

Company Registration No. 01122942 (England and Wales)

**PROBIOTICS INTERNATIONAL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 JULY 2017**



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# PROBIOTICS INTERNATIONAL LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J D Melling T M Lewis J R Sowler AA Lockington
<b>Secretary</b>	J D Melling
<b>Company number</b>	01122942
<b>Registered office</b>	Lopen Head South Petherton Somerset TA13 5JH
<b>Auditor</b>	BWM Castle Chambers 43 Castle Street Liverpool L2 9SH
<b>Business address</b>	Lopen Head South Petherton Somerset TA13 5JH
<b>Bankers</b>	Natwest Bank Plc The Bull Ring Northwich Cheshire CW9 5BN

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# PROBIOTICS INTERNATIONAL LIMITED

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# PROBIOTICS INTERNATIONAL LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 JULY 2017**

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### **Fair review of the business**

Company turnover for the year under review rose by £5.87m (21.8%) from £26.91m in 2016 to £32.78m. The increase in sales turnover has reflected the continued demand for the company's products, especially in the human healthcare sector and the increased interest from overseas.

Trading margins have improved in comparison with the prior year due to a continued focus on cost control and improved manufacturing processes which have generated greater efficiencies.

The effect of the above combined with controlled distribution and administrative costs have resulted in the company increasing its operating profit figure by £1.10m (16.4%) from £6.66m in 2016 to £7.76m.

The company's strong trading results has enabled it to continue to invest in capital, such as the ongoing site development.

Overall the company has again performed strongly and has maintained a healthy balance sheet position, providing a strong platform to exploit future growth opportunities.

### **Financial Control**

The directors acknowledge responsibility for the company's system of internal financial control and believe the established systems are appropriate to the business. No material losses or contingencies have arisen during the 12 months trading period that would require disclosure by the directors.

It is the view of the directors that the company accounts presented represent a true and fair view of the state of affairs of the company and results for the 12 months to the year end accounts date. Suitable accounting policies have been established and applied consistently and disclose with reasonable accuracy the financial position of the company.

### **Principal risks and uncertainties**

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

- The increasing competition, in particular in the export markets and the potential loss of one or more key export customers.
- Potential changes to legislation which may affect the ways in which the company can market and advertise its products.
- Exchange rate risk faced by the company as a result of significant dealings in foreign currencies with both foreign suppliers and export customers. The directors have mitigated these risks as far as possible through the use of natural hedging methods such as agreeing contracts in UK currency or at longer-term fixed rates and maintaining foreign currency bank accounts for dealings with overseas customers and suppliers.
- The exposure to credit risk primarily attributed to the company's large trade receivables balances with several key customers. The directors have aimed to mitigate this risk as far as possible through the use of appropriate credit control procedures.
- Price risk associated with the purchase of several key raw ingredients. The directors have sought to control this risk as far as possible through negotiating long-term fixed contracts and rebates where possible.

# PROBIOTICS INTERNATIONAL LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### Key performance indicators

Probiotics International Limited uses gross profit and operating profit as a key financial performance indicator and both measures indicate strong results for the company. Gross profit has risen by £5.80m (39.0%) between 2016 and 2017 rising from £14.84m to £20.63m. Operating profit has also risen by £1.10m (16.5%) year on year and reached £7.76m for the year ended 31 July 2017.

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

By order of the board



J D Melling

Secretary

14.02.2018

# PROBIOTICS INTERNATIONAL LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 JULY 2017**

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

### Principal activities

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

### Branches

The company has no branches outside of the UK.

### Directors

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

J D Melling  
T M Lewis  
J R Sowler  
A A Lockington

### Results and dividends

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

Overall, the directors were pleased with the performance of the business for the year ended 31 July 2017 and during which the company has declared and paid dividends totalling £600,000.

### Research and development

During the year the company continued to undertake research and development activities in order to advance its technological know-how and generate new and improved product offerings. The results for the year show research and development expenditure (including amortisation charged on capitalised development costs) totalled £491,584 (2016: £454,291).

In addition to the above the company have also undertaken numerous research and development projects with the aim to develop new human and animal probiotic products. Such costs are capitalised within the balance sheet only once the development stage has been reached and directors are satisfied as to the technical, commercial and financial viability of each individual project. No amounts (2016: £nil) have been capitalised as intangible development costs in 2017 but the company continue to benefit from projects completed in prior years which are being amortised over the period in which the company expects to benefit from the research projects, which the directors consider to be ten years.

Payments made in respect of ongoing research and development costs which total £165,399 (2016: £278,508) are included in the financial statements within other debtors. It is the directors' intention to capitalise these costs once the projects have been completed if the relevant criteria for capitalisation is met, otherwise the costs will be written off to the profit and loss account.

### Future developments

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

There are no other significant planned future developments.

### Auditor

In accordance with the company's articles, a resolution proposing that BWM be reappointed as auditor of the company will be put at a General Meeting.

# PROBIOTICS INTERNATIONAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 JULY 2017**

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### **Statement of disclosure to auditor**

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

By order of the board

*John Melling*

J D Melling

Secretary

14.02.2018

# **PROBIOTICS INTERNATIONAL LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 JULY 2017***

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# PROBIOTICS INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF PROBIOTICS INTERNATIONAL LIMITED

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#### Opinion

We have audited the financial statements of Probiotics International Limited (the 'company') for the year ended 31 July 2017 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

# PROBIOTICS INTERNATIONAL LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF PROBIOTICS INTERNATIONAL LIMITED

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

#### Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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



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

Chartered Accountants  
Statutory Auditor

22/2/18  
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Castle Chambers  
43 Castle Street  
Liverpool  
L2 9SH

# PROBIOTICS INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2017

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	Notes	2017 £	2016 £
Turnover	3	32,782,291	26,912,049
Cost of sales		(12,152,477)	(12,074,182)
<b>Gross profit</b>		<b>20,629,814</b>	<b>14,837,867</b>
Distribution costs		(2,124,204)	(1,556,215)
Administrative expenses		(10,744,484)	(6,616,780)
<b>Operating profit</b>	4	<b>7,761,126</b>	<b>6,664,872</b>
Interest receivable and similar income	7	10,655	11,671
Interest payable and similar expenses	8	(8,763)	(75,632)
<b>Profit before taxation</b>		<b>7,763,018</b>	<b>6,600,911</b>
Taxation	9	(1,463,169)	(1,256,394)
<b>Profit for the financial year</b>		<b>6,299,849</b>	<b>5,344,517</b>

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The profit and loss account has been prepared on the basis that all operations are continuing operations.

# PROBIOTICS INTERNATIONAL LIMITED

## BALANCE SHEET

AS AT 31 JULY 2017

	Notes	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Goodwill	11		1,484,489		1,678,071
Other intangible assets	11		262,150		306,847
Total intangible assets			1,746,639		1,984,918
Tangible assets	12		7,619,277		5,278,935
Investments	13		171,229		171,229
			9,537,145		7,435,082
<b>Current assets</b>					
Stocks	16	4,083,132		2,903,991	
Debtors	17	8,233,373		6,631,852	
Cash at bank and in hand		6,704,376		7,179,089	
		19,020,881		16,714,932	
<b>Creditors: amounts falling due within one year</b>	18	(5,792,672)		(7,072,155)	
<b>Net current assets</b>			13,228,209		9,642,777
<b>Total assets less current liabilities</b>			22,765,354		17,077,859
<b>Creditors: amounts falling due after more than one year</b>	19		(18,925)		(31,279)
<b>Net assets</b>			22,746,429		17,046,580
<b>Capital and reserves</b>					
Called up share capital	23		103,434		103,434
Profit and loss reserves			22,642,995		16,943,146
<b>Total equity</b>			22,746,429		17,046,580

The financial statements were approved by the board of directors and authorised for issue on 14 February 18 and are signed on its behalf by:

*John Melling*

J D Melling  
Director

Company Registration No. 01122942

# PROBIOTICS INTERNATIONAL LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JULY 2017

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	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 August 2015</b>		103,434	14,298,629	14,402,063
<b>Year ended 31 July 2016:</b>				
Profit and total comprehensive income for the year		-	5,344,517	5,344,517
Dividends	10	-	(2,700,000)	(2,700,000)
<b>Balance at 31 July 2016</b>		103,434	16,943,146	17,046,580
<b>Year ended 31 July 2017:</b>				
Profit and total comprehensive income for the year		-	6,299,849	6,299,849
Dividends	10	-	(600,000)	(600,000)
<b>Balance at 31 July 2017</b>		103,434	22,642,995	22,746,429

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# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2017

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### 1 Accounting policies

#### Company information

Probiotics International Limited is a company limited by shares incorporated in England and Wales. The registered office is Lopen Head, South Petherton, Somerset, TA13 5JH.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements present information about the company as an individual undertaking and not about the group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Tithebarn Limited, a company incorporated in the UK, and is included in the consolidated accounts of that company. Copies of those group accounts may be obtained from Tithebarn Limited's registered office at Road 5, Winsford Industrial Estate, Winsford, Cheshire, CW7 3PG.

Probiotics International Limited has also taken the exemption available under FRS102 not to prepare a cash flow statement as it is a 100% owned subsidiary of Tithebarn Limited that prepares group accounts which are publicly available.

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

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

#### 1.2 Going concern

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

#### 1.3 Turnover

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

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

#### 1.4 Intangible fixed assets - goodwill

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

#### 1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### 1 Accounting policies

(Continued)

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

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

Development Costs	10% straight line
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#### 1.6 Tangible fixed assets

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

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

Freehold land	Not depreciated
Freehold property	2.5% straight line
Plant and machinery	15% straight line
Fixtures, fittings & equipment	15%-33% straight line
Motor vehicles	25% straight line

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

#### 1.7 Fixed asset investments

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

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

#### 1.8 Stocks

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

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

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

#### 1.9 Cash and cash equivalents

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### 1 Accounting policies

(Continued)

#### 1.10 Financial instruments

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

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

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

##### **Basic financial assets**

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

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

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

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

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

##### **Derecognition of financial assets**

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

##### **Classification of financial liabilities**

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

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

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

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

#### **Derecognition of financial liabilities**

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

### 1.11 Taxation

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

#### **Current tax**

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

#### **Deferred tax**

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

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

### 1.12 Employee benefits

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

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

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### 1 Accounting policies

(Continued)

#### 1.13 Retirement benefits

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 102.

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

#### 1.14 Leases

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

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

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

#### 1.15 Foreign exchange

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

#### 1.16 Group relief

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

#### 1.17 Share capital

Ordinary shares are classified as equity.

#### 1.18 Distributions to equity holders

Dividends to the company's shareholders are recognised as a liability in the financial statements in the period in which they are approved. These amounts are recognised in the statement of changes in equity.

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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### 2 Judgements and key sources of estimation uncertainty

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

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

#### **Critical judgements**

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

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

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

#### **Key sources of estimation uncertainty**

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

#### **Useful economic lives of tangible assets**

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are assessed on initial acquisition and reassessed periodically to ensure they remain appropriate. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets. Accounting policy note 1.6 sets out the useful economic lives for each class of asset and carrying values of property plant and equipment is shown in note 12.

#### **Development costs**

The amortisation charge on development costs is determined by the estimated useful economic lives of each of the relevant projects. Directors have estimated these useful economic lives in accordance with the period in which they consider the company will continue to benefit from those development projects. In all cases the directors have considered this estimated useful life to be 10 years (as noted in accounting policy note 1.5) however this is under constant assessment in light of technological and scientific advancements, regulatory changes and other relevant factors. The carrying values of development costs are set out in note 11.

#### **Impairment of debtors**

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 3 Turnover and other revenue

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

	2017	2016
	£	£
<b>Turnover</b>		
Sale of goods	32,782,291	26,912,049

#### Turnover analysed by geographical market

	2017	2016
	£	£
UK	12,952,805	11,183,034
Europe	8,063,362	6,534,857
The rest of the world	11,766,124	9,194,158
	<u>32,782,291</u>	<u>26,912,049</u>

### 4 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(110,900)	(455,277)
Research and development costs	446,887	409,594
Fees payable to the company's auditor for the audit of the company's financial statements	10,000	9,700
Depreciation of owned tangible fixed assets	699,508	520,848
Depreciation of tangible fixed assets held under finance leases	9,300	9,300
Loss on disposal of tangible assets	(4,929)	-
Amortisation of intangible assets	238,279	244,009
Cost of stocks recognised as an expense	9,298,966	8,003,957
Operating lease charges	204,781	208,098

### 5 Employees

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

	2017	2016
	Number	Number
Sales, manufacturing and administration	129	122
Directors	3	3
	<u>132</u>	<u>125</u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 5 Employees (Continued)

Their aggregate remuneration comprised:

	2017	2016
	£	£
Wages and salaries	6,966,934	5,439,825
Social security costs	777,632	610,512
Pension costs	101,733	116,020
	<u>7,846,299</u>	<u>6,166,357</u>

### 6 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	2,793,114	1,922,117
Company pension contributions to defined contribution schemes	26,186	40,868
	<u>2,819,300</u>	<u>1,962,985</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2016 - 3).

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

	2017	2016
	£	£
Remuneration for qualifying services	855,402	729,119
Company pension contributions to defined contribution schemes	-	17,099
	<u>855,402</u>	<u>746,218</u>

### 7 Interest receivable and similar income

	2017	2016
	£	£
<b>Interest income</b>		
Interest on bank deposits	6,165	11,671
Other interest income	4,490	-
	<u>10,655</u>	<u>11,671</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>6,165</u>	<u>11,671</u>
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# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 8 Interest payable and similar expenses

	2017	2016
	£	£
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	6,301	66,255
Interest on finance leases and hire purchase contracts	2,462	9,124
	<u>8,763</u>	<u>75,379</u>
<b>Other finance costs:</b>		
Other interest	-	253
	<u>8,763</u>	<u>75,632</u>

### 9 Taxation

	2017	2016
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	1,463,169	1,255,746
Adjustments in respect of prior periods	-	648
	<u>1,463,169</u>	<u>1,256,394</u>

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

	2017	2016
	£	£
Profit before taxation	<u>7,763,018</u>	<u>6,600,911</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	1,474,973	1,320,182
Tax effect of expenses that are not deductible in determining taxable profit	8,926	8,869
Adjustments in respect of prior years	-	648
Group relief	(18,212)	(2,662)
Capital allowances in excess of depreciation	11,207	(13,430)
Research and development tax credit	(109,469)	(106,495)
Amortisation	45,273	48,801
Other tax adjustments	938	481
Effect of change in tax rates	49,533	-
	<u>1,463,169</u>	<u>1,256,394</u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 10 Dividends

	2017	2016
	£	£
Interim paid	600,000	2,700,000

### 11 Intangible fixed assets

	Goodwill	Development Costs	Total
	£	£	£
<b>Cost</b>			
At 1 August 2016 and 31 July 2017	2,461,093	446,968	2,908,061
<b>Amortisation and impairment</b>			
At 1 August 2016	783,022	140,121	923,143
Amortisation charged for the year	193,582	44,697	238,279
At 31 July 2017	976,604	184,818	1,161,422
<b>Carrying amount</b>			
At 31 July 2017	1,484,489	262,150	1,746,639
At 31 July 2016	1,678,071	306,847	1,984,918

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

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

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 12 Tangible fixed assets

	Freehold land	Assets under construction	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 August 2016	4,152,405	-	3,193,631	539,722	7,885,758
Additions	458,501	1,129,376	434,155	1,027,118	3,049,150
Disposals	-	-	(198,263)	(106,551)	(304,814)
Transfers	(15,300)	-	-	15,300	-
At 31 July 2017	4,595,606	1,129,376	3,429,523	1,475,589	10,630,094
<b>Depreciation and impairment</b>					
At 1 August 2016	537,968	-	1,767,444	301,411	2,606,823
Depreciation charged in the year	93,804	-	383,233	231,771	708,808
Eliminated in respect of disposals	-	-	(198,263)	(106,551)	(304,814)
At 31 July 2017	631,772	-	1,952,414	426,631	3,010,817
<b>Carrying amount</b>					
At 31 July 2017	3,963,834	1,129,376	1,477,109	1,048,958	7,619,277
At 31 July 2016	3,614,437	-	1,426,187	238,311	5,278,935

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

	2017	2016
	£	£
Plant and machinery	37,975	47,275
Depreciation charge for the year in respect of leased assets	9,300	9,300

### 13 Fixed asset investments

	Notes	2017	2016
		£	£
Investments in subsidiaries	14	171,229	171,229

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 13 Fixed asset investments (Continued)

#### Movements in fixed asset investments

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 August 2016 & 31 July 2017	171,229
<b>Carrying amount</b>	
At 31 July 2017	171,229
At 31 July 2016	171,229

### 14 Subsidiaries

Details of the company's subsidiaries at 31 July 2017 are as follows:

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

\* Protexin PTY Limited was registered as a company on 31 May 2016 and has undertaken no transactions within the period to 31 July 2017.

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

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
Biokult Limited	-	1
Cambridge Bioceuticals Limited	-	6
The Healthy Bowels Company Limited	-	1,000
Protexin Inc.	(381,609)	(192,891)
*Protexin PTY Limited	-	-

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 15 Financial instruments

	2017	2016
	£	£
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	14,081,573	13,556,130
Equity instruments measured at cost less impairment	171,229	171,229
	<u>                    </u>	<u>                    </u>
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	5,091,163	6,319,810
	<u>                    </u>	<u>                    </u>

### 16 Stocks

	2017	2016
	£	£
Raw materials and consumables	2,279,538	1,672,336
Work in progress	140,374	279,035
Finished goods and goods for resale	1,663,220	952,620
	<u>                    </u>	<u>                    </u>
	4,083,132	2,903,991
	<u>                    </u>	<u>                    </u>

### 17 Debtors

	2017	2016
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	6,106,203	4,992,962
Amounts due from group undertakings	558,283	22,015
Other debtors	1,172,227	1,387,499
Prepayments and accrued income	396,660	229,376
	<u>                    </u>	<u>                    </u>
	8,233,373	6,631,852
	<u>                    </u>	<u>                    </u>

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

	2017	2016
	£	£
	Notes	
Bank loans and overdrafts	20	-
Obligations under finance leases	21	12,353
Trade creditors		2,130,587
Corporation tax		590,958
Other taxation and social security		129,476
Other creditors		208,102
Accruals and deferred income		2,721,196
		<u>                    </u>
		5,792,672
		<u>                    </u>
		7,072,155
		<u>                    </u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

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

	Notes	2017 £	2016 £
Obligations under finance leases	21	18,925	31,279

### 20 Loans and overdrafts

	2017 £	2016 £
Bank loans	-	2,055,148
Payable within one year	-	2,055,148

### 21 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Within one year	12,353	11,521
In two to five years	18,925	31,279
	31,278	42,800

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

### 22 Retirement benefit schemes

	2017 £	2016 £
Total charge to profit or loss in respect of pension contributions	101,733	116,020

#### Defined contribution schemes

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

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 22 Retirement benefit schemes

(Continued)

#### Defined benefit schemes

The company also operates a funded pension scheme providing benefits based on final pensionable pay. This scheme became closed to future pension accrual from 1 August 2011. The assets of the scheme are held separately from those of the company and the scheme also covers employees of the parent company, Tithebarn Limited. The notes below provide full disclosure of the scheme in accordance with FRS102 however neither company is able to identify its share of the underlying assets or liabilities. As such, a full provision for the scheme liability, as at 31 July 2017 is recognised in the Tithebarn group accounts only. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Projected Unit Method. Under this method, the current service cost will increase as the members of the scheme approach retirement age.

With effect from April 2014 Tithebarn Limited began to make additional contributions per annum to the defined benefit scheme in respect of a deficit identified in the 2013 actuarial valuation.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at 31 July 2017 by Graeme Foster, Fellow of the Faculty of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

#### Group Pension Scheme

Key assumptions	2017 %	2016 %
Discount Rate	2.50	2.30
Retail price inflation	3.30	2.60
Rates of increase to pensions in payment:		
GMP earned before 6 April 1988	-	-
GMP earned after 5 April 1988	3.00	2.60
Pension earned before 6 April 1997 in excess of GMP	-	-
Pension earned on or after 6 April 1997	3.30	2.60
Rates of early leaver revaluation:		
GMP	Fixed rates	Fixed rates
Pension in excess of GMP	3.30	2.60

#### Mortality assumptions

	2017 recommendations	2016 calculations
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	21.90	21.10
- Females	23.70	23.10
	<u>          </u>	<u>          </u>
Retiring in 20 years		
- Males	23.00	22.40
- Females	25.00	24.60
	<u>          </u>	<u>          </u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

22 Retirement benefit schemes	(Continued)	
	2017	2016
	£	£
<b>Amounts recognised in the profit and loss account</b>		
Net interest on defined benefit liability / (asset)	4,000	(1,000)
Recognised in profit and loss account	<u>4,000</u>	<u>(1,000)</u>
<b>Amounts taken to other comprehensive income</b>	2017	2016
	£	£
Remeasurement of defined benefit obligation	980,000	957,000
Return on plan assets, excluding amounts included in net interest on the recognised defined benefit liability / (asset)	(693,000)	(516,000)
Change in effect of asset ceiling, excluding amounts included in net interest on the recognised defined benefit liability / (asset)	-	(148,000)
Total recognised in Other Comprehensive Income	<u>287,000</u>	<u>293,000</u>
<b>The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:</b>		
	2017	2016
	£	£
Present value of defined benefit obligation	12,062,000	11,711,000
Fair value of plan assets	(11,962,000)	(11,469,000)
Deficit / (asset) in Scheme	<u>100,000</u>	<u>242,000</u>
<b>Change in recognised defined benefit liability / (asset)</b>		
	2017	2016
	£	£
Recognised defined benefit liability / (asset) at beginning of period	242,000	-
Defined benefit cost	291,000	292,000
Employer Contributions	(433,000)	(50,000)
Recognised defined benefit liability / (asset) at 31 July 2017	<u>100,000</u>	<u>242,000</u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 22 Retirement benefit schemes

(Continued)

	2017	2016
	£	£
<b>Movements in the present value of defined benefit obligations</b>		
Defined benefit obligation at 1 August 2016	11,711,000	11,521,000
Remeasurement arising from changes in assumptions	1,022,000	1,216,000
Remeasurement arising from experience	(42,000)	(259,000)
Benefits paid	(886,000)	(1,159,000)
Interest cost	257,000	392,000
	<u>12,062,000</u>	<u>11,711,000</u>
At 31 July 2017	<u>12,062,000</u>	<u>11,711,000</u>

	2017	2016
	£	£
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 August 2016	11,469,000	11,664,000
Interest income	253,000	398,000
Return on plan assets (excluding amounts included in net interest)	693,000	516,000
Benefits paid	(886,000)	(1,159,000)
Contributions by the employer	433,000	50,000
	<u>11,962,000</u>	<u>11,469,000</u>
At 31 July 2017	<u>11,962,000</u>	<u>11,469,000</u>

	2017	2016
	£	£
<b>Fair value of plan assets at the reporting period end</b>		
Equities	5,263,280	4,702,290
Property	1,315,820	1,490,970
Corporate bonds	2,631,640	2,637,870
Gilts	1,794,300	1,835,040
Cash	956,960	802,830
	<u>11,962,000</u>	<u>11,469,000</u>
Total assets	<u>11,962,000</u>	<u>11,469,000</u>

### 23 Share capital

	2017	2016
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
103,434 Ordinary shares of £1 each	<u>103,434</u>	<u>103,434</u>

# PROBIOTICS INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2017

### 24 Operating lease commitments

#### Lessee

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

	2017	2016
	£	£
Within one year	136,124	140,776
Between two and five years	123,019	154,587
	<u>259,143</u>	<u>295,363</u>

### 25 Capital commitments

At 31 July 2017 the company had made a number of capital commitments to acquire and / or construct tangible fixed assets in respect of the site expansion. Amounts which have been contracted for but not provided in the financial statements total:

	2017	2016
	£	£
Acquisition of tangible fixed assets	<u>6,795,015</u>	<u>-</u>

### 26 Related party transactions

The company has taken advantage of the disclosure exemptions to which it is entitled regarding transactions with its parent and other 100% owned subsidiaries in the group and key management personnel.

### 27 Controlling party

The company is ultimately owned and controlled through a Jersey-registered holding company (Interior Design Limited) by BKS Family Trustees Limited as a trustee of a Jersey-registered trust.

The immediate parent company is Tithebarn Limited, a company registered in England and Wales.

Tithebarn Limited prepares group accounts and copies can be obtained from Road 5, Winsford Industrial Estate, Winsford, Cheshire CW7 3PG.