155** | **1,069** | **265** | **1,489** |
| At 31 July 2016 | 164 | 1,230 | 313 | 1,707 |

## 4 Financial assets

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| At 31 July | **34,472** | 34,472 |

The principal subsidiaries are set out in Note 34 to the Group financial statements.

## 5 Debtors

| | **2018 €'000** | 2017 €'000 |
|---|---|---|
| Amounts owed by subsidiary undertakings | **472,096** | 445,304 |
| Corporation tax | **1,004** | 917 |
| Other debtors | **615** | 618 |
| Deferred tax – pension related | **409** | 917 |
| | **474,124** | 447,756 |

Amounts owed by subsidiaries are unsecured and are repayable on demand.

## 6 Creditors (amounts falling due within one year)

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Amounts owed to subsidiary undertakings [i] | **277,683** | 267,519 |
| Trade creditors [ii] | **1,714** | 1,017 |
| Accruals and other payables [ii] | **8,022** | 7,818 |
| Retirement benefit and related liabilities | **843** | 843 |
| Deferred tax – revaluation of properties | **1,846** | 1,846 |
| | **290,108** | 279,043 |

(i) Amounts owed to subsidiaries are unsecured and are payable on demand.
(ii) Trade creditors, accruals and other payables are measured at amortised cost.

## 7 Deferred tax – net

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| At 1 August | **929** | 325 |
| Charge for the year | **508** | 604 |
| **At 31 July** | **1,437** | 929 |

## 8 Post employment benefit surplus/(obligation)

The Company operates a defined benefit pension scheme which is closed to new members.

Under FRS 102 calculations, the total surplus in the Company's defined benefit scheme at 31 July 2018 was €944,000 (2017: deficit of €491,000). The pension charge in the profit and loss account for the period in respect of the Company's defined benefit scheme was €128,000 (2017: €209,000).

The expected contributions from the Company for the year ending 31 July 2019 are €395,000. The valuations of the defined benefit schemes used for the purposes of the following disclosures are those of the most recent actuarial valuations carried out at 31 July 2018 by an independent, qualified actuary. The valuations have been performed using the projected unit method.

Post employment benefits included in the Company Balance Sheet comprise the following:

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Surplus/(deficit) in defined benefit schemes (see analysis below) | **944** | (491) |
| Provision to meet unfunded pensions | **–** | (331) |
| **Total** | **944** | (822) |

The main assumptions used by the actuary were as follows:

| | 2018 % | 2017 % |
|---|---|---|
| Rate of increase in salaries | **0.00%–2.35%** | 0.00%–2.35% |
| Discount rate in scheme liabilities | **2.10%** | 2.20% |
| Inflation rate | **1.75%** | 1.60% |

## 8 Post employment benefit surplus/(obligation) continued

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Net pension asset/(liability)** | | |
| *Market value of scheme assets:* | | |
| Equities | **2,635** | 2,422 |
| Bonds | **8,975** | 8,796 |
| Property | **4,806** | 4,612 |
| Other | **53** | 42 |
| Total market value of assets | **16,469** | 15,872 |
| Present value of scheme liabilities | **(15,525)** | (16,363) |
| **Surplus/(deficit) in the scheme** | **944** | (491) |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Movement in value of scheme assets** | | |
| Value of assets at 1 August | **15,872** | 17,205 |
| Interest income | **335** | 246 |
| Settlement payment | **(821)** | (957) |
| Remeasurement gain/(loss) | **923** | (747) |
| Employer contributions | **395** | 395 |
| Benefit payment | **(266)** | (299) |
| Employee contributions | **31** | 29 |
| **Value of assets at 31 July** | **16,469** | 15,872 |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Movement in the present value of scheme obligations** | | |
| Value of scheme obligations at 1 August | **(16,363)** | (19,387) |
| Current service costs | **(121)** | (163) |
| Settlement gain | **–** | 164 |
| Settlement payment | **821** | 957 |
| Interest on scheme obligations | **(342)** | (292) |
| Remeasurement gain | **245** | 2,088 |
| Benefit payment | **266** | 299 |
| Employee contributions | **(31)** | (29) |
| **Value of scheme obligations at 31 July** | **15,525** | (16,363) |

## 8 Post employment benefit surplus/(obligation) continued

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Movement in net asset/(liability) recognised in the balance sheet** | | |
| At 1 August | **(491)** | (2,182) |
| Current service cost | **(121)** | (163) |
| Settlement gain | **–** | 164 |
| Employer contributions | **395** | 395 |
| Other finance expense | **(7)** | (46) |
| Remeasurement gain | **1,168** | 1,341 |
| **Net asset/(liability) in scheme at 31 July** | **944** | (491) |
| | | |
| **Analysis of defined benefit expense recognised in the profit and loss account** | | |
| Current service cost | **(121)** | (163) |
| **Total recognised in operating profit** | **(121)** | (163) |
| Interest income on scheme assets | **335** | 246 |
| Interest cost on scheme liabilities | **(342)** | (292) |
| **Included in financing costs** | **(7)** | (46) |
| **Net charge to Company's profit and loss account** | **(128)** | (209) |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Historical information** | | |
| Present value of the scheme obligation | **(15,525)** | (16,363) |
| Fair value of plan assets | **16,469** | 15,872 |
| **Surplus/(deficit) in schemes** | **944** | (491) |

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Actual return less expected return on scheme assets | **923** | (747) |
| Experience adjustment on scheme liabilities | **67** | (24) |
| Changes in demographical and financial assumptions | **178** | 2,112 |
| **Remeasurements** | **1,168** | 1,341 |
| Deferred tax charge | **(146)** | (168) |
| **Gain recognised in statement of comprehensive income** | **1,022** | 1,173 |

## 9 Share capital

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| **Authorised** | | |
| 250,000,000 ordinary shares of €0.01 each (i) | **2,500** | 2,500 |
| **Allotted, called up and fully paid** | | |
| 126,382,206 (2017: 126,382,206) ordinary shares of €0.01 each (i) (ii) (iii) | **1,264** | 1,264 |

(i) Ordinary shareholders are entitled to dividends as declared and each ordinary share carries equal voting rights at meetings of the Company.

(ii) In December 2012, the issued ordinary share capital was increased by the issue of 1,212,871 ordinary shares of nominal value of €0.01 each, at an issue price of €4.04 each, pursuant to a share subscription by a wholly owned subsidiary for the purposes of the Origin Long Term Incentive Plan 2012 ('2012 LTIP Plan'). Under the terms of the 2012 LTIP Plan, 412,541 of these shares were transferred to the Directors and senior management as a result of certain financial targets having been achieved. The remaining 800,330 ordinary shares continue to be held as treasury shares.

(iii) In July 2017, the issued ordinary share capital was increased by the issue of 3,429 ordinary shares of nominal value €0.01 each, at an issue price of €5.48 each pursuant to the terms of the Origin Save As You Earn Scheme (2016).

## 10 Contingent liabilities

In order to avail of the exemption under Section 357 of the Companies Act 2014 the Company has guaranteed the liabilities and commitments of all of its subsidiaries registered in Ireland. The Company has given guarantees to secure the obligations of its subsidiaries in respect of total committed bank facilities to the value of €430 million.

## 11 Share-based payment

All disclosures relating to the Long-Term Incentive Plan are set out in Note 9 to the Group financial statements.

## 12 Statutory and other information

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Auditors' remuneration: | | |
| – statutory audit of entity financial statements | **23** | 22 |
| – other assurance services | **558** | 527 |
| – other non-audit services | **–** | – |
| Profit for the financial year | **28,194** | 43,031 |

All of the Group audit fee was recharged by the Company to its subsidiaries in the current year.

## 13 Employment

| | 2018 Number | 2017 Number |
|---|---|---|
| The average number of persons employed by the Company during the year was as follows: | | |
| **Management and administration** | **19** | 19 |

| | 2018 €'000 | 2018 €'000 |
|---|---|---|
| Aggregate employment costs of the company are analysed as follows: | | |
| Wages and salaries | **6,116** | 6,076 |
| Social welfare costs | **484** | 337 |
| Cash based long-term incentive plan | **1,016** | 600 |
| Pension costs: | | |
| – defined benefit schemes – statement of total recognised gains and losses | **(1,168)** | (1,341) |
| – defined benefit schemes – profit and loss account | **128** | 209 |
| Share based payment charge | **180** | 358 |
| | **6,756** | 6,239 |

## 14 Related party transactions

In the normal course of business, the Company undertakes arm's-length transactions with its associates and other related parties. A summary of transactions with these related parties during the year is as follows:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Sale of goods €'000 | Purchase of goods €'000 | Rendering services to €'000 | Receiving services from €'000 | Total €'000 |
| Transactions with joint venture | – | – | **446** | – | **446** |
| Transactions with associates | – | – | **310** | – | **310** |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Sale of goods €'000 | Purchase of goods €'000 | Rendering services to €'000 | Receiving services from €'000 | Total €'000 |
| Transactions with joint venture | – | – | 216 | – | 216 |
| Transactions with associates | – | – | 206 | – | 206 |

For the purposes of the disclosure requirements of FRS 102, 'key management personnel' (i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the Company) comprises the management team who have responsibility for managing the business and affairs of the Company. Comparatives are presented on a consistent basis.

| | 2018 €'000 | 2017 €'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **2,283** | 2,320 |
| Post employment benefits | **219** | 250 |
| Share-based payments | **67** | 44 |
| Other long-term employee benefits | **105** | 34 |
| | **2,674** | 2,648 |

## 15 Approval of financial statements

These financial statements were approved by the Board on 25 September 2018.

# Company Information

## Board of Directors

Rose Hynes (Chairman)
Kate Allum
Gary Britton
Declan Giblin
Hugh McCutcheon (Senior Independent Director)
Tom O'Mahony
Christopher Richards

## Board Committees and Company Secretary

### Audit Committee
Hugh McCutcheon (Chairman)
Kate Allum
Gary Britton

### Remuneration Committee
Kate Allum (Chairman)
Rose Hynes
Christopher Richards

### Nomination Committee
Rose Hynes (Chairman)
Hugh McCutcheon
Tom O'Mahony

### Risk Committee
Gary Britton (Chairman)
Kate Allum
Hugh McCutcheon

### Secretary and Registered Office
Peter Dunne
4-6 Riverwalk
Citywest Business Campus
Dublin 24
Ireland

## Advisers

### Syndicate Bankers
Allied Irish Banks plc
Bank of Ireland plc
Barclays Bank Ireland plc
HSBC Bank plc
ING Bank NV
Rabobank Ireland plc

### Auditors
PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
One Spencer Dock
North Wall Quay
Dublin 1
Ireland

### Registrars
Link Registrars Limited
2 Grand Canal Square
Dublin 2
Ireland

### ESM Adviser and Stockbroker
Goodbody
Ballsbridge Park
Ballsbridge
Dublin 4
Ireland

### Stockbroker
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London
EC4M 7LT
United Kingdom

### Nominated Adviser
Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

### Media Relations
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United Kingdom

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