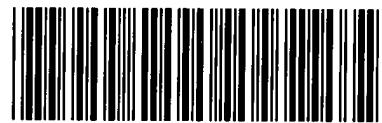


ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

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ADM PROTEXIN LIMITED (FORMERLY PROBIOTICS INTERNATIONAL LIMITED) STRATEGIC REPORT

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

The Directors present their Strategic Report of ADM Protexin Limited (Company Registration No. 01122942) for the 17 month period ended 31 December 2019.

The principal activity of the company continued to be that of the manufacture and distribution of probiotic animal and human healthcare products in both domestic and overseas markets.

Review of the business and future developments

On 15 August 2018, the Company was acquired by Archer Daniels Midland (UK) Limited which is the immediate parent of the Company. In order to align the financial reporting year with that of the ADM Group, the Company extended its financial reporting period to the 17 month period ended 31 December 2019. Hence, comparing the results with the previous financial year is of limited value.

Company turnover for the period under review amounted to £55.6m (2018: £36.8m). The increase in sales revenue is a reflection of the continued demand for the company's product in both the human and animal healthcare sectors, with particularly strong growth from overseas markets.

Trading margins were slightly lower at 56% in the reporting period, compared with 57% for the year ended 31 July 2018 due to the expansion of the site and the mix of products sold.

Operating profits in the reporting period amounted to £10.5m. Operating profits in the year ended 31 July 2018 would have been in the region of £7.9m had it not been for the expenditure of £25.6m related to the change in the ownership of the share capital of the company.

Net current assets amounted to £25.7m at 31 December 2019 and were higher by £37.6m comparing to the previous year end. Net assets increased from £7.1m at 31 July 2018 to £42.5m at the year end mainly due to settlement of £25.6m liability related to the directors' bonus, £15m increase in debtors from Group undertakings, decrease in trade creditors by £2m, increase in stocks by £1.3m offset by £4.2m decrease in cash, £2.6m movement in corporation tax balance and £2m decrease in deferred tax asset.

Financial Control

The directors acknowledge responsibility for the company's system of internal financial control and believe the established systems are appropriate to the business.

It is the view of the directors that the company accounts presented represent a true and fair view of the state of affairs of the company and results for the 17 months to the year end accounts date. Suitable accounting policies have been established and applied consistently and disclose with reasonable accuracy the financial position of the company.

Future developments and Covid-19

The company has exercised an option to purchase land adjacent to its existing site and is in the process of applying for planning permission. The land was acquired on 7 January 2020. This process is ongoing and the company intends to add a new warehouse facility. The new expansion works will be vital as the company aims to significantly increase the size of its future operations.

Planned future developments includes development of current facilities in line with business needs.

The global outbreak of COVID-19 has not significantly impacted the operations of ADM Protexin Limited. Demand from customers has remained high and production areas have remained open with appropriate safeguards. As a result of this the Company is performing strongly against budget. The Company considered risks resulting from COVID-19 pandemic in the going concern assessment and concluded that the going concern basis is appropriate.

ADM PROTEXIN LIMITED (FORMERLY PROBIOTICS INTERNATIONAL LIMITED) STRATEGIC REPORT (CONTINUED)

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

Principal risks and uncertainties

The directors consider the key risks and uncertainties facing the company are as follows:

- The increasing competition, in particular in the export markets and the potential loss of one or more key export customers.
- Potential changes to legislation, including the potential impact of Brexit which at this stage are not fully known, which may affect the ways in which the company can market and advertise its products.
- Exchange rate risk faced by the company as a result of significant dealings in foreign currencies with both foreign suppliers and export customers. The directors have mitigated these risks as far as possible through the use of natural hedging methods such as agreeing contracts in UK currency or at longer-term fixed rates and maintaining foreign currency bank accounts for dealings with overseas customers and suppliers.
- The exposure to credit risk primarily attributed to the company's large trade receivables balances with several key customers. The directors have aimed to mitigate this risk as far as possible through the use of appropriate credit control procedures.
- Price risk associated with the purchase of several key raw ingredients. The directors have sought to control this risk as far as possible through negotiating long-term fixed contracts and rebates where possible.

Key performance indicators

The company uses gross profit and operating profit as key financial performance indicators (£31.0m and £10.5m respectively). Both performance indicators have been generally maintained for the 17 month period ended 31 December 2019 in comparison with those of previous financial years (please see further comments in Review of the business on page 1 of the Strategic report).

Additional KPIs used by the company include measures for customer retention, employee turnover and absenteeism, customer complaints, and sales costs analysis. All measures show satisfactory progress against targets.

SECTION 172 (1) STATEMENT

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 (1)(a-f) of the UK Companies Act 2006 and include a duty to promote the success of the Company.

The Board of Directors of the Company, both individually and together, have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Act).

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent adviser.

The following paragraphs summarise how the Directors fulfil their duties with respect to s172:

Business planning

The Board considers any long term likely consequences of any decisions with regards to the impact on the Company's regulatory compliance framework and its investment risk framework. The capital and liquidity plan is monitored on a regular basis as a part of risk management framework. For details of our risks and uncertainties and how we manage our risk environment please refer to the page 2 of the Strategic report.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
STRATEGIC REPORT (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

SECTION 172 (1) STATEMENT (CONTINUED)

Employees

Our Employees are fundamental to the delivery of our plan.

Consultation with the employees continues at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests. Communications with all employees continues through newsletters and emails, which include parent undertaking news releases and financial performance updates.

The Company operates an equal opportunities policy. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and the promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Company operates a health and safety policy as required under the Health and Safety at Work Act 1974.

Business Relationships

The business strategy of the Company sets out organic growth of the net trading book revenues through the development of new strategies and improving the performance of existing strategies. The Company is dependent upon external factors such as customer demand for products and price volatility of materials in the markets the Company trades on. To enable the company to achieve this strategy, the directors of the company ensure that the Company's employees develop and maintain strong relationships with all counterparties with which it interacts including, medical professionals, customers and all other suppliers of services and goods to the company.

Community and Environment

Our duty is to provide a safe and secure supply to our customers and act safely to the environment. The Company's approach is to use our resources, expertise and work ethics to create positive change for the people and communities with which we interact.

Business Conduct

The Directors have a duty to ensure that the Company maintains the highest standards of business conduct. The Company has a robust, global Anti-Corruption program that, together with Code of Conduct, establishes high standards of honesty and integrity for all colleagues and business partners. All employees participate in the annual training which includes topics such as anti-corruption, conflict of interest, data privacy, diversity and inclusion, security fundamentals.

Shareholders

As the Board of Directors, our intention is to behave responsibly towards our shareholders and treat the shareholder adequately, so the shareholder may benefit from the successful delivery of our business plan.

This report was approved by the board of Directors on 21 October 2020.

Signed on behalf of the board:

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Aileen Lockington

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A A Lockington

Director

Dated: 21 October 2020

ADM PROTEXIN LIMITED (FORMERLY PROBIOTICS INTERNATIONAL LIMITED) DIRECTORS' REPORT

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements of ADM Protexin Ltd (company registration number 01122942) for the 17 month period ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the manufacture and distribution of probiotic animal and human healthcare products in both domestic and overseas markets.

Branches

The company has no branches outside of the UK.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J D Melling	(Resigned 15 August 2018)
T M Lewis	(Resigned 15 August 2018)
J R Sowler	(Resigned 19 June 2020)
A A Lockington	
E N Ayuk	(Appointed 15 August 2018)
H M Kanemaru	(Appointed 15 August 2018)
V Luthar	(Appointed 15 August 2018)
O M Muldoon	(Appointed 15 August 2018, Resigned 30 June 2019)

Results and dividends

The results for the year are set out on page 9.

Dividends totaling £Nil were declared and paid during the 17 month period ended 31 December 2019 (2018 - £1,500,027).

Research and development

During the period the company continued to undertake research and development activities in order to advance its technological know-how and generate new and improved product offerings. The results for the year show research and development expenditure (including amortisation charged on capitalised development costs) totalled £944,824 (2018: £583,039).

In addition to the above the company have also undertaken numerous research and development projects with the aim to develop new human and animal probiotic products. Such costs are capitalised within the balance sheet only once the development stage has been reached and directors are satisfied as to the technical, commercial and financial viability of each individual project. No amounts (2018: £nil) have been capitalised as intangible development costs in 2019 but the company continue to benefit from projects completed in prior years which are being amortised over the period in which the company expects to benefit from the research projects, which the directors consider to be ten years.

Post reporting date events

The global outbreak of COVID-19 has not significantly impacted the operations of ADM Protexin Limited and no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.

Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Company considered risks resulting from COVID-19 pandemic in the going concern assessment and concluded that the going concern basis is appropriate.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
DIRECTORS' REPORT (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

Future developments

Future developments are discussed within the Strategic report on page 1.

Auditor

Following the resignation of BWM, RSM UK Audit LLP was appointed as auditor of the Company on 11 June 2019. The auditor, RSM UK Audit LLP has indicated its willingness to continue in office.

Statement of disclosure to auditor

The Directors at the date of approval of this Directors' Report confirm that so far as each of them is aware, there is no relevant audit information of which the Company's auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, all the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Third party indemnity provision for directors

The Company has granted an indemnity to one or more Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

Financial risk management

A description of the financial risks pertinent to the company and their management has been set out in the Strategic Report. Normally such disclosures are made in the Directors' Report.

This report was approved by the board of Directors on 21 October 2020.

Signed on behalf of the board:

DocuSigned by:
Aileen Lockington

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A A Lockington

Director

Dated: 21 October 2020

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
DIRECTORS' RESPONSIBILITIES STATEMENT**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBER OF ADM PROTEXIN LIMITED

Opinion

We have audited the financial statements of ADM Protexin Limited (the 'company') for the 17 month period ended 31 December 2019 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the 17 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
 - the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
-

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

TO THE MEMBER OF ADM PROTEXIN LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

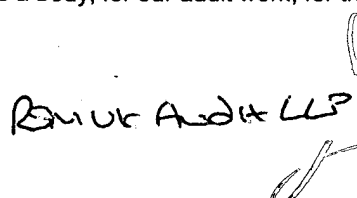
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

 Digitally signed by Helen Hunt
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ou=Audit,
email=helen.hunt@rsmuk.com,
c=GB
Date: 2020.10.21 22:57:59 +01'00'

Helen Hunt (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street, London EC4A 4AB

Dated:

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
INCOME STATEMENT**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

	Notes	17 month period ended 31 December 2019 £	Year to 31 July 2018 £
Turnover	3	55,563,171	36,838,126
Cost of sales		(24,514,369)	(15,828,614)
Gross profit		31,048,802	21,009,512
Distribution costs	4	(7,973,451)	(5,214,547)
Administrative expenses	4	(12,583,377)	(33,522,553)
Operating profit/(loss)	5	10,491,974	(17,727,588)
Interest receivable and similar income	8	96,374	3,000
Interest payable and similar expenses	9	(14,409)	(1,660)
Profit/(loss) before taxation		10,573,939	(17,726,248)
Tax on profit/(loss)	10	(2,248,171)	3,563,169
Profit/(loss) for the financial year		8,325,768	(14,163,079)

The Income Statement has been prepared on the basis that all operations are continuing operations.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
STATEMENT OF COMPREHENSIVE INCOME**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

	17 month period ended 31 December 2019	Year to 31 July 2018
Notes	£	£
Profit/(loss) for the financial year	8,325,768	(14,163,079)
Other comprehensive income/expenditure for the year	-	-
Total comprehensive income/(expenditure) for the year	<u>8,325,768</u>	<u>(14,163,079)</u>

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
BALANCE SHEET**

AS AT 31 DECEMBER 2019

Company Registration No. 01122942

	Notes	31 December 2019		31 July 2018	
		£	£	£	£
Fixed assets					
Goodwill	12		1,036,051		1,298,929
Other intangible assets	12		154,224		217,515
Total intangible assets			1,190,275		1,516,444
Tangible assets	13		15,392,401		15,155,086
Investments	14		-		171,229
Deferred tax asset	22		149,285		2,100,000
			16,731,961		18,942,759
Current assets					
Stocks	17	5,780,657		4,509,505	
Debtors	18	24,075,185		12,091,522	
Cash at bank and in hand		15,668		4,245,225	
			29,871,510		20,846,252
Creditors: amounts falling due within one year	19	(4,133,858)		(32,699,948)	
Net current assets/(liabilities)			25,737,652		(11,853,696)
Total assets less current liabilities			42,469,613		7,089,063
Creditors: amounts falling due after more than one year	20		-		(5,740)
Net assets			42,469,613		7,083,323
Capital and reserves					
Called up share capital	25		27,144,155		103,434
Share-based payments reserve	24		19,801		-
Profit and loss reserves	25		15,305,657		6,979,889
Total equity			42,469,613		7,083,323

The financial statements on pages 9 to 36 were approved by the board of directors and authorised for issue on 21 October 2020 and are signed on its behalf by:

A A Lockington
Director

DocuSigned by:
Aileen Lockington
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**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
STATEMENT OF CHANGES IN EQUITY**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

	Share capital	Share-based payments	Profit and loss reserves	Total
Note	£	£	£	£
Balance at 1 August 2017	103,434	-	22,642,995	22,746,429
Year ended 31 July 2018:				
Loss and total comprehensive expenditure for the year	-	-	(14,163,079)	(14,163,079)
Dividends	11	-	(1,500,027)	(1,500,027)
Balance at 31 July 2018	103,434	-	6,979,889	7,083,323
17 month period ended 31 December 2019:				
Increase in share capital	27,040,721	-	-	27,040,721
Profit for the period	-	-	8,325,768	8,325,768
Total comprehensive income for the period	-	-	8,325,768	8,325,768
Charge for share-based payments for the period	-	24,670	-	24,670
Current tax on share-based payments	-	(4,687)	-	(4,687)
Deferred tax on share-based payments	-	(182)	-	(182)
Balance at 31 December 2019:	27,144,155	19,801	15,305,657	42,469,613

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
STATEMENT OF CASH FLOWS**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

	Notes	17 month period ended 31 December 2019		Year to 31 July 2018	
		£	£	£	£
Cash flows from operating activities					
Cash (used in)/generated from operations	31		(32,217,121)		8,864,783
Interest paid			(14,409)		(1,660)
Income taxes refunded/(paid)			2,268,622		(1,346,948)
Net cash (outflow)/inflow from operating activities			(29,962,908)		7,516,175
Investing activities					
Purchase of tangible fixed assets		(1,395,987)		(8,468,674)	
Proceeds on disposal of tangible fixed assets		11,168		2,728	
Interest received		96,374		3,000	
Net cash used in investing activities			(1,288,445)		(8,462,946)
Financing activities					
Issue of ordinary share capital		27,040,721			
Payment of finance leases obligations		(18,925)		(12,353)	
Dividends paid		-		(1,500,027)	
Net cash generated from/(used in) financing activities			27,021,796		(1,512,380)
Net decrease in cash and cash equivalents			(4,229,557)		(2,459,151)
Cash and cash equivalents at beginning of year			4,245,225		6,704,376
Cash and cash equivalents at end of year			15,668		4,245,225

ADM PROTEXIN LIMITED (FORMERLY PROBIOTICS INTERNATIONAL LIMITED) NOTES TO THE FINANCIAL STATEMENTS

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

ADM Protexin Limited is a company limited by shares incorporated in England and Wales. The registered office is c/o Eversecretary Limited, Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES.

The company's principal place of business is Lopen Head, South Petherton, Somerset, TA13 5JH.

The Company's principal activities and nature of its operations are disclosed in the Strategic Report and Directors Report.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium size Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts since the activities of its subsidiaries, set out in note 15 to the financial statements, are considered to be immaterial - both individually and collectively - to the assessment of the results and financial position of the group.

In order to align the financial reporting year with that of the ADM Group, the Company extended its financial reporting period to the 17 month period ended 31 December 2019, hence the prior year figures for the year ended 31 July 2018 are not directly comparable.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The company has adequate financial resources and the Directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The directors anticipate that any adverse impact of Covid-19 on revenue streams (see also Note 28 'Events after the reporting date') will not be significant over the next 12 months from the date of signing of these financial statements. The directors do not expect the company to require any additional support from the wider group, other than continued use of the group treasury facility which is covered by a signed Credit Facility Agreement which is not expected to change or cease in the foreseeable future. The directors have no doubts over the company's ability to continue to meet its liabilities as they fall due for the foreseeable future (being not less than 12 months from the date of the signing of the accounts). On this basis, the directors continue to adopt the going concern basis of accounting in preparing the annual report and accounts.

1.3 Turnover

Turnover represents amounts receivable for goods provided during the period net of VAT and trade discounts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.5 Intangible fixed assets – goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life. Where the directors consider the useful life to be in excess of 10 years but are unable to accurately and reliably measure this life, a period of 10 years is adopted.

Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is not charged on development costs until the point at which the product becomes available for use.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	10% straight line
-------------------	-------------------

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land	Not depreciated
Freehold property	2.5% straight line
Plant and machinery	15% straight line
Fixtures, fittings & equipment	15%-50% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.8 Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.10 Stocks

Stocks comprise raw materials & packaging, work in progress and finished goods and are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials incurred in bringing the stock items to their present location and condition and is valued on an actual cost for raw materials and manufactured goods and an average basis for packaging.

Stocks held for distribution at no or nominal consideration are measured at cost.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.12 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.12 Financial instruments (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.13 Taxation (Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Defined contribution scheme

The Company operates a defined contribution pension scheme for all employees. The pension plan is set up under trust, therefore employees' savings are legally separate from the Company. It is run by a group of trustees, who invest the plans' assets and administer the benefits in line with the plan's trusts deeds and rules, which is the formal documents that are the legal basis for the plan.

Multi-employer defined benefit scheme

Until 15 August 2018, certain employees participated in a multi-employer defined benefit scheme which also included employees of the parent company, Tithebarn Limited. In the judgement of the directors, the company did not have sufficient information to identify its share of the underlying assets or liabilities and as such no provision was made for the company's share of the defined benefit obligation and plan assets as at 31 July 2018. Further details regarding the scheme are set out in note 23.

As part of the arrangements for the sale of the company's share capital by Tithebarn Limited, which was completed on 15 August 2018, a Flexible Apportionment Arrangement Deed was drawn up. Under the terms of the deed, ADM Protexin Limited was released from any future obligations towards the defined benefit pension scheme.

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

1.16 Share-based payments

Equity-settled share-based payments – ADM Incentive Compensation Plan

The fair value of the services received in respect of equity-settled share-based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share-based payment, together with a corresponding increase in equity, is recognised in the income statement over the period the service conditions of the grant are met with the amount changing according to the number of awards expected to vest.

The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and management's best estimate of the number of equity instruments that will ultimately vest.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognised for the award is recognised immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the income statement.

Cash-settled share-based payments recognised under the terms of a Sales Bonus Pool agreement

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability and a matching expense recognised in the income statement.

The fair value of the liability as at 31 July 2018 was calculated by accruing on a straight-line basis for the agreed payment over the term of the vesting period. This vesting period commenced on the date of the latest version of the incentive agreement and ended on the date of the completion of the sale, which was 15 August 2018.

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.18 Foreign exchange transactions

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in profit or loss for the period.

1.19 Group relief

The financial statements have been prepared on the assumption that group relief will be used to facilitate the transfer of corporation tax losses between companies in the group. No compensation is made in respect of any loss relief between companies.

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

Uncertainties exist with respect to the amounts of current tax expected to be paid or recovered due to the interpretation of tax legislation, changes in tax regulations, and the amount and timing of future taxable income, resulting in the establishment of provisions by the Company depending upon reasonable estimate of the outcome to treatment of certain transactions by the responsible tax authority. The amount of current tax provisions is based on factors, such as experience of previous tax assessments and differing interpretations of tax laws by the Company and the tax authority in the country of operation.

The Directors exercise judgement in determining the amount of deferred tax assets that can be recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are assessed on initial acquisition and reassessed periodically to ensure they remain appropriate. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Accounting policy note 1.7 sets out the useful economic lives for each class of asset and carrying values of property plant and equipment is shown in note 13.

Development costs

The amortisation charge on development costs is determined by the estimated useful economic lives of each of the relevant projects. Directors have estimated these useful economic lives in accordance with the period in which they consider the company will continue to benefit from those development projects. In all cases the directors have considered this estimated useful life to be 10 years (as noted in accounting policy note 1.6) however this is under constant assessment in light of technological and scientific advancements, regulatory changes and other relevant factors. The carrying values of development costs are set out in note 12.

Share-based payments

The cost of equity-settled transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	£	£
Turnover		
Sale of goods	55,563,171	36,838,126

Turnover in the year ended 31 July 2018 was restated from £39,230,216 to £36,838,126 due to the reclassification of Group loyalty & multi retailer discounts from cost of sales to the turnover line. This restatement is aligned with the presentation of Group loyalty & multi retailer discounts in the 17 month period ended 31 December 2019. The impact has been highlighted in note 4.

Turnover analysed by geographical market

	2019	2018
	£	£
UK	20,703,417	13,255,839
Europe	13,057,881	11,080,302
The rest of the world	21,801,873	12,501,985
	<u>55,563,171</u>	<u>36,838,126</u>

4 Reclassifications of turnover and operating expenses in 2018:

The following restatements were made in the year ended 31 July 2018:

	2018	2018
	As	restated
	previously	
	reported	
	£	£
Turnover (Note 3)		
Cost of sales	39,230,216	36,838,126
Distribution costs	(16,026,976)	(15,828,614)
Administrative expenses	(2,490,315)	(5,214,547)
	<u>(38,440,513)</u>	<u>(33,522,553)</u>
Operating loss	(17,727,588)	(17,727,588)

The restatement between turnover and cost of sales in amount of £2,392,090 in the year ended 31 July 2018 (see note 3) resulted from the prior year error in classification of Group loyalty & multi retailer discounts. Further restatements between cost of sales, distribution costs and administrative expenses in 31 July 2018 resulted from change of classification of certain expenses in 2019. The restatement had no impact on reported 2018 operating loss.

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

5 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) for the year is stated after charging/(crediting):		
Exchange losses/(gains)	61,350	(35,204)
Research and development costs	881,533	538,404
Fees payable to the company's auditor for the audit of the company's financial statements	29,500	10,300
Fees payable to the company's auditor for non-audit work	29,285	-
Depreciation of owned tangible fixed assets	1,875,713	921,154
Depreciation of tangible fixed assets held under finance leases	13,175	9,300
Profit on disposal of tangible fixed assets	(7,073)	(317)
Loss on disposal of investments in subsidiaries	171,229	-
Amortisation of intangible assets	326,169	230,195
Cost of stocks recognised as an expense	17,941,766	11,649,352
Impairment of stocks recognised or reversed	208,781	142,452
Restructuring expenses	42,256	-
Share-based payments (note 24)	1,413,278	25,627,443
Operating lease charges	321,689	239,111

6 Employees

The average monthly number of persons (including directors) employed by the company during the 17 month period ended 31 December 2019 and during the year ended 31 July 2018 was:

	2019	2018
	Number	Number
Sales, manufacturing and administration	177	157
Directors	2	4
	<u>179</u>	<u>161</u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	9,930,619	7,083,940
Social security costs	1,032,447	786,205
Pension costs	761,907	125,965
Share-based payments	24,670	-
	<u>11,749,643</u>	<u>7,996,110</u>

In addition, the Company recorded expenses related to bonus paid to certain directors under Sales bonus pool agreement (Note 24) in amount of £1,413,278 in the 17 month period ended 31 December 2019 (gross pay: £1,241,896 and social security costs: £171,382) and £25,627,443 in year ended 31 July 2018 (gross pay: £22,519,722 and social security costs: £3,107,721).

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	1,075,531	1,937,297
Amounts receivable under long term incentive schemes	1,241,896	22,519,722
Company pension contributions to defined contribution schemes	38,866	27,907
	<u>2,356,293</u>	<u>24,484,926</u>

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	558,759	631,974
Amounts receivable under long term incentive schemes	325,653	5,905,171
	<u>884,412</u>	<u>6,537,145</u>

The directors are considered to be the key management personnel. The total directors' remuneration was £2,356,293 (2018: £24,484,926), social security costs £310,389 (2018: £3,395,863) and pension costs £38,866 (2018: £27,907).

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	11,601	3,618
Other interest income	-	(618)
Income from Group undertaking	84,773	-
	<u>96,374</u>	<u>3,000</u>
Total income		
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>11,601</u>	<u>3,618</u>

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,412	31
Interest on finance leases and hire purchase contracts	1,308	1,629
On amounts payable to Group undertakings	11,689	-
	<u>14,409</u>	<u>1,660</u>

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	298,837	-
Adjustments in respect of prior periods	(1,199)	(1,463,169)
	<u>297,638</u>	<u>(1,463,169)</u>
Deferred tax		
Tax losses utilized/(arising) in the period	1,744,334	(2,100,000)
Deferred tax charge for the current year	211,635	-
Effects of changes in tax rates and laws	(205,892)	-
Deferred tax adjustments for prior years	200,456	-
	<u>1,950,533</u>	<u>(2,100,000)</u>
Total tax charge/(benefit)	<u>2,248,171</u>	<u>(3,563,169)</u>

The actual charge/(credit) for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit/(loss) before taxation	<u>10,573,939</u>	<u>(17,726,248)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	2,009,048	(3,367,987)
Expenses not deductible for tax purposes	40,119	7,883
Fixed assets differences	205,639	(85,597)
Research and development relief	-	(131,186)
Amortisation	-	43,737
Other tax adjustments	-	(30,019)
Prior year adjustments – current tax	(1,199)	-
Prior year adjustments – deferred tax	200,456	-
Effect of change in tax rates	(205,892)	-
	<u>239,123</u>	<u>(195,182)</u>
Tax charge/(credit) for the year	<u>2,248,171</u>	<u>(3,563,169)</u>

As at 31 December 2019 the company had unused tax losses in region of £2,092,154 (2018 - £11,173,790) to offset against future trading profits. A deferred tax asset has been provided in respect of those losses in Note 22.

11 Dividends

	2019	2018
	£	£
Interim paid	-	1,500,027

**ADM PROTEXIN LIMITED
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIODR ENDED 31 DECEMBER 2019

12 Intangible fixed assets

	Goodwill	Development Costs	Total
	£	£	£
Cost			
At 1 August 2018 and 31 December 2019	2,461,093	446,968	2,908,061
Amortisation and impairment			
At 1 August 2018	1,162,164	229,453	1,391,617
Amortisation charged for the year	262,878	63,291	326,169
At 31 December 2019	1,425,042	292,744	1,717,786
Carrying amount			
At 31 December 2019	1,036,051	154,224	1,190,275
At 31 July 2018	1,298,929	217,515	1,516,444

Goodwill consists of the agreed consideration for the purchase of the entire share capital of Nelson Veterinary Limited, Cambridge Bioceuticals Limited and The Healthy Bowels Company Limited, less the value of net assets transferred from those companies as at the purchase date. Goodwill also includes the acquisition of other intangible assets such as distribution rights to sell its product, Bio-Kult, exclusively in Australia and New Zealand.

All goodwill is written off over a period of 10 years on a straight line basis, unless the directors agree that the length of time in which the company will benefit from the asset is less than 10 years and in which case a shorter period is selected.

Development costs relate to research and development costs carried out by ADM Protexin Limited which have been capitalised on the basis that the directors are satisfied as to the technical, commercial and financial viability of the individual projects upon which the costs relate. Development costs are amortised over the period in which the company is expected to benefit from such projects which the directors have considered to be 10 years.

The above amortisation charges of £326,169 in respect of goodwill and development costs have been included under the category of administrative expenses within the income statement.

ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

13 Tangible fixed assets

	Freehold land and buildings	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£	£
Cost					
At 1 August 2018	12,574,513	49,775	4,538,032	1,782,865	18,945,185
Additions	-	1,395,987	-	-	1,395,987
Disposals	-	(313)	(43,541)	(28,305)	(72,159)
Transfers	164,426	(1,461,746)	752,909	544,411	-
Adjustments	(6,147)	740,458	-	-	734,311
At 31 December 2019	12,732,792	724,161	5,247,400	2,298,971	21,003,324
Depreciation and impairment					
At 1 August 2018	748,947	-	2,316,746	724,406	3,790,099
Depreciation charged in the year	427,853	-	841,984	619,051	1,888,888
Eliminated in respect of disposals	-	-	(43,406)	(24,658)	(68,064)
At 31 December 2019	1,176,800	-	3,115,324	1,318,799	5,610,923
Carrying amount					
At 31 December 2019	11,555,992	724,161	2,132,076	980,172	15,392,401
At 31 July 2018	11,825,566	49,775	2,221,286	1,058,459	15,155,086

Adjustment of £740,458 relates to prior year classification error of assets under construction presented in other debtors at 31 July 2018.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts:

	2019 £	2018 £
Plant and machinery	15,500	28,675
Depreciation charge for the year in respect of leased assets	13,175	9,300

14 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	15	-	171,229

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

14 Fixed asset investments

Movements in fixed asset investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 August 2018	171,229
Disposals	<u>(171,229)</u>
	-
Carrying amount	
At 31 December 2019	<u>-</u>
	<u>-</u>
At 31 July 2018	<u>171,229</u>

15 Subsidiaries

The following changes took place during the 17 month period ended 31 December 2019 in the Company's investments:

- On 30 April 2019 the Company sold 1,000 ordinary shares (100% holding) of Protexin Inc. for consideration of 0.01 USD per share to another group company. As a result, the Company did not own any shares in Protexin Inc. as at 31 December 2019
- On 31 May 2019 the Company transferred one ordinary share (100% holding) of Protexin PTY Limited to another group company. As a result, the Company did not own any shares in Protexin PTY Limited as at 31 December 2019.
- Biokult Limited, Cambridge Bioceuticals Limited and the Healthy Bowels Company Limited were dissolved on 16 July 2019. As a result, the balance of investments in these entities as at 31 December 2019 amounted to £Nil.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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16 Financial instruments	2019	2018
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	23,732,792	12,894,441
Equity instruments measured at cost less impairment	-	171,229
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost	3,782,070	32,562,978
	<u> </u>	<u> </u>
17 Stocks	2019	2018
	£	£
Raw materials and consumables	3,870,886	2,783,335
Work in progress	1,634	100,677
Finished goods and goods for resale	1,908,137	1,625,493
	<u> </u>	<u> </u>
	<u>5,780,657</u>	<u>4,509,505</u>
18 Debtors	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	7,436,632	7,417,616
Corporation tax recoverable	-	2,219,159
Amounts owed by group undertakings	16,225,198	338,619
Other debtors	241,277	1,585,146
Prepayments and accrued income	172,078	530,982
	<u> </u>	<u> </u>
	<u>24,075,185</u>	<u>12,091,522</u>

Amounts owed by group undertakings at 31 December 2019 include a debtor balance of £15.5m which represents the funds loaned to another entity from ADM Group pursuant to the Credit Facility Agreement dated 5 September 2018. The credit facility is repayable on demand and the Company has instant access to the funds to meet their financial requirements.

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FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

19 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases (secured)	21	-	13,185
Trade creditors		838,289	2,791,181
Amounts due to group undertakings		974,002	137,410
Corporation tax		351,787	-
Other taxation and social security		-	142,710
Other creditors		-	684,894
Accruals and deferred income		1,969,780	28,930,568
		<u>4,133,858</u>	<u>32,699,948</u>

20 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Obligations under finance leases (secured)	21	-	5,740
		<u>-</u>	<u>5,740</u>

21 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Within one year	-	13,185
In two to five years	-	5,740
	<u>-</u>	<u>18,925</u>

The obligations under finance leases are secured on the assets acquired under such arrangements.

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term was 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The lease liability was fully settled by 31 December 2019.

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FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

22 Deferred tax asset

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Asset/(liability):	2019	2018
	£	£
Tax losses	355,666	2,100,000
Fixed assets	(1,762,148)	-
Capital allowances	1,551,573	-
Other temporary differences	4,194	-
	<u>149,285</u>	<u>2,100,000</u>
Movements in the year:		2019
		£
Asset at 1 August 2018		2,100,000
Debited to profit or loss account		(1,950,533)
Debited to equity		(182)
		<u>149,285</u>
Asset at 31 December 2019		<u>149,285</u>

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

23 Retirement benefit schemes

	2019	2018
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	761,907	125,965

Defined contribution schemes

The company operates a defined contribution pension scheme for all employees. The pension plan is set up under trust, therefore employees' savings are legally separate from the Company. It is run by a group of trustees, who invest the plans' assets and administer the benefits in line with the plan's trusts deeds and rules, which is the formal documents that are the legal basis for the plan.

Defined benefit schemes

As part of the arrangements for the sale of the Company's share capital by Tithebarn Limited, which was completed shortly after the year end on 15 August 2018, a Flexible Apportionment Arrangement Deed was drawn up. Under the terms of the deed, ADM Protexin Limited was released from its obligations towards the defined benefit pension scheme and Tithebarn Limited became wholly responsible for the scheme. In August 2018, a sum of £10m was deposited in an escrow account for the benefit of the scheme as arrangements commenced for the scheme's actuarial liabilities to be 'bought out' by insurance policies.

As at the year end of 31 July 2018, neither the company nor Tithebarn Limited was able to identify its share of the underlying assets or liabilities of the defined benefit scheme. Therefore, in accordance with the guidance given in FRS102, the defined benefit scheme has been accounted for as a defined contribution scheme in the financial statements ended 31 July 2018.

The assets of the scheme were held separately from those of the company and the scheme also covered employees past and present of Tithebarn Limited, which was the parent company of ADM Protexin Limited until 15 August 2018. The scheme was closed to future pension accrual since 1 August 2011.

Under the Schedule of Contributions approved by the Scheme Actuary, it was agreed that an employer's deficit funding contribution of £100,000 per month would be paid to the scheme from 5 April 2017 to 5 August 2018. The annual £1.2m cost of the deficit funding contribution has been borne by the company through the payment of an additional management charge of £1.2m to Tithebarn Limited for the year ended 31 July 2018 (2019 - £Nil).

A re-assessment of the funding position of the scheme was undertaken by the Scheme Actuary as at 31 August 2018. The outcome of this exercise was the scheme's assets were sufficient to fund its liabilities by a margin of £1,331,000. The re-assessment of the funding position was no longer required at 31 December 2019 as the Company was released from its obligations towards the defined benefit scheme with Tithebarn Limited becoming the sole employer sponsor from 15 August 2018.

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FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

24 Share-based payment transactions

ADM Incentive compensation plan

Certain officers and key employees of the company are entitled to participate in the Archer-Daniels-Midland Company 2002 Incentive Compensation Plan. Awards of options and restricted shares are made under this scheme. Options are granted at market value on the date of grant, and vest over five years in equal annual tranches and expire ten years after the date of grant. Restricted shares are granted at no cost to the employee and vest after a three year restriction period.

The vesting period for the options is 5 years with vesting occurring in equal tranches over years 1 to 5. The vesting period for the restricted shares is 3 years. Accelerated vesting terms apply to employees over the age of 53 at the date of grant.

The expense recognizable under FRS 102 for equity share-based payments in respect of employee services received during the 17 month period ended 31 December 2019 is £24,670 (2018: £Nil). At the balance sheet date, the share-based payments reserve balance amounted to £24,670 (2018: £Nil) and the share-based payments reserve net of tax amounted to £19,801 (2018 £Nil).

The number of restricted shares granted in 2019 and outstanding as at 31 December 2019 amounted to 2,527.

Share-based payment transactions recognised under the terms of a Sales Bonus Pool agreement

Under the terms of a Sales Bonus Pool agreement, certain directors of the company were entitled to a bonus should the company's share capital be sold to a party external to its group. The bonus was calculated as a percentage of the consideration received for the shares and was to be settled in cash.

The fair value of the bonus payable to the directors has been calculated by accruing on a straight-line basis for the agreed payment over the term of the vesting period. This vesting period commenced on the date of the latest version of the incentive agreement (November 2017) and ended on the date of the completion of the sale, which was 15 August 2018.

During the 17 month period ended 31 December 2019, the Company recognized £1,413,278 in administrative expenses. During the year ended 31 July 2018, the company recognised total expenses - and a liability as at the year end - of £25,627,443 which related to cash settled share based payment transactions.

At 31 July 2018 balance sheet showed net current liabilities of £11,853,696, which resulted from a year end provision of £25,627,443 for a directors bonus payment plus associated payroll taxes. This provision was made in accordance with a pre existing sales pool bonus agreement between the directors and the former parent company and the amounts were paid in August 2018. As part of the acquisition of the company by Archer Daniels Midland (UK) Limited approximately £27 million of the agreed total consideration was retained by Archer Daniels Midland (UK) Limited to fund these bonus payments. This funding amount was initially provided to ADM Protexin Limited as an intercompany loan and subsequently converted to equity.

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FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

25 Share capital and other reserves

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
27,144,155 Ordinary shares of £1 each	27,144,155	103,434

On 15 August 2018, the agreement for the sale of company's share capital to Archer Daniels Midland (UK) Limited was completed for consideration of approximately £182m. As part of the acquisition approximately £27 million of the agreed consideration was retained by Archer Daniels Midland (UK) Limited to fund a pre existing sales pool bonus agreement between the company directors and its former parent. This funding amount of £27 million was initially provided as an intercompany loan and subsequently converted to equity.

Following a resolution dated 12 November 2018, Archer Daniels Midland UK Limited agreed to discharge the Company from its obligation to repay the intercompany loan of 27,040,721 in consideration for the issue and allotment of 27,040,721 ordinary shares of £1 each to Archer Daniels Midland UK Limited. As a result, share capital of the Company increased to £27,144,155.

Profit and loss reserves

This reserve records the accumulated distributable profits less dividends paid since the inception of the company. Movements in the profit and loss reserves are detailed in the Statement of Changes in Equity.

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019	2018
	£	£
Within one year	172,998	187,445
Between two and five years	157,860	170,986
	<u>330,858</u>	<u>358,431</u>

The leases relate to vehicles, warehouse, printers and forklifts with average lease length of 4 years.

27 Capital commitments

At 31 December 2019 the amounts which have been contracted for but not provided in the financial statements total:

	2019	2018
	£	£
Acquisition of tangible fixed assets	49,307	310,500

28 Events after the reporting date

The global outbreak of COVID-19 has occurred after the financial year end and hence represents a non-adjusting post balance sheet event for ADM Protexin Limited. This has not significantly impacted the operations of ADM Protexin Limited post year end. Demand from customers has remained high and production areas have remained open with appropriate safeguards. As a result of this the Company is performing strongly against budget and the Directors do not anticipate any adverse impact to the profit for the year arising from the wider economic impact of Covid-19.

**ADM PROTEXIN LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

29 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

Name of related party	Nature of relationship
Tithebarn Limited	Immediate parent company until 15 August 2018
Minsups Limited	Entity under common control (Tithebarn group) until 15 August 2018
Protexin Inc	Subsidiary of ADM Protexin Limited
Archer Daniels Midland (UK) Limited	Immediate parent company
Archer-Daniels-Midland Company	Ultimate parent company
Biopolis SL	Entity under common control (ADM Group)
ADM Australia Pty. Ltd	Entity under common control (ADM Group)
ADM Investor Services International Limited	Entity under common control (ADM Group)
ADM International Sarl	Entity under common control (ADM Group)
ADM Specialty Ingredients (Europe) B.V.	Entity under common control (ADM Group)
Archer Daniels Midland Europe B.V.	Entity under common control (ADM Group)
ADM Animal Nutrition Co Ltd	Entity under common control (ADM Group)

Entity	Description of transaction	Income		Payments	
		2019	2018	2019	2018
		£	£	£	£
Tithebarn Limited	Sales of goods, supply of goods, corporate charges	80,708	56,207	4,324	1,984,579
	Payment for Director's Year end and Shareholder bonus	-	-	370,593	6,981,172
Minsups Limited	Sales of goods	-	320	-	-
Archer-Daniels-Midland Company	Service fee, corporate recharges	-	-	804,435	-
Archer Daniels Midland (UK) Limited	Corporate recharges	-	-	94,325	-
Biopolis SL	Sales of goods, recharge of expenses supply of goods	29,866	-	10,586	-
ADM Australia Pty. Ltd	Sales of goods	63,304	-	-	-
Protexin Inc	Sales of goods, Management charge	789,663	120,000	-	-
ADM Investor Services International Limited	Recharge of expenses	-	-	4,914	-
Archer Daniels Midland Europe B.V.	Recharge of expenses	-	-	3,539	-
ADM Specialty Ingredients (Europe) B.V.	Supply of goods	-	-	227	-
ADM Animal Nutrition Co Ltd	Sales of goods	90	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

29 Related party transactions (Continued)

Amounts owed to/by related parties

The following amounts were outstanding at the reporting end date:

	Amount owed to		Amounts owed by	
	2019	2018	2019	2018
	£	£	£	£
Protexin Inc.	-	-	649,426	325,597
Protexin PTY Limited	-	15,414	-	13,022
Tithebarn Limited	-	121,996	-	-
ADM International Sarl	-	-	15,533,757	-
Archer-Daniels-Midland Company	971,369	-	-	-
Biopolis SL	-	-	26,682	-
ADM Australia Pty. Ltd	-	-	15,248	-
Archer Daniels Midland (UK) Limited	2,623	-	-	-
ADM Animal Nutrition Co Ltd	-	-	85	-
ADM Worldwide Holdings Lp	10	-	-	-
	<u>974,002</u>	<u>137,410</u>	<u>16,225,198</u>	<u>338,619</u>

30 Controlling party

The Company's immediate parent undertaking is Archer Daniels Midland (UK) Limited, and in the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Archer-Daniels-Midland Company, which is incorporated in Delaware, United States of America. The consolidated financial statements of Archer-Daniels-Midland Company are both the smallest and largest consolidated financial statements drawn up for the groups of which the Company is a member. Copies of the consolidated financial statements are available upon application to the Directors at PO Box 1470, Decatur, Illinois 62525, United States of America.

Until 15 August 2018, the company was ultimately owned and controlled through a Jersey-registered holding company (Interior Design Limited) by BKS Family Trustees Limited as a trustee of a Jersey-registered trust. The immediate parent company as at that date was Tithebarn Limited, a company registered in England and Wales. Neither of these parties has prepared group accounts, which included the results and financial position of ADM Protexin Limited, for the year ended 31 July 2018.

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FOR THE 17 MONTH PERIOD ENDED 31 DECEMBER 2019

31 Cash generated from operations

	2019	2018
	£	£
Profit/(loss) for the year after tax	8,325,768	(14,163,079)
Adjustments for:		
Taxation charged/(credited)	2,248,171	(3,563,169)
Finance costs	14,409	1,660
Investment income	(96,374)	(3,000)
Gain on disposal of tangible fixed assets	(7,073)	(317)
Amortisation and impairment of intangible assets	326,169	230,195
Depreciation and impairment of tangible fixed assets	1,888,888	930,454
Loss on disposal of investments in subsidiaries	171,229	-
Share based payments reserve	24,670	-
Movements in working capital:		
(Increase) in stocks	(1,271,152)	(426,373)
(Increase) in debtors	(14,937,133)	(922,018)
(Decrease)/Increase in creditors	(28,904,693)	26,780,430
Cash (used in)/generated from operations	(32,217,121)	8,864,783

32 Analysis of changes in net debt

	2019
	£
Opening net funds/(debt)	
Cash and cash equivalents	4,245,225
Obligations under finance leases	(18,925)
	<u>4,226,300</u>
Changes in net debt arising from:	
Cash flows of the entity	(4,210,632)
	<u>15,668</u>
Closing net funds/(debt) as analysed below	<u>15,668</u>
Closing net funds/(debt)	
Cash and cash equivalents	15,668
Obligations under finance leases	-
	<u>15,668</u>