

**Lallemand Animal Nutrition UK Limited**

**Annual report and financial  
statements**

Registered number 02886133

For the year ended 31 January 2017

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## Strategic report

### Principal activities

The principal activities of the company are the manufacture, sale and commercial development of agricultural products including forage inoculants and animal feed additives.

### Business review

The business has performed satisfactorily despite very depressed global milk prices impacting demand in both domestic and international markets. The business has generated an operating profit of £3.8 million on sales of £17.5 million versus a prior year operating profit of £2.19 million on sales of £14.2 million. The Directors wish to thank all employees for their efforts and contribution to the business in the past year.

### The outlook for the business

The business is continuing to develop its UK and European market share. Ongoing capital investment in the Malvern site is being undertaken to ensure the Company has adequate production capacity to meet future growth in European market demand for the Lallemand Animal Nutrition portfolio of products.

### Principal risks and uncertainties


The main risks to the business include the impact of weather patterns upon sales volumes in both the UK market and in key export markets and the effect of currency fluctuations upon raw material costs and export competitiveness. In addition the business operates in markets where fluctuations in world dairy and meat prices may have an impact upon the underlying profitability of European livestock farming businesses.

Additionally the uncertainty of changes to the porosity of the borders with the EU post Brexit from a financial and regulatory point of view must be considered a risk to the business.

### Research and development

The company has a continuing commitment to a high level of research and development. The expenditure involved is directed towards the development of new and updated products, processes and services.

By order of the board



**T Nelson**  
*Production Director*

07 July 2017

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 2017.

### Results

The results for the period ending 31 January 2017 are shown in the profit and loss account on page 6.

### Dividends

During the year the Company received dividends of £0.05 million (2016: £nil) and paid an interim dividend of £4.2 million (2016: £nil). The directors propose a final dividend of £nil (2016: £nil).

### Directors

The directors who held office during the period were as follows:

F Leblanc  
T Pollock (resigned 1<sup>st</sup> August 2016)  
T Nelson  
Y Le Treut  
C Fontana (appointed 1<sup>st</sup> August 2016)

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board



**T Nelson**  
*Production Director*

11-13 Spring Lane North  
Malvern Link  
Worcestershire  
WR14 1BU

07 July 2017

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgments and 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; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## **Independent auditor's report to the members of Lallemand Animal Nutrition UK Limited**

We have audited the financial statements of Lallemand Animal Nutrition UK Limited for the year ended 31 January 2017 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of Lallemand Animal Nutrition UK Limited** *(continued)*

**Matters on which we are required to report by exception**

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.



**Xavier Timmermans** (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

10 July 2017

**Profit and Total Comprehensive Income for the Financial Year**  
*for the year ended 31 January 2017*

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>17,531</b>	<b>14,246</b>
Cost of sales		<b>(9,537)</b>	<b>(7,803)</b>
<b>Gross profit</b>		<b>7,994</b>	<b>6,443</b>
Distribution costs		<b>(245)</b>	<b>(229)</b>
Administrative expenses		<b>(3,915)</b>	<b>(4,025)</b>
<b>Operating profit</b>		<b>3,834</b>	<b>2,189</b>
Interest payable	<b>5</b>	<b>-</b>	<b>(1)</b>
Income from share in group undertakings		<b>47</b>	<b>-</b>
<b>Profit on ordinary activities before taxation</b>	<b>6</b>	<b>3,881</b>	<b>2,188</b>
Taxation on profit on ordinary activities	<b>7</b>	<b>(785)</b>	<b>(356)</b>
<b>Profit and total comprehensive income for the financial year</b>		<b>3,096</b>	<b>1,832</b>

The above results arose from continuing activities.

There are no recognised gains or losses other than the profit for the year and for the previous period.

There is no material difference between the company's results as reported and on a historic cost basis.

The notes on pages 10 to 21 form an integral part of the financial statements.

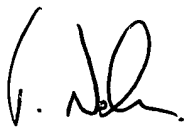


**Balance sheet**  
*at 31 January 2017*

	<i>Note</i>	<b>2017</b>		<b>2016</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Tangible fixed assets	8	1,332		509	
Intangible fixed assets	9	389		416	
Investments	10	1		1	
			1,722		926
<b>Current assets</b>					
Stocks	11	3,366		3,808	
Debtors	12	2,557		2,673	
Cash at bank and in hand		2,914		4,271	
		8,837		10,752	
<b>Creditors: Amounts falling due within one year</b>	13	(1,519)		(1,570)	
<b>Net current assets</b>			7,318		9,182
<b>Total assets less current liabilities</b>			9,040		10,108
<b>Provisions for liabilities &amp; charges</b>	14	(36)			-
<b>Net assets</b>			9,004		10,108
<b>Capital and reserves</b>					
Called up share capital	15	4,777		4,777	
Profit and loss account		4,227		5,331	
<b>Total shareholder's funds</b>			9,004		10,108

The notes on pages 10 to 21 form an integral part of the financial statements.

These financial statements were approved by the board of directors on 15 June 2017 and were signed on its behalf by:



**T Nelson**  
*Production Director*

Company number: 2886133

**Cash flow statement**  
*for the year ended 31 January 2017*

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
Profit for the financial year		<b>3,096</b>	1,832
Adjustments for:			
Depreciation and amortisation		<b>132</b>	131
Interest paid		-	1
Dividends received		<b>(47)</b>	-
Taxation		<b>785</b>	356
Decrease/(increase) in stocks		<b>442</b>	(701)
Decrease in debtors		<b>123</b>	662
(Decrease) in creditors		<b>(475)</b>	(2,622)
<b>Cash from operations</b>		<b>4,056</b>	(341)
Interest paid		-	(1)
Tax paid		<b>(332)</b>	(9)
<b>Net cash generated from operating activities</b>		<b>3,724</b>	(351)
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		<b>(928)</b>	(189)
Dividends received		<b>47</b>	-
Reduction of share capital in Microbial Developments Limited		-	2,060
<b>Net cash from investing activities</b>		<b>(881)</b>	1,871
<b>Cash flows from financing activities</b>			
Dividends paid		<b>(4,200)</b>	-
<b>Net cash used in financing activities</b>		<b>(4,200)</b>	-
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,357)</b>	1,520
Cash and cash equivalents at the beginning of the year		<b>4,271</b>	2,751
<b>Cash and cash equivalents at the end of the year</b>	<i>19</i>	<b>2,914</b>	4,271

The notes on pages 10 to 21 from an integral part of the financial statements.

**Statement of Changes in Equity**  
*for the year ended 31 January 2017*

	<b>Share Capital £000</b>	<b>Profit and Loss £000</b>	<b>Total £000</b>
At 1 February 2015	4,777	3,499	8,276
Profit for the year	-	1,832	1,832
	<hr/>	<hr/>	<hr/>
<b>At 31 January 2016</b>	<b>4,777</b>	<b>5,331</b>	<b>10,108</b>
	<hr/>	<hr/>	<hr/>
At 1 February 2016	4,777	5,331	10,108
Profit for the year	-	3,096	3,096
Equity dividends paid	-	(4,200)	(4,200)
	<hr/>	<hr/>	<hr/>
<b>At 31 January 2017</b>	<b>4,777</b>	<b>4,227</b>	<b>9,004</b>
	<hr/>	<hr/>	<hr/>

The notes on pages 10 to 21 form an integral part of the financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Lallemand Animal Nutrition UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Lallemand Inc includes the Company in its consolidated financial statements. The consolidated financial statements of Lallemand Inc are prepared in accordance with Canadian GAAP Reporting Standards.

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The company's business activities, with the factors likely to affect its future development, performance and position are set out in the business review on page 1.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

#### 1.4 Basic financial instruments

##### *Trade and other debtors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### *Trade and other creditors*

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

## Notes (continued)

### 1.4 Basic financial instruments (continued)

#### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Investments in subsidiaries*

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

### 1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 40 years or over the lease term if this is less
- plant and equipment 3 to 15 years
- fixtures and fittings 3 to 15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### 1.7 Employee benefits

The company makes contributions to a defined contribution pension plan for certain employees.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## Notes (continued)

### 1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### 1.9 Turnover

Turnover represents amounts invoiced to customers, net of value added tax and trade discounts, for products and services supplied.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

### 1.10 Expenses

#### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### *Interest receivable and Interest payable*

Interest payable and similar charges includes interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### 1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 1.12 Business Combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

At the acquisition date, the company recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

### 1.13 Intangible assets, goodwill and negative goodwill

#### Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

#### Negative goodwill

Negative goodwill arising on business combinations in respect of acquisitions is included on the balance sheet immediately below any positive goodwill and released to the profit and loss account in the periods in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in profit or loss in the periods expected to benefit.

#### Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

#### Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination is its fair value at the acquisition date.

#### Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 1 to 20 years
- goodwill 1 to 20 years

## Notes (continued)

### 1.13 Intangible assets, goodwill and negative goodwill (continued)

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

## 2 Turnover

Turnover represents amounts invoiced to customers, net of value added tax, for products and services supplied.

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. This is usually at the point that the customer has signed for the delivery of the goods.

During the period, 46% of sales were made to customers based in the UK, 31% to Europe, with the remaining 23% made elsewhere in the World, compared to 48%, 34% and 18% respectively in the prior period.

## 3 Staff numbers and costs

The average number of persons employed by the company during the period was as follows:

	Number of employees	
	2017	2016
Management, administration, scientists, sales and distribution	65	66

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	2,448	2,360
Social security costs	244	277
Other pension costs	152	159
	<b>2,844</b>	<b>2,796</b>



## Notes (continued)

### 4 Directors' emoluments

	2017 £000	2016 £000
Aggregate emoluments	210	269
Company pension contributions to money purchase pension scheme	31	36
	<u>241</u>	<u>305</u>

The details of the highest paid director are as follows:

	2017 £000	2016 £000
Aggregate emoluments	119	183
Company pension contributions to money purchase pension scheme	24	12
	<u>143</u>	<u>195</u>

Retirement benefits are accruing to two directors (2016: two) under a money purchase scheme. All directors were remunerated by other Lallemand group companies during the current and prior years, and the share of emoluments attributed to their duties and responsibilities as directors of the company are minimal.

### 5 Interest payable

	2017 £000	2016 £000
Bank interest	-	1
	<u>-</u>	<u>1</u>

### 6 Notes to the profit and loss account

	2017 £000	2016 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Amortisation of intangible fixed assets	27	26
Depreciation of tangible fixed assets	105	105
Research and development costs	45	63
Operating lease rentals – other	135	114
Operating lease rentals – land & buildings	94	60
	<u>306</u>	<u>268</u>
<i>Auditor's remuneration</i>		
Audit of these financial statements	26	32
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	9	12
	<u>35</u>	<u>44</u>

## Notes (continued)

### 7 Taxation

#### Analysis of credit in year

	2017 £000	2016 £000
<i>UK corporation tax</i>		
Current tax on income for the year	717	7
Adjustments in respect of previous periods	12	-
<b>Total current tax</b>	<b>729</b>	<b>7</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	55	389
Adjustments in respect of previous periods	1	(40)
<b>Total deferred tax (note 14)</b>	<b>56</b>	<b>349</b>
<b>Tax on profit on ordinary activities</b>	<b>785</b>	<b>356</b>

#### Analysis Factors affecting the tax charge for the current year

The total tax charge for the year is similar (2016: lower) than the rate of corporation tax in the UK of 20% (2016: 20.16%). The differences are explained below:

	2017 £000	2016 £000
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	3,811	2,188
<b>Current tax at 20% (2016: 20.16%)</b>	<b>776</b>	<b>441</b>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	13	23
Capital allowances in excess of depreciation	(62)	(2)
Adjustment to tax charge in respect of previous periods	12	(40)
Utilisation of tax losses	-	(3)
Patent box additional deduction	-	(68)
Non-taxable income	(10)	-
Fixed asset timing differences	54	1
Short term timing differences	2	4
<b>Total tax charge (see above)</b>	<b>785</b>	<b>356</b>

#### Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 January 2017 has been calculated based on these rates.

## Notes (Continued)

### 8 Tangible fixed assets

	Plant and machinery	Laboratory and office equipment	Total
	£000	£000	£000
<b>Cost</b>			
At beginning of year	731	356	1,087
Additions	885	43	928
	<hr/>	<hr/>	<hr/>
At end of year	1,616	399	2,015
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	306	272	578
Charged in the year	78	27	105
	<hr/>	<hr/>	<hr/>
At end of year	384	299	683
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 January 2017	1,232	100	1,332
	<hr/>	<hr/>	<hr/>
At 31 January 2016	425	84	509
	<hr/>	<hr/>	<hr/>

### 9 Intangible fixed assets

	Customer list and IP £000
<b>Cost</b>	
At beginning of year	739
Additions	-
	<hr/>
At end of year	739
	<hr/>
<b>Amortisation</b>	
At beginning of year	323
Charged in the year	27
	<hr/>
At end of year	350
	<hr/>
<b>Net book value</b>	
At 31 January 2017	389
	<hr/>
At 31 January 2016	416
	<hr/>

## Notes (continued)

### 10 Investments

	£000
<i>Shares in subsidiary undertaking:</i>	
At start of year	1
Return of share capital following its cancellation	-
	<hr/>
At end of year	1
	<hr/> <hr/>

During the year, the company had the following subsidiary undertakings:

Subsidiary undertaking	Registered address	Principal activity	Shareholding %
Biotol Limited	11-13 Spring Lane North, Malvern Link, Worcestershire, WR14 1BU	Dormant	100
Winemak-In Limited	11-13 Spring Lane North, Malvern Link, Worcestershire, WR14 1BU	Online Networking Services	100
			<hr/> <hr/>

Biotol Limited and Winemak-In Limited are both incorporated in Great Britain and registered in England and Wales.

### 11 Stocks

	2017 £000	2016 £000
Raw materials and consumables	1,910	1,550
Work in progress	943	1,339
Finished goods and goods for resale	513	919
	<hr/>	<hr/>
	3,366	3,808
	<hr/> <hr/>	<hr/> <hr/>

### 12 Debtors

	2017 £000	2016 £000
Trade debtors	1,856	2,010
Amounts due from group undertakings	388	488
Deferred tax (see note 14)	-	20
Other debtors	201	91
Prepayments and accrued income	112	64
	<hr/>	<hr/>
	2,557	2,673
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 13 Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	375	694
Amounts owed to group undertakings	161	154
Other taxation and social security	96	100
Other creditors	290	258
Accruals and deferred income	200	364
Corporation tax	397	-
	<u>1,519</u>	<u>1,570</u>

### 14 Deferred tax liability/(asset)

The amounts provided for deferred taxation under the liability method at 17% (2016: 18%) are as follows:

	2017 £000	2016 £000
Tax effect of timing differences due to:		
Accelerated capital allowances	39	(16)
Other timing differences	(3)	(4)
	<u>36</u>	<u>(20)</u>
Deferred tax liability/(asset) (see note 12)		
		<u>£000</u>
At beginning of year		(20)
Charge in year (see note 7)		56
At end of year		<u>36</u>

### 15 Share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid:</i>		
4,776,483 ordinary shares of £1 each	<u>4,777</u>	<u>4,777</u>

## Notes (continued)

### 16 Commitments

#### Operating leases

As at 31 January 2017, the company had future minimum operating lease payments as follows:

	Land and buildings		Other	
	2017	2016	2017	2016
	£000	£000	£000	£000
Expiring:				
Within one year	129	135	78	93
Within two to five years	139	123	49	87
After five years	-	-	-	-
	<u>268</u>	<u>258</u>	<u>127</u>	<u>180</u>

### 17 Pension costs

The company makes contributions to defined contribution personal pension schemes in respect of certain employees. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the schemes and amounted to £152,000 during the year (2016: £159,000). There was a balance payable to the schemes at the period end of £21,292 (2016: £20,581).

### 18 Related party transactions

In accordance with FRS102, the company is exempt from disclosing transactions where it and the other related parties are wholly-owned subsidiaries of Lallemand Incorporated.

The company identifies the UK based directors as the Key Management, and the compensation to these individuals was £241,000 (2016: £305,000).

During the year the Company paid rent amounting to £126,162 (2016: £93,687) to HC1203 Limited, a Company owned by one of the directors.

### 19 Analysis of cash flows

	2017 £000	2016 £000	
<b>Returns on investment and servicing of finance</b>			
Interest paid	-	(1)	
Reduction of Share Capital in Microbial Developments Limited	-	2,060	
Dividends received	47	-	
	<hr/>	<hr/>	
	47	2,059	
	<hr/>	<hr/>	
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	(928)	(189)	
	<hr/>	<hr/>	
	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	4,271	(1,357)	2,914
	<hr/>	<hr/>	<hr/>
Total	4,271	(1,357)	2,914

## **Notes** *(continued)*

### **20 Significant Judgements and Estimates**

Preparation of the Financial Statements requires management to make judgements and estimates. There are no significant judgements and estimates within these statements that require disclosure.

### **21 Ultimate parent company**

The company is a wholly-owned subsidiary undertaking of Lallemand Incorporated, a company incorporated in Canada, which the directors regard as the ultimate parent company and controlling party. Lallemand Incorporated is the smallest and largest group to consolidate these financial statements.