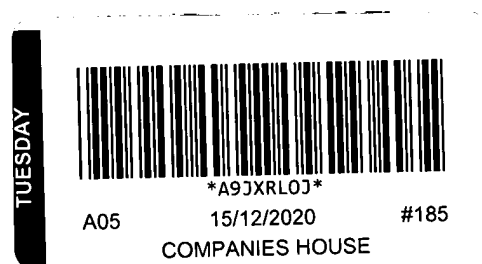


**Insect Technology Group Holdings UK Limited  
(formerly Agriprotein Holdings UK Limited)**

**Consolidated and Parent Company's Financial Statements  
31 December 2019**

**Company's Number: (10819997)**



The consolidated financial statements have been audited in compliance with the applicable requirements of the local legislation over companies.

Issued on 21 October 2020

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **General Information**

<b>Country of incorporation and domicile</b>	United Kingdom
<b>Nature of business and principal activities</b>	Investment holding company and the farming of biomass and conversion of biological waste material into animal feed protein
<b>Directors</b>	Jason Drew Christian M. P. Freier John I. Kahlbetzer Daniël M. Mouton Riaan Smit Eric Von Zwisler Amanda Mesler (from 6 April 2020)
<b>Registered office</b>	1 Farnham Road Guildford Surrey United Kingdom GU2 4RG
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and registered Auditors 1 Embankment Place London WC2N 6RH
<b>Company registration number</b>	10819997

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Index**

The reports and statements set out below comprise the consolidated financial statements presented to the shareholders:

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# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

### **Statement of Directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

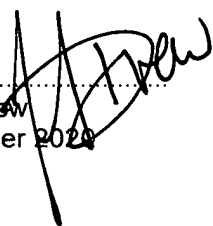
The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### **Approval of consolidated financial statements**

.....  
Jason Drew

21 October 2020



# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

---

### **Directors' Report**

The Directors have pleasure in submitting the Directors' report on the consolidated financial statements of Insect Technology Group Holdings UK Limited and its subsidiaries for the year ended 31 December 2019. The Directors also note the Strategic Report which they have issued and is presented with this report.

#### **Going Concern**

During 2019 the Group continued to operate its F1x factory in Cape Town, South Africa, started operating two additional prototype facilities including the operating facility acquired in Belgium. It also has joint venture partnership agreements in place for the construction of its first two large scale G Series facilities in the United States and The Netherlands. Subject to funding, these factories are expected to be operational during 2022. The Group also established offices in Singapore and India to provide services to support the global roll-out of new factories and expand its research and development capabilities.

The Directors highlight that the Group is currently in the process of raising new capital to fund its ongoing business activities and development projects. As at the date of this report, while discussions with potential equity and debt providers are ongoing, no agreements have yet been reached. In the meantime, and until funding is secured, there are limited cash resources and around \$3.0million committed expenditure.

The business is still in late commercialisation and the Directors understand that the shareholders and stakeholders are supportive of the direction and progress of the projects being developed. The Group has not committed to any material future obligations and will only do so when sufficient funds to complete the projects are raised. Should such funds not be available in the near term, the Directors believe that a fund raising of at least US\$15m will be required in order for the Group to continue its present level of operations and meet its obligations for a period of 12 months from the date of this report. While every effort is being made, the Directors can provide no certainty that these funds will be raised and therefore believe there is a significant risk that the Group may have insufficient liquidity to meet its obligations over the 12 months from the date of this report.

The Directors conclude that these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis and do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

#### **Dividend Policy**

Considering the current cash demands of the business, the Directors do not feel it prudent to be paying dividends at the current time and will review this policy once the Group is revenue generating and profitable.

#### **Research and development activities**

The business has always been supported by continuous investment in research and development to enable it to develop and improve its core technology. In 2019, the Group continued this investment in research and development in its existing Cape Town facility and new research and development facilities in Belgium, the US and Singapore.

#### **Donations and gifts**

The Group did not make any material gifts or donations in 2019.

#### **Change of name**

Since the end of 2018 the holding company has changed its name from AgriProtein Holdings UK Limited to Insect Technology Group Holdings UK Limited. This name change reflects the nature of the company being a holding company which operates through a number of different brands in different markets. As AgriProtein is one of those brands (albeit the most commonly used brand in the group) it is no longer appropriate that AgriProtein be the name used by the holding company which has several brands.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Independent Auditors**

PricewaterhouseCoopers LLP continue in their office as appointed auditors for the company for the financial year ended 31 December 2019 and have indicated a willingness to continue in office.

As at the date of this report, each director can state that:

- i) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- ii) The directors have taken steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Financial Risk Management**

The Group's management of financial risk is discussed in detail within note 24.

### **Subsequent Events**

For more details refer to note 31.

### **Other subsequent events**

### **Future Outlook and Likely Future Developments**

At the date of this report the Directors believe that the future outlook for the Group is uncertain and is dependent on successfully raising new capital. The Group has appointed a financial adviser to assist it raise up to US\$100 million to fund the business plan for the next two to three years. The Group can adjust its business plan in accordance with the capital it has available but the Directors expect that further capital will be needed in the future.

The current COVID-19 pandemic is not expected to have a material impact on the Group, its business or its financial position. Its impact on global supply chain could impact the timetable of building its new factories. The Directors do not envisage any likely future development to occur in the Group other than those in the normal course of its operation as discussed in the Strategic Report.

### **Directors**

The Directors of the holding company who were in office during the year and up to the date of signing the financial statements were:

John Jason Drew  
John Igino Kahlbetzer  
Stephen James Harley Rodger (retired 10 June 2019)  
Eric Von Zwisler

Christian Markus Phillip Freier  
Daniël Marais Mouton  
Riaan Smit  
Amanda Mesler (appointed 6 April 2020)

### **Date of Authorisation for the Issue of financial statements**

The consolidated financial statements set out on pages 11 to 46, which have been prepared on the going concern basis, were approved by the Directors on 21 October 2020, and were signed on its behalf by:

### **Approval by the Board**

The Directors of the Company approve the issuance of this Directors' Report.

  
.....  
Jason Drew  
21 October 2020

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

---

### **Strategic Report**

The Directors have pleasure in submitting the Strategic report on the consolidated financial statements of Insect Technology Group Holdings UK Limited and its Subsidiaries for the year ended 31 December 2019.

#### **Review and description of the Group's business**

The Group is one of the global leading developers and operators of technology to convert organic waste and by-products into protein and other valuable products through the farming, rearing and processing of Black Soldier Flies and their larvae. The Group has spent almost ten years developing and commercialising this process at its operating plant in Cape Town, South Africa and more recently in its pre-deployment facilities in Belgium and the United States. It is now developing two new large scale "G Series" facilities in the United States and the Netherlands and planning on rolling out further facilities in multiple new sites around the world.

The business takes in organic waste material from various sources such as food production facilities, agricultural operations, catering businesses and supermarkets. It processes this material into a substrate which is then fed to the larvae of the Black Soldier Fly which are farmed in our colonies utilising the Group's proprietary technology. The larvae are then processed into multiple valuable products including protein and lipids for sale into animal feed products.

#### **The development and performance of the company's business during the financial year**

The Group continued to operate its F1x factory in Cape Town, South Africa and started operating two additional prototype facilities including the operating facility in Belgium acquired through the acquisition of Millibeter N.V. (now renamed to Circular Organics N.V.) in 2019. In the United States, the Group opened a pre-deployment facility in conjunction with its US partner in close proximity to the site where it is developing its first G Series site in that market.

During 2019, the Group finalised partnership agreements for the construction of its first two large scale G Series facilities in the United States and The Netherlands. In each of these locations, the Group has formed a new entity in which it and its joint venture partner each own 50%. These joint venture entities have each secured buildings in which it can build these and are finalising the permitting, feedstock and other arrangements required to start installing the factories in these buildings. These factories are expected to be operational during 2022.

The Group also established offices in Singapore and India to provide services to support the global roll-out of new factories and expand its research and development capabilities.

#### **Review of financial results**

The Group continued to operate in a development/pre-revenue stage of development during 2019. During 2019, it recorded a loss of \$27.4million. This was greater than the loss recorded in 2018 of \$12.9million in line with the expanding operations of the Group.

The Group recorded a cash outflow from operations and investment of \$25million (2018: \$13.5million). The major items contributing to this were the capital expenditure on new equipment at its facility in South Africa, its pre-deployment facilities in Belgium and California, engineering and development expenses on the two G-Series facilities under development in California and the Netherlands and on expenses incurred in the expansion of operations in these new locations.

#### **The Group's position at the end of the year**

The Group finished the year with shareholders' equity of \$31.8million (2018: \$52.9million). The Group had cash on hand of \$1.3million (2018: \$4.8million) and recorded US\$19.7million of unpaid equity which it will call in the coming year.

#### **Description of the principal risks and uncertainties facing the Group**

The Group is in the development phase of constructing, through its joint venture entities, G Series facilities in California and the Netherlands. The key risks facing the Group relate to the construction of these facilities such as engineering execution, financing, project timelines and budget risks and the enhanced risk profile of operating in multiple countries.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Description of the principal risks and uncertainties facing the Group (continued)**

The Group has invested in key hires and corporate infrastructure during 2019 and will continue to do so in order to mitigate and address these risks. These facilities are being developed in joint ventures owned 50% each by the Group and its partner in each of these two markets. These joint venture partners have relevant experience to contribute to the development, construction and operating of these factories and they are sharing the financial risk associated with doing so.

The other key risk facing the Group is its access to capital in order to continue funding the development of these facilities and its ongoing support and research and development operations. The development of these facilities through joint ventures has brought access to much of the capital required for this. However, more capital is required to that the Group can complete its funding requirement to the joint ventures. As at the end of 2019, the Group did not have sufficient funds to do this and has engaged a financial adviser to assist in raising capital. As at the date of this report this capital raise has not been completed so there remains significant risk to the Group's liquidity and its ability to execute its strategic business plan.

The additional risk of the impact of COVID-19 on the Group has been assessed by the Directors. Given the Group's stage of development the Directors do not expect COVID-19 to have a material impact on the future operations of the Group, however the impact on global supply chains may delay the construction of the new G Series facilities under development.

### **Key Performance Indicators (KPI's)**

Due to the Group's stage of development, the current KPI's by which the executive management monitor the performance of the business are cash balance and level of loss, as discussed in the financial review above. In future years, KPI's will be redefined to reflect the more advanced stage of commercialisation.

### **Capital management**

The Group's capital management is discussed in detail in Note 3.

### **Approval by the Board**

The Directors of the Company approve the issuance of this Strategic Report.

  
.....  
Jason Drew  
21 October 2020



# ***Independent auditors' report to the members of Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion:

- Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)'s group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Consolidated and Parent Company's Financial Statements (the "Annual Report"), which comprise: the Consolidated and Parent Company Statement of Financial Position as at 31 December 2019; the Consolidated Statement of Profit or Loss and Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Material uncertainty related to going concern – Group and Parent Company**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1.1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Group is currently in the process of raising new capital to fund its ongoing business activities and development projects. The Directors believe that a fund raising of at least US\$15m will be required in order for the Group to continue its present level of operations and meet its obligations for a period of 12 months from the date of this report. While every effort is being made, the Directors can provide no certainty that these funds will be raised and hence the Group may have insufficient funds to meet its obligations for 12 months from the date of this report. These conditions, along with the other matters explained in note 1.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## Responsibilities for the financial statements and the audit

### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### *Auditors' 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jason Burkitt (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
21 October 2020

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Consolidated Statement of Profit or Loss and Comprehensive Income for the year ended 31 December 2019

	Note	2019 \$	2018 \$
Sales		24,416	12,417
Cost of sales		(1,097,817)	-
<b>Gross (loss)/profit</b>		<b>(1,073,401)</b>	<b>12,417</b>
Other income	20	464,720	-
Operating expenses		(26,393,709)	(12,506,027)
<b>Loss from operations</b>	18	<b>(27,002,390)</b>	<b>(12,493,610)</b>
Foreign exchange losses		(4,906)	(263,589)
Finance income		83,920	8,818
Finance costs		(195,282)	(158,123)
Share of loss of joint ventures	9	(308,131)	-
<b>Loss before tax</b>		<b>(27,426,789)</b>	<b>(12,906,504)</b>
Taxation	21	(6,224)	-
<b>Loss after tax</b>		<b>(27,433,013)</b>	<b>(12,906,504)</b>
<b>Other comprehensive loss that will not be reclassified subsequently to profit or loss:</b>			
Elimination of minority interest	22	-	413,239
Foreign exchange differences relating to net investment in foreign operation	22	(3,175)	(1,761,693)
<b>Other comprehensive loss for the year</b>	22	<b>(3,175)</b>	<b>(1,348,454)</b>
<b>Total comprehensive loss for the year</b>		<b>(27,436,188)</b>	<b>(14,254,958)</b>
<b>Loss attributable to:</b>			
Owners of the parent		(27,433,013)	(12,906,504)
		<b>(27,433,013)</b>	<b>(12,906,504)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent		(27,436,188)	(14,254,958)
		<b>(27,436,188)</b>	<b>(14,254,958)</b>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company Income Statement or Statement of Comprehensive Income. The loss for the parent company for the year was \$26,156,073 (2018: \$11,052).

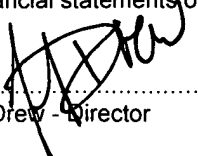
# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Consolidated Statement of Financial Position as at 31 December 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	10,041,954	8,952,945
Intangible assets	7	1,652,177	3,690,288
Right-of-use assets	17	853,218	-
Assets held for sale	11	1,881,271	-
Unpaid share capital	29	-	14,000,000
Investments in joint ventures	9	845,086	-
Non-current financial assets	16	364,829	-
		<b>15,638,535</b>	<b>26,643,233</b>
<b>Current Assets</b>			
Trade and other receivables	10	952,478	1,372,247
Unpaid share capital	29	19,739,239	24,000,000
Other current financial assets	16	289,889	-
Income tax receivable		13,076	-
Cash and cash equivalents	12	1,309,152	4,800,173
		<b>22,303,834</b>	<b>30,172,420</b>
<b>Total assets</b>		<b>37,942,369</b>	<b>56,815,653</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	13	79,286	77,752
Share premium	13	58,366,235	53,803,521
Merger reserve		21,787,776	21,787,776
Foreign currency translation reserve		(529,444)	(526,269)
Share based payment reserve		2,468,064	784,855
Retained earnings		(50,383,951)	(22,950,938)
<b>Total equity</b>		<b>31,787,966</b>	<b>52,976,697</b>
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	16	1,821,933	1,670,545
Promissory note	5	991,850	-
Government grants	14	322,375	-
Deferred tax liabilities		1,820	-
		<b>3,137,978</b>	<b>1,670,545</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,521,731	1,051,646
Interest-bearing loans and borrowings	16	946,598	317,744
Other current financial liabilities	16	548,096	799,021
		<b>3,016,425</b>	<b>2,168,411</b>
<b>Total liabilities</b>		<b>6,154,403</b>	<b>3,838,956</b>
<b>Total equity and liabilities</b>		<b>37,942,369</b>	<b>56,815,653</b>

The financial statements on pages 11 to 46 were approved by the Board of Directors on 21 October 2020 and signed on its behalf by:

  
Jason Drew - Director

**Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

**Consolidated Financial Statements  
31 December 2019**

**Consolidated Statement of Changes in Equity**  
for the year ended 31 December 2019

	Share capital	Share premium	Foreign currency translation reserve	Share based payment reserve	Merger reserve	Retained earnings	Total attributable to equity holders of the company	Non- controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2018</b>	<b>6,440</b>	<b>21,228,649</b>	<b>998,217</b>	<b>53,658</b>	-	<b>(9,808,625)</b>	<b>12,478,339</b>	<b>(413,239)</b>	<b>12,065,100</b>
Retranslation of prior year losses	-	-	237,207	(1,398)	-	(235,809)	-	-	-
Loss for the year	-	-	-	-	-	(12,906,504)	(12,906,504)	413,239	(12,493,265)
Other comprehensive loss	-	-	(1,761,693)	-	-	-	(1,761,693)	-	(1,761,693)
<b>Total comprehensive loss for the year</b>	-	-	<b>(1,524,486)</b>	<b>(1,398)</b>	-	<b>(13,142,313)</b>	<b>(14,668,197)</b>	<b>413,239</b>	<b>(14,254,958)</b>
Issue of shares	77,752	53,803,521	-	-	-	-	53,881,273	-	53,881,273
Transfer to merger reserve	(6,440)	(21,228,649)	-	-	21,787,776	-	552,687	-	552,687
Share based payment charge	-	-	-	732,595	-	-	732,595	-	732,595
<b>Total transactions with owners</b>	<b>71,312</b>	<b>32,574,872</b>	-	<b>732,595</b>	<b>21,787,776</b>	-	<b>55,166,555</b>	-	<b>55,166,555</b>
<b>Balance as at 31 December 2018</b>	<b>77,752</b>	<b>53,803,521</b>	<b>(526,269)</b>	<b>784,855</b>	<b>21,787,776</b>	<b>(22,950,938)</b>	<b>52,976,697</b>	-	<b>52,976,697</b>
Retranslation of prior year losses	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	-	(27,433,013)	(27,433,013)	-	(27,433,013)
Other comprehensive loss	-	-	(3,175)	-	-	-	(3,175)	-	(3,175)
<b>Total comprehensive loss for the year</b>	-	-	<b>(3,175)</b>	-	-	<b>(27,433,013)</b>	<b>(27,436,188)</b>	-	<b>(27,436,188)</b>
Issue of shares	1,506	4,459,039	-	-	-	-	4,460,545	-	4,460,545
Shares vested during the year	28	103,675	-	(52,808)	-	-	50,895	-	50,895
Share based payment charge	-	-	-	1,736,017	-	-	1,736,017	-	1,736,017
<b>Total transactions with owners</b>	<b>1,534</b>	<b>4,562,714</b>	-	<b>1,683,209</b>	-	-	<b>6,247,457</b>	-	<b>6,247,457</b>
<b>Balance as at 31 December 2019</b>	<b>79,286</b>	<b>58,366,235</b>	<b>(529,444)</b>	<b>2,468,064</b>	<b>21,787,776</b>	<b>(50,383,951)</b>	<b>31,787,966</b>	-	<b>31,787,966</b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Consolidated Statement of Cash Flows for the year ended 31 December 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Loss before tax		(27,426,789)	(12,906,504)
<b>Adjustments of non-cash items:</b>			
Depreciation and impairment of property, plant and equipment and right-of-use assets	6,17	2,730,008	606,560
Amortisation and impairment of intangible assets	7	8,346,079	1,793,258
Share based payment expense	26	1,736,017	732,595
Net foreign exchange differences		(173,775)	281,849
Loss on disposal of property, plant and equipment		1,557	-
Finance income		(83,920)	(8,818)
Finance costs		195,282	158,123
Share of loss of a joint venture	9	308,791	-
Movement in government grants	14	(233,252)	-
<b>Working capital changes:</b>			
Decrease in trade and other receivables		77,400	1,241,245
Increase in trade and other payables		335,067	613,237
<b>Cash outflows used in operating activities</b>		<b>(14,187,535)</b>	<b>(7,488,455)</b>
Interest received		83,920	8,818
Interest paid		(55,579)	(158,123)
Income tax refund		8,584	-
<b>Net cash outflows used in operating activities</b>		<b>(14,150,610)</b>	<b>(7,637,760)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		232,063	-
Purchases of property, plant and equipment	5,6,11	(5,428,286)	(5,888,239)
Payments for improvements on right-of-use assets		(61,497)	-
Payments for capitalized expenses	5,7	(2,910,470)	-
Acquisition of subsidiary		(2,214,215)	-
Purchase of investments in joint ventures	9	(845,086)	-
Receipt of government grants	14	334,922	-
<b>Net cash outflows used in investing activities</b>		<b>(10,892,569)</b>	<b>(5,888,239)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		22,772,201	17,000,000
Payment of principal portion of leased liabilities		(268,635)	-
Issue of loan to joint venture		(673,620)	-
Proceeds from interest-free borrowings		313,716	-
Repayment of borrowings		(588,249)	(250,585)
<b>Net cash inflows from in financing activities</b>		<b>21,555,413</b>	<b>16,749,415</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,487,766)</b>	<b>3,223,416</b>
Net foreign exchange difference		(3,255)	(45,455)
Cash and cash equivalents at 1 January		4,800,173	1,622,212
<b>Cash and cash equivalents at 31 December</b>	12	<b>1,309,152</b>	<b>4,800,173</b>

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1. Significant accounting policies**

##### **1.1 Basis of preparation**

Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited) (the 'Company') is a company incorporated as private limited by shares, having its registered office situated in England and Wales. The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (collectively referred to as "the Group")

The consolidated financial statements have been prepared on an accrual and going concern basis under the historical cost convention unless otherwise stated and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the requirements of the UK Companies Act 2006.

Accounting transactions are recorded when they are incurred regardless of when the actual cash flows for the transactions are received.

The accounting policies have been applied consistently, other than where new policies have been adopted (see note 1.4).

##### **Functional and presentation currency**

All items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the holding company and the presentation currency of the consolidated financial statements is US Dollars. All amounts have been rounded to the nearest dollar unless otherwise indicated.

##### **COVID-19 pandemic**

The additional risk of the impact of COVID-19 on the Group has been assessed by the Directors. Given the Group's stage of development the Directors do not expect COVID-19 to have a material impact on the future operations of the Group, however the impact on global supply chains may delay the construction of the new G Series facilities under development.

##### **Going concern**

The Group is currently in the process of raising new capital to fund its ongoing business activities and development projects. While discussions with potential equity and debt providers are ongoing, no agreements have yet been reached. In the meantime, and until funding is secured, there are limited cash resources and around \$3.0million committed expenditure.

The business is still in late commercialisation and the Directors understand that the shareholders and stakeholders are supportive of the direction and progress of the projects being developed. The Group has not committed to any material future obligations and will only do so when sufficient funds to complete the projects are raised. Should such funds not be available in the near term, the Directors believe that a fund raising of at least US\$15m will be required in order for the Group to continue its present level of operations and meet its obligations for a period of 12 months from the date of this report. While every effort is being made, the Directors can provide no certainty that these funds will be raised and therefore believe there is a significant risk that the Group may have insufficient liquidity to meet its obligations over the 12 months from the date of this report.

The Directors conclude that these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.



# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1. Significant accounting policies (continued)**

##### **12 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

##### ***Investment in joint ventures***

The group's investments in its joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the group's share of the results of operations of the joint venture. Any change in joint venture's other comprehensive income is presented as part of the group's other comprehensive income. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the group's share of profit or loss of a joint venture is shown as a separate line item in profit or loss outside operating profit or loss and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the joint venture.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1. Significant accounting policies (continued)**

#### **1.2 Basis of consolidation (continued)**

##### ***Investment in joint ventures (continued)***

The financial statements of the joint venture are prepared for the same reporting period as the group. When necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

When the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless there are other long-term interests that, in substance, form part of the Group's net investment in the joint venture. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized

#### **1.3 Summary of significant accounting policies**

##### **a) Foreign currency**

##### ***Transactions and balances***

Transactions in foreign currencies are translated to the functional currency of the entity at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for the effective interest and payments during the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in profit or loss. Net foreign exchange gains or losses are shown as a separate line item in profit or loss.

##### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to US Dollar at exchange rates at the reporting date. The income and expenses of foreign operations are translated to US Dollar at the average exchange rates for the year.

Gains and losses on translation for consolidation are recognised in other comprehensive income and presented within equity in the Foreign Currency Translation Reserve ("FCTR").

When a foreign operation is disposed of in part or in full, the related amount in the FCTR is transferred to profit or loss as part of the gain or loss on disposal. If the group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

The entity considers the loan advanced to its subsidiary in South Africa as a net investment in foreign operation as settlement of the loan is neither planned nor likely to occur in the foreseeable future. Any foreign exchange differences arising on the loan is accounted for in other comprehensive income at a consolidated level.

##### **b) Property, plant and equipment**

##### **Recognition and measurement**

Items of property, plant and equipment, including owner-occupied buildings, are stated at historical cost less accumulated depreciation and accumulated impairment losses. Land is stated at cost less impairment losses.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **b) Property, plant and equipment (continued)**

###### **Recognition and measurement (continued)**

Upon initial recognition, assets subject to finance leases are recognised at the lower of fair value and the present value of the minimum lease payments.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Installation and other costs, which comprise materials and direct labour costs necessarily incurred in order to acquire property, plant and equipment, are also included in cost.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs are capitalised in line with the accounting policy outlined under financial expenses.

Gains or losses on the disposal of property, plant and equipment, comprising the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss.

###### **Subsequent costs**

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits embodied within the item will flow to the group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the year in which it is incurred.

###### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of the asset in order to reduce the cost of the asset to its residual value. Residual value is the amount that an entity could receive for the asset at the reporting date if the asset were already of the age and the condition that it will be in when the entity expects to dispose of it. Residual value does not include expected future inflation. Land is not depreciated.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Land	Indefinite life	Indefinite life
Buildings	Straight line	50 years
Plant & machinery	Straight line	4 to 5 years
Furniture & fixtures	Straight line	6 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	3 years
Fly Cages	Straight line	5 years
Larva Bins, Nursery Racks, Plastic Trays and sundries	Straight line	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

###### **Assets held for sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are available for immediate sale in their present condition and their sale is highly probable.

##### **c) Intangible assets**

###### **Research and development costs**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **c) Intangible assets (continued)**

###### **Capitalisation and Amortisation**

Expenditure that is deemed to be of specific worth over a certain period, after consideration of technological improvements and enhancements in internal learning and understanding, is capitalised and amortised on a straight-line basis over a period not exceeding 6 years. Amortisation periods are reassessed and impairment reviews performed annually, or at the sign of any potential impairment. Intangible assets are shown in Note 7.

##### **d) Financial instruments**

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at amortised cost. There are no financial instruments that are classified as being carried at fair value through profit or loss.

The Group has the following non-derivative financial instruments and the subsequent measurement of each financial instrument is explained in more detail below.

###### *Trade receivables and other financial assets*

These financial assets originate by the Group providing goods, services or money directly to a debtor and are subsequent to initial measurement measured at amortised cost using the effective interest method less any accumulated impairment losses.

###### *Loans and borrowings*

Loans and borrowings are financial liabilities with fixed or determinable payments. Subsequent to initial measurement these financial instruments are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

###### *Trade and other payables*

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

##### **Derecognition**

###### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

###### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

##### **Offset**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **e) Tax**

###### **Deferred tax assets and liabilities**

Deferred tax is recognised for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes, except for the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

###### **Tax expenses**

Income tax expense on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### **f) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. The Group's lease contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

###### **Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

###### **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use assets are also subject to impairment.

###### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **f) Leases (continued)**

In calculating the present value of lease payments, the Group uses the Central banks' lending rates and EU base rates at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Interest-bearing loans and borrowings.

##### ***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment and similar that are considered to be low value. The Group defines low values as incurring annual costs of less than \$10,000. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

##### **g) Government grants**

Government grants are recognised upon receipt and any attached conditions have been complied with. The Group recognizes grants relating to research and development of specific projects. They are recognised as income in equal amounts over the expected useful life of the project.

##### **h) Impairment of assets**

###### ***Financial assets***

At each reporting date, an assessment is made as to whether objective evidence exists that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of the asset.

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 original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **h) Impairment of assets (continued)**

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

##### *Non-financial assets*

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each reporting date.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss.

##### **Recoverable amount**

The recoverable amount of an asset is the greater of its fair value less cost to sell and its value in use. Recoverable amounts are estimated for individual assets or, if an asset does not generate largely independent cash flows, for a cash-generating unit. A cash-generating unit is the smallest collection of assets capable of generating cash flows independent of other assets or other cash-generating units.

The fair value less cost to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or cash-generating unit and from its disposal at the end of its useful life. The estimated future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

##### **Reversal of impairment losses**

Impairment losses recognised in prior years are assessed at each reporting date for any indicators that the losses have decreased or no longer exist. Reversal of impairment losses recognised in prior years are recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased, either as a result of an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount.

An impairment loss is reversed only to the extent that the carrying amount of the affected asset is not increased to an amount higher than the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised in prior years. The reversal is recorded as income in profit or loss.

An impairment loss in respect of goodwill is never reversed.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **i) Share capital and equity**

###### *Ordinary share capital*

Ordinary share capital represents the par value of ordinary shares issued.

###### *Share premium*

Share premium represents the excess consideration received by the company over the par value of ordinary shares issued and is classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effect.

##### **j) Employee benefits**

###### **Short-term employee benefits**

The cost of all short-term employee benefits is recognised as an expense during the year in which the employee renders the related service.

Accruals for employee entitlements to wages, salaries, bonuses, annual and sick leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided at the reporting date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

###### **Post-employment and other long-term employee benefits**

In line with statutory requirements, the UK Companies contribute to workplace pension schemes at the required levels. Pension arrangements for non-UK employees are currently under review and a South African scheme has commenced in 2019. All schemes are defined contribution, with payments made and expensed to profit or loss within the relevant year. There is no outstanding commitment on the Group.

##### **k) Provisions and contingencies**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount of a provision is determined by discounting the expected future cash flows expected to be required to settle the obligation at a pre-tax rate that reflects the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the asset associated with that contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

##### **l) Revenue**

###### *Revenue from sale of goods*

Revenue from sale of goods is measured at the fair value of the consideration received or receivable net of returns and volume rebates and is stated exclusive of value-added tax. Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, there is no continuing managerial involvement, costs can be measured reliably, and receipt of the future economic benefits is probable.



# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **1.3 Summary of significant accounting policies (continued)**

##### **l) Revenue (continued)**

###### *Rental income*

Income from operating leases in respect of property is recognised in profit or loss on a straight-line basis over the lease term.

###### *Financial income*

Financial income comprises interest income. Interest income is recognised in profit or loss on a time proportion basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the company.

##### **m) Financial expenses**

Financial expenses comprise interest payable on borrowings calculated using the effective interest method and unwinding of the discount on provisions.

Borrowing costs directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

##### **n) Equity-settled share-based compensation benefits**

The holding company grants shares to certain employees under an employee share plan. Equity-settled transactions are accounted for at the grant-date fair value of shares awarded and is recognised as an employee expense in profit or loss with a corresponding increase in the share-based payment reserve over the vesting period of the shares.

#### **1.4. Changes in accounting policies and disclosures**

##### ***Adoption of new and amended standards and interpretations***

The standards and interpretations listed below have become effective since 1 July 2018 for annual periods beginning on 1 January 2019. Except for the adoption of IFRS 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group. The impact of those changes is disclosed below.

###### *Changes to IFRS*

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 *Leases*
- IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*
- Annual IFRS Improvement Process
- IFRS 3 *Business Combinations* - Previously held Interests in a joint operation
- IFRS 11 *Joint Arrangements* - Previously held Interests in a joint operation
- IAS 12 *Income Taxes* - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 *Borrowing Costs* - Borrowing costs eligible for capitalization

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 1.4. Changes in accounting policies and disclosures (continued)

##### *Adoption of new and amended standards and interpretations (continued)*

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

##### **IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the cumulative effect of initially applying the Standard recognised at the date of initial application of 1 January 2019. The Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting IFRS 16 is, as follows:

##### **Impact on the consolidated statement of financial position (increase/(decrease)):**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Right-of-use assets	853,218	-
<b>Total assets</b>	<b>853,218</b>	<b>-</b>
<b>Liabilities</b>		
Interest bearing loans and borrowings	907,122	-
<b>Total liabilities</b>	<b>907,122</b>	<b>-</b>

##### **Impact on the consolidated statement of profit or loss (increase/(decrease)):**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Operating expenses	(365,058)	-
<b>Operating loss</b>	<b>(365,058)</b>	<b>-</b>
Finance costs	(33,711)	-
<b>Loss for the year</b>	<b>(398,769)</b>	<b>-</b>
Attributable to:		
Equity holders of the parent	(398,769)	-

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 1.4. Changes in accounting policies and disclosures (continued)

##### *Adoption of new and amended standards and interpretations (continued)*

Impact on the consolidated statement of cash flows (increase/(decrease)):

	2019	2018
	\$	\$
Depreciation expense	348,720	-
Interest paid	33,711	-
<b>Net cash flows from operating activities</b>	<b>382,431</b>	-
Payment of principal portion of lease liabilities	(268,635)	-
<b>Net cash flows used in financing activities</b>	<b>(268,635)</b>	-

As at 31 December 2019:

- 'Right-of-use assets' were recognised and presented separately in the statement of financial position.
- Lease liabilities were recognised and included under 'Interest bearing loans and borrowings'.

For the year ended 31 December 2019:

- Depreciation expense increased because of the depreciation of additional assets recognized. This resulted in increase in operating expenses of \$348,720 (2018: \$nil).
- Finance costs increased by \$33,711 (2018: \$nil) relating to the interest expense on lease liabilities recognised.
- Difference between cash flows from operating activities and cash flows from financing activities is due to the increased depreciation charge as one of the leases had a three month rent free arrangement.

The Group did not own any right-of-use assets in prior year ended 31 December 2018.

##### **Standards and amendments effective from 1 January 2020 onwards**

- IFRS 17 Insurance Contracts
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8
- Amendments to IFRS 9, IAS 39 and IFRS 7

The Group has not opted for early adoption of any of the above standards/amendments.

#### **2. Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 2. Significant accounting judgements, estimates and assumptions (continued)

Management discusses and reviews on an ongoing basis the development, selection and disclosure of critical accounting policies and estimates and the application of these policies and estimates. No judgements were made by management in the application of IFRS that have a significant effect on the financial statements.

##### Impairment of non-financial assets

Estimated fair values, including those used in impairment tests of intangible assets, include key estimates and assumptions on sales prices, bio conversion rates, gate fees received, operating expenses, foreign exchange rates and discount rates.

##### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the holding company uses the share value at that date. For measurement of the Long Term Incentive Plan the holding company has used a Value Creation Plan model based on different payouts and assumptions.

##### Leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses Central Banks borrowing rates to measure lease liabilities.

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

#### 3. Capital management

The Group's objectives when managing capital are to safeguard its ability to fund the ramp up plan, whilst remaining a going concern in order to provide returns to shareholders and other stakeholders and to maintain an optimal capital structure that strikes the appropriate balance between risk and the cost of capital.

In order to help meet these objectives, the Group has established joint venture entities in California and the Netherlands in which it and its partners own 50% each. This has provided access to additional capital to build these facilities. Since the end of 2019, the Group has also been conducting a fund raising activity which, at the date of this report, is not yet complete. More details are disclosed in the Directors' Report.

The Group defines capital as all elements of equity and reserves and defines net (debt)/cash as cash and cash equivalents less borrowings.

Capital and net cash/(debt) are set out in the table below.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Equity	58,445,521	53,881,273
Reserves	(26,657,555)	(904,576)
<b>Capital</b>	<b><u>31,787,966</u></b>	<b><u>52,976,697</u></b>
Cash and cash equivalents	1,309,152	4,800,173
Borrowings	(4,308,477)	(2,787,310)
<b>Net (debt)/cash</b>	<b><u>(2,999,325)</u></b>	<b><u>2,012,863</u></b>

## Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

### Consolidated Financial Statements 31 December 2019

#### Notes to the consolidated financial statements

#### 4. Group information

##### Subsidiaries

The consolidated financial statements of the Group include:

Name	Registered address	Principal activities	Country of incorporation	% equity interest	
				2019	2018
Insect Technology Group Services UK Limited (formerly Agriprotein Services UK Limited)	1 Farnham Road, Guildford Surrey, GU2 4RG, UK	Provision of services to Group companies	United Kingdom	100	100
Insect Technology Group Research UK Limited (formerly Agriprotein Research UK Limited)	1 Farnham Road, Guildford Surrey, GU2 4RG, UK	Research and development services	United Kingdom	100	100
Insect Technology Group Limited (formerly Agriprotein Limited)	1 Farnham Road, Guildford Surrey, GU2 4RG, UK	Investment holding company	United Kingdom	100	100
Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited)	1 Farnham Road, Guildford Surrey, GU2 4RG, UK	Dormant	United Kingdom	100	100
AgriProtein (Gibraltar) Limited	186 Main Street, Gibraltar	Investment holding company	Gibraltar	100*	100
ITGPro Support Services India Private Limited	No 1/5, Santhosh Complex, Armugam Circle, Basavanagudi, Bangalore 560004, India	Provision of engineering services to Group companies	India	99.99	-
Insect Technology Group USA, Inc (formerly Hexagia USA, Inc)	2140 S Dupont Highway, Camden, Delaware 19934, USA	Dormant	USA	100	-
AgriProtein Singapore Pte Limited	1 Science Park Road, 02-10/11 The Capricorn, Singapore Science Park 2, Singapore	Engineering and operations support to Group companies	Singapore	100	100
Circular Organics N.V. (formerly Millibeter N.V.)	Slachthuisstraat 120/6, 2300 Turnhout, Belgium	Insect rearing and manufacture of value added products	Belgium	100	-
The Biocycle (Pty) Limited	1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa	Farming of biomass and conversion of biological waste material into animal protein	South Africa	100	100
AgriProtein Technologies (Pty) Limited	1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa	Farming of biomass and conversion of biological waste material into animal protein	South Africa	100**	100
AgriProtein California LLC	9th Floor, 11400 Olympic Boulevard West, Los Angeles, California USA	Insect rearing and manufacture of value added products	USA	100	-
AgriProtein South Africa	1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa	Farming of biomass and conversion of biological waste material into animal protein	South Africa	100***	-

\* The Group effectively holds 87.38% of the equity in AgriProtein (Gibraltar) Limited but consolidates 100% of this entity as the Group holds 100% of the entity's voting rights.

\*\* The Group effectively holds 82.26% of the equity in AgriProtein Technologies (Pty) Limited but consolidates 100% of this entity as the Group holds 100% of the entity's voting rights.

\*\*\* The Group effectively holds 87.38% of the equity in AgriProtein South Africa but consolidates 100% of this entity as the Group holds 100% of the entity's voting rights.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 4. Group information (continued)

##### *The holding company*

The Group has no ultimate business owner. Exxaro Resources Limited, owns 25.85% (2018: 26.37%) of the Group's ordinary shares, however there is no individual who controls Exxaro Resources Limited, a company listed on the Johannesburg Stock Exchange.

##### *Joint arrangement in which the Group is a joint venture*

The Group has a 50% interest in Bioko LP (formerly APPZ LP) and a 50% interest in The Insectory B.V. (2018: nil). For more details, refer to Note 9.

#### **Subsidiaries exempt from audit**

As permitted under Section 479A of the Companies Act 2006, the following subsidiary companies have claimed audit exemption in respect of their financial statements for the year ended 31 December 2019:

- Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited)
- Insect Technology Group Research UK Limited (formerly Agriprotein Research UK Limited)
- Insect Technology Group Services UK Limited (formerly Agriprotein Services UK Limited)
- Insect Technology Group Limited (formerly Agrirotein Limited)

#### 5. Business combinations

##### **Acquisitions in 2019**

##### ***Acquisition of Millibeter N.V.***

On 1 January 2019 the company acquired 100% of the voting shares of Millibeter N.V., a Black Soldier Fly company based in Belgium in exchange for the company's shares. The total number of shares issued as consideration was 138,574 shares, representing 1.75% of the enlarged capital base of 7,913,822 shares in the company on that date.

##### **Assets acquired and liabilities assumed**

Millibeter's reporting currency is Euros. The identifiable assets and liabilities on acquisition date have been converted in United States dollars using the spot rate on that date. The fair values of the identifiable assets and liabilities of Millibeter N.V. at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	<b>\$</b>
<b>Assets</b>	
Property, plant and equipment	166,375
Research and development costs	874,098
Cash and cash equivalents	1,242,976
Trade receivables	54,547
VAT	37,386
Other receivables	2,624
	<b><u>2,378,006</u></b>
<b>Liabilities</b>	
Trade payables	(347,996)
Government grants	(220,705)
Other payables	(401,896)
Provisions	(11,555)
Staff costs	(27,701)
	<b><u>(1,009,853)</u></b>
<b>Total identifiable net assets at fair value</b>	<b>1,368,153</b>
Less: Research and development costs not recognized on acquisition	<b><u>(874,098)</u></b>
<b>Adjusted total identifiable net assets at fair value</b>	<b>494,055</b>
Goodwill arising on acquisition of subsidiary (Note 7 – intangibles)	<b><u>4,300,865</u></b>
<b>Purchase consideration</b>	<b><u>4,794,920</u></b>

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **5. Business combinations (continued)**

##### **Acquisitions in 2019 (continued)**

<i><b>Purchase consideration</b></i>	<u><b>\$</b></u>
Shares issued at a premium	3,548,880
Promissory note	991,850
Earn out provision	195,456
Loan payable to shareholder	<u>58,734</u>
<b>Total consideration</b>	<u><b>4,794,920</b></u>

The company issued 138,574 ordinary shares as consideration for the 100% interest in Millibeter N.V. (Millibeter'). The shares were issued at a premium of \$25.60 per share. The company has also issued a promissory note to Innovation Fund N.V. (the 'Noteholder') as a consideration for the company's acquisition of Millibeter's shares from the Noteholder.

Prior to the acquisition, Millibeter and Mr. Johan Jacobs had entered into an Agreement on the Conditional Acquittal of Debts, pursuant to which Mr. Johan Jacobs has granted acquittal to Millibeter for its debt in the total amount of €51,624.50 (€50,000 principal and €1,624.50 interest), provided that Millibeter does not return to better fortune. The loan payable to Mr. Johan Jacobs was decided to be considered part of the purchase consideration of Millibeter and be recognised in the financial statements of ITG Holdings UK Limited.

##### *Contingent consideration*

As part of the Sale Purchase Agreement with the previous owners of Millibeter contingent consideration has been agreed. The earn out provision consists of earn out shares and an earn out promissory note. Payment is dependent upon certain conditions outlined in the Agreement. The relevant earn out clause is linked to Millibeter's management identifying a feasible facility in Belgium that the Group would build and then the earn out would be triggered if certain revenue targets were achieved from that facility. Its final measurement showed that there has not been a proposal to build such a facility in Belgium and the Group is focused on building its Netherlands factory instead. Following such a decision, the earn out provision was released in profit or loss and accounted for as income.

On 29 March 2019, Millibeter N.V. changed its name to Circular Organics N.V.

##### **Acquisitions in 2018**

###### ***Acquisition of AgriProtein (Gibraltar) Limited***

On 31 January 2018, Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited) acquired AgriProtein (Gibraltar) Limited. On completion of the transaction, the previous shareholders in AgriProtein (Gibraltar) Limited hold shares in Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited) in the same proportion in which they previously held shares in AgriProtein (Gibraltar) Limited.

## Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

### Consolidated Financial Statements 31 December 2019

#### Notes to the consolidated financial statements

##### 6. Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture fixtures and equipment	Motor vehicles	Fly cages	Other*	Assets under construction	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Cost or valuation</b>								
<b>As at 1 January 2018</b>	<b>2,382,287</b>	<b>2,420,864</b>	<b>19,783</b>	<b>36,760</b>	<b>194,028</b>	<b>533,720</b>	-	<b>5,587,442</b>
Additions	400,957	5,204,675	5,974	-	-	172,861	-	5,784,467
Exchange differences	(344,750)	(440,261)	(6,908)	(5,320)	(28,078)	(73,191)	-	(898,508)
<b>As at 31 December 2018</b>	<b>2,438,494</b>	<b>7,185,278</b>	<b>18,849</b>	<b>31,440</b>	<b>165,950</b>	<b>633,390</b>	-	<b>10,473,401</b>
Additions	108,839	2,423,410	485,566	28,258	5,840	198,591	130,136	3,380,640
Acquisition of a subsidiary (Note 5)	-	162,654	770	2,951	-	-	-	166,375
Disposals	-	(410,676)	-	(6,507)	-	-	-	(417,183)
Exchange differences	68,919	171,147	304	470	4,690	17,901	-	263,431
<b>As at 31 December 2019</b>	<b>2,616,252</b>	<b>9,531,813</b>	<b>505,489</b>	<b>56,612</b>	<b>176,480</b>	<b>849,882</b>	<b>130,136</b>	<b>13,866,664</b>
<b>Depreciation &amp; impairment</b>								
<b>As at 1 January 2018</b>	<b>81,603</b>	<b>760,446</b>	<b>5,660</b>	<b>16,750</b>	<b>99,581</b>	<b>267,209</b>	-	<b>1,231,249</b>
Depreciation charge for the year	36,281	419,175	5,034	7,622	36,123	102,325	-	606,560
Exchange differences	(14,755)	(234,007)	(2,844)	(3,043)	(17,344)	(45,360)	-	(317,353)
<b>As at 31 December 2018</b>	<b>103,129</b>	<b>945,614</b>	<b>7,850</b>	<b>21,329</b>	<b>118,360</b>	<b>324,174</b>	-	<b>1,520,456</b>
Depreciation charge for the year	37,597	1,206,561	53,891	11,707	33,267	137,457	-	1,480,480
Impairment	-	900,809**	-	-	-	-	-	900,809
Disposals	-	(173,956)	-	(6,507)	-	-	-	(180,463)
Exchange differences	4,108	80,463	375	555	4,401	13,526	-	103,428
<b>As at 31 December 2019</b>	<b>144,834</b>	<b>2,959,491</b>	<b>62,116</b>	<b>27,084</b>	<b>156,028</b>	<b>475,157</b>	-	<b>3,824,710</b>
<b>Net book value</b>								
<b>As at 31 December 2019</b>	<b>2,471,418</b>	<b>6,572,322</b>	<b>443,373</b>	<b>29,528</b>	<b>20,452</b>	<b>374,725</b>	<b>130,136</b>	<b>10,041,954</b>
<b>As at 31 December 2018</b>	<b>2,335,365</b>	<b>6,239,664</b>	<b>10,999</b>	<b>10,111</b>	<b>47,590</b>	<b>309,216</b>	-	<b>8,952,945</b>

\* 'Other' includes larva bins, nursery racks, plastic trays and sundries

\*\*Following the refit of the Group's South African facility, an exercise was undertaken to identify no longer in use assets to test for impairment. As a result, several no longer used assets were identified and an impairment of \$900,809 was recognised. No other impairment of property, plant and equipment was necessary as part of impairment reviews.



# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 7. Intangible assets

	Engineering blueprint EVO1	Engineering blueprint EVO2	Factory development costs	Research & development costs	Goodwill	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
As at 1 January 2018	5,379,775	-	-	-	-	5,379,775
Additions – internally generated	-	-	103,771	-	-	103,771
<b>As at 31 December 2018</b>	<b>5,379,775</b>	<b>-</b>	<b>103,771</b>	<b>-</b>	<b>-</b>	<b>5,483,546</b>
Additions – internally generated	-	1,020,329	4,220	1,011,824	-	2,036,373
Acquisition of a subsidiary (Note 5)	-	-	-	-	4,300,865	4,300,865
Exchange differences	-	-	2,934	(25,920)	-	(22,986)
<b>As at 31 December 2019</b>	<b>5,379,775</b>	<b>1,020,329</b>	<b>110,925</b>	<b>985,904</b>	<b>4,300,865</b>	<b>11,797,798</b>
<b>Amortisation and impairment</b>						
As at 1 January 2018	-	-	-	-	-	-
Amortisation	1,793,258	-	-	-	-	1,793,258
<b>As at 31 December 2018</b>	<b>1,793,258</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,793,258</b>
Amortisation	1,793,258	-	-	-	-	1,793,258
Impairment (Note 8)	1,793,259	-	107,511	983,033	3,669,017	6,552,820
Exchange differences	-	-	3,414	2,871	-	6,285
<b>As at 31 December 2019</b>	<b>5,379,775</b>	<b>-</b>	<b>110,925</b>	<b>985,904</b>	<b>3,669,017</b>	<b>10,145,621</b>
<b>Net book value</b>						
At 31 December 2019	-	1,020,329	-	-	631,848	1,652,177
At 31 December 2018	3,586,517	-	103,771	-	-	3,690,288

#### **EVO1 - Engineering blueprints**

A blueprint, the G1 Engineering Blueprint, was produced during 2017, further to a strategic agreement between the Group and Benignus Capital Limited which represents a set of plans and designs to provide the platform for new EVO1 factory developments into the future. It was considered that technological improvements, and enhancements in internal learning and understanding, mean that the useful life of the original blueprint was to be three years (2018, 2019 & 2020), over which period the full cost of \$5,379,775 is being amortised on a straight-line basis through profit and loss in accordance with the Group's accounting policy. During the year the intangible asset was amortised by \$1,793,258 (2018 - \$1,793,258). During 2019 and as there have been so many changes made to the original G Series design, a decision was taken to fully impair the intangible's carrying value as there was no remaining value associated with the initial design that could remain capitalized (Note 8).

#### **EVO2 - Engineering blueprints.**

Revised design plans and engineering blueprints were prepared during 2019, to align with the revised EVO2 factory designs and future development thereof. As an update to the previous design, it is considered that technological improvements, and enhancements in internal learning and understanding, mean that the useful life of these revised blueprints is to be three years from commissioning of the first EVO2 factory and therefore amortisation will commence at a future date. During 2019 a total of \$1,020,329 was spent on these costs.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **7. Intangible assets (continued)**

##### **Factory development costs.**

Certain expenditure is incurred by staff working to create an ability to build these EVO1 factories, being some of their salary and related travel costs. The benefits of this expenditure was expected to be five years, over which period the full cost was being amortised straight-line through the profit or loss in accordance with the accounting policy as described in the consolidated financial statements. As engineering blueprints for EVO1 were abandoned, a prudent decision was taken to also fully impair the carrying value of all factory development costs.

During 2018, the Group had capitalised \$103,771 and a further \$4,220 in 2019. Total impairment charge for the year amounts to \$107,511 (Note 8).

##### **Goodwill**

Following the acquisition at the start of 2019 of Circular Organics N.V. (formerly Millibeter N.V.), goodwill arises upon consolidation of this entity into the Group's consolidated financial statements, being the difference between the investment cost less the fair value of the acquired assets and liabilities.

#### **8. Impairment review on tangible and intangible assets**

As with all Group's non-current assets, intangible assets are tested for impairment over and above the level of amortisation whenever there is an indication of impairment and in any case at least annually. Impairment charges for property, plant and equipment and intangible assets are included under operating expenses in the profit or loss account.

During 2019 the Group re-evaluated the design of its factories and moved from an EVO1 design to an EVO2 design. By the end of the year it was apparent that the EVO1 designs and factory development costs were no longer of benefit to the Group's new designs and as a result of an impairment review performed as at 31 December 2019, these two intangible assets were impaired to zero on 31 December 2019.

##### **EVO 1 Blueprints**

As discussed above and following the decision to impair this asset, an impairment charge of \$1,793,259 was incurred. It should be noted that prior to this decision, the expected yearly amortisation charge of \$1,793,258 impacted the Group's results for the year ended 31 December 2019.

##### **Factory development costs**

As discussed above, following the decision to impair this asset an impairment charge of \$107,511 was incurred.

##### **EVO 2 Blueprints**

At 31 December 2019, these blueprints have a carrying value of \$1,020,329. The Group expects to utilise these blueprints in progressing with a ramp up to commercial production both in Philippi and expects to continue to use the contained plans and designs, refined through experience, in future factory roll outs. Current plans are to have broken ground on >10 factories during the 3- year period over which this cost is to be amortised and the recoverable amount exceeds the carrying value.

##### **Goodwill arising on consolidation**

The Board has reviewed the carrying value of the investment in Circular Organics NV and as a result written down the value of the investment to \$2,000,000. This investment was made to give the Group quick access to a small scale operating facility in the Benelux region from which it can conduct feedstock trials, research & development and other services to support the development of the G Series factories planned in the region. The facility is not expected to be sustainably profitable during its term of use so the Board values the investment at an amount which it believes it would cost to build a replacement facility.

As a consequence an impairment of goodwill has been incurred in 2019 of \$3,669,017 (Note 7). This comprises of the impairment of the investment held in the parent company's financial statements (\$2,794,919) as well as the impairment of research and developments costs (\$874,098) purchased through acquisition of Circular Organics N.V. (formerly Millibeter N.V.).

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 9. Investments in joint ventures

The Group has a 50% interest in two joint ventures and accounts for both using the equity method in the consolidated financial statements.

##### **Bioko LP**

Bioko LP (formerly APPZ LP), is a 50% joint venture with Pre Zero US, Inc involved in development of multiple factory sites in the United States of America for the conversion of organic material to insect derived products using the technology of the Group.

The financial statements of Bioko LP (formerly APPZ LP) have a different reporting date to that of the Group. Bioko LP's (formerly APPZ LP's) reporting date is as at 28 February of each financial year.

The Group invested \$845,085 in Bioko LP on 10 December 2019 to fund its 50% share of deposit payments required for Bioko's first factory. This was also the total as at 31 December 2019.

The impact on the Group's consolidated profit or loss for Bioko LP (formerly APPZ LP) is nil (2018: n/a).

##### **The Insectory BV**

The Insectory B.V., is a 50% joint venture with Sustainable Protein B. V. in the Netherlands, involved in the development of innovative business with a main focus on development and operation of feedstock to protein plants based on insect protein from the black soldier fly.

The Group invested €1 (\$1) on 12 February 2019, this was the total investment at balance sheet date.

The Group lent The Insectory B.V. monies to fund their operating expenditure, initially on 16 January 2019 and subsequently as required throughout the year. At balance sheet date the amount outstanding was €600,000 (\$673,620).

The impact on the Group's consolidated profit or loss for The Insectory B.V. is less than \$0.5million (2018: n/a).

Neither joint venture had any contingent liabilities or material commitments as at 31 December 2019.

#### 10. Trade and other receivables

	2019	2018
	\$	\$
Trade receivables (Note 16)	21,149	14,097
Prepayments	377,640	150,170
Deposits	170,006	100,655
Value Added Tax	381,652	926,956
Other receivables	2,031	180,369
	<b>952,478</b>	<b>1,372,247</b>

#### 11. Assets held for sale

During the year it was agreed and later formalised in the Sale Agreement dated 1 March 2020 in order for the Group's joint venture, Bioko LP (formerly APPZ LP), to establish the Pre-Deployment Plant 'PDP' (i.e. a small-scale insect rearing facility located in California, USA), Agriprotein California LLC agreed to sell all the property, plant and equipment and engineering and construction costs related to the establishment and operation of the PDP to Bioko LP (formerly APPZ LP) for a cash purchase price of \$2,041,994.

#### 12. Cash and cash equivalents

	2019	2018
	\$	\$
Cash and cash equivalents consist of:		
Cash in hand	373	3,208
Bank balances	1,308,779	4,796,965
	<b>1,309,152</b>	<b>4,800,173</b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 13. Share capital

	2019 Number of shares	2018 Number of shares
<b>Reconciliation of number of shares issued:</b>		
As at 1 January	7,775,249	64,404
Share exchange – see note 1.4	-	(64,404)
Issue of shares – ordinary shares	153,374	7,775,248
Issue of shares – class 'A' shares	-	1
<b>As at 31 December</b>	<b><u>7,928,623</u></b>	<b><u>7,775,249</u></b>

	2019 Number of shares	2018 Number of shares
Allotted, called up and fully paid:		
Class A share at \$0.01	1	1
Allotted and issued:		
Ordinary shares at \$0.01	7,928,622	7,775,248
	<b><u>7,928,623</u></b>	<b><u>7,775,249</u></b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>

#### Issued share capital:

Ordinary share capital at \$0.01 each	79,286	77,752
Share premium	58,366,235	53,803,521
	<b><u>58,445,521</u></b>	<b><u>53,881,273</u></b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
	<b>\$</b>	<b>\$</b>

#### Reconciliation of the value of shares issued:

As at 1 January	53,881,273	21,235,089
Issue of ordinary shares	4,564,248	53,881,273
Transfer to merger reserve	-	(21,235,089)
<b>As at 31 December</b>	<b><u>58,445,521</u></b>	<b><u>53,881,273</u></b>

#### 14. Government grants

	2019 \$	2018 \$
<b>Purchased on acquisition (Note 5)</b>	<b>220,705</b>	
Received during the year	334,922	-
Released to profit or loss	(233,252)	-
<b>As at 31 December</b>	<b><u>322,375</u></b>	<b>-</b>

Government grants have been received for research and development purposes. There are no unfulfilled conditions or contingencies attached to these grants.

#### 15. Trade and other payables

	2019 \$	2018 \$
Trade payables (Note 16)	625,370	219,186
Payroll costs	448,678	516,460
Accruals and other payables	447,683	316,000
	<b><u>1,521,731</u></b>	<b><u>1,051,646</u></b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 16. Financial assets and liabilities

##### Financial assets

	2019	2018
	\$	\$
Trade receivables (Note 10)	21,149	14,097
Loan to Agriprotein KSA	100,000	-
Loan to joint venture	364,829	-
Loan to joint venture partner	189,889	-
<b>Total financial assets</b>	<b>675,867</b>	<b>14,097</b>
Non-current	364,829	-
Current	311,038	14,097
	<b>675,867</b>	<b>14,097</b>

The loan of €600,000 granted to the Insectory is part of a loan facility up to a maximum loan amount of €5mil and equals to 50% of the budget for the first full scale plant(s) of the joint venture. The loan is interest free for the first financial year (i.e. until 31 December 2019). As of 1 January 2020, interest of 12% will be accrued on an annual basis on the outstanding amount of the loan. Repayments will start two years after inception of the loan.

The amount of \$308,791 was provided against this loan as the share of losses reduces the investment held in the joint venture. Loans granted to the joint venture are considered part of this investment.

In October 2019, the Company entered into a Short-Term Loan Agreement with Agriprotein KSA, a company registered in The Kingdom of Saudi Arabia and not a member of the ITG Group, whereby a bridging financing of \$100,000 was agreed. The purpose of the loan was to finance the borrower's day-to-day operations ahead of a potential future licencing agreement. The loan is payable in full anytime within a 14 month period to December 2020.

##### Financial liabilities

##### Interest bearing loans and borrowings

	Interest rate	Maturity	2019	2018
	%		\$	\$
<b>Current interest-bearing loans and borrowings</b>				
Lease liabilities (Note 17)	0.85-5.25	2020	370,346	-
Loan from TIA Agri	10.25	2020	312,088	317,744
Loan from Chlorophyl	5-year US Treasury rate + 3.5	2020	264,164	-
<b>Total current interest-bearing loans and borrowings</b>			<b>946,598</b>	<b>317,744</b>
<b>Non-current interest-bearing loans and borrowings</b>				
Lease liabilities (Note 17)	0.85-5.25	2021-2022	536,776	-
Loan from TIA Agri	10.25	2021	678,362	842,641
Loan from Chlorophyl	5-year US Treasury rate + 3.5	2022	606,795	827,904
<b>Total non-current interest-bearing loans and borrowings</b>			<b>1,821,933</b>	<b>1,670,545</b>
<b>Total interest-bearing loans and borrowings</b>			<b>2,768,531</b>	<b>1,988,289</b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 16. Financial assets and liabilities (continued)

##### Financial liabilities (continued)

##### *Interest bearing loans and borrowings (continued)*

##### **Chlorophil**

It is a ZAR denominated shareholder's loan. It was issued in March 2014 and was expected to be fully repaid in 2017. Loan was convertible but Chlorophil have elected not to exercise their right and repayments will thus commence in 2020.

##### **TIA Agri**

It is a ZAR denominated loan drawn in April 2014. The loan is secured by general notarial bond, bearing interest at 10.25%, the prime South African lending rate as at 31 December 2018.

##### **Other financial liabilities**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Promissory note (Note 5)	991,850	-
Trade payables (Note 15)	625,370	219,186
Loan from AECF	375,000	799,021
Loan from shareholder	73,295	-
Loan from joint venture partner	99,801	-
<b>Total other financial liabilities</b>	<b><u>2,165,316</u></b>	<b><u>1,018,207</u></b>
Non-current	991,850	-
Current	<u>1,173,466</u>	<u>1,018,207</u>
	<b><u>2,165,316</u></b>	<b><u>1,018,207</u></b>

##### **AECF**

It is a \$1m unsecured interest free grant drawn between 2013 and 2015. Repayments have commenced in 2018 and will be fully repaid in 2020.

##### **Promissory Note**

The Group has issued a promissory note to Innovation Fund N.V. (the 'Noteholder') as a consideration for the Group's acquisition of Millibeter's shares from the Noteholder. The Promissory Note was convertible into fully paid shares at a share price of \$25.61 by 1 July 2022. In March 2020, the holder of the Promissory Note notified that it has elected to have the Promissory Note redeemed for cash after 1 July 2020.

#### 17. Leases

##### **Group as a lessee**

The Group has three lease contracts for leased office space in Belgium, Singapore and India. Office space leases have lease terms between 2,5 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. Some of the lease contracts include extension options and variable lease payments.

The Group also has certain leases of machinery with low value. The Group applies the 'lease of low-value assets' recognition exemptions for these leases.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 17. Leases (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	<b>Leased office space</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 January</b>	-	-
Additions	1,204,921	-
Depreciation expense	(348,720)	-
Exchange differences	(2,983)	-
<b>As at 31 December</b>	<b>853,218</b>	-

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>As at 1 January</b>	-	-
Additions	1,143,424	-
Interest expense	33,711	-
Payments	(268,635)	-
Exchange differences	(1,378)	-
<b>As at 31 December</b>	<b>907,122</b>	-
Non-current	536,776	-
Current	370,346	-
<b>Total lease liabilities</b>	<b>907,122</b>	-

The following are the amounts recognised in profit or loss:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Depreciation expense of right-of-use assets	348,719	-
Interest expense on lease liabilities	33,711	-
Expense relating to leases of low-value assets	16,339	-
<b>Total amount recognized in profit or loss</b>	<b>398,769</b>	-

#### 18. Loss from operations

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Operating loss for the year is stated after charging:</b>		
Staff costs incl. share-based payments and directors fees (Note 27)	11,057,950	4,384,993
Reduction of overheads as a result of research and development income	(1,009,661)	-
Impairment cost:		
Property plant and equipment (Note 6)	900,809	-
Intangible assets (incl. goodwill) (Note 7)	6,552,820	-
Amortisation cost of intangible assets (Note 7)	1,793,258	1,793,258
Depreciation cost:		
Property, plant and equipment (Note 6)	1,480,480	606,560
Right-of-use assets (Note 17)	348,720	-

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 19. Finance cost

	<u>2019</u>	<u>2018</u>
	\$	\$
Interest on lease liabilities (Note 17)	33,711	-
Interest paid	<u>161,571</u>	<u>158,123</u>
	<b><u>195,282</u></b>	<b><u>158,123</u></b>

#### 20. Other income

	<u>2019</u>	<u>2018</u>
	\$	\$
Technology services	22,036	-
Scrap sales	13,976	-
Earn out provision release (Note 5)	195,456	-
Grants received (Note 14)	<u>233,252</u>	<u>-</u>
	<b><u>464,720</u></b>	<b><u>-</u></b>

#### 21. Taxation

There was a negligible taxation charge for the year under review as the group is in an estimated tax loss position at the reporting date.

Due to uncertainty over the timing and levels of any future profits within the Group companies, it has been decided to not currently recognize any deferred tax assets in the group consolidated financial statements. The potential asset as at 31 December 2019 was approximately \$26m (2018: \$21m). The Company will assess the recoverability and appropriateness of recording this as an asset in each subsequent year.

#### 22. Other comprehensive loss

	<u>2019</u>	<u>2018</u>
	\$	\$
Exchange difference on consolidation of foreign operations	(3,175)	(1,761,693)
Elimination of minority interest	<u>-</u>	<u>413,239</u>
	<b><u>(3,175)</u></b>	<b><u>(1,348,454)</u></b>

#### 23. Related parties

##### Subsidiaries

Refer to Note 4

##### Shareholders

Exxaro Resources Limited

Johan Jacobs

##### Joint Venture Partners

PreZero

Sustainable Protein

##### Key Management Personnel (excluding those shown as Directors in note 27)

John Diener

Mark Williams

Simon Houghton

Raymond Deidrick



# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

### **Notes to the consolidated financial statements**

#### **23. Related parties (continued)**

There is no one immediate or ultimate controlling party as shares and voting rights in the Company are held by several individuals.

There were no other related party balances and transactions with entities over which the Company has control, joint control or significant influence.

#### **24. Financial risk management**

##### **Credit Risk**

The Company does not have significant amounts owing to it by customers. Consequently, the entity does not consider there to be any significant exposure to credit risk in this regard. The Group's cash is all held on deposit with regulated banks and is not invested in any financial instruments carrying credit risk.

##### **Liquidity Risk**

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Group has cash on hand as at the end of the financial year and has access to call on the unpaid share capital of \$19.7 million as it requires it. As of the date of this report the Group has not finalized a fund raise. Due to this, the Group may be having liquidity issues in the next 12 months from the date of this report, but actions can be taken to mitigate this.

##### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income. The currencies giving rise to this risk for the Group are mainly South African Rand, Singapore dollars Euros and Indian Rupees. The Group holds most of its excess cash balances in US dollars in attempt to minimize this foreign exchange exposure. Derivative financial instruments are not used as a means of reducing exposure to fluctuations in foreign exchange rates.

##### **Interest rate risk**

The Group primarily finances its operations through the proceeds of the equity raise completed during 2018. The limited amount of loan funding from its shareholders and lenders is partly interest free and partly on the basis of variable interest rates. Sensitivity to interest rate movements is discussed in note 25.

##### **Fair values**

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the statement of financial position.

#### **25. Financial instruments**

##### **Credit Risk exposure**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position in respect to trade and other receivables, cash and cash equivalents and other financial assets. The maximum exposure to credit risk at the reporting date was:

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	21,149	14,097
Deposits	170,006	100,655
Cash and cash equivalents	1,309,152	4,800,173
Other current financial assets	289,889	-
	<b><u>1,790,196</u></b>	<b><u>4,914,925</u></b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 25. Financial instruments (continued)

##### Cash flow and liquidity risk

	Carrying Value \$	Contractual Amount \$	Less than 1 year \$	Between 1-5 years \$	More than 5 years \$
<b>Non derivative financial liabilities</b>					
Other financial liabilities	3,401,355	3,401,355	1,124,348	2,277,007	-
Lease liabilities	907,122	968,365	406,557	561,808	-
Trade payables	625,370	625,370	625,370	-	-
<b>As at 31 December 2019</b>	<b>4,933,847</b>	<b>4,995,090</b>	<b>2,156,275</b>	<b>2,838,815</b>	<b>-</b>

	Carrying Value \$	Contractual Amount \$	Less than 1 year \$	Between 1-5 years \$	More than 5 years \$
<b>Non derivative financial liabilities</b>					
Financial liabilities	2,787,310	2,787,310	1,116,765	1,670,545	-
Trade payables	219,186	219,186	219,186	-	-
<b>As at 31 December 2018</b>	<b>3,006,496</b>	<b>3,006,496</b>	<b>1,335,951</b>	<b>1,670,545</b>	<b>-</b>

##### Currency risk

The Group is exposed to the South African Rand, Euro, Indian Rupee and Singapore Dollar due to its operating subsidiaries in South Africa, Belgium, India and Singapore respectively during the current financial year.

The summary of quantitative data about the Group's exposure to foreign currency risk relating to South African Rand Euro, Indian Rupee and Singapore Dollar provided to management of the Group based on its risk management policy was as follows

	2019 ZAR	2018 ZAR
<b>The following balances are denominated in ZAR:</b>		
Cash and cash equivalents	1,042,470	1,656,406
Trade and other receivables	6,094,352	13,441,389
Financial liabilities	(19,097,211)	(23,437,411)
Trade and other payables	(7,845,852)	(2,778,980)
	<b>(19,806,241)</b>	<b>(11,118,596)</b>
	2019 EUR	2018 EUR
<b>The following balances are denominated in EURO:</b>		
Cash and cash equivalents	95,111	-
Trade and other receivables	27,988	-
Financial liabilities	(203,072)	-
Trade and other payables	(249,916)	-
	<b>(329,889)</b>	<b>-</b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 25. Financial instruments (continued)

##### Currency risk (continued)

	<u>2019</u>	<u>2018</u>
	INR	INR
<b>The following balances are denominated in Indian Rupee:</b>		
Cash and cash equivalents	5,402,931	-
Trade and other receivables	3,761,740	-
Financial liabilities	(4,206,521)	-
Trade and other payables	(2,584,907)	-
	<u><b>2,373,243</b></u>	
	<u>2019</u>	<u>2018</u>
	SGD	SGD
<b>The following balances are denominated in Singapore Dollar:</b>		
Cash and cash equivalents	174,994	-
Trade and other receivables	343,680	-
Financial liabilities	(833,994)	-
Trade and other payables	(368,233)	-
	<u><b>(683,553)</b></u>	-

The following significant exchange rates applied during the year:

	2019	2018	2019	2018
	Average rate	Average rate	Year end rate	Year end rate
ZAR/USD	0.0693	0.0757	0.0715	0.0695
EUR/USD	1.1203	n/a	1.1227	n/a
INR/USD	0.0142	n/a	0.0140	n/a
SGD/USD	0.7331	n/a	0.7437	n/a

For every +/- 1% movement in the balance sheet rate, the USD conversion of the year end foreign currency denominated positions would show an approximate gain or loss as follows.

ZAR/USD	\$14k
EUR/USD	\$4k
INR/USD	<\$1k
SGD/USD	\$5k

##### Interest rate risk

The Group finances its operations through a combination of borrowings and equity contributed by its shareholders. Additionally, it retains some cash balances on interest-bearing deposits.

The Group earned interest income of \$83,920 (2018: \$8,818) at interest rates of around 0.36%. Based on cash levels of \$4million (2018: \$4million) on deposit, the annual effect of a 1% change in interest rate is approximately \$40,000 per annum.

At year end the Group had interest bearing loans of \$2,768,531 (2018 - \$1,988,289) on which it paid interest at an average rate of 6.8% during the year. The effect of a 1% change in interest rate on these balances would be some \$28,000 per annum.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 26. Equity settled share-based payments

The holding company has introduced an equity share-based payment incentive scheme and awarded shares to selected members of executive management in the group as follows:

Holder's name	Grant date	Vesting date	Shares issued	Strike price (\$)	Vesting conditions
Mark Williams	01 Oct 17	01 Oct 21	25,000	18.86	Continuous employment
Jason Drew	01 Jan 18	01 Jan 22	25,000	18.86	Continuous employment
John Diener	01 Jan 18	01 Jan 22	13,000	18.86	Continuous employment
Simon Houghton	01 Jan 18	01 Jan 22	4,000	18.86	Continuous employment

The strike price is the deemed market value at the date of grant. These awarded shares, along with further shares issued to non-executive management, vest, subject to continued employment of the individual, as follows a) none after Year 1, b) 50% of the total after Year 2, c) 25% after Year 3 and c) the final 25% after Year 4. The cost is expensed to profit or loss accordingly, using the same profile.

Under the Long Term Incentive Plan (LTIP), there is no specific number of shares being issued. The number of shares being issued will be determined entirely by the valuation of the Company which is realised (in the event of a transaction) or calculated by an independent valuer at the end of 2023. Therefore, the key driver of the LTIP plan is the Group's future valuation as that determines how much value is allocated to the participants.

	2019 Number of shares	2018 Number of shares
As at 1 January	94,000	34,900
Awarded during the year	39,118	62,700
Vested during the year	(2,600)	(2,600)
Shares forfeited	-	(1,000)
<b>As at 31 December</b>	<b>130,518</b>	<b>94,000</b>
	\$	\$
<b>Share-based payment charge for the year</b>	<b>1,736,017</b>	<b>732,595</b>

#### Valuation methodology

The fair value of the share awards was determined with reference to the most recent price per share or ordinary shares issued to shareholders. The value per share of the most recent ordinary share issue is considered to approximate the value of the share awards in terms of the share incentive scheme.

For measurement of the Long Term Incentive Plan the holding company has used a Value Creation Plan model based on different payouts and assumptions.

#### 27. Employee and directors costs

	2019 \$	2018 \$
<b>Employee costs</b>		
Wages and salaries	8,854,362	2,425,902
Social security costs	353,342	507,330
Other pension costs	112,993	11,088
Share-based payments (Note 26)	1,736,017	732,595
	<b>11,056,714</b>	<b>3,676,915</b>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 27. Employee and directors costs (continued)

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Directors emoluments</b>		
J. J. Drew *	753,344	686,675
E. Zwisler	69,296	21,403
	<u><b>822,640</b></u>	<u><b>708,078</b></u>

\* The amount relates to monies paid and received in line with contractual entitlement. As some of these USD denominated payments were made in ZAR, due to movements in foreign exchange rates throughout the year, the amount is reflected within the profit and loss as \$742,389 (2018: \$698,676).

	<u>2019</u>	<u>2018</u>
<b>Number of persons employed during the year:</b>		
Average Employees (pax)	189	140
Employees as at 31 December (pax)	192	148
of which:		
Direct (pax)	64	66
Indirect (pax)	128	82

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Highest paid Director</b>		
Salary	500,000	500,000
Share-based payments	253,344	186,675
	<u><b>753,344</b></u>	<u><b>686,675</b></u>

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Key management</b>		
Remuneration	2,405,236	1,578,186
	<u><b>2,405,236</b></u>	<u><b>1,578,186</b></u>

Key management is identified as members of the Executive Committee, excluding those shown as Directors.

#### 28. Auditors' remuneration

	<u>2019</u>	<u>2018</u>
	\$	\$
Fees payable to the Company's auditors and their associates for the audit of the parent company and consolidated financial statements	68,000	34,476
Fees payable to the Company's auditors and their associates for other services:		
- The audit of the Company's subsidiaries pursuant to legislation	65,030	31,923
- Advisory services	84,144	-
	<u><b>217,174</b></u>	<u><b>66,399</b></u>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Consolidated Financial Statements 31 December 2019

### Notes to the consolidated financial statements

#### 29. Unpaid share capital

On 9 February 2018, the Group signed a Subscription Agreement with Exxaro Resources Limited ('Exxaro') under which Exxaro agreed to subscribe for 2,050,312 ordinary shares and 1 class 'A' share for consideration of US\$52,500,000. On the date of closing of that subscription, on 31 May 2018, Exxaro funded US\$14,500,000 of that commitment, with the remaining US\$38,000,000 to be provided when the Group called it from Exxaro in future.

\$18,260,761 of this \$38,000,000 was received during 2019, leaving \$19,739,239 due at 31 December 2019.

The whole of this amount will be called and received in 2020 and thus is classified as a current asset.

\$8,074,239 was subsequently received on 3 January 2020, \$3,727,708 on 28 April 2020 and the final \$7,937,292 received on 2 July 2020 leaving zero unpaid share capital.

#### 30. Related party disclosures

Information about group structure is provided in Note 4, including details of the subsidiaries and the holding company. Below is the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Interest received	Amounts owed by related parties
		\$	\$
Loans to related parties			
Joint Venture:			
The Insectory B.V.	2019	-	673,620
	2018	-	-
Joint Venture partner:			
Sustainable Protein	2019	-	189,889
	2018	-	-
		-	<b>863,509</b>
		Interest paid	Amounts owed to related parties
		\$	\$
Loans from related parties			
Shareholder:			
Johan Jacobs	2019	-	73,295
	2018	-	-
Joint Venture partner:			
PreZero	2019	-	99,801
	2018	-	-
<b>Total</b>		-	<b>173,096</b>

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Consolidated Financial Statements 31 December 2019**

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### **Notes to the consolidated financial statements**

#### **31. Events after the reporting period**

According to the Sale Agreement dated 1 March 2020 and in order for the Group's joint venture, Bioko LP (formerly APPZ LP), to establish the Pre-Deployment Plant 'PDP' (i.e. a small-scale insect rearing facility located in California, USA), Agriprotein California LLC agreed to sell all the property, plant and equipment and engineering and construction costs related to the establishment and operation of the PDP to Bioko LP (formerly APPZ LP) for a cash purchase price of \$2,041,994.

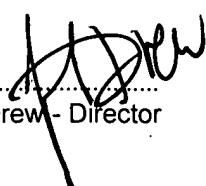
In March 2020, the holder of the Promissory Note notified that it has elected to have the Promissory Note redeemed for cash after 1 July 2020. The Promissory Note had, in the absence of this election, been convertible into equity at its face value. This election will result in the Promissory Note incurring an annual interest rate of 15% which is payable on redemption. The Company has negotiated with Promissory Note holder to redeem it in four instalments from July 2020 to April 2021.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Parent Company Statement of Financial Position as at 31 December 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investments	6	56,274	56,274
Non-current financial assets	9	13,954,258	12,523,397
Unpaid share capital	8	-	14,000,000
		<b>14,010,532</b>	<b>26,579,671</b>
<b>Current Assets</b>			
Trade and other receivables	7	-	6,410
Other current financial assets	11	100,000	-
Unpaid share capital	8	19,739,239	24,000,000
Cash and cash equivalents	10	896,690	4,068,996
		<b>20,735,929</b>	<b>28,075,406</b>
<b>Total assets</b>		<b>34,746,461</b>	<b>54,655,077</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	79,287	77,753
Share premium	12	58,366,235	53,803,521
Share based payment reserve	12	2,468,064	784,855
Retained earnings		(26,167,125)	(11,052)
<b>Total equity</b>		<b>34,746,461</b>	<b>54,655,077</b>
<b>Total liabilities</b>		-	-
<b>Total equity and liabilities</b>		<b>34,746,461</b>	<b>54,655,077</b>

The financial statements were approved by the Board of Directors on 21 October 2020 and were signed on its behalf by:

  
Jason Drew - Director



# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Parent Company Statement of Changes in Equity for the year ended 31 December 2019

	Share capital	Share premium	Share based payment reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2018</b>	<b>1</b>	-	-	-	<b>1</b>
Issue of share capital	77,752	53,803,521	-	-	53,881,273
Share based payment charge	-	-	784,855*	-	784,855
Total comprehensive loss	-	-	-	(11,052)	(11,052)
<b>Balance as at 31 December 2018</b>	<b>77,753</b>	<b>53,803,521</b>	<b>784,855</b>	<b>(11,052)</b>	<b>54,655,077</b>
Issue of share capital	1,506	4,459,039	-	-	4,460,545
Shares vested during the year	28	103,675	(52,808)	-	50,895
Share based payment charge	-	-	1,736,017	-	1,736,017
Total comprehensive loss	-	-	-	(26,156,073)	(26,156,073)
<b>Balance as at 31 December 2019</b>	<b>79,287</b>	<b>58,366,235</b>	<b>2,468,064</b>	<b>(26,167,125)</b>	<b>34,746,461</b>

\*Total comprehensive income of \$784,855 includes \$52,260 closing balance from previous holding Company.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Notes to the Parent Company's Financial Statements for the year ended 31 December 2019**

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### **1. Statutory information**

Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited) (the 'Company'), incorporated in June 2017, is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the US Dollar (\$).

### **2. Significant accounting policies**

#### **2.1 Basis of preparation**

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention on a going concern basis.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group.

#### **Going concern**

The Group is currently in the process of raising new capital to fund its ongoing business activities and development projects. While discussions with potential equity and debt providers are ongoing, no agreements have yet been reached. In the meantime, and until funding is secured, there are limited cash resources and around \$3.0million committed expenditure.

The business is still in late commercialisation and the Directors understand that the shareholders and stakeholders are supportive of the direction and progress of the projects being developed. The Group has not committed to any material future obligations and will only do so when sufficient funds to complete the projects are raised. Should such funds not be available in the near term, the Directors believe that a fund raising of at least US\$15m will be required in order for the Group to continue its present level of operations and meet its obligations for a period of 12 months from the date of this report. While every effort is being made, the Directors can provide no certainty that these funds will be raised and therefore believe there is a significant risk that the Group may have insufficient liquidity to meet its obligations over the 12 months from the date of this report.

The Directors conclude that these conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.

#### **2.2 Changes in accounting policies and disclosures**

##### ***Adoption of new and amended standards and interpretations***

The standards and interpretations listed below have become effective since 1 July 2018 for annual periods beginning on 1 January 2019. The adoption of these standards did not have any material effect on the financial performance or position of the company.

##### ***Changes to IFRS***

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
- IFRS 3 Business Combinations - Previously held Interests in a joint operation

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Notes to the Parent Company's Financial Statements for the year ended 31 December 2019**

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### **2.2 Changes in accounting policies and disclosures (continued)**

#### ***Adoption of new and amended standards and interpretations (continued)***

##### *Changes to IFRS (continued)*

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 11 Joint Arrangements - Previously held Interests in a joint operation
- IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
- IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization

#### ***Standards and amendments effective from 1 January 2020 onwards***

- IFRS 17 Insurance Contracts
- Amendment to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8
- Amendments to IFRS 9, IAS 39 and IFRS 7

The Company has not opted for early adoption of any of the above standards/amendments.

### **2.3 Summary of significant accounting policies**

#### **Financial instruments**

Non-derivative financial instruments are initially recognised at fair value plus directly attributable transaction costs. Subsequent to initial recognition, these instruments are classified according to their nature and are measured at amortised cost. There are no financial instruments that are classified as being carried at fair value through profit or loss.

The Group has the following non-derivative financial instruments and the subsequent measurement of each financial instrument is explained in more detail below.

##### *Trade receivables and other financial assets*

These financial assets originate by the Group providing goods, services or money directly to a debtor and are subsequent to initial measurement measured at amortised cost using the effective interest method less any accumulated impairment losses.

##### *Loans and borrowings*

Loans and borrowings are financial liabilities with fixed or determinable payments. Subsequent to initial measurement these financial instruments are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

##### *Trade and other payables*

Subsequent to initial recognition, trade and other payables are measured at amortised cost.

#### **Derecognition**

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Notes to the Parent Company's Financial Statements for the year ended 31 December 2019**

---

### **2.3 Summary of significant accounting policies (continued)**

#### **Offset**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **Taxation**

Income tax expense on profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity in which case the tax is recognised in other comprehensive income or directly in equity.

Current tax is the expected tax payable on the taxable profit for the current year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### **Deferred tax**

Deferred tax is recognised for all temporary differences between the tax value of an asset or liability and its carrying amount for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **Investment in subsidiaries**

Investments in subsidiaries are measured at cost less any accumulated impairment losses.

#### **Foreign currencies**

Transactions in foreign currencies are translated to the functional currency of the entity at rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the rates of exchange ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised on the face of the statement of profit or loss.

#### **Preparation of consolidated financial statements**

The financial statements contain information about Insect Technology Group Holdings UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 399(2A) of the Companies Act 2006 from the requirements to prepare consolidated financial statements.

#### **Employees and Directors**

There were no staff costs for the year ended 31 December 2019 nor for the period ended 31 December 2018.

There is no Directors' remuneration or pension contributions. A number of the Directors of the company are also Directors of other group undertakings and their remuneration is paid by those undertakings. The Directors do not believe it is practicable to apportion an amount between their services as Directors of the company and their services as Directors of other group undertakings.

### **3. Significant accounting judgements, estimates and assumptions**

The preparation of financial statements in accordance with FRS101 requires management to make estimates, judgements and assumptions that affect the accounting policies and the reported amounts of assets, liabilities, income and expenses. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Notes to the Parent Company's Financial Statements for the year ended 31 December 2019

### 3. Significant accounting judgements, estimates and assumptions (continued)

Management discusses and reviews on an ongoing basis the development, selection and disclosure of critical accounting policies and estimates and the application of these policies and estimates. No judgements were made by management in the application of IFRS that have a significant effect on the financial statements. Estimates made by management which have a significant risk of material adjustment in the next year are the recoverability of loan receivables.

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 if the revision only affects that year, or in the year of the revision and future years if the revision affects both current and future years.

#### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the holding company uses the share value at that date. For measurement of the Long Term Incentive Plan the holding company has used a Value Creation Plan model based on different payouts and assumptions.

### 4. Loss before tax

	2019	2018
	\$	\$
The loss before tax is stated after charging:		
Foreign exchange losses	(3,543)	(9,500)
	<u>(3,543)</u>	<u>(9,500)</u>

### 5. Tax

	2019	2018
	\$	\$
Loss before corporation tax	(26,156,073)	(11,052)
Loss at average rate of corporation tax in the UK at 19%	(4,969,654)	(2,128)
Deferred tax not recognised	4,969,654	2,128
<b>Tax expense</b>	<u>-</u>	<u>-</u>

There was no taxation charge for the period under review as the company is in an estimated tax loss position at the reporting date.

### 6. Investments

	2019	2018
	\$	\$
<b>Cost</b>		
As at 1 January	56,274	1
Additions	-	56,273
<b>As at 31 December</b>	<u>56,274</u>	<u>56,274</u>

As at 31 December 2019, the Company had investments in the share capital of:

#### Insect Technology Group Limited (formerly Agriprotein Limited)

Registered office: 1 Farnham Road, Guildford, Surrey, United Kingdom, GU2 4RG

Nature of business: Investment holding company

	%
Class of shares:	holding
Ordinary	100.00

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Notes to the Parent Company's Financial Statements for the year ended 31 December 2019**

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### **6. Investments (continued)**

#### **Insect Technology Group Research UK Limited (formerly Agriprotein Research UK Limited)**

Registered office: 1 Farnham Road, Guildford, Surrey, United Kingdom, GU2 4RG

Nature of business: Research and development services

	%
Class of shares:	holding
Ordinary	100.00

#### **Insect Technology Group Services UK Limited (formerly Agriprotein Services UK Limited)**

Registered office: 1 Farnham Road, Guildford, Surrey, United Kingdom, GU2 4RG

Nature of business: Provision of services for the Group

	%
Class of shares:	holding
Ordinary	100.00

#### **Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited)**

Registered office: 1 Farnham Road, Guildford, Surrey, United Kingdom, GU2 4RG

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

#### **AgriProtein (Gibraltar) Limited**

Registered office: 186 Main Street, Gibraltar

Nature of business: Investment holding company

	%
Class of shares:	holding
Ordinary	87.38%

#### **AgriProtein Technologies (Pty) Limited\*\*\***

Registered office: 1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa

Nature of business: Farming of Biomass and Conversion of Biological Waste Material into Animal Protein

	%
Class of shares:	holding
Ordinary (94.1% of above 87.38%)	82.26%

#### **The Biocycle (Pty) Limited\*\***

Registered office: 1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa

Nature of business: Farming of Biomass and Conversion of Biological Waste Material into Animal Protein

	%
Class of shares:	holding
Ordinary	100.00%

#### **Insect Technology Group USA, Inc (formerly Hexagia USA Inc)\***

Registered office: 2140 S Dupont Highway, Camden, Delaware 19934, USA

Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00

#### **The Insectory B.V.\***

Registered office: Raphaëlplein 16, 1077PZ Amsterdam, the Netherlands

Nature of business: Insect rearing and manufacture of value added products

	%
Class of shares:	holding
Ordinary	50.00

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Notes to the Parent Company's Financial Statements for the year ended 31 December 2019

### 6. Investments (continued)

#### AgriProtein California LLC\*\*\*\*

Registered office: 9th Floor, 11400 Olympic Boulevard West, Los Angeles, California USA

Nature of business: Insect rearing and manufacture of value added products

%

Class of shares: holding

Ordinary 100.00

#### AgriProtein South Africa\*\*\*

Registered office: 1 Rochester Road, Corner: Stock Road, Philippi, Western Cape, 7750 South Africa

Nature of business: Farming of Biomass and Conversion of Biological Waste Material into Animal Protein

%

Class of shares: holding

Ordinary 100.00

#### AgriProtein Singapore Pte. Ltd\*

Registered office: 1 Science Park Road, 02-10/11 The Capricorn, Singapore Science Park 2, Singapore

Nature of business: Engineering and operations support to Group companies

%

Class of shares: holding

Ordinary 100.00

#### Circular Organics N.V. (formerly Millibeter N.V.) \*

Registered office: Slachthuisstraat 120/6, 2300 Turnhout, Belgium

Nature of business: Insect rearing and manufacture of value added products

%

Class of shares: holding

Ordinary 100.00

#### ITGPro Support Services India Private Limited \*\*\*\*\*

Registered office: No 1/5, Santhosh Complex, Armugam Circle, Basavanagudi, Bangalore 560004

Nature of business: Provision of engineering services

%

Class of shares: holding

Ordinary 99.99

#### Bioko LP (formerly APPZ LP) \*\*\*\*

Registered office: 4420 Serrano Drive, Jurupa Valley, California 91752, USA

Nature of business: Conversion of organic material to insect derived products

%

Class of shares: holding

Ordinary 50.00

\* Held through Insect Technologies Group Limited (formerly Agriprotein Limited)

\*\* Held through Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited)

\*\*\* Held through AgriProtein (Gilbraltar) Limited

\*\*\*\* Held through Insect Technology Group USA, Inc (formerly Hexagia USA, Inc)

\*\*\*\*\* AgriProtein Technologies (Pty) Limited

\*\*\*\*\* Held through Insect Technologies Group Services Limited (formerly Agriprotein Services UK Limited)

### 7. Trade and other receivables

	2019	2018
	\$	\$
Value Added Tax	-	6,410
	-	<u>6,410</u>

# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Notes to the Parent Company's Financial Statements for the year ended 31 December 2019

### 8. Unpaid share capital

	2019	2018
	\$	\$
<b>Called up and not fully paid</b>		
Non-current	-	14,000,000
Current	19,739,239	24,000,000
	<b><u>19,739,239</u></b>	<b><u>38,000,000</u></b>

On 9 February 2018 the Group signed a Subscription Agreement with Exxaro Resources Limited ('Exxaro') under which Exxaro agreed to subscribe for 2,050,312 ordinary shares and 1 class 'A' share for consideration of US\$52,500,000. On the date of closing of that subscription, on 31 May 2018, Exxaro funded US\$14,500,000 of that commitment, with the remaining US\$38,000,000 to be provided when the Group called it from Exxaro in future.

\$18,260,761 of this \$38,000,000 was received during 2019, leaving \$19,739,239 due at 31 December 2019.

The whole of this amount will be called and received in 2020 and thus is classified as a current asset.

\$8,074,239 was subsequently received on 3 January 2020, \$3,727,708 on 28 April 2020 and the final \$7,937,292 received on 2 July 2020 leaving zero unpaid share capital.

### 9. Non-current financial assets

Non-current financial assets relate to loans receivable from related parties. The company has taken advantage of the exemption under FRS 101 not to disclose transactions with its wholly owned subsidiaries.

The Company has also taken the view that the loans receivable from subsidiary companies, AgriProtein Technologies (Pty) Limited, AgriProtein (Gibraltar) Limited, Insect Technology Group Services UK Limited (formerly Agriprotein Services UK Limited) and Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited) should be impaired. This determination is based on the size of those receivables and an assessment of how long it would take those subsidiaries to generate sufficient profits to be able to repay those amounts.

Impairment charges are as follows:

	2019	2018
	\$	\$
AgriProtein Technologies (Pty) Limited	13,793,827	-
AgriProtein (Gibraltar) Limited	3,732,892	-
Insect Technology Group Services UK Limited (formerly Agriprotein Services UK Limited)	8,342,607	-
Multicycle Technologies UK Limited (formerly Alternative Nutrients Streams Holdings UK Limited)	302,359	-
	<b><u>26,171,685</u></b>	<b><u>-</u></b>

### 10. Cash and cash equivalents

	2019	2018
	\$	\$
Bank balances	<b><u>896,690</u></b>	<b><u>4,068,996</u></b>

### 11. Other current financial assets

	2019	2018
	\$	\$
Loan to Agriprotein KSA	<b><u>100,000</u></b>	<b><u>-</u></b>

In October 2019, the company entered into a Short-Term Loan Agreement with Agriprotein KSA, a company registered in The Kingdom of Saudi Arabia, whereby a bridging financing of \$100,000 was agreed. The purpose of the loan was to finance the borrower's day-to-day operations. The loan is payable in full anytime within a 14 month period to December 2020.



# Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)

## Notes to the Parent Company's Financial Statements for the year ended 31 December 2019

### 12. Share capital and reserves

	<u>2019</u>	<u>2018</u>
	\$	\$
<i>Share capital</i>		
Allotted, called up and fully paid:		
1 Class A share at \$0.01	1	1
Allotted and issued:		
7,928,622 ordinary shares at \$0.01	<u>79,286</u>	<u>77,752</u>
	<u><b>79,287</b></u>	<u><b>77,753</b></u>
	<u>2019</u>	<u>2018</u>
	\$	\$
<i>Share premium</i>		
<b>As at 1 January</b>	53,803,521	-
Issue of share capital	4,459,039	53,803,521
Vested shares issued at a premium	<u>103,675</u>	<u>-</u>
<b>As at 31 December</b>	<u><b>58,366,235</b></u>	<u><b>53,803,521</b></u>
	<u>2019</u>	<u>2018</u>
	\$	\$
<i>Share based payment reserve</i>		
<b>As at 1 January</b>	784,855	-
Share based payment expense for the year	1,736,017	784,855
Shares vested during the year	<u>(52,808)</u>	<u>-</u>
<b>As at 31 December</b>	<u><b>2,468,064</b></u>	<u><b>784,855</b></u>

### Share Incentive Scheme

The company maintains an Equity Incentive Plan which awards shares to key employees which vest subject to continued employment, under the following conditions, a) none after year 1, b) 50% of the total after year 2, c) 25% after Year 3 and d) the final 25% after year 4.

### Long Term Incentive Plan (LTIP)

Under the LTIP plan, there is no specific number of shares being issued. The number of shares being issued will be determined entirely by the valuation of the company which is realised (in the event of a transaction) or calculated by an independent valuer at the end of 2023. Therefore, the key driver of the LTIP plan is the company's future valuation as that determines how much value is allocated to the participants.

	<u>2019</u>	<u>2018</u>
	Number of shares	Number of shares
As at 1 January	94,000	34,900
Awarded during the year	39,118	62,700
Vested during the year	(2,600)	(2,600)
Shares forfeited	<u>-</u>	<u>(1,000)</u>
<b>As at 31 December</b>	<u><b>130,518</b></u>	<u><b>94,000</b></u>

# **Insect Technology Group Holdings UK Limited (formerly Agriprotein Holdings UK Limited)**

## **Notes to the Parent Company's Financial Statements for the year ended 31 December 2019**

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### **12. Share capital and reserves (continued)**

#### **Valuation methodology**

The fair value of the share awards was determined with reference to the most recent price per share or ordinary shares issued to shareholders. The value per share of the most recent ordinary share issue is considered to approximate the value of the share awards in terms of the share incentive scheme.

For measurement of the Long Term Incentive Plan the holding company has used a Value Creation Plan model based on different payouts and assumptions.

### **13. Auditors' remuneration**

The cost of the parent company and Group financial statements audit has been borne by Insect technology Group Services UK Ltd.

### **14. Directors' remuneration**

There is no Director remuneration within the company. Payments are made to 3 Directors in relation to their service contracts with Insect Technology Group Services UK Ltd and are expensed in that company's accounts.

### **15. Financial risk management**

#### **Credit Risk**

The Company does not have significant amounts owing to it by customers. Consequently, the entity does not consider there to be any significant exposure to credit risk in this regard. The Company's cash is all held on deposit with regulated banks and is not invested in any financial instruments carrying credit risk.

#### **Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Company has cash on hand as at the end of the financial year and has access to call on the unpaid share capital of \$19.7 million as it requires it. As of the date of this report the Company has not finalized a fund raise. Due to this, the Company may be having liquidity issues in the next 12 months from the date of this report but actions can be taken to mitigate this.

#### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the company's subsidiaries income. The currencies giving rise to this risk are mainly South African Rand, Singapore dollars, Euros and Indian Rupees. The Company holds most of its excess cash balances in US dollars in attempt to minimize this foreign exchange exposure. Derivative financial instruments are not used as a means of reducing exposure to fluctuations in foreign exchange rates.

#### **Interest rate risk**

The Company and its subsidiaries primarily finance their operations through the proceeds of the equity raise completed during 2018. The limited amount of loan funding from its shareholders and lenders is partly interest free and partly on the basis of variable interest rates.