

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### COMPANY INFORMATION

---

**Directors**

R J Bonney  
S W A Knott (appointed 2 October 2018)  
J W Marshall  
M Plampin  
M D F Pye  
C J Davy  
H Rodger (resigned 28 September 2018)  
R G Wardle  
R J Long (appointed 2 October 2018)  
M Russell (appointed 26 February 2018)  
L A Toon (appointed 26 February 2018)  
F A Weston

**Company secretary**

Prism Cosec Limited

**Registered number**

07330728

**Registered office**

Benchmark House  
8 Smithy Wood Drive  
Sheffield  
S35 1QN

**Independent auditor**

KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**CONTENTS**

---

	Page
<b>Strategic report</b>	1
<b>Directors' report</b>	2
<b>Independent auditor's report</b>	4 - 6
<b>Statement of comprehensive income</b>	7
<b>Balance sheet</b>	8
<b>Statement of changes in equity</b>	9
<b>Notes to the financial statements</b>	10 - 23

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### **Business review**

Benchmark Animal Health Group Limited acted as a holding company for the Animal Health Division of Benchmark Holdings plc during the year.

The company made no further investments in its subsidiaries in the year.

#### **Principal risks and uncertainties**

Carrying value of investments: If the entities that the Company has invested in do not perform as expected, there is a risk that the carrying value of investments may have to be impaired.

#### **Results and dividends**

The loss for the year, after taxation, amounted to £244,166 (2017 - loss £85,711).

The directors do not recommend the payment of a dividend.

This report was approved by the board on \_\_\_\_\_ and signed on its behalf.

**M Plampin**  
Director

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

The directors present their report and the financial statements for the year ended 30 September 2018.

#### Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### Principal activity

The company acts as an intermediate holding company.

#### Directors

The directors who served during the year were:

R J Bonney  
J W Marshall  
M Plampin  
M D F Pye  
C J Davy  
H Rodger (resigned 28 September 2018)  
R G Wardle  
M Russell (appointed 26 February 2018)  
L A Toon (appointed 26 February 2018)  
F A Weston

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**Future developments**

The company continues to look for suitable investment opportunities in the animal health sector.

**Qualifying third party indemnity provisions**

The Directors benefited from qualifying third party indemnity provisions during the financial year and continue to do so at the date of this report.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

**M Plampin**  
Director

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

We have audited the financial statements of Benchmark Animal Health Group Limited ("the company") for the year ended 30 September 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, including the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

#### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

#### Strategic report and directors' report

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

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

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

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

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

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

We have nothing to report in these respects.

#### Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

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

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

Frances Simpson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

**Chartered Accountants**

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

Date:

---

BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

	Note	2018 £	2017 £
Administrative expenses		(188,988)	(51,291)
<b>Operating loss</b>	4	(188,988)	(51,291)
Interest receivable and similar income	7	8	5
Interest payable and expenses	8	(55,186)	(34,425)
<b>Loss before tax</b>		(244,166)	(85,711)
<b>Loss for the financial year</b>		(244,166)	(85,711)
<b>Total comprehensive income for the year</b>		(244,166)	(85,711)

All of the above relates to continuing operations.

The notes on pages 10 to 23 form part of these financial statements.

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**  
**REGISTERED NUMBER: 07330728**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	10	733,600	733,600
Investments	11	11,037,901	11,037,901
		<u>11,771,501</u>	<u>11,771,501</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	12	69,959,367	45,688,849
Cash at bank and in hand		2,165	2,158
		<u>69,961,532</u>	<u>45,691,007</u>
Creditors: amounts falling due within one year	13	(77,213,889)	(52,699,198)
<b>Net current liabilities</b>		<u>(7,252,357)</u>	<u>(7,008,191)</u>
<b>Total assets less current liabilities</b>		<u>4,519,144</u>	<u>4,763,310</u>
<b>Net assets</b>		<u><u>4,519,144</u></u>	<u><u>4,763,310</u></u>
<b>Capital and reserves</b>			
Called up share capital	14	777,502	777,502
Profit and loss account		3,741,642	3,985,808
		<u>4,519,144</u>	<u>4,763,310</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

**M Plampin**  
Director

The notes on pages 10 to 23 form part of these financial statements.

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

---

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 October 2016</b>	<b>777,502</b>	<b>4,071,519</b>	<b>4,849,021</b>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(85,711)	(85,711)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(85,711)</b>	<b>(85,711)</b>
<b>At 1 October 2017</b>	<b>777,502</b>	<b>3,985,808</b>	<b>4,763,310</b>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(244,166)	(244,166)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(244,166)</b>	<b>(244,166)</b>
<b>At 30 September 2018</b>	<b>777,502</b>	<b>3,741,642</b>	<b>4,519,144</b>

The notes on pages 10 to 23 form part of these financial statements.

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 1. General information

Benchmark Animal Health Group Limited, a private company, is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in pounds sterling.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN. The Company's results are included in the consolidated financial statements of Benchmark Holdings plc, prepared in accordance with IFRS, which are available from Companies House, Cardiff, CF14 3UZ.

The principal accounting policies adopted by the Company are set out in note 2.

The company's registered office is included within the Company information.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

2. Accounting policies (continued)

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding net current liabilities of £7,252,357 as at 30th September 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent, Benchmark Holdings plc not seeking repayment of the amounts currently due to it, which at 30 September 2018 amounted to £76,496,044, and providing additional financial support during that period. Benchmark Holdings plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The following extract from the parent company, Benchmark Holdings plc, interim financial statements for the 6 months ending 31 March 2019 (dated 25 June 2019) sets out some of the considerations made by the directors of the company in making this assessment including the ability of Benchmark Holdings plc to provide such support.

"The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement.

As at 31 March 2019 the Group had net assets of £366.1m (30 September 2018: £381.8m), including cash of £23.8m (30 September 2018: £24.1m) as set out in the consolidated balance sheet. The Group made a loss for the period of £9.1m (12 months ending 30 September 2018: £4.4m).

On 24 June 2019, the Company completed a successful refinance of the existing banking facility replacing facilities of USD90m with Norwegian listed bonds valuing NOK850m (cUSD95m, c£75m) with an expiry date of 2023 and an associated \$15m (c£12m) revolving credit facility available until 2022. As part of the process certain financial covenant requirements have been revised.

As at 24 June 2019, the existing banking facilities have been repaid in full with proceeds from the bond issue and drawings against the revolving credit facility were £nil. The most recent month end cash reserves at 31 May 2019 were £21.2m.

The Directors have prepared trading and cash flow forecasts for the Group covering the period to September 2020, including forecast compliance with the revised covenants. These forecasts include a number of assumptions in relation to trading performance across the Group including supply, demand and pricing of key raw materials and products, and the out-licensing of certain products in development. The forecasts also contain a number of board approved initiatives ("Structural Efficiencies programme") relating to structural and operational efficiencies to reallocate capital, reduce costs, grow margins, prioritise R&D spend, and exit from non-core activities.

The Directors have considered reasonably possible downside sensitivity scenarios, including mitigating actions within their control should these occur around deferring and reducing non-essential capital and revenue expenditure. These forecast cashflows, considering the ability and intention of the directors to implement mitigating actions should they need to, provide sufficient headroom in the forecast period.

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

The Directors have considered all of the factors noted above and are confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due the period of 12 months from the date of approval of these interim condensed financial statements. Accordingly, the interim condensed financial statements have been prepared on a going concern basis.”

Consequently, the directors of the company are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 2.4 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

#### 2.5 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.6 Employee benefits

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

**2. Accounting policies (continued)**

**2.7 Taxation**

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.8 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Assets under the course of contruction	- No depreciation charged
---	---------------------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**2.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

**2. Accounting policies (continued)**

**2.10 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.12 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.13 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

##### 2.13 Financial instruments (continued)

The Company classifies all of its financial liabilities as liabilities at amortised cost.

##### **At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

##### **Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. There estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **Recoverability of investments and amounts owed by group undertakings**

The company is required to assess whether the investments and amounts owed by group undertakings are recoverable. The recoverable amount is determined by reference to the net assets of the subsidiary or a value in use calculation. The use of the value in use method requires the estimation of future cash flows and the choice of discount rate in order to calculate the present value of the cash flows.

#### 4. Operating loss

During the year, no director received any emoluments (2017 - £nil).

#### 5. Auditor's remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	4,000	500

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**6. Employees**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>119,656</b>	43,898
Social security costs	<b>11,400</b>	3,910
Cost of defined contribution scheme	<b>6,360</b>	1,590
	<u><b>137,416</b></u>	<u>49,398</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Management	<b>1</b>	1
Directors	<b>9</b>	7
	<u><b>10</b></u>	<u>8</u>

The Directors of the company are remunerated by the ultimate parent and other subsidiaries and there is no reasonable or accurate way to apportion these costs to this entity.

**7. Interest receivable**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Other interest receivable	<b>8</b>	5
	<u><b>8</b></u>	<u>5</u>

**8. Interest payable and similar expenses**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Interest on deferred consideration	<b>55,186</b>	34,425
	<u><b>55,186</b></u>	<u>34,425</u>

---

BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

9. Taxation

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.5%). The differences are explained below:

	2018 £	2017 £
Loss before tax	<u>(244,166)</u>	<u>(85,711)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%)	(46,392)	(16,714)
<b>Effects of:</b>		
Losses not recognised	<u>46,392</u>	<u>16,714</u>
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

Amount of deferred tax asset not recognised for losses is £68,392.

**Factors that may affect future tax charges**

The main rate of corporation tax was reduced from 20 per cent to 19 per cent effective from 1 April 2017 and to 17 per cent from 1 April 2020. Deferred tax is calculated at the substantively enacted rates, at which the temporary differences and tax losses are expected to reverse, in the territories in which they arose.

---

BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

10. Tangible fixed assets

	Assets under the course of construction £
<b>Cost</b>	
At 1 October 2017	733,600
At 30 September 2018	<u>733,600</u>
<b>Net book value</b>	
At 30 September 2018	<u>733,600</u>
<i>At 30 September 2017</i>	<u>733,600</u>

11. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost</b>	
At 1 October 2017	11,037,901
At 30 September 2018	<u>11,037,901</u>

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**11. Fixed asset investments (continued)****Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
FVG Limited	22 Carsegate Road, Inverness, IV3 8EX	Veterinary services	Ordinary	100%
Benchmark Vaccines Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Manufacturer of vaccines	Ordinary	100%
Benchmark Animal Health Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Supply of health products	Ordinary	100%
FVG Inc*	Gulf of Maine Research Institute, 350 Commercial Street, Portland, Maine 04101	Veterinary services	Ordinary	100%
Fish Vet Group Limited*	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Dormant	Ordinary	100%
Fish Vet Group Asia Limited*	No.57/1 Moo 6, Samed Sub-District, Muang Chonburi District, Chonburi Province, 20000 Thailand.	Veterinary services	Ordinary	100%
Fish Vet Group Norge AS*	Hoffsveien 21-23, 0275, Oslo.	Veterinary services	Ordinary	100%
Atlantic Veterinary Services Limited*	Unit 7B Oranmore Business Park, Oranmore, Co Galway, Ireland, H91 XP3F	Veterinary services	Ordinary	100%
Fish Vet Group SPA*	Bernardino 1978, Puerto Montt Chile	Veterinary services	Ordinary	100%
FVG Canada Inc*	1600-3500 Boulevard De Maisonneuve, Ouest, Westmount, QC, H3Z 3C1	Veterinary services	Ordinary	100%

\*Indirect holding via subsidiaries

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**12. Debtors**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed by group undertakings	<b><u>69,959,367</u></b>	<b><u>45,688,849</u></b>

Amounts owed by group undertakings are interest free and repayable on demand.

**13. Creditors: Amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<b>76,496,043</b>	<b>51,861,538</b>
Other creditors	<b>700,000</b>	<b>700,000</b>
Accruals and deferred income	<b>17,846</b>	<b>137,660</b>
	<b><u>77,213,889</u></b>	<b><u>52,699,198</u></b>

Amounts owed to group undertakings are interest free and due on demand.

Other creditors is the deferred consideration secured on the freehold property included within assets under the course of construction.

The deferred consideration is due for payment in April 2019 and interest is charged on this at 5% per annum.

**14. Share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
777,502 (2017 - 777,502) Ordinary shares of £1.00 each	<b><u>777,502</u></b>	<b><u>777,502</u></b>



---

## BENCHMARK ANIMAL HEALTH GROUP LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 15. Contingent liabilities

There is a full cross guarantee in respect of certain borrowings of other Group entities. Total borrowings of other Group entities covered by this guarantee at 30 September 2018 were £6,524 (2017: £nil).

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a five year USD 70m Revolving Facility Agreement ("the Agreement") entered into by the company's ultimate parent undertaking, Benchmark Holdings plc, on 11 December 2015. On 7 January 2019, the accordion facility was activated raising the total facility to USD 90m. Under the terms of the Agreement;

- the company guarantees the punctual performance of other obligors to the Agreement;
- should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and,
- the company has provided to the lenders security in the form of a floating charge over its assets.

As at 30 September 2018, USD 69.2m has been drawn down under the Agreement.

#### 16. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £6,360 (2017 - £1,590). An amount of £nil (2017 - £nil) was payable to the fund at the balance sheet date and is included in creditors.

#### 17. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

#### 18. Post balance sheet events

On 7 January 2019, the parent undertaking's Revolving Credit Facility, to which the company is a guarantor (note 15), was increased using its accordion facility from USD 70m to USD 90m.

On 24 June 2019, the company's parent undertaking cancelled and fully repaid the outstanding borrowings under this USD 90m Revolving Credit Facility.

It is intended that the company along with a number of other companies in the Benchmark Holdings plc's group will become a guarantor to a 3-and-a-half-year USD 15m Revolving Credit Facility on the same basis as the previous agreement and also to Benchmark Holdings plc NOK 850m secured bond that matures in June 2023, both of which were entered into by Benchmark Holdings Plc on 24 June 2019.

---

**BENCHMARK ANIMAL HEALTH GROUP LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**19. Controlling party**

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

## **Benchmark Animal Health Group Limited**

Company Number 07330728

### **Financial statements for the year ended 30 September 2019**



**Benchmark Animal Health Group Limited**  
**Corporate directory**  
**For the year ended 30 September 2019**

Directors	R J Bonney (Resigned 30 September 2019) J W Marshall M Plampin (Resigned 20 December 2019) M D F Pye (Resigned 30 November 2019) C J Davy R G Wardle (Resigned 2 July 2019) M Russell (Resigned 31 August 2019) L A Toon F A Weston S W A Knott (Appointed 2 October 2018, resigned 31 May 2020) R J Long (Appointed 2 October 2018, resigned 31 August 2019) S Maguire (Appointed 28 April 2020)
Company secretary	Prism Cosec Limited
Registered number	07330728
Registered office	Benchmark House 8 Smithy Wood Drive Sheffield S35 1QN
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

**Benchmark Animal Health Group Limited**  
**Contents**  
**For the year ended 30 September 2019**

Strategic report	3
Directors' report	4
Directors' responsibilities statement	6
Independent auditor's report to the members of Benchmark Animal Health Group Limited	7
Statement of profit or loss and other comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12

**Benchmark Animal Health Group Limited**  
**Strategic report**  
**For the year ended 30 September 2019**

The directors present their strategic report on the company for the year ended 30 September 2019.

**Business review**

Benchmark Animal Health Group Limited acted as a holding company for the Animal Health Division of Benchmark Holdings plc during the year.

The company made no further investments in its subsidiaries in the year.

**Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are as follows:

**Carrying value of investments**

If the entities that the Company has invested in do not perform as expected, there is a risk that the carrying value of investments may have to be impaired.

**Covid-19**

Following the emergence and spread of Covid-19, the Company and its subsidiaries took early action to protect the health and wellbeing of its staff, to ensure continuity of supply and service for its customers and to conserve cash and maintain headroom. The Company and its subsidiaries implemented remote working for office-based employees, adapted shift patterns at sites worldwide to reduce employee exposure and enhanced safety procedures.

Whilst there has been a reduction in volumes of certain services and products, measures have been taken to mitigate the effect of these. The subsidiaries have used the UK Government furlough scheme as long as required and available for certain members of staff. Additional actions taken by the Company and its subsidiaries to date include reducing variable costs where possible, cuts and delays to R&D and capex spend; and working capital management.

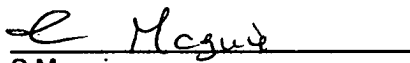
**Results and dividends**

The loss for the year, after taxation, amounted to £261,705 (2018 - loss £244,166).

The directors do not recommend the payment of a dividend.

This report is made in accordance with a resolution of directors.

On behalf of the directors

  
S Maguire  
Director

20 July 2020

**Benchmark Animal Health Group Limited**  
**Directors' report**  
**For the year ended 30 September 2019**

The directors present their report, together with the financial statements, on the company for the year ended 30 September 2019.

**Principal activities**

The company acts as an intermediate holding company.

**Directors**

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

R J Bonney (Resigned 30 September 2019)  
J W Marshall  
M Plampin (Resigned 20 December 2019)  
M D F Pye (Resigned 30 November 2019)  
C J Davy  
R G Wardle (Resigned 2 July 2019)  
M Russell (Resigned 31 August 2019)  
L A Toon  
F A Weston  
S W A Knott (Appointed 2 October 2018, resigned 31 May 2020)  
R J Long (Appointed 2 October 2018, resigned 31 August 2019)  
S Maguire (Appointed 28 April 2020)

**Future developments**

The company continues to look for suitable investment opportunities in the animal health sector.

In 2019, the company's ultimate controlling party, Benchmark Holdings plc, announced a programme of disposals and restructuring. The disposals primarily relate to businesses which are not core to the group's strategic focus. Consequently, on 1 July 2020, the company completed the sale of its wholly owned subsidiary FVG Ltd to Pharmaq AS, part of the global animal health company Zoetis, for a total cash consideration of £14.4 - £14.7 million. The final consideration will depend on certain final costs to be borne by the Company as seller.

**Qualifying third party indemnity provisions**

The Directors benefited from qualifying third party indemnity provisions during the financial year and continue to do so at the date of this report.

**Political contributions**

The company made no political donations or contributions or incurred any political expenditure during the year (2018: none).

**Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditor**

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Benchmark Animal Health Group Limited**  
**Directors' report**  
**For the year ended 30 September 2019**

This report is made in accordance with a resolution of directors. \*

On behalf of the directors

A handwritten signature in black ink, appearing to read 'S Maguire', is written over a horizontal line.

S Maguire  
Director

20 July 2020



**Benchmark Animal Health Group Limited**  
**Directors' responsibilities statement**  
**For the year ended 30 September 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Benchmark Animal Health Group Limited**  
**Independent auditor's report to the members of Benchmark Animal Health Group Limited**  
**For the year ended 30 September 2019**

**Opinion**

We have audited the financial statements of Benchmark Animal Health Group Limited ("the company") for the year ended 30 September 2019 which comprise of the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Strategic report and Directors' report**

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

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

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

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

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

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

We have nothing to report in these respects.

**Benchmark Animal Health Group Limited**  
**Independent auditor's report to the members of Benchmark Animal Health Group Limited**  
**For the year ended 30 September 2019**

**Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

**John Pass (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

27 July 2020

**Benchmark Animal Health Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 September 2019**

	<b>Note</b>	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
<b>Expenses</b>			
Administrative expenses		<u>(244,910)</u>	<u>(188,988)</u>
<b>Operating loss</b>		(244,910)	(188,988)
Interest receivable	7	11	8
Interest payable and similar expenses	8	<u>(16,806)</u>	<u>(55,186)</u>
<b>Loss before tax</b>		(261,705)	(244,166)
Tax	9	<u>-</u>	<u>-</u>
<b>Loss after tax for the year</b>		(261,705)	(244,166)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>(261,705)</u></u>	<u><u>(244,166)</u></u>


*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Balance sheet**  
**As at 30 September 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
<b>Fixed assets</b>			
Tangible fixed assets	10	733,600	733,600
Fixed asset investments	11	11,037,901	11,037,901
Total fixed assets		<u>11,771,501</u>	<u>11,771,501</u>
<b>Current assets</b>			
Debtors	12	87,993,432	69,959,367
Cash at bank and in hand		2,275	2,165
Total current assets		<u>87,995,707</u>	<u>69,961,532</u>
<b>Current liabilities</b>			
Creditors: Amount falling due within one year	13	95,509,769	77,213,889
Total current liabilities		<u>95,509,769</u>	<u>77,213,889</u>
<b>Net current liabilities</b>		<u>(7,514,062)</u>	<u>(7,252,357)</u>
<b>Total assets less current liabilities</b>		<u>4,257,439</u>	<u>4,519,144</u>
<b>Net assets</b>		<u>4,257,439</u>	<u>4,519,144</u>
<b>Equity</b>			
Called up share capital	14	777,502	777,502
Retained profits		3,479,937	3,741,642
<b>Total equity</b>		<u>4,257,439</u>	<u>4,519,144</u>

Benchmark Animal Health Group Limited's company number is 07330728.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by

  
S Maguire  
Director

20 July 2020

*The above balance sheet should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Statement of changes in equity**  
**For the year ended 30 September 2019**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2017	777,502	3,985,808	4,763,310
Loss after tax for the year	-	(244,166)	(244,166)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(244,166)	(244,166)
Balance at 30 September 2018	<u>777,502</u>	<u>3,741,642</u>	<u>4,519,144</u>
	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2018	777,502	3,741,642	4,519,144
Loss after tax for the year	-	(261,705)	(261,705)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(261,705)	(261,705)
Balance at 30 September 2019	<u>777,502</u>	<u>3,479,937</u>	<u>4,257,439</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**1. General information**

Benchmark Animal Health Group Limited, a private company, is incorporated, domiciled and registered in England and in the UK. The registered company number is 07330728, and the registered address is Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The Company's financial statements are presented in pounds sterling.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN. The Company's results are included in the consolidated financial statements of Benchmark Holdings plc, prepared in accordance with IFRS, which are available from Companies House, Cardiff, CF14 3UZ.

**2. Accounting policies**

**Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

**Financial reporting standard 101 - reduced disclosure exemptions**

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effect of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**2. Accounting policies (continued)**

**Going concern**

Notwithstanding net current liabilities of £7,514,062 as at 30th September 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared base and sensitised cash flow forecasts for the period ending 30 September 2021, taking into account the possible impact of Covid-19 on trading performance and have assessed the ability of the Company to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. Based on these forecasts, the directors consider that the Company will continue to trade and will have sufficient funds to meet its liabilities as they fall due for that period, but the company meets its day to day working capital requirements from funding in the form of loans from and intragroup balances with, companies in the group headed by the company's ultimate controlling party, Benchmark Holdings plc. The company has no external bank facilities. The forecasts are therefore dependent on the company's ultimate parent, Benchmark Holdings plc, not seeking repayment of the amounts currently due to it, which at 30th September 2019 amounted to £95,283,407 and providing additional financial support during that period. Benchmark Holdings plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, financial support from within the Group is dependent upon the continued availability and sufficiency of the Group's external borrowing facilities, including compliance with minimum covenants, and its ongoing liquidity. In February 2020, the group successfully raised net equity proceeds of £42m, which improved the group liquidity position. As at 31 March 2020 the Group had cash of £51.6m (30 September 2019: £16.1m), against the liquidity covenant of £10m.

As at 31 March 2020 the Group had net assets of £306.6m (30 September 2019: £310.5m), including cash of £51.6m (30 September 2019: £16.1m) as set out in the consolidated balance sheet. Drawings against the Group's USD 15m revolving credit facility were £nil at 31 March 2020 (30 September 2019: £nil).

The directors have reviewed forecasts for the Group covering the period to September 2021, including severe but plausible downside sensitivity assumptions in relation to the recent Covid-19 outbreak. These forecasts include assumptions around supply, demand and pricing of key raw materials and products and the timing of trials relating to future products to assess the impact on the Group's trading and cashflow forecasts and on the forecast compliance with the covenants included within the Group's financing arrangements. In response to Covid-19, the Directors have taken immediate actions, all within management's control, to reduce costs and optimise the Group's cash flow and liquidity, including the following mitigating actions: reductions in areas of discretionary spend, temporary furlough of certain staff or reduced working hours, deferring capital expenditure and temporary hold on R&D for non-imminent products. The ongoing board approved initiatives ("Structural Efficiencies programme") relating to structural and operational efficiencies to reallocate capital, reduce costs, grow margins, prioritise R&D spend, and exit from non-core activities were also sensitised out of the base forecasts in the assessment of the going concern basis of preparation.

It is difficult to predict the overall outcome and impact of Covid-19, but under all of the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against the borrowing covenants. The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the subsidiary financial statements have been prepared on a going concern basis.

**Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.



**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**2. Accounting policies (continued)**

**Taxation**

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

Assets under the course of construction	No depreciation charged
---	-------------------------

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**2. Accounting policies (continued)**

**Employee benefits**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. There estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Recoverability of investments and amounts owed by group undertakings**

The company is required to assess whether the investments and amounts owed by group undertakings are recoverable. The recoverable amount is determined by reference to the net assets of the subsidiary or a value in use calculation. The use of the value in use method requires the estimation of future cash flows and the choice of discount rate in order to calculate the present value of the cash flows.

**4. Operating loss**

The operating loss is stated after charging:

	2019 £	2018 £
Exchange differences	19,971	-
Defined contribution pension cost	16,013	6,360

**5. Auditor remuneration**

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	6,000	4,000

**6. Employees**

The average number of employees during the year was as follows:

	2019	2018
Management	-	1
Directors	11	9
Average number of employees	11	10

Staff costs were as follows:

	2019 £	2018 £
Wages and salaries	155,213	119,656
Social security costs	19,118	11,400
Costs of defined contribution scheme	16,013	6,360
Total employee benefits expense	190,344	137,416

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**7. Interest receivable**

	2019 £	2018 £
Interest receivable and similar income	<u>11</u>	<u>8</u>

**8. Interest payable and similar expenses**

	2019 £	2018 £
Interest on deferred consideration	16,771	55,186
Bank charges	<u>35</u>	<u>-</u>
	<u>16,806</u>	<u>55,186</u>

**9. Tax**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss before tax	<u>(261,705)</u>	<u>(244,166)</u>
Tax at the statutory tax rate of 19%	(49,724)	(46,392)
Current year tax losses not recognised	<u>49,724</u>	<u>46,392</u>
Tax	<u>-</u>	<u>-</u>

Amount of deferred tax asset not recognised for losses is £110,534.

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**10. Tangible fixed assets**

	<b>Assets under the course of construction £</b>
Cost	
At 1 October 2018	733,600
At 30 September 2019	<u>733,600</u>
Net book value	
At 30 September 2019	733,600
A 30 September 2018	<u>733,600</u>

**11. Fixed asset investments**

	<b>Investments in subsidiary companies £</b>
Cost	
At 1 October 2018	11,037,901
At 30 September 2019	<u>11,037,901</u>

**Interests in subsidiaries**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Proportion held %</b>
FVG Limited	22 Carsegate Road, Inverness, IV3 8EX	Veterinary services	100.00%
Benchmark Vaccines Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Manufacturer of vaccines	100.00%
Benchmark Animal Health Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Supply of health products	100.00%
FVG Inc*	Gulf of Maine Research Institute, 350 Commercial Street, Portland, Maine 04101	Veterinary services	100.00%
Fish Vet Group Limited*	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Dormant	100.00%
Fish Vet Group Asia Limited*	No.57/1 Moo 6, Samed Sub-District, Muang Chonburi District, Chonburi Province, 20000 Thailand.	Veterinary services	100.00%
Fish Vet Group Norge AS*	Hoffsveien 21-23, 0275, Oslo.	Veterinary services	100.00%
Atlantic Veterinary Services Limited*	Business Park, Oranmore, Co Galway, Ireland, H91 XP3F	Veterinary services	100.00%
Fish Vet Group SPA*	Bernardino 1978, Puerto Montt Chile	Veterinary services	100.00%
FVG Canada Inc*	1600-3500 Boulevard De Maisonneuve, Ouest, Westmount, QC, H3Z 3C1	Veterinary services	100.00%

\*Indirect holding via subsidiaries

The class of shares of all of the above subsidiary undertakings is ordinary.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**12. Debtors**

	2019 £	2018 £
Other debtors	1,290	-
Amounts owed by group undertakings	87,992,142	69,959,367
	<u>87,993,432</u>	<u>69,959,367</u>

Amounts owed by group undertakings are interest free and repayable on demand.

**13. Creditors: Amount falling due within one year**

	2019 £	2018 £
Amounts owed to group undertakings	95,283,541	76,496,043
Accruals and deferred income	226,228	17,846
Other creditors	-	700,000
	<u>95,509,769</u>	<u>77,213,889</u>

Amounts owed to group undertakings are interest free and due on demand.

**14. Called up share capital**

	2019 £	2018 £
777,502 (2018 - 777,502) Ordinary shares at £1.00 each	<u>777,502</u>	<u>777,502</u>

**15. Contingent liabilities**

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a four year senior secured floating rate listed bond of NOK 850m (the Bond). The Bond, which matures in June 2023, refinanced Benchmark's previous USD 90m credit facility. A USD 15m Revolving Credit Facility has been provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%) (the RCF). This was undrawn at 30 September 2019.

Under the terms of the Bond and the RCF:

- the company guarantees the punctual performance of other obligors to the Bond and the RCF;
- should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and,
- the company has provided to the lenders security in the form of a floating charge over its assets.

**16. Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**17. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £16,013 (2018 - £6,360). An amount of £nil (2018 - £nil) was payable to the fund at the balance sheet date and is included in creditors.

**18. Events after the reporting period**

In 2019, the company's ultimate controlling party, Benchmark Holdings plc, announced a programme of disposals and restructuring. The disposals primarily relate to businesses which are not core to the group's strategic focus. Consequently, on 1 July 2020, the company completed the sale of its wholly owned subsidiary FVG Ltd to Pharmaq AS, part of the global animal health company Zoetis, for a total cash consideration of £14.4 - £14.7 million. The final consideration will depend on certain final costs to be borne by the Company as seller.

*Covid-19 impact*

In the period since 30 September 2019, as a holding company, the emergence and spread of Covid-19 has not had a significant financial impact on the company. Due to the mitigating actions taken and the nature of markets operated in, it has also not had a significant impact on the performance of its subsidiaries and consequently on their carrying value. The Company has considered the overall impact of this on the financial statements at 30 September 2019 and have concluded this is a non-adjusting event after the reporting period.

**19. Controlling Party**

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

# **Benchmark Animal Health Group Limited**

**Company Number 07330728**

## **Unaudited Financial statements for the year ended 30 September 2020**



**Benchmark Animal Health Group Limited**  
**Corporate directory**  
**For the year ended 30 September 2020**

Directors	J W Marshall M Plampin (Resigned 20 December 2019) M D F Pye (Resigned 30 November 2019) C J Davy L A Toon F A Weston (Resigned 31 July 2020) S W A Knott (Resigned 31 May 2020) S Maguire (Appointed 28 April 2020) T Williksen (Appointed 28 September 2020)
Company secretary	Prism Cosec Limited
Registered number	07330728
Registered office	Benchmark House 8 Smithy Wood Drive Sheffield S35 1QN
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

**Benchmark Animal Health Group Limited**  
**Contents**  
**For the year ended 30 September 2020**

Statement of profit or loss and other comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Notes to the financial statements	7

**Benchmark Animal Health Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 September 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Expenses</b>			
Impairment of assets		(541,825)	-
Administrative expenses		(321,561)	(244,910)
<b>Operating loss</b>	<b>4</b>	<b>(863,386)</b>	<b>(244,910)</b>
Interest receivable	7	3	11
Interest payable and similar expenses	8	(166)	(16,806)
Exceptional - disposal and restructuring related items	9	9,447,154	-
<b>Profit/(loss) before tax</b>		<b>8,583,605</b>	<b>(261,705)</b>
Tax	10	-	-
<b>Profit/(loss) after tax for the year</b>		<b>8,583,605</b>	<b>(261,705)</b>
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year</b>		<b><u>8,583,605</u></b>	<b><u>(261,705)</u></b>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Balance sheet**  
**As at 30 September 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Fixed assets</b>			
Tangible fixed assets	11	850,000	733,600
Fixed asset investments	12	10,262,897	11,037,901
Total fixed assets		<u>11,112,897</u>	<u>11,771,501</u>
<b>Current assets</b>			
Debtors	13	85,832,524	87,993,432
Cash at bank and in hand		99,971	2,275
Total current assets		<u>85,932,495</u>	<u>87,995,707</u>
<b>Current liabilities</b>			
Creditors: Amount falling due within one year	14	84,204,348	95,509,769
Total current liabilities		<u>84,204,348</u>	<u>95,509,769</u>
<b>Net current assets/(liabilities)</b>		<u>1,728,147</u>	<u>(7,514,062)</u>
<b>Total assets less current liabilities</b>		<u>12,841,044</u>	<u>4,257,439</u>
<b>Net assets</b>		<u><u>12,841,044</u></u>	<u><u>4,257,439</u></u>
<b>Equity</b>			
Called up share capital	15	777,502	777,502
Retained profits		12,063,542	3,479,937
<b>Total equity</b>		<u><u>12,841,044</u></u>	<u><u>4,257,439</u></u>

Benchmark Animal Health Group Limited's company number is 07330728.

*The above balance sheet should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Statement of changes in equity**  
**For the year ended 30 September 2020**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2018	777,502	3,741,642	4,519,144
Loss after tax for the year	-	(261,705)	(261,705)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(261,705)	(261,705)
Balance at 30 September 2019	<u>777,502</u>	<u>3,479,937</u>	<u>4,257,439</u>
	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2019	777,502	3,479,937	4,257,439
Profit after tax for the year	-	8,583,605	8,583,605
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	8,583,605	8,583,605
Balance at 30 September 2020	<u>777,502</u>	<u>12,063,542</u>	<u>12,841,044</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**1. General information**

Benchmark Animal Health Group Limited, a private company, is incorporated, domiciled and registered in England and in the UK. The registered company number is 07330728, and the registered address is Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The Company's financial statements are presented in pounds sterling.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN. The Company's results are included in the consolidated financial statements of Benchmark Holdings plc, prepared in accordance with IFRS, which are available from Companies House, Cardiff, CF14 3UZ.

**2. Accounting policies**

**Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

**Financial reporting standard 101 - reduced disclosure exemptions**

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effect of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

**New standards and interpretations applied for the first time**

IFRS 16: Leases is a new accounting standard which is effective for periods beginning on or after 1 January 2019 and has been adopted without any significant impact on the amounts reported in these financial statements.

## **2. Accounting policies (continued)**

### **Going concern**

The company made a profit of £8,583,605 in the year (2019: loss of £261,705) and has net current assets of £1,728,147 (2019: net current liabilities of £7,514,062). The company is reliant on the support of the parent company to enable the continuance of normal operations. The parent company has indicated that it will provide the necessary financial support and accordingly the directors consider that the financial statements should be prepared on a going concern basis.

Covid?

### **Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### **Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **Taxation**

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### **Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

Assets under the course of construction

No depreciation charged

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

## **2. Accounting policies (continued)**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **Employee benefits**

#### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

### **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

### **Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

#### **Financial assets**

The Company classifies all of its financial assets as loans and receivables.

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

#### **Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.



**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**2. Accounting policies (continued)**

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. There estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Recoverability of investments and amounts owed by group undertakings**

The company is required to assess whether the investments and amounts owed by group undertakings are recoverable. The recoverable amount is determined by reference to the net assets of the subsidiary or a value in use calculation. The use of the value in use method requires the estimation of future cash flows and the choice of discount rate in order to calculate the present value of the cash flows.

**4. Operating loss**

The operating loss is stated after charging:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Exchange differences	9,822	19,971
Defined contribution pension cost	10,688	16,013

**5. Auditor remuneration**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	9,000	6,000

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**6. Employees**

The average number of employees during the year was as follows:

	<b>2020</b>	<b>2019</b>
Directors	<u>5</u>	<u>11</u>

Staff costs were as follows:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Wages and salaries	102,570	155,213
Social security costs	15,760	19,118
Costs of defined contribution scheme	<u>10,688</u>	<u>16,013</u>
Total employee benefits expense	<u>129,018</u>	<u>190,344</u>

**7. Interest receivable**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Interest receivable and similar income	<u>3</u>	<u>11</u>

**8. Interest payable and similar expenses**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Interest on deferred consideration	-	16,771
Bank charges	<u>166</u>	<u>35</u>
	<u>166</u>	<u>16,806</u>

**9. Exceptional - disposal and restructuring related items**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Exceptional - disposal and restructuring related items	<u>9,447,154</u>	<u>-</u>

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**9. Exceptional - disposal and restructuring related items (continued)**

In 2019, the company's ultimate controlling party, Benchmark Holdings plc, announced a programme of disposals and restructuring. The disposals primarily relate to businesses which are not core to the group's strategic focus. Consequently, on 1 July 2020, the company completed the sale of FVG Limited and its subsidiaries ('FVG') to Pharmaq, part of the global animal health company Zoetis, for a total cash consideration of £14.5m. Exceptional items include the profit on disposal of FVG less legal and professional fees incurred.

**Effects of disposal of subsidiary on the financial position of the Group**

	<b>FVG</b>
<b>Assets</b>	
Property, plant and equipment (including right-of-use assets)	2,079,942
Intangible assets	454,802
Inventories and biological assets	315,426
Trade and other receivables	1,120,451
Cash and cash equivalents	2,371,944
Trade and other payables	(1,929,475)
Corporation tax liability	(11,064)
Deferred tax	269,754
<b>Net assets and liabilities</b>	<u>4,671,780</u>
 Total consideration	 14,465,000
Cash and cash equivalents disposed of	<u>(2,371,944)</u>
<b>Net cash inflow</b>	<u>12,093,056</u>

**10. Tax**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit/(loss) before tax	<u>8,583,605</u>	<u>(261,705)</u>
Tax at the statutory tax rate of 19%	1,630,885	(49,724)
Current year tax losses not recognised	36,478	49,724
Non-taxable income	(1,794,959)	-
Expenses not deductible for tax purposes, other than impairment	<u>127,596</u>	<u>-</u>
Tax	<u>-</u>	<u>-</u>

Amount of deferred tax asset not recognised for losses is £159,812.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**11. Tangible fixed assets**

	<b>Assets under the course of construction £</b>
<b>Cost</b>	
At 1 October 2019	733,600
Additions	658,225
At 30 September 2020	<u>1,391,825</u>
<b>Depreciation</b>	
At 1 October 2019	-
Impairment loss recognised in profit or loss	541,825
At 30 September 2020	<u>541,825</u>
<b>Net book value</b>	
At 30 September 2020	850,000
At 30 September 2019	<u>733,600</u>

**12. Fixed asset investments**

	<b>Investments in subsidiary companies £</b>
<b>Cost</b>	
At 1 October 2019	11,037,901
Additions	2,979,612
Disposals	(3,754,616)
At 30 September 2020	<u>10,262,897</u>

**Investments in subsidiaries**

In 2019, the company's ultimate controlling party, Benchmark Holdings plc, announced a programme of disposals and restructuring. The disposals primarily relate to businesses which are not core to the group's strategic focus. Consequently, on 1 July 2020, the company completed the sale of FVG Limited and its subsidiaries ('FVG') to Pharmaq, part of the global animal health company Zoetis, for a total cash consideration of £14.5m. Prior to the sale, the company capitalised a loan of £2,977,115 with FVG.

On 14 October 2019, the Company acquired 300 Ordinary shares of NOK 100 each in the company Herkules Invest 308 AS, representing a shareholding of 100%, from Arntzen de Besche Advokatfirma AS. Immediately following the purchase the company was renamed to Benchmark Animal Health Norway AS.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**12. Fixed asset investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Proportion held %</b>
Benchmark Vaccines Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Manufacturer of vaccines	100.00%
Benchmark Animal Health Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S351QN	Supply of health products	100.00%
Benchmark Animal Health Norway AS	Sandviksboder 3A, 5035 Bergen	Supply of health products	100.00%
Benchmark Animal Health US, Inc *	Gulf of Maine Research Institute, 350 Commercial Street, Portland, Maine 04101	Veterinary services	100.00%
Benchmark Animal Health Inc *	1600-3500 Boulevard De Maisonneuve, Ouest, Westmount, QC, H3Z 3C1	Veterinary services	100.00%
Benchmark R&D (Thailand) Limited *	No.57/1 Moo 6, Samed Sub-District, Muang Chonburi District, Chonburi Province, 20000	Veterinary services	100.00%
Benchmark Animal Health Chile SpA *	Avenida Apoquindo 3721, piso 22, comuna de Las Condes, Santiago	Supply of health products	100.00%

\*Indirect holding via subsidiaries

The class of shares of all of the above subsidiary undertakings is ordinary.

**13. Debtors**

	<b>2020 £</b>	<b>2019 £</b>
Other debtors	-	1,290
Amounts owed by group undertakings	85,832,524	87,992,142
	<u>85,832,524</u>	<u>87,993,432</u>

Amounts owed by group undertakings are interest free and repayable on demand.

**14. Creditors: Amount falling due within one year**

	<b>2020 £</b>	<b>2019 £</b>
Amounts owed to group undertakings	83,355,008	95,283,541
Accruals and deferred income	846,200	226,228
Other taxation and social security	3,140	-
	<u>84,204,348</u>	<u>95,509,769</u>

Amounts owed to group undertakings are interest free and due on demand.

**Benchmark Animal Health Group Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**15. Called up share capital**

	2020 £	2019 £
777,502 (2019 - 777,502) Ordinary shares at £1.00 each	<u>777,502</u>	<u>777,502</u>

**16. Contingent liabilities**

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a four year senior secured floating rate listed bond of NOK 850m (the Bond). The Bond, which matures in June 2023, refinanced Benchmark's previous USD 90m credit facility. A USD 15m Revolving Credit Facility has been provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%) (the RCF). This was undrawn at 30 September 2020.

Under the terms of the Bond and the RCF:

- the company guarantees the punctual performance of other obligors to the Bond and the RCF;
- should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and,
- the company has provided to the lenders security in the form of a floating charge over its assets.

**17. Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

**18. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £10,688 (2019 - £16,013). An amount of £nil (2019 - £nil) was payable to the fund at the balance sheet date and is included in creditors.

**19. Controlling Party**

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

## Annex 2.1.4

<b>Benchmark Animal Health Group Limited</b>			
<b>Unaudited Cash Flow Statements for years ended 30 September 2020, 2019 and 2018</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Profit (loss)</b>	<b>8,583,605</b>	<b>(261,705)</b>	<b>(244,166)</b>
Impairment of non-current assets recognised in profit or loss	541,825	-	-
Losses (gains) on disposal of non-current assets	(10,710,384)	-	-
Finance income	(3)	(11)	(8)
Finance expense	166	16,809	55,187
Other adjustments for non-cash items	1,060,694	-	-
Decrease (increase) in trade accounts receivable	(1,290)	(1,290)	-
Increase (decrease) in trade accounts payable	619,972	(491,618)	(119,814)
<b>Net cash flows from (used in) operating activities</b>	<b>94,584</b>	<b>(737,815)</b>	<b>(308,801)</b>
Cash flows from losing control of subsidiaries or other businesses	14,465,000	-	-
Purchase of property, plant and equipment	(658,225)	-	-
Cash advances and loans made to IC parties	(18,232,225)	(18,032,775)	(24,270,518)
Cash receipts from repayment of advances and loans made to IC parties	16,357,258	-	-
Interest received	3	11	8
<b>Net cash flows from (used in) investing activities</b>	<b>11,931,811</b>	<b>(18,032,764)</b>	<b>(24,270,510)</b>
Proceeds from new IC loans	-	18,787,496	24,634,505
Repayments of IC borrowings	(11,928,533)	-	-
Interest paid	(166)	(16,806)	(55,186)
<b>Net cash flows from (used in) financing activities</b>	<b>(11,928,699)</b>	<b>18,770,690</b>	<b>24,579,319</b>
<b>Net increase (decrease) in cash and cash equivalents before effect of exchange rate change</b>	<b>97,697</b>	<b>111</b>	<b>8</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,275</b>	<b>2,165</b>	<b>2,158</b>
<b>Cash and cash equivalents at end of period</b>	<b>99,972</b>	<b>2,276</b>	<b>2,166</b>

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**



---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### COMPANY INFORMATION

---

<b>Directors</b>	R J Bonney J W Marshall M Plampin M D F Pye C J Davy R G Wardle S W A Knott (appointed 2 October 2018)
<b>Company secretary</b>	Prism Cosec Limited
<b>Registered number</b>	08872045
<b>Registered office</b>	Benchmark House 8 Smithy Wood Drive Sheffield S35 1QN
<b>Independent auditor</b>	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### CONTENTS

---

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes to the financial statements	11 - 31

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### Business review

The Company's pipeline of new technologies and products remains its key focus. 2018 revenue was £7.7m (2017: £4.9m). Ectosan/CleanTreat sales of £2.6m (2017: £nil) increased 2018 revenues. Trials continue to deliver excellent results confirming the product potential.

Cost of sales were £9.7m (2017: £2.6m). Salmosan £3.0m, aqua vaccines £3.6m and CleanTreat system depreciation £0.5m increased cost of sales.

The increase in 2018 revenue was offset by an increase in cost of sales resulting in a gross loss of £2.0m, the previous year (2017: £2.3m gross profit).

Expensed R&D costs (including amortisation and depreciation of acquired R&D assets) of £9.0m have been invested in the product pipeline in the period (2017: £5.3m).

Capitalised development costs in the year were £6.5m (2017: £1.5m) in respect of new products which are in the trial stages.

The 2018 operating loss of £9.5m compares to a loss in 2017 of £7.1m.

During the year the company spent £0.3m on tangible assets, mainly in relation to the Cleantreat purification systems used as part of the field trials.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### Principal risks and uncertainties

The Company's directors continue to assess risk and uncertainty in the business. The principal risks and uncertainties facing the Company that could impact its performance together with the actions that are taken by the Directors to mitigate their impact on the company are as follows:

##### • Research and development

The Company is reliant on the continued success of its research and development programmes for aquaculture and the commercial success of its pipeline products. An unexpectedly high new product development failure rate or delay in reaching market would delay revenue growth.

The Company has a high calibre team of animal health product development specialists covering all stages of the process to market. Some new products in development involve collaboration with specialist partners and often present a lower risk as the Company can leverage the partner's existing development work. Rigorous proof of concept studies are undertaken at an early stage in order to seek to minimise the possibility of failure.

##### • Suppliers

Reliance on third parties to provide some raw materials and manufacturing services could lead to restrictions in supply

Wherever possible dual suppliers of key raw materials, components and manufacturing services are engaged on a contracted basis. In addition the Company continually evaluates the security of the supply chain for each of its products and will consider establishing in house manufacturing where there is a high risk. The Company will also increase stock holding where appropriate in order to mitigate the risk of product shortages.

##### • Customer retention

The company's strategy is to ensure that there is active engagement with all existing clients, at all levels, in order to maintain long term relationships and to invest significant professional resource to identifying and securing new clients that share our core objectives;

##### • Continuity of key staff

The company utilises effective succession planning, development and training programmes with competitive retention and incentive packages; and

##### • Intercompany funding and support

The Company has amounts owed to and by group undertakings of £33.5m and £2.0m respectively. The Company is reliant upon the continued funding and support from its parent undertaking. The parent company has given assurances that it will continue to support the Company.

This report was approved by the board on

and signed on its behalf.

**M Plampin**  
Director

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

The directors present their report and the financial statements for the year ended 30 September 2018.

#### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

#### **Principal activity**

The company is engaged in the supply of health products and solutions to the livestock, companion animal and aquaculture sectors.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### Directors

The directors who served during the year were:

R J Bonney  
J W Marshall  
M Plampin  
M D F Pye  
C J Davy  
R G Wardle

#### Future developments

A number of pipeline products are to be launched in 2020, with field trials for Ectosan/Cleantreat and new aqua vaccines completing. The number of products launched will accelerate over the next few years as the development pipeline delivers commercial products.

These will supplement the sales of Salmosan/Purisan which is expected to reduce over time as it continues through its life cycle.

New products are delivered in house through our specialist teams and using other Group companies capabilities.

The new product portfolio also includes three companion animal products which have significant market potential in future years.

#### Qualifying third party indemnity provisions

The Directors benefited from qualifying third party indemnity provisions during the financial year and continue to do so at the date of this report.

#### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

M Plampin  
Director

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH LIMITED

---

We have audited the financial statements of Benchmark Animal Health Limited ("the company") for the year ended 30 September 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, including the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

#### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH LIMITED

---

#### Strategic report and directors' report

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

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

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

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

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

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

We have nothing to report in these respects.

#### Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



---

## **BENCHMARK ANIMAL HEALTH LIMITED**

---

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BENCHMARK ANIMAL HEALTH LIMITED**

---

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

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

Frances Simpson (Senior Statutory Auditor)

for and on behalf of, KPMG LLP, Statutory Auditor

#### **Chartered Accountants**

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

Date:

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

	Note	2018 £	2017 £
Turnover	4	7,703,080	4,892,952
Cost of sales		<b>(9,332,706)</b>	(2,575,448)
<b>Gross (loss)/profit</b>		<b>(1,629,626)</b>	2,317,504
Administrative expenses		<b>(8,126,813)</b>	(10,101,357)
Other operating income	5	300,000	698,208
<b>Operating loss</b>	6	<b>(9,456,439)</b>	(7,085,645)
Interest receivable and similar income	10	715	10
Interest payable and expenses	11	<b>(29,554)</b>	(19,009)
<b>Loss before tax</b>		<b>(9,485,278)</b>	(7,104,644)
Tax on loss	12	24,559	(203,981)
<b>Loss for the financial year</b>		<b>(9,460,719)</b>	(7,308,625)
 <b>Total comprehensive income for the year</b>		<b>(9,460,719)</b>	(7,308,625)

All of the above relates to continuing operations.

The notes on pages 11 to 31 form part of these financial statements.

**BENCHMARK ANIMAL HEALTH LIMITED**  
**REGISTERED NUMBER: 08872045**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	13	10,249,173	3,668,721
Tangible assets	14	3,442,123	3,608,255
		<u>13,691,296</u>	<u>7,276,976</u>
<b>Current assets</b>			
Stocks	15	1,699,187	2,736,369
Debtors	16	5,976,030	2,638,169
Cash at bank and in hand	17	376,466	20,987
		<u>8,051,683</u>	<u>5,395,525</u>
Creditors: amounts falling due within one year	18	(38,828,592)	(20,152,414)
<b>Net current liabilities</b>		<u>(30,776,909)</u>	<u>(14,756,889)</u>
<b>Total assets less current liabilities</b>		<u>(17,085,613)</u>	<u>(7,479,913)</u>
<b>Provisions for liabilities</b>			
Deferred taxation	19	-	(81,559)
Other provisions	20	-	(180,485)
		<u>-</u>	<u>(262,044)</u>
<b>Net liabilities</b>		<u>(17,085,613)</u>	<u>(7,741,957)</u>
<b>Capital and reserves</b>			
Called up share capital	21	5,100,000	5,100,000
Profit and loss account		(22,185,613)	(12,841,957)
		<u>(17,085,613)</u>	<u>(7,741,957)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

**M Plampin**  
Director

The notes on pages 11 to 31 form part of these financial statements.

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

	Called up share capital £	Profit and loss account £	Total equity £
<b>At 1 October 2016</b>	<b>5,100,000</b>	<b>(5,617,054)</b>	<b>(517,054)</b>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(7,308,625)	(7,308,625)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(7,308,625)</b>	<b>(7,308,625)</b>
Share based payment charge	-	83,722	83,722
<b>Total transactions with owners</b>	<b>-</b>	<b>83,722</b>	<b>83,722</b>
<b>At 1 October 2017</b>	<b>5,100,000</b>	<b>(12,841,957)</b>	<b>(7,741,957)</b>
<b>Comprehensive income for the year</b>			
Loss for the year	-	(9,460,719)	(9,460,719)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(9,460,719)</b>	<b>(9,460,719)</b>
Share based payment charge	-	117,063	117,063
<b>Total transactions with owners</b>	<b>-</b>	<b>117,063</b>	<b>117,063</b>
<b>At 30 September 2018</b>	<b>5,100,000</b>	<b>(22,185,613)</b>	<b>(17,085,613)</b>

The notes on pages 11 to 31 form part of these financial statements.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 1. General information

Benchmark Animal Health Limited is a private company incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in pounds sterling.

The principal accounting policies adopted by the Company are set out in note 2.

The Company's registered office is included within the Company information page.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

##### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

## 2. Accounting policies (continued)

### 2.3 Going concern

Notwithstanding net current liabilities of £30,776,909 as at 30th September 2018, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on the company's parent, Benchmark Holdings plc not seeking repayment of the amounts currently due to it and to other group undertakings, which at 30 September 2018 amounted to £32,401,607, and providing additional financial support during that period. Benchmark Holdings plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The following extract from the parent company, Benchmark Holdings plc, interim financial statements for the 6 months ending 31 March 2019 (dated 25 June 2019) sets out some of the considerations made by the directors of the company in making this assessment including the ability of Benchmark Holdings plc to provide such support.

"The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement.

As at 31 March 2019 the Group had net assets of £366.1m (30 September 2018: £381.8m), including cash of £23.8m (30 September 2018: £24.1m) as set out in the consolidated balance sheet. The Group made a loss for the period of £9.1m (12 months ending 30 September 2018: £4.4m).

On 24 June 2019, the Company completed a successful refinance of the existing banking facility replacing facilities of USD90m with Norwegian listed bonds valuing NOK850m (cUSD95m, c£75m) with an expiry date of 2023 and an associated \$15m (c£12m) revolving credit facility available until 2022. As part of the process certain financial covenant requirements have been revised.

As at 24 June 2019, the existing banking facilities have been repaid in full with proceeds from the bond issue and drawings against the revolving credit facility were £nil. The most recent month end cash reserves at 31 May 2019 were £21.2m.

The Directors have prepared trading and cash flow forecasts for the Group covering the period to September 2020, including forecast compliance with the revised covenants. These forecasts include a number of assumptions in relation to trading performance across the Group including supply, demand and pricing of key raw materials and products, and the out-licensing of certain products in development. The forecasts also contain a number of board approved initiatives ("Structural Efficiencies programme") relating to structural and operational efficiencies to reallocate capital, reduce costs, grow margins, prioritise R&D spend, and exit from non-core activities.

The Directors have considered reasonably possible downside sensitivity scenarios, including mitigating actions within their control should these occur around deferring and reducing non-essential capital and revenue expenditure. These forecast cashflows, considering the ability and intention of the directors to implement mitigating actions should they need to, provide sufficient headroom in the

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

##### 2.3 Going concern (continued)

forecast period.

The Directors have considered all of the factors noted above and are confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due the period of 12 months from the date of approval of these interim condensed financial statements. Accordingly, the interim condensed financial statements have been prepared on a going concern basis.”

Consequently, the directors of the company are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### 2.4 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is pounds sterling.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

## 2. Accounting policies (continued)

### 2.5 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

#### Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 2.6 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### 2.7 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### 2.8 Employee benefits

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

**2. Accounting policies (continued)**

**2.9 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

**2.10 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

##### 2.11 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Patents	-	5 to 10 years
Development expenditure	-	Up to 10 years

##### 2.12 Development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development costs are amortised over the period the company expects to benefit from selling the products developed. The amortisation expense is included within administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised within administrative expenses.

##### 2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

##### 2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold property	-	10% straight line
Plant and machinery	-	15% reducing balance
Computer equipment	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

##### 2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

##### 2.15 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.17 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 2. Accounting policies (continued)

##### 2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

2. Accounting policies (continued)

2.19 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

**Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

**At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Development costs**

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 30 September 2017, the carrying amount of capitalised development costs was £6,649,542 (2017 - £2,295,752).

**4. Turnover**

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sale of goods	7,423,596	4,892,952
Provision of services	279,484	-
	<u>7,703,080</u>	<u>4,892,952</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	4,914,249	4,279,124
Rest of Europe	2,788,831	248,828
Rest of the world	-	365,000
	<u>7,703,080</u>	<u>4,892,952</u>

**5. Other operating income**

	2018 £	2017 £
R&D Income	300,000	698,208

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**6. Operating loss**

The operating loss is stated after charging:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Research & development charged as an expense	<b>2,726,954</b>	5,274,815
Depreciation of tangible fixed assets	<b>463,576</b>	94,491
Amortisation of intangible assets, including goodwill	<b>104,776</b>	245,200
Exchange differences	<b>44,379</b>	(29,738)
Defined contribution pension cost	<b>113,904</b>	98,118
	<b><u>          </u></b>	<b><u>          </u></b>

**7. Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<b>7,000</b>	1,350
	<b><u>          </u></b>	<b><u>          </u></b>

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2018</b>	<i>2017</i>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>2,642,867</b>	<i>2,091,156</i>
Social security costs	<b>264,214</b>	<i>243,237</i>
Cost of defined contribution scheme	<b>113,904</b>	<i>98,118</i>
	<b>3,020,985</b>	<i>2,432,511</i>

The average monthly number of employees, including the directors, during the year was as follows:

	<b>2018</b>	<i>2017</i>
	<b>No.</b>	<i>No.</i>
Research	<b>27</b>	<i>17</i>
Directors	<b>6</b>	<i>6</i>
Administration	<b>3</b>	<i>2</i>
Marketing	<b>1</b>	<i>2</i>
	<b>37</b>	<i>27</i>



---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**9. Directors' remuneration**

	2018 £	2017 £
Directors' emoluments	286,086	342,636
Company contributions to defined contribution pension schemes	20,248	17,119
	<u>306,334</u>	<u>359,755</u>

During the year retirement benefits were accruing to 3 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £146,398 (2017 - £143,750).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,185 (2017 - £8,025).

The above remuneration is in relation to 3 Directors. The other 3 Directors are remunerated by the ultimate parent and other subsidiaries and there is no reasonable or accurate way to apportion these costs to this entity.

**10. Interest receivable**

	2018 £	2017 £
Other interest receivable	715	10
	<u>715</u>	<u>10</u>

**11. Interest payable and similar expenses**

	2018 £	2017 £
Bank interest payable	29,554	19,009
	<u>29,554</u>	<u>19,009</u>

**BENCHMARK ANIMAL HEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**12. Taxation**

	2018 £	2017 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	57,000	122,304
<b>Total current tax</b>	<u>57,000</u>	<u>122,304</u>
<b>Deferred tax</b>		
Current year	(93,036)	(20,743)
Adjustment in respect of prior periods	1,684	99,761
Effect of changes in tax rates	9,793	2,659
<b>Total deferred tax</b>	<u>(81,559)</u>	<u>81,677</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(24,559)</u>	<u>203,981</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19% (2017 - 19.50%). The differences are explained below:

	2018 £	2017 £
Loss before tax	<u>(9,485,278)</u>	<u>(7,104,644)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.50%)	(1,802,203)	(1,385,406)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	23,627	16,821
Adjustments to tax charge in respect of prior periods	1,684	161,689
Group relief	-	78,318
Tax rate changes	9,793	2,659
Losses not recognised	1,742,540	1,329,900
<b>Total tax charge for the year</b>	<u>(24,559)</u>	<u>203,981</u>

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**12. Taxation (continued)**

**Factors that may affect future tax charges**

The main rate of corporation tax was reduced from 20 per cent to 19 per cent effective from 1 April 2017 and to 17 per cent from 1 April 2020. Deferred tax is calculated at the substantively enacted rates, at which the temporary differences and tax losses are expected to reverse, in the territories in which they arose.

**13. Intangible assets**

	Patents £	Development costs £	Total £
<b>Cost</b>			
At 1 October 2017	2,101,948	2,295,752	4,397,700
Additions - external	35,686	-	35,686
Additions - internal	-	6,649,542	6,649,542
	<hr/>	<hr/>	<hr/>
At 30 September 2018	2,137,634	8,945,294	11,082,928
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 October 2017	728,979	-	728,979
Charge for the year	104,776	-	104,776
	<hr/>	<hr/>	<hr/>
At 30 September 2018	833,755	-	833,755
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 September 2018	1,303,879	8,945,294	10,249,173
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>At 30 September 2017</i>	1,372,969	2,295,752	3,668,721
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

**BENCHMARK ANIMAL HEALTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

**14. Tangible fixed assets**

	Leasehold property £	Plant and machinery £	Computer equipment £	Total £
<b>Cost</b>				
At 1 October 2017	192,809	3,533,439	58,945	3,785,193
Additions	56,181	232,662	8,600	297,443
At 30 September 2018	<u>248,990</u>	<u>3,766,101</u>	<u>67,545</u>	<u>4,082,636</u>
<b>Depreciation</b>				
At 1 October 2017	40,510	95,383	41,045	176,938
Charge for the year on owned assets	2,303	447,186	14,087	463,576
At 30 September 2018	<u>42,813</u>	<u>542,569</u>	<u>55,132</u>	<u>640,514</u>
<b>Net book value</b>				
At 30 September 2018	<u>206,177</u>	<u>3,223,532</u>	<u>12,413</u>	<u>3,442,122</u>
At 30 September 2017	<u>152,299</u>	<u>3,438,056</u>	<u>17,900</u>	<u>3,608,255</u>

**15. Stocks**

	2018 £	2017 £
Raw materials and consumables	708,341	882,814
Finished goods and goods for resale	990,846	1,853,555
	<u>1,699,187</u>	<u>2,736,369</u>

During 2018 £1,161,817 (2017: £888,679) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. The cost of inventories recognised as an expense includes £20,500 (2017: £67,000) in respect of write-downs of inventory to net realisable value.

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**16. Debtors**

	2018 £	2017 £
Trade debtors	1,116,859	271,526
Amounts owed by group undertakings	2,044,941	533,991
Other debtors	1,086,466	1,032,413
Prepayments and accrued income	1,727,764	800,239
	<u>5,976,030</u>	<u>2,638,169</u>

Amounts owed by group undertakings are interest free and repayable on demand.

**17. Cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	376,466	20,987
Less: bank overdrafts	-	(150)
	<u>376,466</u>	<u>20,837</u>

**18. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Bank overdrafts	-	150
Trade creditors	2,295,510	2,940,516
Amounts owed to group undertakings	33,519,856	14,078,971
Other taxation and social security	64,124	48,371
Other creditors	841,317	819,762
Accruals and deferred income	2,107,785	2,264,644
	<u>38,828,592</u>	<u>20,152,414</u>

Amounts owed to group undertakings are interest free and due on demand.

---

**BENCHMARK ANIMAL HEALTH LIMITED**

---

---

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

---

**19. Deferred taxation**

	2018 £	2017 £
At beginning of year	(81,559)	118
Charged to profit or loss	81,559	(81,677)
<b>At end of year</b>	<u>-</u>	<u>(81,559)</u>

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Fixed assets	<u>-</u>	<u>(81,559)</u>

At the reporting date the Company had unrecognised deferred tax assets not recognised of £52,313 regarding temporary differences and £2,804,746 regarding losses.

**20. Provisions**

	Other provision £
At 1 October 2017	180,485
Credited to profit and loss	(180,485)
<b>At 30 September 2018</b>	<u>-</u>

During the year a provision of £180,000 was released in full as no longer required in relation to potential rebates to customers/distributors based on targeted volumes, price fluctuations and potential stock returns under right of return clauses.

**21. Share capital**

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
5,100,000 (2017 - 5,100,000) Ordinary shares of £1.00 each	<u>5,100,000</u>	<u>5,100,000</u>

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 22. Share based payments

The group operates a CSOP equity settled share option scheme for certain employees, of which some are employed by Benchmark Animal Health Limited. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest, except under certain circumstances.

During the year, 22,633 options were exercised by Benchmark Animal Health Limited employees.

The share options relevant to Benchmark Animal Health Limited employees are as follows:

##### Share options issued in March 2015

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 6 years.

##### Share options issued in March 2016

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 7 years.

##### Share options issued in February 2017

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 8 years.

##### Share options issued in January 2018

In 2017 the decision was made to replace an element of cash bonuses for the year with an award of share options to be granted after the year end this resulted in share options being granted in 2018.

Share options outstanding at the year-end had a weighted average exercise price of 69.5p and a weighted average remaining contractual life of 9 years.

The company did not enter into any other share-based payment transactions with parties other than employees during the current or previous period.

	2018 £	2017 £
Equity-settled schemes	<u>117,063</u>	<u>83,722</u>

---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 23. Contingent liabilities

There is a full cross guarantee in respect of certain borrowings of other Group entities. Total borrowings of other Group entities covered by this guarantee at 30 September 2018 were £6,524 (2017: £nil).

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a five year USD 70m Revolving Facility Agreement ("the Agreement") entered into by the company's ultimate parent undertaking, Benchmark Holdings plc, on 11 December 2015. On 7 January 2019, the accordion facility was activated raising the total facility to USD 90m. Under the terms of the Agreement

- the company guarantees the punctual performance of other obligors to the Agreement;
- should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and,
- the company has provided to the lenders security in the form of a floating charge over its assets.

As at 30 September 2018, USD 69.2m has been drawn down under the Agreement.

#### 24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £113,904 (2017 - £98,118). An amount of £14,471 (2017 - £9,122) was payable to the fund at the balance sheet date and is included in creditors.



---

## BENCHMARK ANIMAL HEALTH LIMITED

---

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

---

#### 25. Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 30 September 2018 with other related parties being subsidiaries that aren't wholly owned, are as follows:

	Purchases from related party £	Amounts owed by related party £	Amounts owed to related party £
Akvaforsk Genetics Centre Inc	-	642	725
Stofnfiskur HF	-	1,376	3,906
5M Enterprises Limited	4,725	600	4,725

At 30 September 2017

	Amounts owed to related party £
5M Enterprises Limited	334
Stofnfiskur HF	20,395

#### 26. Post balance sheet events

On 7 January 2019, the parent undertaking's Revolving Credit Facility, to which the company is a guarantor (note 23), was increased using its accordion facility from USD 70m to USD 90m.

On 24 June 2019, the company's parent undertaking cancelled and fully repaid the outstanding borrowings under this USD 90m Revolving Credit Facility.

It is intended that the company along with a number of other companies in the Benchmark Holdings plc's group will become a guarantor to a 3-and-a-half-year USD 15m Revolving Credit Facility on the same basis as the previous agreement and also to Benchmark Holdings plc NOK 850m secured bond that matures in June 2023, both of which were entered into by Benchmark Holdings Plc on 24 June 2019.

#### 27. Controlling party

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

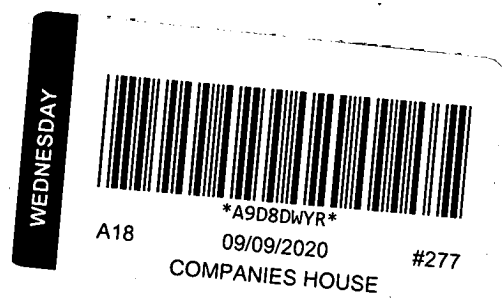
The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.



# **Benchmark Animal Health Limited**

**Company Number 08872045**

## **Financial statements for the year ended 30 September 2019**



**Benchmark Animal Health Limited**  
**Corporate directory**  
**For the year ended 30 September 2019**

Directors	R J Bonney (Resigned 30 September 2019) J W Marshall M Plampin (Resigned 20 December 2019) M D F Pye (Resigned 30 November 2019) C J Davy R G Wardle (Resigned 2 July 2019) S W A Knott (Appointed 2 October 2018, resigned 31 May 2020)
Registered number	08872045
Registered office	Benchmark House 8 Smithy Wood Drive Sheffield S35 1QN
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

**Benchmark Animal Health Limited**  
**Contents**  
**For the year ended 30 September 2019**

Strategic report	3
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report to the members of Benchmark Animal Health Limited	8
Statement of profit or loss and other comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

**Benchmark Animal Health Limited**  
**Strategic report**  
**For the year ended 30 September 2019**

The directors present their strategic report on the company for the year ended 30 September 2019.

**Business review**

The Company's pipeline of new technologies and products remains its key focus. 2019 revenue was £7.4m (2018: £7.7m). BMK08/CleanTreat sales of £0.9m (2018: £2.6m) is a reduction on 2018 revenues as there were fewer field trials as the product neared submission of MA post field trials. However the reduction in 2019 BMK08 sales were mainly offset by increased sales of Salmosan.

Cost of sales was £9.4m (2018: £9.3m).

Expensed R&D costs (including amortisation and depreciation of acquired R&D assets) of £5.9m have been invested in the product pipeline in the period (2018: £9.0m).

Capitalised development costs in the year were £5.5m (2018: £6.5m) in respect of new products which are in the trial stages.

The 2019 operating loss of £10.4m compares to a loss in 2018 of £9.5m.

During the year the company spent £0.2m on tangible assets, a mixture of CleanTreat plant and setting up a lab at Herriot Watt.

**Principal risks and uncertainties**

The Company's directors continue to assess risk and uncertainty in the business. The principal risks and uncertainties facing the Company that could impact its performance together with the actions that are taken by the Directors to mitigate their impact on the company are as follows:

**Research and development**

The Company is reliant on the continued success of its research and development programmes for aquaculture and the commercial success of its pipeline products. An unexpectedly high new product development failure rate or delay in reaching market would delay revenue growth.

The Company has a high calibre team of animal health product development specialists covering all stages of the process to market. Some new products in development involve collaboration with specialist partners and often present a lower risk as the Company can leverage the partner's existing development work. Rigorous proof of concept studies are undertaken at an early stage in order to seek to minimise the possibility of failure.

**Suppliers**

Reliance on third parties to provide some key raw materials and manufacturing services could lead to restrictions in supply.

Wherever possible dual suppliers of key raw materials, components and manufacturing services are engaged on a contracted basis. In addition the Company continually evaluates the security of the supply chain for each of its products and will consider establishing in house manufacturing where there is a high risk. The Company will also increase stock holding where appropriate in order to mitigate the risk of product shortages.

**Customer retention**

The company's strategy is to ensure that there is active engagement with all existing clients, at all levels, in order to maintain long term relationships and to invest significant professional resource to identifying and securing new clients that share our core objectives;

**Continuity of key staff**

The company utilises effective succession planning, development and training programmes with competitive retention and incentive packages;

**Benchmark Animal Health Limited**  
**Strategic report**  
**For the year ended 30 September 2019**

**Intercompany funding and support**

The Company has amounts owed to and by group undertakings of £47.4m and £25k respectively. The Company is reliant upon the continued funding and support from its parent undertaking. The parent company has given assurances that it will continue to support the Company; and

**Covid-19**

The Company took early action to protect the health and wellbeing of its staff, to continue to meet the needs of its customers as necessary and to conserve cash and maintain headroom. This led to the decision to use the UK Government furlough scheme as long as required and available for certain members of staff and for remaining staff we have implemented remote working for office-based employees, adapted working patterns to reduce employee exposure and enhanced safety procedures. From a financial perspective, additional actions taken by the Company to date to conserve cash include reducing variable costs where possible, cuts and delays to R&D and capex spend; and working capital management.

This report is made in accordance with a resolution of directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J W Marshall', written over a horizontal line.

J W Marshall  
Director

2 July 2020

**Benchmark Animal Health Limited**  
**Directors' report**  
**For the year ended 30 September 2019**

The directors present their report, together with the financial statements, on the company for the year ended 30 September 2019.

**Principal activities**

The company is engaged in the supply of health products and solutions to the livestock, companion animal and aquaculture sectors.

**Directors**

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

R J Bonney (Resigned 30 September 2019)  
J W Marshall  
M Plampin (Resigned 20 December 2019)  
M D F Pye (Resigned 30 November 2019)  
C J Davy  
R G Wardle (Resigned 2 July 2019)  
S W A Knott (Appointed 2 October 2018, resigned 31 May 2020)

**Future developments**

Pipeline products are to be launched in 2020, with field trials for BMK08/CleanTreat and new aqua vaccines completing. The number of products launched will accelerate over the next few years as the development pipeline delivers commercial products.

These will supplement the sales of Salmosan/Purisan which is expected to reduce over time as it continues through its life cycle.

New products are delivered in house through our specialist teams and using other Group companies capabilities.

The new product portfolio also includes three companion animal products which have significant market potential in future years.

**Political contributions**

The company made no political donations or contributions or incurred any political expenditure during the year (2018: none).

**Qualifying third party indemnity provisions**

The Directors benefited from qualifying third party indemnity provisions during the financial year and continue to do so at the date of this report.

**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditor**

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.



**Benchmark Animal Health Limited**  
**Directors' report**  
**For the year ended 30 September 2019**

This report is made in accordance with a resolution of directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'J W Marshall', written over a horizontal line.

J W Marshall  
Director

2 July 2020

**Benchmark Animal Health Limited**  
**Directors' responsibilities statement**  
**For the year ended 30 September 2019**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Benchmark Animal Health Limited**  
**Independent auditor's report to the members of Benchmark Animal Health Limited**  
**For the year ended 30 September 2019**

**Opinion**

We have audited the financial statements of Benchmark Animal Health Limited ("the company") for the year ended 30 September 2019 which comprise of the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Strategic report and Directors' report**

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

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

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

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

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

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

We have nothing to report in these respects.

**Benchmark Animal Health Limited**  
**Independent auditor's report to the members of Benchmark Animal Health Limited**  
**For the year ended 30 September 2019**

**Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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

**John Pass (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

02 July 2020

**Benchmark Animal Health Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 September 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
Turnover	4	7,390,696	7,703,080
Cost of sales		<u>(9,441,509)</u>	<u>(9,332,706)</u>
Gross loss		<u>(2,050,813)</u>	<u>(1,629,626)</u>
Other operating income	5	847,903	300,000
Administrative expenses		<u>(9,179,290)</u>	<u>(8,126,813)</u>
<b>Operating loss</b>		<b>(10,382,200)</b>	<b>(9,456,439)</b>
Interest receivable and similar income	10	97	715
Interest payable and similar expenses	11	<u>(1,266)</u>	<u>(29,554)</u>
<b>Loss before tax</b>		<b>(10,383,369)</b>	<b>(9,485,278)</b>
Tax	12	<u>(181,726)</u>	<u>24,559</u>
<b>Loss after tax for the year</b>		<b>(10,565,095)</b>	<b>(9,460,719)</b>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u>(10,565,095)</u></b>	<b><u>(9,460,719)</u></b>

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited**  
**Balance sheet**  
**As at 30 September 2019**

	<b>Note</b>	<b>2019 £</b>	<b>2018 £</b>
<b>Fixed assets</b>			
Intangible assets	13	15,585,764	10,249,173
Tangible assets	14	3,051,760	3,442,123
Total fixed assets		<u>18,637,524</u>	<u>13,691,296</u>
<b>Current assets</b>			
Stocks	15	1,918,955	1,699,187
Debtors	16	4,098,068	5,976,030
Cash at bank and in hand		2,637	376,467
Total current assets		<u>6,019,660</u>	<u>8,051,684</u>
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	17	52,212,070	38,828,592
Total current liabilities		<u>52,212,070</u>	<u>38,828,592</u>
<b>Net current liabilities</b>		<u>(46,192,410)</u>	<u>(30,776,908)</u>
<b>Total assets less current liabilities</b>		<u>(27,554,886)</u>	<u>(17,085,612)</u>
<b>Net liabilities</b>		<u>(27,554,886)</u>	<u>(17,085,612)</u>
<b>Equity</b>			
Called up share capital	18	5,100,001	5,100,001
Accumulated losses		<u>(32,654,887)</u>	<u>(22,185,613)</u>
<b>Total equity</b>		<u>(27,554,886)</u>	<u>(17,085,612)</u>

Benchmark Animal Health Limited's company number is 08872045.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by



J W Marshall  
Director

2 July 2020

*The above balance sheet should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited**  
**Statement of changes in equity**  
**For the year ended 30 September 2019**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2017	5,100,001	(12,841,957)	(7,741,956)
Loss after tax for the year	-	(9,460,719)	(9,460,719)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(9,460,719)	(9,460,719)
Share-based payments (note 19)	-	117,063	117,063
Balance at 30 September 2018	<u>5,100,001</u>	<u>(22,185,613)</u>	<u>(17,085,612)</u>

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2018	5,100,001	(22,185,613)	(17,085,612)
Loss after tax for the year	-	(10,565,095)	(10,565,095)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(10,565,095)	(10,565,095)
Share-based payments (note 19)	-	95,821	95,821
Balance at 30 September 2019	<u>5,100,001</u>	<u>(32,654,887)</u>	<u>(27,554,886)</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**1. General information**

Benchmark Animal Health Limited is a private company incorporated, domiciled and registered in England and in the UK. The registered company number is 08872045, and the registered address is Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The Company's financial statements are presented in pounds sterling.

**2. Accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

**Financial reporting standard 101 - reduced disclosure exemptions**

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effect of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.



## **2. Accounting policies (continued)**

### **Going concern**

Notwithstanding net current liabilities of £46,192,410 as at 30<sup>th</sup> September 2019, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared base and sensitised cash flow forecasts for the period ending 30 September 2021, taking into account the possible impact of Covid-19 on trading performance and have assessed the ability of the Company to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. Based on these forecasts, the directors consider that the Company will continue to trade and will have sufficient funds to meet its liabilities as they fall due for that period, but the company meets its day to day working capital requirements from funding in the form of loans from and intragroup balances with, companies in the group headed by the company's ultimate controlling party, Benchmark Holdings plc. The company has no external bank facilities. The forecasts are therefore dependent on the company's ultimate parent, Benchmark Holdings plc, not seeking repayment of the amounts currently due to it, which at 30<sup>th</sup> September 2019 amounted to £46,639,899 and providing additional financial support during that period. Benchmark Holdings plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, financial support from within the Group is dependent upon the continued availability and sufficiency of the Group's external borrowing facilities, including compliance with minimum covenants, and its ongoing liquidity. In February 2020, the group successfully raised net equity proceeds of £42m, which improved the group liquidity position. As at 31 March 2020 the Group had cash of £51.6m (30 September 2019: £16.1m), against the liquidity covenant of £10m, and net assets of £306.6m (30 September 2019: £310.5m). Drawings against the Group's USD 15m revolving credit facility were £nil at 31 March 2020 (30 September 2019: £nil).

The directors have reviewed forecasts for the Group covering the period to September 2021, including severe but plausible downside sensitivity assumptions in relation to the recent Covid-19 outbreak. These forecasts include assumptions around supply, demand and pricing of key raw materials and products and the timing of trials relating to future products to assess the impact on the Group's trading and cashflow forecasts and on the forecast compliance with the covenants included within the Group's financing arrangements. In response to Covid-19, the Directors have taken immediate actions, all within management's control, to reduce costs and optimise the Group's cash flow and liquidity, including the following mitigating actions: reductions in areas of discretionary spend, temporary furlough of certain staff or reduced working hours, deferring capital expenditure and temporary hold on R&D for non-imminent products. The ongoing board approved initiatives ("Structural Efficiencies programme") relating to structural and operational efficiencies to reallocate capital, reduce costs, grow margins, prioritise R&D spend, and exit from non-core activities were also sensitised out of the base forecasts in the assessment of the going concern basis of preparation.

It is difficult to predict the overall outcome and impact of Covid-19, but under all of the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against the borrowing covenants. The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the subsidiary financial statements have been prepared on a going concern basis.

### **Foreign currency translation** **Functional and presentation currency**

The Company's functional and presentational currency is pounds sterling.

### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

## **2. Accounting policies (continued)**

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

### **Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the business and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The business assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The business has concluded that it is acting as a principal in all of its revenue arrangements. The following specific criteria must also be met before revenue is recognised:

### **Sale of goods**

Revenue from the sale of animal health products is recognised when the control of the goods has transferred to the customer or distributor, usually on despatch. Where the buyer has a right of return, revenue and cost of sales are adjusted for the value of the expected returns based on historical results, taking into consideration the specifics of each arrangement.

### **Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

### **Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## **2. Accounting policies (continued)**

### **Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### **Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold property	10% straight line
Plant and machinery	15% reducing balance
Computer equipment	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

### **Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Patents	5 to 10 years
Development costs	Up to 10 years
Licences	20 years

### **Development costs**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development costs are amortised over the period the company expects to benefit from selling the products developed. Amortisation starts when the company receives marketing authorisation for the products and the amortisation expense is included within administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised within administrative expenses.

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**2. Accounting policies (continued)**

**Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Employee benefits**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**Shared based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

**Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

**Financial assets**

The Company classifies all of its financial assets as loans and receivables.

## **2. Accounting policies (continued)**

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

### **Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

#### **At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

### **Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

## **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **Development costs**

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 30 September 2019, the carrying amount of capitalised development costs was £14,448,481 (2018 - £8,945,294).

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Sale of goods	7,390,696	7,423,596
Provision of services	-	279,484
	<u>7,390,696</u>	<u>7,703,080</u>

Analysis of turnover by country of destination:

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
United Kingdom	6,449,957	4,914,249
Rest of Europe	940,739	2,788,831
	<u>7,390,696</u>	<u>7,703,080</u>

**5. Other operating income**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
R&D Income	<u>847,903</u>	<u>300,000</u>

**6. Operating loss**

The operating loss is stated after charging:

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Research & development charged as an expense	1,977,487	2,726,954
Depreciation of tangible fixed assets	620,559	463,576
Amortisation of intangible assets, including goodwill	215,949	104,776
Exchange differences	99,567	44,379
Defined contribution pension cost	<u>176,780</u>	<u>113,904</u>

**7. Auditor remuneration**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>15,000</u>	<u>7,000</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**8. Employees**

The average monthly number of employees, including the directors, during the year was as follows:

	2019	2018
Research	41	27
Directors	7	6
Administration	12	3
Marketing	2	1
Average number of employees	<u>62</u>	<u>37</u>

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,397,782	2,525,804
Social security costs	361,412	264,214
Costs of defined contribution scheme	176,780	113,904
Share-based payments	95,821	117,063
Total employee benefits expense	<u>4,031,795</u>	<u>3,020,985</u>

**9. Directors' remuneration**

	2019 £	2018 £
Directors' emoluments	414,359	286,086
Company contributions to defined contribution pension schemes	31,642	20,248
	<u>446,001</u>	<u>306,334</u>

During the year retirement benefits were accruing to 3 directors (2018 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £204,000 (2018 - £146,398).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,564 (2018 - £10,185).

The above remuneration is in relation to 3 Directors. The other 4 Directors are remunerated by the ultimate parent and other subsidiaries and there is no reasonable or accurate way to apportion these costs to this entity.

**10. Interest receivable and similar income**

	2019 £	2018 £
Other interest receivable	<u>97</u>	<u>715</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**11. Interest payable and similar expenses**

	2019 £	2018 £
Other loan interest payable	1,247	-
Bank interest payable	19	29,554
	<u>1,266</u>	<u>29,554</u>

**12. Tax**

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	105,556	-
Adjustments in respect of previous periods	76,170	57,000
Total current tax	<u>181,726</u>	<u>57,000</u>
Deferred tax		
Current year	-	(93,036)
Adjustment in respect of prior periods	-	1,684
Effect of changes in tax rates	-	9,793
Total deferred tax	<u>-</u>	<u>(81,559)</u>
Tax on loss	<u>181,726</u>	<u>(24,559)</u>

The tax assessed for the year is higher than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Loss before tax	(10,383,369)	(9,485,278)
Tax at the statutory tax rate of 19%	(1,972,840)	(1,802,203)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	20,106	23,627
Adjustments to tax charge in respect of prior periods	76,170	1,684
Non-taxable income	(76,434)	-
Losses not recognised	1,500,115	1,742,540
Tax rate changes	-	9,793
Group relief surrendered not paid for	634,609	-
Tax	<u>181,726</u>	<u>(24,559)</u>

At the reporting date the Company had unrecognised deferred tax assets not recognised of £14,104 regarding temporary differences and £4,380,705 regarding losses.

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.



**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**13. Intangible assets**

	Patents £	Development costs £	Licences £	Total £
Cost				
At 1 October 2018	2,137,634	8,945,294	-	11,082,928
Additions - external	11,285	-	38,068	49,353
Additions - internal	-	5,503,187	-	5,503,187
	<u>2,148,919</u>	<u>14,448,481</u>	<u>38,068</u>	<u>16,635,468</u>
Amortisation				
At 1 October 2018	833,755	-	-	833,755
Charge for the year	214,046	-	1,903	215,949
At 30 September 2019	<u>1,047,801</u>	<u>-</u>	<u>1,903</u>	<u>1,049,704</u>
Net book value				
At 30 September 2019	1,101,118	14,448,481	36,165	15,585,764
At 30 September 2018	<u>1,303,879</u>	<u>8,945,294</u>	<u>-</u>	<u>10,249,173</u>

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

**14. Tangible assets**

	Leasehold improvements £	Plant and machinery £	Computer equipment £	Total £
Cost				
At 1 October 2018	248,990	3,766,101	67,545	4,082,636
Additions	-	212,500	17,697	230,197
At 30 September 2019	<u>248,990</u>	<u>3,978,601</u>	<u>85,242</u>	<u>4,312,833</u>
Depreciation				
At 1 October 2018	42,813	542,569	55,132	640,514
Charged for the year on owned assets	26,974	584,940	8,645	620,559
At 30 September 2019	<u>69,787</u>	<u>1,127,509</u>	<u>63,777</u>	<u>1,261,073</u>
Net book value				
At 30 September 2019	179,203	2,851,092	21,465	3,051,760
At 30 September 2018	<u>206,177</u>	<u>3,223,533</u>	<u>12,413</u>	<u>3,442,123</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**15. Stocks**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Raw materials and consumables	588,433	708,341
Work in progress (goods to be sold)	25,889	-
Finished goods and goods for resale	<u>1,304,633</u>	<u>990,846</u>
	<u><u>1,918,955</u></u>	<u><u>1,699,187</u></u>

During 2019 £2,537,088 (2018: £1,161,817) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. The cost of inventories recognised as an expense includes £242,310 (2018: £20,500) in respect of write-downs of inventory to net realisable value.

**16. Debtors**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Trade debtors	<u>690,710</u>	<u>1,116,859</u>
Other debtors	1,669,541	1,086,466
Prepayments and accrued income	<u>1,712,566</u>	<u>1,727,764</u>
	<u>3,382,107</u>	<u>2,814,230</u>
Amounts owed by group undertakings	<u>25,251</u>	<u>2,044,941</u>
	<u><u>4,098,068</u></u>	<u><u>5,976,030</u></u>

Amounts owed by group undertakings are interest free and repayable on demand.

**17. Creditors - amounts falling due within one year**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
Trade creditors	2,282,739	2,295,510
Amounts owed to group undertakings	47,411,111	33,519,856
Accruals and deferred income	1,609,968	2,107,785
Other taxation and social security	101,533	64,124
Other creditors	<u>806,719</u>	<u>841,317</u>
	<u><u>52,212,070</u></u>	<u><u>38,828,592</u></u>

Amounts owed to group undertakings are interest free and due on demand.

**18. Called up share capital**

	<b>2019</b> <b>£</b>	<b>2018</b> <b>£</b>
5,100,001 (2018 - 5,100,001) Ordinary shares at £1.00 each	<u><u>5,100,001</u></u>	<u><u>5,100,001</u></u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**19. Share-based payments**

The group operates EMI and CSOP equity settled share option schemes for certain employees, of which some are employed by Benchmark Vaccines Limited. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest, except under certain circumstances.

During the year, 64,782 options were exercised by Benchmark Animal Health Limited employees.

The share options relevant to Benchmark Animal Health Limited employees are as follows:

**Share options issued in March 2015**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 6 years.

**Share options issued in March 2016**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 7 years.

**Share options issued in February 2017**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 8 years.

**Share options issued in January 2018**

In 2017 the decision was made to replace an element of cash bonuses for the year with an award of share options to be granted after the year end this resulted in share options being granted in 2018.

Share options outstanding at the year-end had a weighted average exercise price of 69.5p and a weighted average remaining contractual life of 9 years.

**Share options issued in January 2019**

Share options outstanding at the year-end had a weighted average exercise price of 58.5p and a weighted average remaining contractual life of 9 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

The company did not enter into any other share-based payment transactions with parties other than employees during the current or previous period.

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Equity-settled schemes	<u>95,821</u>	<u>117,063</u>

## **20. Contingent liabilities**

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a four year senior secured floating rate listed bond of NOK 850m (the Bond). The Bond, which matures in June 2023, refinanced Benchmark's previous USD 90m credit facility. A USD 15m Revolving Credit Facility has been provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%) (the RCF). This was undrawn at 30 September 2019.

Under the terms of the Bond and the RCF:

- The company guarantees the punctual performance of other obligors to the Bond and the RCF;
- Should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and
- The company has provided to the lenders security in the form of a floating charge over its assets.

## **21. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £176,780 (2018 - £113,904). An amount of £26,956 (2018 - £14,471) was payable to the fund at the balance sheet date and is included in creditors.

## **22. Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no transactions entered into or trading balances outstanding at 30 September 2019 with other related parties being subsidiaries that aren't wholly owned.

Transactions with other related parties being subsidiaries that aren't wholly owned at 30 September 2018:

	Purchases from related party £	Amounts owed by related party £	Amounts owed to related party £
Akvaforsk Genetics Centre Inc	-	642	725
Stofnfiskur HF	-	1,376	3,906
5M Enterprises Limited	4,725	600	4,725

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

The current environment is dominated by the global Covid-19 pandemic. Our priority is the health, safety and wellbeing of our employees, suppliers and customers. We have taken actions, in line with government guidance, to facilitate this and continue to monitor the situation to ensure we are employing best practice. Revenues have not been significantly impacted as market for salmon has been relatively resilient during the pandemic due to the length of the lifecycle of salmon production and demand largely being from the retail sector resulting in continued need for the company's products and services. Amongst other cash conserving and costs saving measures, the decision was made to furlough certain members of staff working on R&D under the UK government scheme. The Company has considered the overall impact of this on the financial statements at 30 September 2019 and have concluded this is a non-adjusting event after the reporting period.

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**24. Controlling party**

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

**Benchmark Animal Health Limited**  
**Cover page**  
**For the year ended 30 September 2020**

# **Benchmark Animal Health Limited**

**Company Number 08872045**

## **Unaudited financial statements for the year ended 30 September 2020**

**Benchmark Animal Health Limited**  
**Corporate directory**  
**For the year ended 30 September 2020**

Directors	J W Marshall M Plampin (Resigned 20 December 2019) M D F Pye (Resigned 30 November 2019) C J Davy S W A Knott (Resigned 31 May 2020) T Williksen (Appointed 28 September 2020)
Registered number	08872045
Registered office	Benchmark House 8 Smithy Wood Drive Sheffield S35 1QN
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

**Benchmark Animal Health Limited – Unaudited Financial Statements**  
**Contents**  
**For the year ended 30 September 2020**

Statement of profit or loss and other comprehensive income	4
Balance sheet	5
Statement of changes in equity	6
Notes to the financial statements	7



**Benchmark Animal Health Limited – Unaudited Financial Statements**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 September 2020**

	<b>Note</b>	<b>2020 continuing operations £</b>	<b>2020 discontinued operations £</b>	<b>2020 Total £</b>	<b>2019 continuing operations* £</b>	<b>2019 discontinued operations* £</b>	<b>2019 Total* £</b>
Turnover	4	5,038,160	-	5,038,160	7,390,696	-	7,390,696
Cost of sales		(4,239,912)	(3,545,107)	(7,785,019)	(5,336,992)	(4,104,517)	(9,441,509)
Gross profit		798,248	(3,545,107)	(2,746,859)	2,053,704	(4,104,517)	(2,050,813)
Other operating income	5	636,013	-	636,013	847,903	-	847,903
Impairment of Property, Plant and Equipment		(211,166)	-	(211,166)	-	-	-
Impairment of Intangibles		(1,109,117)	-	(1,109,117)	-	-	-
Administrative expenses		(3,246,308)	(4,471,513)	(7,717,821)	(5,078,007)	(4,101,283)	(9,179,290)
<b>Operating profit/(loss)</b>	6	(3,132,330)	(8,016,620)	(11,148,950)	(2,176,400)	(8,205,800)	(10,382,200)
Interest receivable and similar income	10	5,929	-	5,929	97	-	97
Interest payable and similar expenses	11	(4,407)	-	(4,407)	(1,266)	-	(1,266)
Exceptional - acquisition and restructuring items	12	(353,295)	(1,881,752)	(2,235,047)	-	-	-
<b>Profit/(loss) before taxation</b>		(3,484,103)	(9,898,372)	(13,382,475)	(2,177,569)	(8,205,800)	(10,383,369)
Taxation	13	(99,336)	-	(99,336)	(181,726)	-	(181,726)
<b>Profit/(loss) for the year</b>		(3,583,439)	(9,898,372)	(13,481,811)	(2,359,295)	(8,205,800)	(10,565,095)
<b>Total comprehensive income for the year</b>		(3,583,439)	(9,898,372)	(13,481,811)	(2,359,295)	(8,205,800)	(10,565,095)

There were no other comprehensive income or losses in either financial period other than the profit/loss for the periods as shown above. Accordingly, no separate statement of other comprehensive income has been prepared.

\* 2019 numbers have been restated to reflect the ongoing continuing business. In June 2019, the company's ultimate parent undertaking, Benchmark Holdings plc, announced a programme of structural efficiencies which focused on the disposal and discontinuation of non-core activities. Consequently, during the year, a restructuring of the Health business area saw the closure of the research and development operations at two sites, and exit from non-core vaccine development collaborations. Consequently, these operations have been classified as discontinued in the current year with a corresponding restatement of the statement of profit or loss and other comprehensive income for the year ended 30 September 2019 to reflect these changes.

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited – Unaudited Financial Statements**  
**Balance sheet**  
**As at 30 September 2020**

	<b>Note</b>	<b>2020 £</b>	<b>2019 £</b>
<b>Fixed assets</b>			
Intangible assets	14	17,223,113	15,585,764
Tangible assets	15	3,635,218	3,051,760
Right-of-use assets	16	1,330,739	-
Fixed asset investments	17	10,682	-
Total fixed assets		<u>22,199,752</u>	<u>18,637,524</u>
<b>Current assets</b>			
Stocks	18	507,664	1,918,955
Debtors	19	6,468,227	4,098,068
Cash at bank and in hand		346,023	2,637
Total current assets		<u>7,321,914</u>	<u>6,019,660</u>
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	20	69,306,846	52,212,070
Total current liabilities		<u>69,306,846</u>	<u>52,212,070</u>
<b>Net current liabilities</b>		<u>(61,984,932)</u>	<u>(46,192,410)</u>
<b>Total assets less current liabilities</b>		<u>(39,785,180)</u>	<u>(27,554,886)</u>
<b>Non-current liabilities</b>			
Creditors - amounts falling due after more than one year	21	1,150,769	-
Total non-current liabilities		<u>1,150,769</u>	<u>-</u>
<b>Net liabilities</b>		<u>(40,935,949)</u>	<u>(27,554,886)</u>
<b>Equity</b>			
Called up share capital	22	5,100,000	5,100,001
Accumulated losses		<u>(46,035,949)</u>	<u>(32,654,887)</u>
<b>Total equity</b>		<u>(40,935,949)</u>	<u>(27,554,886)</u>

Benchmark Animal Health Limited's company number is 08872045.

*The above balance sheet should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited – Unaudited Financial Statements**  
**Statement of changes in equity**  
**For the year ended 30 September 2020**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2018	5,100,001	(22,185,613)	(17,085,612)
Loss after tax for the year	-	(10,565,095)	(10,565,095)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(10,565,095)	(10,565,095)
Share-based payments (note 23)	-	95,821	95,821
Balance at 30 September 2019	<u>5,100,001</u>	<u>(32,654,887)</u>	<u>(27,554,886)</u>

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 October 2019	5,100,001	(32,654,887)	(27,554,886)
Loss after tax for the year	-	(13,481,811)	(13,481,811)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(13,481,811)	(13,481,811)
Share-based payments (note 23)	-	100,748	100,748
Balance at 30 September 2020	<u>5,100,001</u>	<u>(46,035,950)</u>	<u>(40,935,949)</u>

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Benchmark Animal Health Limited**  
**Notes to the unaudited financial statements**  
**For the year ended 30 September 2020**

**1. General information**

Benchmark Animal Health Limited is a private company incorporated, domiciled and registered in England and in the UK. The registered company number is 08872045, and the registered address is Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

These unaudited financial statements are presented in pounds sterling.

**2. Accounting policies**

The principal accounting policies adopted in the preparation of these unaudited financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**

These unaudited financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

**Financial reporting standard 101 - reduced disclosure exemptions**

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effect of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

**New standards and interpretations applied for the first time**

IFRS 16: Leases is a new accounting standard which is effective for periods beginning on or after 1 January 2019 and has had a material impact on the company's financial statements - see note 28. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 30 September 2020 that have had a material impact on the company's financial statements.

**Benchmark Animal Health Limited**  
**Notes to the unaudited financial statements**  
**For the year ended 30 September 2020**

**2. Accounting policies (continued)**

**Going concern**

Notwithstanding net current liabilities of £61,984,932 as at 30<sup>th</sup> September 2020, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared base and sensitised cash flow forecasts for the period ending 30 September 2022, taking into account the possible impact of Covid-19 on trading performance and have assessed the ability of the Company to meet its liabilities as they fall due in the 12 month period from the date of the approval of these financial statements. Based on these forecasts, the directors consider that the Company will continue to trade and will have sufficient funds to meet its liabilities as they fall due for that period, but the company meets its day to day working capital requirements from funding in the form of loans from and intragroup balances with, companies in the group headed by the company's ultimate controlling party, Benchmark Holdings plc. The company has no external bank facilities. The forecasts are therefore dependent on the company's ultimate parent, Benchmark Holdings plc, not seeking repayment of the amounts currently due to it, which at 30th September 2020 amounted to £62,415,351 and providing additional financial support during that period. Benchmark Holdings plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of these amounts for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

However, financial support from within the Group is dependent upon the continued availability and sufficiency of the Group's external borrowing facilities, including compliance with minimum covenants, and its ongoing liquidity. As at 30 September 2020 the Group had cash of £71.6m (30 September 2019: £16.1m), against the liquidity covenant of £10m, and net assets of £295.4m (30 September 2019: £310.5m). Drawings against the Group's USD 15m revolving credit facility were £nil at 30 September 2020 (30 September 2019: £nil).

The directors have reviewed forecasts for the Group covering the period to September 2022, including severe but plausible downside sensitivity assumptions in relation to the Covid-19 pandemic. The downside scenario analysis performed includes modelling delays in launching new products to assess the impact on the Group's trading and cashflow forecasts and on the forecast compliance with the covenants included within the Group's financing arrangements. Early in the pandemic, the Directors implemented mitigating measures, all within management's control, to reduce costs and optimise the Group's cash flow and liquidity, including the following mitigating actions: reductions in areas of discretionary spend, temporary furlough of certain staff or reduced working hours, deferring capital expenditure and temporary hold on R&D for non-imminent products. These measures continue to be in force where necessary.

It is difficult to predict the overall outcome and impact of Covid-19, but under all of the above scenario analysis, the Group has sufficient liquidity and resources throughout the period under review whilst still maintaining adequate headroom against the borrowing covenants. The directors therefore remain confident that the Group has adequate resources to continue to meet its liabilities as and when they fall due within the period of 12 months from the date of approval of these financial statements. Accordingly, the subsidiary financial statements have been prepared on a going concern basis.

**Foreign currency translation**  
**Functional and presentation currency**

The Company's functional and presentational currency is pounds sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

**Benchmark Animal Health Limited**  
**Notes to the unaudited financial statements**  
**For the year ended 30 September 2020**

**2. Accounting policies (continued)**

**Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the business and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The business assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The business has concluded that it is acting as a principal in all of its revenue arrangements. The following specific criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of animal health products is recognised when the control of the goods has transferred to the customer or distributor, usually on despatch. Where the buyer has a right of return, revenue and cost of sales are adjusted for the value of the expected returns based on historical results, taking into consideration the specifics of each arrangement.

**Interest income**

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

**Finance costs**

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**Current and deferred tax**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Discontinued operations**

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

**Benchmark Animal Health Limited**  
**Notes to the unaudited financial statements**  
**For the year ended 30 September 2020**

**2. Accounting policies (continued)**

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Impairment of financial assets*

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

**Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Leasehold property	10% straight line
Plant and machinery	15% reducing balance
Computer equipment	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

## **2. Accounting policies (continued)**

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

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

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### **Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Patents	5 to 10 years
Development costs	Up to 10 years
Licences	20 years

### **Development costs**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development costs are amortised over the period the company expects to benefit from selling the products developed. Amortisation starts when the company receives marketing authorisation for the products and the amortisation expense is included within administrative expenses.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised within administrative expenses.

### **Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.



## **2. Accounting policies (continued)**

### **Leases**

The Company leases various properties with a wide range of rental periods.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- Amounts expected to be payable by the Company under residual value guarantees.
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option.
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received.
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the lessee, which do not have recent third-party financing.
- Makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Company entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability.
- Any lease payments made at or before the commencement date less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets, such as IT equipment, are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases across the Company. These are used to maximise operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

## **2. Accounting policies (continued)**

### **Employee benefits**

#### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### **Shared based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

#### **Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

#### **Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

#### **Financial assets**

The Company classifies all of its financial assets as loans and receivables.

## **2. Accounting policies (continued)**

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of comprehensive income. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

### **Financial liabilities**

The Company classifies all of its financial liabilities as liabilities at amortised cost.

#### **At amortised cost**

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

### **Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

## **3. Judgements in applying accounting policies and key sources of estimation uncertainty**

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **Development costs**

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 30 September 2020, the carrying amount of capitalised development costs was £15,653,957 (2019 - £14,448,481).

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**4. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Sale of goods	<u>5,038,160</u>	<u>7,390,696</u>

Analysis of turnover by country of destination:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
United Kingdom	3,705,465	6,449,957
Rest of Europe	266,687	940,739
Rest of the world	<u>1,066,008</u>	<u>-</u>
	<u>5,038,160</u>	<u>7,390,696</u>

**5. Other operating income**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
R&D income	467,709	847,903
Grants	24,834	-
Insurance claim	104,000	-
Other	<u>39,470</u>	<u>-</u>
	<u>636,013</u>	<u>847,903</u>

**6. Operating loss**

The operating loss is stated after charging:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>restated</b> <b>£</b>
Research & development charged as an expense	1,497,862	1,977,487
Depreciation of tangible fixed assets	443,146	620,559
Amortisation of intangible assets, including goodwill	323,320	215,949
Exchange differences	45,850	99,567
Defined contribution pension cost	125,906	113,006
Lease expenses	<u>73,760</u>	<u>-</u>

**7. Auditor remuneration**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>19,000</u>	<u>15,000</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**8. Employees**

Within continuing operations, the average monthly number of employees, including the directors, during the year was as follows:

	<b>2020</b>	<b>2019 restated</b>
Research	24	17
Directors	3	7
Administration	10	9
Marketing	3	2
Average number of employees	<u>40</u>	<u>35</u>

Staff costs, including directors' remuneration, were as follows:

	<b>2020 £</b>	<b>2019 restated £</b>
Wages and salaries	1,779,528	1,400,627
Social security costs	215,422	231,980
Costs of defined contribution scheme	125,906	113,006
Share-based payments	78,786	95,821
Total employee benefits expense	<u>2,199,642</u>	<u>1,841,434</u>

**9. Directors' remuneration**

	<b>2020 £</b>	<b>2019 £</b>
Directors' emoluments	258,318	414,359
Company contributions to defined contribution pension schemes	<u>23,700</u>	<u>31,642</u>
	<u>282,018</u>	<u>446,001</u>

During the year retirement benefits were accruing to 2 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £169,500 (2019 - £204,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £17,882 (2019 - £16,564).

The above remuneration is in relation to 2 Directors. The other Director is remunerated by the ultimate parent and other subsidiaries and there is no reasonable or accurate way to apportion these costs to this entity.

**10. Interest receivable and similar income**

	<b>2020 £</b>	<b>2019 £</b>
Other interest receivable	<u>5,929</u>	<u>97</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**11. Interest payable and similar expenses**

	2020 £	2019 £
Other loan interest payable	-	1,247
Bank interest payable	19	19
Finance leases (interest portion)	4,388	-
	<u>4,407</u>	<u>1,266</u>

**12. Exceptional - acquisition related items**

	2020 £	2019 £
Exceptional - acquisition related items	<u>353,295</u>	<u>-</u>

During the year £353,295 was expensed for professional fees in relation to investigating the potential of a partnership in the Health business area which was not pursued.

**13. Tax**

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	63,029	105,556
Adjustments in respect of previous periods	36,307	76,170
Total current tax	<u>99,336</u>	<u>181,726</u>
Tax on loss	<u>99,336</u>	<u>181,726</u>

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
Loss before tax	(3,484,103)	(2,177,569)
Loss before tax from discontinued operations	(9,898,372)	(8,205,800)
	<u>(13,382,475)</u>	<u>(10,383,369)</u>
Tax at the statutory tax rate of 19%	(2,542,670)	(1,972,840)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	587,976	20,106
Adjustments to tax charge in respect of prior periods	36,307	76,170
Non-taxable income	-	(76,434)
Losses not recognised	2,017,723	1,500,115
Group relief surrendered not paid for	-	634,609
Tax	<u>99,336</u>	<u>181,726</u>

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**13. Tax (continued)**

At the reporting date the Company had unrecognised deferred tax assets not recognised of £15,764 regarding temporary differences and £6,879,809 regarding losses.

**14. Intangible assets**

	Patents £	Development costs £	Licences £	Total £
Cost				
At 1 October 2019	2,148,919	14,448,481	38,068	16,635,468
Additions - external	9,302	-	764,495	773,797
Additions - internal	-	2,415,237	-	2,415,237
Increase/decrease through transfers	(185,685)	-	185,685	-
Disposals	(18,442)	(119,248)	-	(137,690)
	1,954,094	16,744,470	988,248	19,686,812
Amortisation				
At 1 October 2019	1,047,801	-	1,903	1,049,704
Charge for the year	211,921	-	111,399	323,320
Increase/decrease through transfers	(58,412)	-	58,412	-
Disposals	(18,442)	-	-	(18,442)
Impairment loss recognised in profit or loss	18,604	1,090,513	-	1,109,117
At 30 September 2019	1,201,472	1,090,513	171,714	2,463,699
Net book value				
At 30 September 2020	752,622	15,653,957	816,534	17,223,113
At 30 September 2019	1,101,118	14,448,481	36,165	15,585,764

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38.

**15. Tangible assets**

	Leasehold improvements £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total
Cost					
At 1 October 2019	248,990	3,978,601	85,242	-	4,312,833
Additions	-	1,321,299	29,395	981	1,351,675
Disposals	(76,931)	(140,877)	-	-	(217,808)
At 30 September 2020	172,059	5,159,023	114,637	981	5,446,700
Depreciation					
At 1 October 2019	69,787	1,127,509	63,777	-	1,261,073
Charged for the year on owned assets	21,374	411,495	10,140	137	443,146
Disposals	(17,922)	(85,981)	-	-	(103,903)
Impairment charge recognised in profit or loss	98,820	112,346	-	-	211,166
At 30 September 2020	172,059	1,565,369	73,917	137	1,811,482
Net book value					
At 30 September 2020	-	3,593,654	40,720	844	3,635,218
At 30 September 2019	179,203	2,851,092	21,465	-	3,051,760

## **16. Leases**

The Company adopted IFRS 16: Leases on 1 October 2019 (see Note 1). The impact of IFRS 16 on the Company has been to recognise a lease liability representing its obligation to make lease payments and a corresponding right-of-use asset representing its right to use the underlying asset in the balance sheet for leases currently classified as operating leases, except for short-term leases and leases of low value assets. The nature of expenses related to these leases has now changed because the Company now recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 16 has been adopted for the year ending 30 September 2020 using the modified retrospective approach. The right-of-use asset recognised on transition has been measured at an amount materially equal to the lease liability, which has been measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate could not be readily determined, the lessee's incremental borrowing rate). Therefore, no adjustment to the opening balance of retained earnings at 1 October 2019 has been necessary along with no restatement of comparative information.

During the year the company entered a lease contract for its head office. The amounts recognised in the financial statements in relation to the lease are as follows:

### **Amounts recognised in statement of financial position**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
<b>Right-of-use assets</b>		
Leasehold property	1,330,739	-
	<u>1,330,739</u>	<u>-</u>
<b>Lease liabilities</b>		
Current	156,500	-
Non-current	1,150,769	-
	<u>1,307,269</u>	<u>-</u>

Additions to right-of-use assets during the year were £1,341,707.

### **Amounts recognised in statement of profit or loss**

The statement of profit or loss shows the following amounts relating to leases:

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
<b>Depreciation charge of right-of-use assets</b>		
Leasehold property	(10,968)	-
	<u>(10,968)</u>	<u>-</u>
<b>Additional information</b>		
Interest expense (included in finance cost - note 11)	(4,388)	-
Expense relating to short-term leases (included in administrative expenses)	(73,760)	-

The total cash outflow for leases in 2020 was £13,326 (2019 - £nil).



**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**17. Fixed asset investments**

	<b>Investments in subsidiary companies £</b>
<b>Cost</b>	
At 1 October 2019	-
Additions	10,682
At 30 September 2020	<u>10,682</u>

**Investments in subsidiary companies**

On 1 July 2020, as part of a wider group restructure, the Company acquired 100% shareholding of the following companies from another wholly owned subsidiary:

- Benchmark R&D (Thailand) was sold to the Company for a consideration of THB 399,990 (£9,768.05), being the nominal value of the shares held.
- Benchmark Animal Health US, Inc was sold to the Company for a consideration of \$1, which was agreed to be the fair market value of the business.
- Benchmark Animal Health Inc was sold to the Company for a consideration of \$1, which was agreed to be the fair market value of the business.

Benchmark Animal Health Chile SpA was incorporated during the year.

**Interests in subsidiaries**

The following were subsidiary undertakings of the Company:

<b>Company name</b>	<b>Registered address</b>	<b>Principal activity</b>	<b>Holding</b>
Benchmark Animal Health US, Inc	Gulf of Maine Research Institute, 350 Commercial Street, Portland, Maine 04101	Supply of health products	100%
Benchmark Animal Health Inc	1600-3500 Boulevard De Maisonneuve, Ouest, Westmount, QC, H3Z 3C1	Dormant	100%
Benchmark R&D (Thailand) Limited	No.57/1 Moo 6, Samed District, Muang Chonburi District, Chonburi Province, 20000	Research and development	100%
Benchmark Animal Health Chile SpA	Avenida Apoquindo 3721, piso 22, comuna de Las Condes, Santiago	Supply of health products	100%

The class of share of all of the above subsidiary undertakings is ordinary.

**Benchmark Animal Health Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2020**

**18. Stocks**

	2020 £	2019 £
Raw materials and consumables	39,648	588,433
Work in progress (goods to be sold)	-	25,889
Finished goods and goods for resale	468,016	1,304,633
	<u>507,664</u>	<u>1,918,955</u>

During 2020 £2,388,611 (2019: £2,537,088) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. The cost of inventories recognised as an expense includes £150,075 (2019: £242,310) in respect of write-downs of inventory to net realisable value.

**19. Debtors**

	2020 £	2019 £
Trade debtors	236,079	690,710
Other debtors	1,253,290	1,669,541
Prepayments and accrued income	573,867	1,712,566
	<u>1,827,157</u>	<u>3,382,107</u>
Amounts owed by group undertakings	4,404,991	25,251
	<u>6,468,227</u>	<u>4,098,068</u>

Amounts owed by group undertakings are interest free and repayable on demand.

**20. Creditors - amounts falling due within one year**

	2020 £	2019 £
Trade creditors	2,989,168	2,282,739
Amounts owed to group undertakings	63,653,804	47,411,111
Lease liabilities	156,500	-
Accruals and deferred income	2,104,150	1,609,968
Other taxation and social security	73,355	101,533
Other creditors	329,869	806,719
	<u>69,306,846</u>	<u>52,212,070</u>

Amounts owed to group undertakings are interest free and due on demand.

**21. Creditors - amounts falling due after more than one year**

	2020 £	2019 £
Lease liabilities	<u>1,150,769</u>	<u>-</u>

## **22. Called up share capital**

	<b>2020</b> <b>£</b>	<b>2019</b> <b>£</b>
5,100,001 (2019 - 5,100,001) Ordinary shares at £1.00 each	<u>5,100,000</u>	<u>5,100,001</u>

## **23. Share-based payments**

The group operates EMI and CSOP equity settled share option schemes for certain employees, of which some are employed by Benchmark Vaccines Limited. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest, except under certain circumstances.

During the year, 41,448 options were exercised by Benchmark Animal Health Limited employees.

The share options relevant to Benchmark Animal Health Limited employees are as follows:

### **Share options issued in March 2015**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of four years.

### **Share options issued in March 2016**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of five years.

### **Share options issued in February 2017**

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of six years.

### **Share options issued in January 2018**

In 2017 the decision was made to replace an element of cash bonuses for the year with an award of share options to be granted after the year end this resulted in share options being granted in 2018.

Share options outstanding at the year-end had a weighted average exercise price of 69.5p and a weighted average remaining contractual life of seven years.

### **Share options issued in January 2019**

Share options outstanding at the year-end had a weighted average exercise price of 58.5p and a weighted average remaining contractual life of eight years.

### **Share options issued in February 2020**

Share options outstanding at the year-end had a weighted average exercise price of 42.5p and a weighted average remaining contractual life of nine years.

## **23. Share-based payments (continued)**

### **Share options issued in June 2020**

Share options outstanding at the year-end had a weighted average exercise price of 31.5p and a weighted average remaining contractual life of nine years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black-Scholes Merton model taking into account the terms and conditions on which the options were granted.

The company did not enter into any other share-based payment transactions with parties other than employees during the current or previous period.

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Equity-settled schemes	100,748	95,821

## **24. Contingent liabilities**

Along with a number of other companies in the Benchmark Group, the company is a guarantor to a four year senior secured floating rate listed bond of NOK 850m (the Bond). The Bond, which matures in June 2023, refinanced Benchmark's previous USD 90m credit facility. A USD 15m Revolving Credit Facility has been provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%) (the RCF). This was undrawn at 30 September 2020.

Under the terms of the Bond and the RCF:

- The company guarantees the punctual performance of other obligors to the Bond and the RCF;
- Should another obligor fail to pay an amount when due, the company will on demand pay that amount as if it were the principal obligor; and
- The company has provided to the lenders security in the form of a floating charge over its assets.

## **25. Pension commitments**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost represents contributions payable by the company to the fund and amounted to £125,906 (2019 restated - £113,006). An amount of £23,312 (2019 - £26,956) was payable to the fund at the balance sheet date and is included in creditors.

## **26. Related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no transactions entered into or trading balances outstanding at 30 September 2020 and 30 September 2019 with other related parties being subsidiaries that aren't wholly owned.

## **27. Controlling party**

The company is controlled by Benchmark Holdings plc. In the opinion of the directors, the ultimate controlling party is Benchmark Holdings plc, Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.

## **28. Effect of adoption of IFRS 16: Leases**

As indicated in notes 2 and 17, the Company has adopted IFRS 16: Leases retrospectively from 1 October 2019.

IFRS 16 superseded the previous lease guidance including IAS 17: Leases and related interpretations. It requires all leases to be recognised on the balance sheet, with certain exceptions for low-value leases and leases with a term of less than 12 months.

The impact of IFRS 16 on the Company has been to recognise a lease liability representing its obligation to make lease payments and a corresponding right-of-use asset representing its right to use the underlying asset in the balance sheet for leases currently classified as operating leases, except for short-term leases and leases of low value assets. The nature of expenses related to these leases has now changed because the Company now recognises a depreciation charge for right-of-use assets and interest expense on lease liabilities.

IFRS 16 has been adopted for the year ending 30 September 2020 using the modified retrospective approach. The right-of-use asset recognised on transition has been measured at an amount materially equal to the lease liability, which has been measured at the present value of the future lease payments discounted using the discount rate implicit in the lease (or if that rate could not be readily determined, the lessee's incremental borrowing rate). Therefore, no adjustment to the opening balance of retained earnings at 1 October 2019 has been necessary along with no restatement of comparative information.

The impact of IFRS 16 on the Income Statement for the year ended 30 September 2020 for continuing operations has been an improvement to operating loss of £2,358, an increase in finance costs of £4,388, and an increase in depreciation of £10,968.

For arrangements previously classified as finance leases, where the Company is a lessee, as the Company had already recognised an asset and a related finance lease liability for the lease arrangement, there has been no impact on the amounts recognised in the Company's consolidated financial statements, at 1 October 2019.

When measuring lease liabilities that were previously classified as operating leases, the Company discounted lease payments using relevant incremental borrowing rates at 1 October 2019. The weighted average applied is 4%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases.
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4: Determining Whether an Arrangement contains a Lease.

### **Measurement of lease liabilities**

Operating lease commitments disclosed at 30 September 2019	73,760
Recognition exemption for leases with less than 12 months of lease term remaining at transition	<u>(73,760)</u>

### **Lease liabilities recognised at 1 October 2019**

-

### **Measurement of right-of-use assets**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

## Annex 2.2.4

<b>Benchmark Animal Health Limited</b>			
<b>Unaudited Cash Flow Statements for years ended 30 September 2020, 2019 and 2018</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Profit (loss)</b>	<b>(13,481,811)</b>	<b>(10,565,095)</b>	<b>(9,460,719)</b>
Income tax expense	99,336	181,726	(24,559)
Depreciation of property, plant and equipment	454,114	620,558	463,577
Amortisation of intangible fixed assets	323,320	215,949	104,775
Impairment of non-current assets recognised in profit or loss	1,320,283	-	-
Losses (gains) on disposal of non-current assets	(6,713)	-	-
Finance income	(5,929)	(97)	(715)
Finance expense	4,407	1,265	84,705
Share-based payments	101,228	95,821	117,063
Decrease (increase) in inventories	1,411,291	(219,769)	1,037,182
Decrease (increase) in trade accounts receivable	2,009,581	(141,728)	(1,826,922)
Increase (decrease) in trade accounts payable	669,605	(507,779)	(764,547)
Increase (decrease) in provisions	-	-	(180,485)
Income taxes refund (paid)	(99,336)	(181,726)	(57,000)
<b>Net cash flows from (used in) operating activities</b>	<b>(7,200,624)</b>	<b>(10,500,873)</b>	<b>(10,507,644)</b>
Cash flows used in obtaining control of subsidiaries or other businesses	(10,682)	-	-
Proceeds from sales of property, plant and equipment	120,617	-	-
Purchase of property, plant and equipment	(1,351,674)	(230,197)	(297,443)
Proceeds from sales of intangible assets	119,248	-	-
Purchase of intangible assets	(3,189,035)	(5,552,540)	(6,685,228)
Cash advances and loans made to IC parties	(4,379,740)	-	(1,510,950)
Cash receipts from repayment of advances and loans made to IC parties	-	2,019,690	-
Interest received	5,929	97	715
<b>Net cash flows from (used in) investing activities</b>	<b>(8,685,336)</b>	<b>(3,762,950)</b>	<b>(8,492,906)</b>
Proceeds from new loans	-	-	19,356,180
Proceeds from new IC loans	16,242,693	13,891,255	-
Payments of finance lease liabilities	(8,938)	-	-
Interest paid	(4,407)	(1,265)	-
<b>Net cash flows from (used in) financing activities</b>	<b>16,229,348</b>	<b>13,889,990</b>	<b>19,356,180</b>
<b>Net increase (decrease) in cash and cash equivalents before effect of exchange rate chan</b>	<b>343,387</b>	<b>(373,834)</b>	<b>355,630</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,636</b>	<b>376,466</b>	<b>20,836</b>
<b>Cash and cash equivalents at end of period</b>	<b>346,023</b>	<b>2,632</b>	<b>376,466</b>