

Company Registration No. 01122942 (England and Wales)



**ADM PROTEXIN LIMITED**

**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2018**

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
COMPANY INFORMATION**

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<b>Directors</b>	J R Sowler AA Lockington E N Ayuk H M Kanemaru V Luthar O M Muldoon	(Appointed 15 August 2018) (Appointed 15 August 2018) (Appointed 15 August 2018) (Appointed 15 August 2018)
<b>Secretary</b>	Eversecretary Limited	
<b>Company number</b>	01122942	
<b>Registered office</b>	c/o Eversecretary Limited Eversheds House 70 Great Bridgewater Street Manchester M1 5ES	
<b>Auditor</b>	BWM Castle Chambers 43 Castle Street Liverpool L2 9SH	
<b>Business address</b>	Lopen Head South Petherton Somerset TA13 5JH	
<b>Bankers</b>	NatWest Bank PLC The Bull Ring Northwich Cheshire CW9 5BN	

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

***FOR THE YEAR ENDED 31 JULY 2018***

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## **Fair review of the business**

Company turnover for the year under review rose by £6.45m (19.7%) from £32.78m in 2017 to £39.23m. The increase in sales turnover has reflected the continued demand for the company's products, especially in the human healthcare sector and the increased interest from overseas.

Trading margins were slightly lower at 59.1%, compared with 62.9% for the comparative financial period to 31 July 2017 due to increased expenditure on quality control and marketing.

Operating profits would have been in the region of £7.90m - at a similar level to the £7.76m earned in the previous year. However, the change in the ownership of the share capital of the company, which was completed shortly after the year end on 15 August 2018, crystallised an obligation on the part of the company of which £25.63m was required to be recognised as expenditure in the financial year ended 31 July 2018. Consequently, the reported operating loss for the year to 31 July 2018 was £17.73m.

This loss for the year, along with the payment of dividends of £1.50m, have been met from accumulated reserves which reduced from £22.64m at the start of the financial year to £6.88m as at 31 July 2018.

## **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 12 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.

## **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 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.

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2018**

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**Key performance indicators**


The company uses gross profit and operating profit as key financial performance indicators. Notwithstanding the additional administrative costs of £25.63m referred to in the above subsection on the trading review, both performance indicators have been generally maintained for the year ended 31 July 2018 in comparison with those of previous financial years.

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 target.

**Impact of Brexit**

The company have plans in place to counter the uncertainty of Brexit and especially in the increasingly unlikely event of a 'no-deal brexit'. These plans include increasing of stock holding of imported key components and working in conjunction with our EU customers to ensure they have a higher level of stock to cover the period of time following the latest Brexit deal deadline. A review of human resources and skills required for the potential additional paperwork required for import and export has indicated that the company has sufficient capacity in this area.

By order of the board

  
.....  
A A Lockington  
Director  
.....  
26 Apr 2019

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 JULY 2018**

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The directors present their annual report and financial statements for the year ended 31 July 2018.

**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	
AA 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)

**Results and dividends**

The results for the year are set out on page 8.

Dividends totalling £1,500,027 were declared and paid during the year ended 31 July 2018 (2017 - £600,000).

**Research and development**

During the year 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 £583,039 (2017: £491,584).

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 (2017: £nil) have been capitalised as intangible development costs in 2018 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.

Payments made in respect of ongoing research and development costs which total £236,842 (2017: £165,399) are included in the financial statements within debtors. It is the directors' intention to capitalise these costs once the projects have been completed if the relevant criteria for capitalisation is met, otherwise the costs will be written off to the profit and loss account.

**Post reporting date events**

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. Consequently, the company changed its name to ADM Protexin Limited. 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.

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2018**

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**Future developments**

The company has exercised an option to purchase land adjacent to its existing site and is in the process of developing the site to aid expansion. Work on this development is ongoing and the company intends to add a new factory, warehouse and office block. The new expansion works will be vital as the company aims to significantly increase the size of its future operations.

There are no other significant planned future developments.

**Auditor**

In the light of the change in ownership of the company subsequent to the year end, it has been agreed with BWM that they will not be required to seek re-appointment as the company's auditors.


**Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**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.

By order of the board

AA Lockington

Director

Date: ..... 26 Apr 2018

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 JULY 2018**

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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**

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**Opinion**

We have audited the financial statements of ADM Protexin Limited (the 'company') for the year ended 31 July 2018 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, 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 July 2018 and of its loss for the year 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**

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**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 and 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.



**Lesley Malkin BA FCA (Senior Statutory Auditor)  
for and on behalf of BWM**

29/4/19  
.....

**Chartered Accountants  
Statutory Auditor**

Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 JULY 2018**

	Notes	2018 £	2017 £
Turnover	3	39,230,216	32,782,291
Cost of sales		(16,026,976)	(12,152,477)
<b>Gross profit</b>		<u>23,203,240</u>	<u>20,629,814</u>
Distribution costs		(2,490,315)	(2,124,204)
Administrative expenses		(38,440,513)	(10,744,484)
<b>Operating (loss)/profit</b>	4	<u>(17,727,588)</u>	<u>7,761,126</u>
Interest receivable and similar income	7	3,000	10,655
Interest payable and similar expenses	8	(1,660)	(8,763)
<b>(Loss)/profit before taxation</b>		<u>(17,726,248)</u>	<u>7,763,018</u>
Tax on (loss)/profit	9	3,563,169	(1,463,169)
<b>(Loss)/profit for the financial year</b>		<u><u>(14,163,079)</u></u>	<u><u>6,299,849</u></u>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

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

**AS AT 31 JULY 2018**


	Notes	2018		2017	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11		1,298,929		1,484,489
Other intangible assets	11		217,515		262,150
			<u>1,516,444</u>		<u>1,746,639</u>
Total intangible assets			1,516,444		1,746,639
Tangible assets	12		15,155,086		7,619,277
Investments	13		171,229		171,229
			<u>16,842,759</u>		<u>9,537,145</u>
<b>Current assets</b>					
Stocks	16	4,509,505		4,083,132	
Debtors	17	14,191,522		8,233,373	
Cash at bank and in hand		4,245,225		6,704,376	
		<u>22,946,252</u>		<u>19,020,881</u>	
<b>Creditors: amounts falling due within one year</b>	18	(32,699,948)		(5,792,672)	
<b>Net current (liabilities)/assets</b>			<u>(9,753,696)</u>		<u>13,228,209</u>
<b>Total assets less current liabilities</b>			7,089,063		22,765,354
<b>Creditors: amounts falling due after more than one year</b>	19		(5,740)		(18,925)
<b>Net assets</b>			<u>7,083,323</u>		<u>22,746,429</u>
<b>Capital and reserves</b>					
Called up share capital	24		103,434		103,434
Profit and loss reserves			6,979,889		22,642,995
<b>Total equity</b>			<u>7,083,323</u>		<u>22,746,429</u>

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

**AS AT 31 JULY 2018**

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The financial statements were approved by the board of directors and authorised for issue on 26 Apr 2019 and are signed on its behalf by:

  
.....  
AA Lockington  
Director      26 Apr 2019

Company Registration No. 01122942

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 JULY 2018**

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 August 2016</b>		103,434	16,943,146	17,046,580
<b>Year ended 31 July 2017:</b>				
Profit and total comprehensive income for the year		-	6,299,849	6,299,849
Dividends	10	-	(600,000)	(600,000)
<b>Balance at 31 July 2017</b>		103,434	22,642,995	22,746,429
<b>Year ended 31 July 2018:</b>				
Loss and total comprehensive income for the year		-	(14,163,079)	(14,163,079)
Dividends	10	-	(1,500,027)	(1,500,027)
<b>Balance at 31 July 2018</b>		103,434	6,979,889	7,083,323

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 JULY 2018**

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	30	8,864,783		6,792,496	
Interest paid		(1,660)		(8,763)	
Income taxes paid		(1,346,948)		(1,558,210)	
<b>Net cash inflow from operating activities</b>		<u>7,516,175</u>		<u>5,225,523</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(8,468,674)		(3,049,150)	
Proceeds on disposal of tangible fixed assets		2,728		4,929	
Interest received		3,000		10,655	
<b>Net cash used in investing activities</b>		<u>(8,462,946)</u>		<u>(3,033,566)</u>	
<b>Financing activities</b>					
Repayment of bank loans		-		(2,055,148)	
Payment of finance leases obligations		(12,353)		(11,522)	
Dividends paid		(1,500,027)		(600,000)	
<b>Net cash used in financing activities</b>		<u>(1,512,380)</u>		<u>(2,666,670)</u>	
<b>Net decrease in cash and cash equivalents</b>		<u>(2,459,151)</u>		<u>(474,713)</u>	
Cash and cash equivalents at beginning of year		6,704,376		7,179,089	
<b>Cash and cash equivalents at end of year</b>		<u><u>4,245,225</u></u>		<u><u>6,704,376</u></u>	

**ADM PROTEXIN LIMITED  
(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 JULY 2018**

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**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 Pemberton, Somerset, TA13 5JH.

**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.

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 14 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.

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**

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.

At the year end the balance sheet showed net current liabilities of £9,753,696, 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.

**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 YEAR ENDED 31 JULY 2018**

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**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.

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

**FOR THE YEAR ENDED 31 JULY 2018**

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**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 YEAR ENDED 31 JULY 2018**

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**1 Accounting policies**

**(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 Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

**1.14 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 profit and loss account 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  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 JULY 2018**

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**1 Accounting policies**

**(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 profit and loss account, 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.

**1.15 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.

**1.16 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**1.17 Share-based payments**

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 profit and loss account.

The fair value of the liability as at the year end 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 and ended on the date of the completion of the sale, which was 15 August 2018.

**1.18 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 profit and loss account 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.

**ADM PROTEXIN LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2018**

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**1 Accounting policies**

**(Continued)**

**1.19 Foreign exchange**

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 the profit and loss account for the period.

**1.20 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.

**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.

***Multi-employer defined benefit scheme***

Certain employees participate in a multi-employer defined benefit scheme which also includes employees of the parent company, Tithebarn Limited. In the judgement of the directors, the company does not have sufficient information to identify its share of the underlying assets or liabilities and as such no provision is made for the company's share of the defined benefit obligation and plan assets in these accounts. Further details regarding the scheme are set out in note 22.

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 any future obligations towards the defined benefit pension scheme.

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**2 Judgements and key sources of estimation uncertainty**

**(Continued)**

**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 12.

**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 11.

**Impairment of debtors**

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors management considers factors such as current credit rating, the ageing profile of debtors and historical experience. The carrying amount of trade and other debtors are set out in note 17.

**3 Turnover and other revenue**

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

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>		
Sale of goods	39,230,216	32,782,291
	<u>39,230,216</u>	<u>32,782,291</u>
 <b>Turnover analysed by geographical market</b>		
	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
UK	15,644,258	12,952,805
Europe	11,083,973	8,063,362
The rest of the world	12,501,985	11,766,124
	<u>39,230,216</u>	<u>32,782,291</u>

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**4 Operating (loss)/profit**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange gains	(35,204)	(110,900)
Research and development costs	538,404	446,887
Fees payable to the company's auditor for the audit of the company's financial statements	10,300	10,000
Depreciation of owned tangible fixed assets	921,154	699,508
Depreciation of tangible fixed assets held under finance leases	9,300	9,300
Profit on disposal of tangible fixed assets	(317)	(4,929)
Amortisation of intangible assets	230,195	238,279
Cost of stocks recognised as an expense	11,649,352	8,927,406
Impairment of stocks recognised or reversed	142,452	137,711
Share-based payments (note 23)	25,627,443	-
Operating lease charges	239,111	204,781
	<u>                    </u>	<u>                    </u>

**5 Employees**

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Sales, manufacturing and administration	157	129
Directors	4	4
	<u>                    </u>	<u>                    </u>
	161	133
	<u>                    </u>	<u>                    </u>

Their aggregate remuneration comprised:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	7,083,940	6,966,934
Social security costs	786,205	777,632
Pension costs	125,965	101,733
	<u>                    </u>	<u>                    </u>
	7,996,110	7,846,299
	<u>                    </u>	<u>                    </u>

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**6 Directors' remuneration**

	2018 £	2017 £
Remuneration for qualifying services	1,937,297	2,793,114
Amounts receivable under long term incentive schemes	22,519,722	-
Company pension contributions to defined contribution schemes	27,907	26,186
	<u>24,484,926</u>	<u>2,819,300</u>

The number of directors for whom retirement benefits are accruing under defined contribution pension schemes amounted to 2 (2017 - 2).

The number of directors for whom retirement benefits are accruing under defined benefit pension schemes amounted to 2 (2017 - 2).

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

	2018 £	2017 £
Remuneration for qualifying services	631,974	855,402
Amounts receivable under long term incentive schemes	5,905,171	-
	<u>6,537,145</u>	<u>855,402</u>

**7 Interest receivable and similar income**

	2018 £	2017 £
<b>Interest income</b>		
Interest on bank deposits	3,618	6,165
Other interest income	(618)	4,490
	<u>3,000</u>	<u>10,655</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	3,618	6,165
	<u>3,618</u>	<u>6,165</u>

**8 Interest payable and similar expenses**

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	31	6,301
Interest on finance leases and hire purchase contracts	1,629	2,462
	<u>1,660</u>	<u>8,763</u>

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**9 Taxation**

	2018 £	2017 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	1,463,169
Adjustments in respect of prior periods	(1,463,169)	-
Total current tax	<u>(1,463,169)</u>	<u>1,463,169</u>
<b>Deferred tax</b>		
Tax losses arising in the period	<u>(2,100,000)</u>	-
Total tax charge	<u>(3,563,169)</u>	<u>1,463,169</u>

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

	2018 £	2017 £
(Loss)/profit before taxation	<u>(17,726,248)</u>	<u>7,763,018</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	(3,367,987)	1,474,973
Tax effect of expenses that are not deductible in determining taxable profit	7,883	8,926
Group relief	-	(18,212)
Capital allowances (in excess of)/less than depreciation	(85,597)	11,207
Research and development relief	(131,186)	(109,469)
Amortisation	43,737	45,273
Other tax adjustments	(30,019)	938
Effect of change in tax rates	-	49,533
Tax (credit) expense for the year	<u>(3,563,169)</u>	<u>1,463,169</u>

As at 31 July 2018 the company has unused tax losses in region of £11,160,000 (2017 - £nil) to offset against future trading profits. A deferred tax asset has been provided in respect of those losses.

**10 Dividends**

	2018 £	2017 £
Interim paid	<u>1,500,027</u>	<u>600,000</u>

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**11 Intangible fixed assets**

	Goodwill	Development Costs	Total
	£	£	£
<b>Cost</b>			
At 1 August 2017 and 31 July 2018	2,461,093	446,968	2,908,061
<b>Amortisation and impairment</b>			
At 1 August 2017	976,604	184,818	1,161,422
Amortisation charged for the year	185,560	44,635	230,195
At 31 July 2018	1,162,164	229,453	1,391,617
<b>Carrying amount</b>			
At 31 July 2018	1,298,929	217,515	1,516,444
At 31 July 2017	1,484,489	262,150	1,746,639

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 Probiotics International 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 £230,195 in respect of goodwill and development costs have been included under the category of administrative expenses within the profit and loss account.

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**12 Tangible fixed assets**

	Freehold land	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 August 2017	4,595,606	1,129,376	3,429,523	1,475,589	10,630,094
Additions	114,532	6,784,774	1,214,714	354,654	8,468,674
Disposals	-	-	(106,205)	(47,378)	(153,583)
Transfers	7,864,375	(7,864,375)	-	-	-
At 31 July 2018	12,574,513	49,775	4,538,032	1,782,865	18,945,185
<b>Depreciation and impairment</b>					
At 1 August 2017	631,772	-	1,952,414	426,631	3,010,817
Depreciation charged in the year	117,175	-	469,897	343,382	930,454
Eliminated in respect of disposals	-	-	(105,565)	(45,607)	(151,172)
At 31 July 2018	748,947	-	2,316,746	724,406	3,790,099
<b>Carrying amount</b>					
At 31 July 2018	11,825,566	49,775	2,221,286	1,058,459	15,155,086
At 31 July 2017	3,963,834	1,129,376	1,477,109	1,048,958	7,619,277

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

	2018	2017
	£	£
Plant and machinery	28,675	37,975
Depreciation charge for the year in respect of leased assets	9,300	9,300

**13 Fixed asset investments**

	Notes	2018	2017
		£	£
Investments in subsidiaries	14	171,229	171,229

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**13 Fixed asset investments** **(Continued)**

**Movements in fixed asset investments**

	<b>Shares in group undertakings £</b>
<b>Cost or valuation</b>	
At 1 August 2017 & 31 July 2018	171,229
<b>Carrying amount</b>	
At 31 July 2018	171,229
At 31 July 2017	171,229

**14 Subsidiaries**

Details of the company's subsidiaries at 31 July 2018 are as follows:

<b>Name of undertaking and country of incorporation or residency</b>	<b>Nature of business</b>	<b>Class of shareholding</b>	<b>% Held Direct Indirect</b>
Protexin PTY Limited	Australia Distribution of probiotic animal and human healthcare products	Ordinary	100.00
Biokult Limited	England & Wales Dormant	Ordinary	100.00
Cambridge Bioceuticals Limited	England & Wales Dormant	Ordinary	100.00
Protexin Inc.	United States of America Distribution of probiotic animal and human healthcare products	Ordinary	100.00
The Healthy Bowels Company Limited	England & Wales Dormant	Ordinary	100.00

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

<b>Name of undertaking</b>	<b>Profit/(Loss) £</b>	<b>Capital and Reserves £</b>
Protexin PTY Limited	-	1
Biokult Limited	-	5
Cambridge Bioceuticals Limited	-	6
Protexin Inc.	(69,620)	(296,454)
The Healthy Bowels Company Limited	-	1,000

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**15 Financial instruments**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	12,894,441	14,081,573
Equity instruments measured at cost less impairment	171,229	171,229
	<u>                    </u>	<u>                    </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	32,562,978	5,091,163
	<u>                    </u>	<u>                    </u>

**16 Stocks**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Raw materials and consumables	2,783,335	2,279,538
Work in progress	100,677	140,374
Finished goods and goods for resale	1,625,493	1,663,220
	<u>                    </u>	<u>                    </u>
	<u>4,509,505</u>	<u>4,083,132</u>

**17 Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	7,417,616	6,106,203
Corporation tax recoverable	2,219,159	-
Amounts owed by group undertakings	338,619	558,283
Other debtors	1,585,146	1,172,227
Prepayments and accrued income	530,982	396,660
	<u>                    </u>	<u>                    </u>
	12,091,522	8,233,373
Deferred tax asset (note 21)	2,100,000	-
	<u>                    </u>	<u>                    </u>
	<u>14,191,522</u>	<u>8,233,373</u>

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**18 Creditors: amounts falling due within one year**

	Notes	2018 £	2017 £
Obligations under finance leases (secured)	20	13,185	12,353
Trade creditors		2,791,181	2,130,587
Amounts due to group undertakings		137,410	-
Corporation tax		-	590,958
Other taxation and social security		142,710	129,476
Other creditors		684,894	208,102
Accruals and deferred income		28,930,568	2,721,196
		<u>32,699,948</u>	<u>5,792,672</u>

**19 Creditors: amounts falling due after more than one year**

	Notes	2018 £	2017 £
Obligations under finance leases (secured)	20	5,740	18,925
		<u>5,740</u>	<u>18,925</u>

**20 Finance lease obligations**

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	13,185	12,353
In two to five years	5,740	18,925
	<u>18,925</u>	<u>31,278</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 is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**ADM PROTEXIN LIMITED**  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

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**21 Deferred taxation**

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:

	<b>Assets</b> <b>2018</b>	<b>Assets</b> <b>2017</b>
<b>Balances:</b>	<b>£</b>	<b>£</b>
Tax losses	2,100,000	-
	<u>2,100,000</u>	<u>-</u>
<b>Movements in the year:</b>		<b>2018</b> <b>£</b>
Liability at 1 August 2017		-
Credit to profit or loss		(2,100,000)
Liability/(Asset) at 31 July 2018		<u>(2,100,000)</u>

The deferred tax asset set out above is expected to reverse within 17 months and relates to the utilisation of tax losses against future expected profits of the same period.

**ADM PROTEXIN LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 JULY 2018**

**22 Retirement benefit schemes**

	2018	2017
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	125,965	101,733
	<u>125,965</u>	<u>101,733</u>

**Defined contribution schemes**

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

**Defined benefit schemes**

The company also operates a funded pension scheme providing benefits based on final pensionable pay and which became closed to future pension accrual from 1 August 2011. The assets of the scheme are held separately from those of the company and the scheme also covers employees past and present of Tithebarn Limited, which was the parent company of ADM Protexin Limited until 15 August 2018.

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 these financial statements.

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 (2017 - £400,000).

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 the scheme's assets were sufficient to fund its liabilities by a margin of £1,331,000.

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.

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.

**23 Share-based payment transactions**

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 year, the company recognised total expenses - and a liability as at the year end - of £25,627,443 (2017 - £nil) which related to cash settled share based payment transactions.

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

**FOR THE YEAR ENDED 31 JULY 2018**

**24 Share capital**

	2018 £	2017 £
<b>Ordinary share capital Issued and fully paid</b>		
103,434 Ordinary shares of £1 each	103,434	103,434
	<u>103,434</u>	<u>103,434</u>

**25 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:

	2018 £	2017 £
Within one year	187,445	136,124
Between two and five years	170,986	123,019
	<u>358,431</u>	<u>259,143</u>

**26 Capital commitments**

At 31 July 2017 the company had made a number of capital commitments to acquire and / or construct tangible fixed assets in respect of the site expansion which was carried out in the year ended 31 July 2018. At the end of the current year a new commitment had been made to acquire an additional plot of land adjacent to the existing site as part of further expansion plans. Amounts which have been contracted for but not provided in the financial statements total:

	2018 £	2017 £
Acquisition of tangible fixed assets	310,500	6,795,015
	<u>310,500</u>	<u>6,795,015</u>

**27 Events after the reporting date**

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. Consequently, the company changed its name to ADM Protexin Limited. 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.

**28 Related party transactions**

**Transactions with related parties**

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

<b>Name of related party</b>	<b>Nature of relationship</b>
Minsups Limited	Entity under common control
Protexin Inc	Subsidiary of ADM Protexin Limited
Tithebarn Limited	Immediate parent company

**ADM PROTEXIN LIMITED**  
**(FORMERLY PROBIOTICS INTERNATIONAL LIMITED)**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 JULY 2018**

**28 Related party transactions**

**(Continued)**

	Description of transaction	Income		Payments	
		2018	2017	2018	2017
		£	£	£	£
Minsups Limited	Sales of goods	320	11,622	-	-
Protexin Inc	Management charge	120,000	120,000	-	-
Tithebarn Limited	Sales of goods, supply of goods and recharge of expenses	56,207	47,411	1,984,579	1,164,110

**Amounts owed to/by related parties**

The following amounts were outstanding at the reporting end date:

	Amount owed to		Amounts owed by	
	2018	2017	2018	2017
	£	£	£	£
Protexin Inc.	-	-	325,597	558,283
Protexin PTY Limited	15,414	-	13,022	-
Tithebarn Limited	121,996	-	-	-

**29 Controlling party**

As at 31 July 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.

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

**FOR THE YEAR ENDED 31 JULY 2018**

**30 Cash generated from operations**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
(Loss)/profit for the year after tax	(14,163,079)	6,299,849
<b>Adjustments for:</b>		
Taxation (credited)/charged	(3,563,169)	1,463,169
Finance costs	1,660	8,763
Investment income	(3,000)	(10,655)
Gain on disposal of tangible fixed assets	(317)	(4,929)
Amortisation and impairment of intangible assets	230,195	238,279
Depreciation and impairment of tangible fixed assets	930,454	708,808
<b>Movements in working capital:</b>		
(Increase) in stocks	(426,373)	(1,179,141)
(Increase) in debtors	(922,018)	(1,601,521)
Increase in creditors	26,780,430	869,874
<b>Cash generated from operations</b>	<u>8,864,783</u>	<u>6,792,496</u>

**31 Analysis of changes in net debt**

	<b>2018</b>
	<b>£</b>
<b>Opening net funds/(debt)</b>	
Cash and cash equivalents	6,704,376
Obligations under finance leases	(31,278)
	<u>6,673,098</u>
<b>Changes in net debt arising from:</b>	
Cash flows of the entity	(2,446,798)
	<u>4,226,300</u>
Closing net funds/(debt) as analysed below	<u>4,226,300</u>
<b>Closing net funds/(debt)</b>	
Cash and cash equivalents	4,245,225
Obligations under finance leases	(18,925)
	<u>4,226,300</u>