

Tocris Cookson Limited

Annual Report and financial statements

Registered number 2869577

For the year ended 30 June 2022

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Company information

| | |
|--------------------------|--|
| Registered office | Unit 4-6 Avonbridge Trading Estate Atlantic Road Bristol BS11 9QD |
| Directors | D Peters S Bohnen |
| Secretary | G Watson |
| Auditor | KPMG LLP 2 Forbury Place 33 Forbury Road Reading RG1 3AD |

Strategic report

Principal Activity

The principal activity of the Company continues to be the manufacture and sale of chemicals used for life science research. Since the Company was acquired by Bio-Techne Ltd (a subsidiary of Bio-Techne Corporation) in April 2011, it has gradually transferred its customer facing operations to other Bio-Techne group companies. The Company still retains a small number of external customers for its custom synthesis business, with the majority of sales made to other group companies.

Business Review

The results for the year, as set out on page 10, show a profit before tax of £6,366,000 (2021: £4,339,000). Total turnover for the Company was £14,510,000 (2021: £11,960,000) which is an increase of 21.3% on prior year.

Tocris' catalogue of life science research products accounts for the majority of the turnover at £13,946,000 (2021: £11,335,000). This represents an increase of 23.0% compared to financial year 2021 which is due to an increase in units sold.

The Company's custom synthesis business contributed turnover of £564,000 (2021: £625,000) which is a decrease of over 9.8% versus financial year 2021. This area of turnover is typically unpredictable and thus represents a very small element of the company's turnover.

The shareholders' funds of the Company total £12,135,000 (2021: £15,503,000).

Business Environment

The Company has seen changes within the life science industry in recent years as some industrial customers have either consolidated or reduced research expenditure as their turnovers come under pressure as patents expire. Additionally there have been an increasing number of competitors in emerging economies such as China offering similar products and services at lower prices. However the Company is itself a subsidiary in a large group and has been able to make cost savings in customer facing operations.

Strategy

The Company's success is dependent upon introducing a steady stream of new and novel compounds that are relevant to the research community. The Company has an experienced Product Management team who are continually looking for exciting new product opportunities. The company has a flexible sourcing strategy which enables it to keep up with demand through a combination of in house manufacturing and outsourcing as well as utilising licenses and supply agreements.

In addition to increasing its product range, the Company intends to drive growth by improving its presence in emerging economies, most notably China. This can be achieved through closer collaboration with the sales and marketing teams at other Bio-Techne group companies based in these locations.

Key Performance Indicators (KPIs)

The directors monitor the progress of the Company by reference to the following KPIs:

| | 2022 | 2021 | |
|------------------------------|---------------|---------------|---|
| Group Catalogue Sales | £22.9 million | £26.8 million | Bio-Techne Inc group turnover raised through sales of Tocris' catalogue products |
| Group Custom Synthesis Sales | £0.7 million | £0.7 million | Bio-Techne Inc group turnover raised through sales in Tocris' custom synthesis business |
| New Product Additions | 185 | 254 | Number of new products added to Tocris' catalogue during the year |

Strategic report (continued)

Risks and uncertainties

Our business is sensitive to global economic conditions. Slower economic growth in the domestic or international markets, inflation, recession, volatility in the credit and currency markets, high levels of unemployment or underemployment, labour availability constraints, changes or anticipation of potential changes in government trade, fiscal, tax or monetary policies, government budget dynamics (particularly in the healthcare and scientific research areas), and other challenges in the global economy have in the past adversely affected, and may in the future adversely affect, the Company and its distributors, customers, and suppliers. In the past three years, COVID-19 has had, and likely will continue to have, an adverse impact on the global economy, including as a result of impacts associated with protective health measures that we, other businesses and governments are taking or might have to take again in the future to manage the pandemic. The directors have continued to follow advice from the UK government to ensure the safety of its employees and taken steps to manage potential impact.

The Company has a diverse end user base, which is global in nature and encompasses researchers operating in a range of sectors including private industry and government laboratories as well as academia. This diversity means the Company is less exposed to the risk of a slowdown in any one industry.

The Company sources materials from a range of suppliers around the world and is not reliant upon a single supplier for products and services required for the continuance of the business. In response to the COVID-19 pandemic, the Company took additional steps to monitor and strengthen our supply chain to maintain an uninterrupted supply of our critical products and services. The Company has maintained these procedures while incorporating additional considerations regarding potential adverse weather events associated with climate change.

The Company is exposed to market risk from foreign exchange rate fluctuations as sales to USA are conducted in foreign currencies. The Company does not enter into foreign exchange forward contracts to reduce its exposure to foreign currency rate changes.

The Company operates laboratory facilities, to which there is an inherent health and safety risk. In order to mitigate against this risk the Company has taken steps to ensure it is fully compliant with UK laws and regulations in this area.

Environment

The Company takes its responsibility to the environment seriously, and the directors supported the business through an assessment of its activities and associated opportunities for either reducing waste or reducing environmental impact. Steps have been taken to reduce paper usage and the Company also invested in various long-term energy efficiencies, including transition to energy efficient lighting and increasing insulation to reduce heat loss.

The Company has put in place a number of recycling schemes, including recycling of ink cartridges, food waste, paper, plastics, cans and cardboard. The Company also participates in a crisp packet recycling scheme. The directors have empowered the leadership team to encourage recycling across the sites, with recycling bins taking prominence in all locations.

The tables below indicate the total quantity of greenhouse gas emissions for the year ended 30 June 2022, followed by our annual emissions expressed in relation to quantifiable factors associated with our activities. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK governments GHG Conversion Factors for Company Reporting to calculate the below disclosures. The standard requires a statement of relevant intensity ratios, which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity.

Emissions data for year ended 30 June 2022 (figures in CO₂e)

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Emissions from purchase of gas and electricity for offices | <u>249</u> | <u>246</u> |
| Total emissions for year | <u><u>249</u></u> | <u><u>246</u></u> |
| Ratio of carbon emission to total turnover (£k turnover) | 0.017 | 0.021 |
| Ratio of carbon emission to operating profit (£k operating profit) | 0.046 | 0.051 |
| Ratio of carbon emission to employees (average headcount) | 3.318 | 3.565 |

Social

The Company takes pride in its culture rooted in our four EPIC values of empowerment, passion, innovation, and collaboration. We believe a diverse workforce and culture of belonging are both essential to drive innovation, fuel growth and help ensure our technologies and products effectively serve a global customer base. The Company believes in giving back and in supporting the local communities in which we live and work. The Company offers its employees a volunteer time off program, allowing for one paid day off per year to support their chosen charity in order to support the local communities.

Governance

The Company is part of the global Corporation which enables the directors to pull from the support and expertise of a diverse group of leaders. The group has a selection of Non-Executive directors who offer a degree of independence and hold the Company to account on matters of governance.

By order of the board



D. Peters
Director

Unit 4-6 Avonbridge Trading Estate
Atlantic Road
Bristol
BS11 9QD

30 March 2023

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2022.

Financial Instruments

As a wholly owned subsidiary, the working capital of the Company is monitored in accordance with the overall capital management policy of the ultimate parent company Bio-Techne Corporation and the primary objective of Bio-Techne's capital management policy is to be consistent with the requirements of the ultimate parent.

Cash levels are monitored to ensure the Company is able to fulfil its day-to-day obligations as they fall due. The Company does not participate in derivative financial instruments or hedging. The Company has taken advantage of certain exemptions relating to the disclosure of financial instruments, as detailed in note 1.

Dividends

Dividends of £1,624,000 and £7,139,000 (2021: £3,884,000) were declared and paid in the current year.

Environmental policy

The Company takes steps to ensure it does not harm the environment, by optimising the efficiency of processes, minimising the use of energy and other resources and the amount of waste generated.

Political donations

The Company made no political donations and incurred no political expenditure during the year (2021: £nil).

Directors

The directors who served during the year and up to the date of the signing of this report were as follows:

D Peters
B Furlow (Resigned March 2023)
G Stapleton (Resigned March 2023)
S Bohnen (Appointed March 2023)

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.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



D Peters
Director

Unit 4-6 Avonbridge Trading Estate
Atlantic Road
Bristol
BS11 9QD

30 March 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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 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 The 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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOCRIS COOKSON LIMITED

Opinion

We have audited the financial statements of Tocris Cookson Limited ("the Company") for the year ended 30 June 2022 which comprise the Profit and loss account, Other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Company Board minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as impairment of inventories. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no complexities or significant areas of estimation or judgement, as such we considered there to be limited opportunities for material fraudulent entries to remain undetected.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual cash postings.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors (as required by auditing standards), from inspection of the Company's regulatory and legal correspondence and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, environmental protection legislation and anti-bribery and corruption, and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

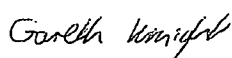
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Gareth Knight (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place,
33 Forbury Road,
Reading,
RG1 3AD

31 March 2023

Profit and loss account
for the year ended 30 June 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|--------------|--------------|
| Turnover | 2 | 14,510 | 11,960 |
| Cost of sales | | (5,244) | (3,736) |
| Gross profit | | 9,266 | 8,224 |
| Administrative expenses | | (3,882) | (3,374) |
| Operating profit | | 5,384 | 4,850 |
| Interest receivable and similar income | 6 | 982 | - |
| Interest payable and similar expenses | 7 | - | (511) |
| Profit before taxation | | 6,366 | 4,339 |
| Tax on profit | 8 | (1,167) | (921) |
| Profit for the financial year | | 5,199 | 3,418 |

Other comprehensive income
for the year ended 30 June 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|--------------|--------------|
| Profit for the year | | 5,199 | 3,418 |
| Total comprehensive income for the year | | 5,199 | 3,418 |

All activities derive from continuing operations.

The notes on pages 13 – 23 form part of these financial statements.

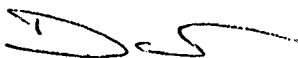
Tocris Cookson Limited
Annual Report and financial statements
For the year ended 30 June 2022

Balance sheet
at 30 June 2022

| | Note | 2022 | 2021 |
|---|------|---------------|---------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | 9 | 5,946 | 5,881 |
| Current assets | | | |
| Stocks | 10 | 6,149 | 6,561 |
| Debtors | 11 | 4,895 | 1,585 |
| Cash at bank and in hand | | 2,900 | 6,424 |
| | | <u>13,944</u> | <u>14,570</u> |
| Creditors: amounts falling due within one year | 12 | (7,216) | (4,608) |
| Net current assets | | <u>6,728</u> | <u>9,962</u> |
| Total assets less current liabilities | | <u>12,674</u> | <u>15,843</u> |
| Provisions for liabilities and charges | | | |
| Deferred tax liability | 13 | (539) | (340) |
| Net assets | | <u>12,135</u> | <u>15,503</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 31 | 31 |
| Share premium account | | 4,933 | 4,933 |
| Profit and loss account | | 7,171 | 10,539 |
| Shareholder's funds | | <u>12,135</u> | <u>15,503</u> |

The notes on pages 13 to 23 form part of these financial statements.

These financial statements were approved by the board of directors on 30 March 2023 and were signed on its behalf by:



D Peters
Director

Statement of changes in equity

For the year ended 30 June 2022

| | Called up share capital | Share Premium account | Retained Earnings | Total Equity |
|--|----------------------------|-----------------------------|----------------------|-----------------|
| | £000 | £000 | £000 | £000 |
| Balance at 1 July 2020 | 31 | 4,933 | 10,864 | 15,828 |
| Profit or loss | - | - | 3,418 | 3,418 |
| Total comprehensive income for the period | - | - | 3,418 | 3,418 |
| Dividends | - | - | (3,884) | (3,884) |
| Total contributions by and distributions to owners | - | - | (3,884) | (3,884) |
| Capital Contribution | - | - | 141 | 141 |
| Balance at 30 June 2021 | 31 | 4,933 | 10,539 | 15,503 |
| Profit or loss | - | - | 5,199 | 5,199 |
| Total comprehensive income for the period | - | - | <u>5,199</u> | <u>5,199</u> |
| Dividends | - | - | (8,763) | (8,763) |
| Total contributions by and distributions to owners | - | - | (8,763) | (8,763) |
| Capital Contribution | - | - | 196 | 196 |
| Balance at 30 June 2022 | 31 | 4,933 | 7,171 | 12,135 |

The notes on pages 13-24 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Tocris Cookson 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, Bio-Techne Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Bio-Techne Corporation are available to the public and may be obtained from 614 McKinley Place NE, Minneapolis, MN 55413, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Bio-Techne Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

On the basis of their assessment of the Company's financial position and resources, the directors believe that the Company is well placed to manage its business risk. The directors carried out impact assessments across various scenarios to gain comfort that the Company is able to continue to generate turnover and hold sufficient cash reserves to continue operating, taking into account reasonably plausible downside scenarios in regards to the impact of the COVID-19 pandemic on the company's ability to generate turnovers in the short to medium term. Taking these scenarios into account, the directors concluded with a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these accounts. 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.

Notes (continued)

1 Accounting policies (continued)

1.4 Tangible fixed assets

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

The company assesses at each reporting date whether tangible fixed assets 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. The estimated useful lives are as follows:

- Improvements to leased property 25 years
- Plant and machinery 10 years
- Computer equipment 4 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.

1.5 Research and development

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

1.6 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the First-In-First-Out principle. In the case of the manufactured product, cost includes all direct expenditure and an appropriate share of overhead based on a normal operating capacity. Stock is stated after making due allowance for obsolete and slow moving items.

Work in progress is stated on the basis of direct costs plus an appropriate share of overhead based on a normal operating capacity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

1.7 Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors 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 in the case of trade debtors. 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 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

The company operates a defined contribution pension scheme. 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.

1.10 Share-Based payments

The company has a stock-based compensation plan for key employees that is administered from the U.S. This is part of the group share-based payment scheme.

Under this plan, the company may grant stock options at or above the fair market value of Bio-Techne Corporation's stock. All share-based payments are equity settled, and the fair value of share entitlements granted is recognised as an employee expense in the profit or loss with a corresponding increase in a capital contribution reserve. The fair value is determined by using the Black-Scholes model. The Black-Scholes method included four significant assumptions (1) expected term of the options, (2) risk-free interest rate, (3) expected dividend yield, and (4) expected stock price volatility.

Options are granted free of conditions excepting that the employee must be employed on the vest date (i.e. any unvested options at the termination date lapse) and employees have three months post termination to exercise vested options after which they also lapse. Should the options lapse, the cumulative charge to the profit and loss is reversed.

The share-based payment vehicles in operation during this period are Non Qualified Stock Options where options granted to the employee vest in equal instalments over four years and expire after seven years.

Employees of the Company are eligible to participate in the Bio-Techne Corporation's Employee Share Purchase Plan (ESPP). Under the ESPP, participants are offered the right to purchase shares of Bio-Techne Corporation's common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of 6 months. The purchase price for Bio-Techne Corporation's common stock under ESPP will be the lower of 85% of the fair market value of common stock at the beginning of the purchase period or 85% of the fair market value of common stock at the end of the purchase period. An individual cannot subscribe for more than \$25,000 in common stock during any calendar year.

Notes (continued)

1 Accounting policies (continued)

1.11 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of the consideration takes into account trade discounts, settlement discounts and volume rebates.

Sale of goods

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

1.12 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 include 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. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 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. Deferred tax balances are not discounted.

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 Accounting policies (continued)

1.14 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the critical accounting policies where judgements or estimations are necessarily applied are summarised below.

Stock obsolescence (key source of estimation uncertainty)

Stocks are held at the lower of cost vs net realisable value. The directors have considered obsolescence and the nature of the Company's manufacturing process to the degree that a provision is held against finished goods stock which is likely to remain unsold more than five years from the balance sheet date. This process is considered to require a significant degree of estimation and may depend on assumptions made in its evaluation. The directors have concluded that the net valuation of stocks, as disclosed in note 11, at year end is appropriate. The stock as disclosed in note 11 at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one year:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Key assumption: | | |
| Stocks remain unsold more than six years from the balance sheet date | 451 | 489 |
| Stocks remain unsold more than four years from the balance sheet date | (545) | (540) |

2 Analysis of turnover

The turnover and profit before tax are attributable to the one principal activity of the Company. An analysis of turnover is given below:

| | 2022 £000 | 2021 £000 |
|------------------------|---------------|---------------|
| By activity | | |
| Catalogue | 13,425 | 10,920 |
| Royalty income | 521 | 415 |
| Custom synthesis | 564 | 625 |
| | <u>14,510</u> | <u>11,960</u> |
| By geographical market | | |
| United Kingdom | 3,939 | 3,466 |
| North America | 10,016 | 8,076 |
| Other | 555 | 418 |
| | <u>14,510</u> | <u>11,960</u> |

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

Auditor's remuneration

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Amounts receivable by the auditor in respect of: | | |
| Audit of these financial statements | 56 | 56 |
| Taxation related services | 10 | 7 |

4 Staff numbers and costs

The average number of staff employed by the Company (including directors) during the year, analysed by category, was as follows:

| | 2022 No. | 2021 No. |
|----------------------|-------------|-------------|
| Scientific staff | 28 | 24 |
| Administrative staff | 47 | 45 |

The aggregate payroll costs of these persons were as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Wages and salaries | 3,186 | 2,630 |
| Social security costs | 432 | 328 |
| Contributions to defined contribution plans | 249 | 228 |
| Share based payments | 196 | 141 |
| | <u>4,063</u> | <u>3,327</u> |

5 Directors' remunerations

One director received emoluments from the company, and as such the emoluments for the highest paid director are equivalent to the total Directors' emoluments. These emoluments are as follows:

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Directors' emoluments | 165 | 127 |
| Company contributions to money purchase pension plans | 11 | 10 |
| Share based payments | 934 | 374 |
| | <u>1,110</u> | <u>511</u> |

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £1,099,000 (2021: £501,000), and company pension contributions of £11,000 (2021: £10,000) were made to a money purchase scheme on his behalf. Retirement benefits are accruing under a money purchase pension scheme for one director.

The remaining directors are remunerated by either the parent or ultimate parent company, Bio-Techne Ltd or Bio-Techne Corporation. These directors' services to the Company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended June 2022 (2021: nil).

Notes (continued)

6 Interest receivable and similar income

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Net foreign exchange gain | 982 | - |
| Total interest receivable and similar income | <u>982</u> | <u>-</u> |

7 Interest Payable and similar expenses

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| Net foreign exchange loss | - | 511 |
| Total interest payable and similar expenses | <u>-</u> | <u>511</u> |

8 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

| | 2022 £000 | 2022 £000 | 2021 £000 | 2021 £000 |
|--|--------------|--------------|--------------|--------------|
| <i>Current tax</i> | | | | |
| UK corporation tax on income for the period | 831 | | 894 | |
| Adjustments in respect of prior periods | 137 | | - | |
| Total current tax | | 968 | | 894 |
| <i>Deferred tax (see note 14)</i> | | | | |
| Origination and reversal of timing differences | 54 | | - | |
| Deferred tax on share based payments | (16) | | 27 | |
| Adjustments in respect of prior periods | 32 | | - | |
| Change in tax rate | 129 | | - | |
| Total deferred tax | | <u>199</u> | | <u>27</u> |
| Total tax | | <u>1,167</u> | | <u>921</u> |

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Profit for the year | 5,199 | 3,418 |
| Total tax expense | 1,167 | 921 |
| Profit excluding taxation | 6,366 | 4,339 |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | 1,210 | 824 |
| Under / (over) provided in prior years | 169 | - |
| Share based payments | (212) | 97 |
| Total tax expense included in profit and loss | 1,167 | 921 |

The corporation tax rate of 19% were substantively enacted on 6 September 2016 and the deferred tax asset as at 30 June 2022 has been calculated based on this rate. The legislation to increase the corporation tax rate from 19% to 25% (effective from 1 April 2023) will be introduced in Finance Bill 2021 to set the rate of corporation tax at 19% for the year beginning 1 April 2022 and in the same Bill to set the main rate at 25% for the year beginning 1 April 2023. This will increase the company's future current tax charge accordingly.

Notes (continued)

9 Tangible fixed assets

| | Plant and machinery | Computer equipment | Improvements to leased property | Total |
|-------------------------|------------------------|-----------------------|---------------------------------------|--------|
| | £000 | £000 | £000 | £000 |
| <i>Cost</i> | | | | |
| Balance at 1 July 2021 | 3,538 | 590 | 5,400 | 9,528 |
| Additions | 338 | 35 | 266 | 639 |
| Disposals | - | - | - | - |
| Balance at 30 June 2022 | 3,876 | 625 | 5,666 | 10,167 |
| <i>Depreciation</i> | | | | |
| Balance at 1 July 2021 | 1,883 | 508 | 1,256 | 3,647 |
| Charge for the year | 313 | 25 | 236 | 574 |
| Disposals | - | - | - | - |
| Balance at 30 June 2022 | 2,196 | 533 | 1,492 | 4,221 |
| <i>Net book value</i> | | | | |
| At 1 July 2021 | 1,655 | 82 | 4,144 | 5,881 |
| At 30 June 2022 | 1,680 | 92 | 4,174 | 5,946 |

10 Stocks

| | 2022 £000 | 2021 £000 |
|------------------|--------------|--------------|
| Work in progress | 2,102 | 2,970 |
| Finished goods | 4,047 | 3,591 |
| | 6,149 | 6,561 |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £4,127,000 compared to 2,920,000 in the prior year. The write-down of stocks to net realisable value amounted to (£72,000) compared to £75,000 in the prior year. The write-down is included in cost of sales.

Notes (continued)

11 Debtors

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Amounts owed by Group undertakings | 4,714 | 1,152 |
| Prepayments and accrued income | 180 | 433 |
| Other debtors | 1 | - |
| | <u>4,895</u> | <u>1,585</u> |
| Due within one year | <u>4,895</u> | <u>1,585</u> |
| | <u>4,895</u> | <u>1,585</u> |

Amount owed by Group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

| | 2022 £000 | 2021 £000 |
|------------------------------------|--------------|--------------|
| Trade creditors | 354 | 245 |
| Corporation tax | 632 | 316 |
| Other taxation and social security | 367 | 374 |
| Accruals | 1,295 | 1,206 |
| Amounts owed to Group undertakings | 4,568 | 2,467 |
| | <u>7,216</u> | <u>4,608</u> |

Amount owed to Group undertakings are unsecured, interest free and repayable on demand.

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 | 2022 £000 | 2021 £000 |
| Accelerated capital allowances | - | - | (700) | (476) | (700) | (476) |
| Provisions | 28 | 19 | - | - | 28 | 19 |
| Share based payments | 133 | 117 | - | - | 133 | 117 |
| | <u>161</u> | <u>136</u> | <u>(700)</u> | <u>(476)</u> | <u>(539)</u> | <u>(340)</u> |
| Tax assets / (liabilities) | 161 | 136 | (700) | (476) | (539) | (340) |
| Net of tax assets / (liabilities) | <u>161</u> | <u>136</u> | <u>(700)</u> | <u>(476)</u> | <u>(539)</u> | <u>(340)</u> |
| | <u>161</u> | <u>136</u> | <u>(700)</u> | <u>(476)</u> | <u>(539)</u> | <u>(340)</u> |

Notes (continued)

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

| | 2022 £000 | 2021 £000 |
|----------------------------|--------------|--------------|
| Within one year | 210 | 210 |
| In second to fifth years | 841 | 841 |
| After more than five years | 2,786 | 2,786 |
| | <u>3,837</u> | <u>3,837</u> |

During the year £218,000 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £215,000)

15 Employee benefits

The company operates a defined contribution pension scheme. The scheme is operated by an independent insurance company. The pension charge represents contributions payable by the company and amounted to £249,000 (2021: £228,000). Outstanding payments of £41,000 (2021: £35,000) were due to the scheme at the year end.

16 Share capital

| | 2022 £000 | 2021 £000 |
|---|--------------|--------------|
| <i>Allotted, called up and fully paid</i> | | |
| 30,510 ordinary shares of £1 each | 31 | 31 |

Dividends

Dividends of £8,763,000 (2021: £3,884,000) were declared and paid in the current year.

17 Guarantee

Lease rentals in relation to the operating lease held over Units 4 - 6 Avonbridge Trading Estate, Avonmouth Bristol with BNP Paribas Securities Services Trust Company (Jersey) Limited and BNP Paribas Securities Services Trust Company Limited as the lessors are guaranteed by its holding company Bio-Techne Limited.

18 Ultimate parent company and parent undertaking of larger group of which the Company is a member

Tocris Cookson Limited is a wholly-owned subsidiary undertaking of Bio-Techne Corporation, a company incorporated in the United States of America. Bio-Techne Corporation is the parent undertaking of the largest and smallest group which includes the company, for which consolidated financial statements are prepared.

Copies of that company's accounts are available to the public and can be obtained from:

614 McKinley Place NE
 Minneapolis
 MN 55413
 USA

Related party transactions

The Company is a wholly owned subsidiary undertaking of Bio-Techne Corporation. The Company has taken advantage of the exemption in FRS 102 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.