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**BENCHMARK GENETICS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2018**

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## BENCHMARK GENETICS LIMITED

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### COMPANY INFORMATION

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|----------------------------|--|
| <b>Directors</b>           | J M Crowther<br>M J Plampin<br>M D F Pye                               |
| <b>Company secretary</b>   | Prism Cosec Limited  |
| <b>Registered number</b>   | 09115896   |
| <b>Registered office</b>   | Benchmark House<br>8 Smithy Wood Drive<br>Sheffield<br>S35 1QN         |
| <b>Independent auditor</b> | KPMG LLP<br>1 Sovereign Square<br>Sovereign Street<br>Leeds<br>LS1 4DA |

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## BENCHMARK GENETICS LIMITED

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## BENCHMARK GENETICS LIMITED

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

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#### Business review

The Company continues to act as the holding company for Benchmark's aquaculture genetics business in salmon, tilapia and shrimp.

In June 2018 the Company and AquaChile, the world's 6th largest salmon producer, signed an agreement to form a breeding and genetics joint venture. The joint venture, named Benchmark Genetics Chile, will produce eggs in high-quality bio-secure land-based facilities in Chile, supported by Benchmark Genetics' land-based breeding operations in Iceland and genetic technology from Benchmark's Akvaforsk Genetics in Norway. Benchmark Genetics Chile is expected to supply AquaChile's entire Atlantic salmon egg requirement along with other customers.

#### Principal risks and uncertainties

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

##### - Carrying value of investments

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

##### - Intercompany funding and support

The Company has borrowed £59.3 million from its parent undertaking in order to partially fund the acquisitions it has made. 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.

##### - Settlement of contingent consideration and exchange risk

The Company has made provision for the maximum amount of contingent consideration that is expected to be payable. Contingent consideration is denominated in foreign currencies. If the pound sterling weakens against these foreign currencies, the amount of contingent consideration payable (when translated into pound sterling) will be higher than is currently recognised in these financial statements.

##### - Option to purchase additional shares

The Company has an option to purchase the remaining 20% of the issued share capital of Akvaforsk Genetics Center Inc. The purchase price payable is dependent upon sales by Akvaforsk Genetics Center Inc for the four years up to 2021. If the sales of Akvaforsk Genetics Center Inc exceed current expectations, then higher consideration than is currently provided in these financial statements will be due to the vendors. This is mitigated by the fact that the underlying performance of the investment will have surpassed expectations.

This report was approved by the board on

and signed on its behalf.

**J M Crowther**  
Director

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## BENCHMARK GENETICS LIMITED

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

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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 the intermediate holding company of the Benchmark Genetics division of the Benchmark group.

#### **Results and dividends**

The profit for the year, after taxation, amounted to £1,734,501 (2017 - £1,421,418).

The directors do not recommend the payment of a dividend.

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## BENCHMARK GENETICS LIMITED

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

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#### Directors

The directors who served during the year were:

J M Crowther  
M J Plampin  
M D F Pye

#### Future developments

The Company continues to look for suitable investment opportunities in the breeding and genetics 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.

J M Crowther  
Director

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## BENCHMARK GENETICS LIMITED

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

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We have audited the financial statements of Benchmark Genetics 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 profit 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.

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## BENCHMARK GENETICS LIMITED

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

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#### 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).



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## BENCHMARK GENETICS LIMITED

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

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#### **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:

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**BENCHMARK GENETICS LIMITED**

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

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|   | Note | 2018<br>£            | 2017<br>£            |
|---|------|----------------------|----------------------|
| Turnover  | 4    | 3,761,710            | -                    |
| Cost of sales   |      | (1,574,047)          | -                    |
| <b>Gross profit</b>   |      | <b>2,187,663</b>     | <b>-</b>             |
| Administrative expenses   |      | (698,484)            | 6,549,688            |
| <b>Operating profit</b>   | 5    | <b>1,489,179</b>     | <b>6,549,688</b>     |
| Amounts written off investments and receivables from subsidiaries |      | -                    | (5,198,256)          |
| Interest receivable and similar income                            | 9    | 245,322              | 69,986               |
| <b>Profit before tax</b>  |      | <b>1,734,501</b>     | <b>1,421,418</b>     |
| <b>Profit for the financial year</b>                              |      | <b>1,734,501</b>     | <b>1,421,418</b>     |
| <br><b>Total comprehensive income for the year</b>                |      | <br><b>1,734,501</b> | <br><b>1,421,418</b> |

All of the above relates to continuing operations.

The notes on pages 10 to 26 form part of these financial statements.

**BENCHMARK GENETICS LIMITED**  
**REGISTERED NUMBER: 09115896**

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

|   | Note | 2018<br>£                | 2017<br>£                |
|---|------|--------------------------|--------------------------|
| <b>Fixed assets</b>                                     |      |                          |                          |
| Intangible assets                                       | 12   | 53,047                   | 26,230                   |
| Investments   | 13   | 63,903,057               | 53,558,355               |
|   |      | <u>63,956,104</u>        | <u>53,584,585</u>        |
| <b>Current assets</b>                                   |      |                          |                          |
| Debtors   | 14   | 13,408,468               | 2,066,996                |
|   |      | <u>13,408,468</u>        | <u>2,066,996</u>         |
| Creditors: amounts falling due within one year          | 15   | (59,369,556)             | (39,395,340)             |
| <b>Net current liabilities</b>                          |      | <u>(45,961,088)</u>      | <u>(37,328,344)</u>      |
| <b>Total assets less current liabilities</b>            |      | <u>17,995,016</u>        | <u>16,256,241</u>        |
| Creditors: amounts falling due after more than one year | 16   | (941,898)                | (937,624)                |
|   |      | <u>17,053,118</u>        | <u>15,318,617</u>        |
| <b>Net assets</b>                                       |      | <u><u>17,053,118</u></u> | <u><u>15,318,617</u></u> |
| <b>Capital and reserves</b>                             |      |                          |                          |
| Called up share capital                                 | 17   | 15,000,002               | 15,000,002               |
| Profit and loss account                                 |      | 2,053,116                | 318,615                  |
|   |      | <u>17,053,118</u>        | <u>15,318,617</u>        |

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

**J M Crowther**  
Director

The notes on pages 10 to 26 form part of these financial statements.

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**BENCHMARK GENETICS LIMITED**

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

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|  | Called up<br>share capital<br>£ | Profit and<br>loss account<br>£ | Total equity<br>£ |
|--|---------------------------------|---------------------------------|-------------------|
| <b>At 1 October 2016</b>                       | <b>15,000,002</b>               | <b>(1,102,803)</b>              | <b>13,897,199</b> |
| <b>Comprehensive income for the year</b>       |                                 |                                 |                   |
| Profit for the year                            | -                               | 1,421,418                       | 1,421,418         |
| <b>Total comprehensive income for the year</b> | <b>-</b>                        | <b>1,421,418</b>                | <b>1,421,418</b>  |
| <b>At 1 October 2017</b>                       | <b>15,000,002</b>               | <b>318,615</b>                  | <b>15,318,617</b> |
| <b>Comprehensive income for the year</b>       |                                 |                                 |                   |
| Profit for the year                            | -                               | 1,734,501                       | 1,734,501         |
| <b>Total comprehensive income for the year</b> | <b>-</b>                        | <b>1,734,501</b>                | <b>1,734,501</b>  |
| <b>At 30 September 2018</b>                    | <b>15,000,002</b>               | <b>2,053,116</b>                | <b>17,053,118</b> |

The notes on pages 10 to 26 form part of these financial statements.

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## BENCHMARK GENETICS LIMITED

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

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#### 1. General information

Benchmark Genetics 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 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 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 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).

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## BENCHMARK GENETICS LIMITED

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

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#### 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;
- 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

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2. Accounting policies (continued)

2.3 Going concern

Notwithstanding net current liabilities of £45,961,088 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 30th September 2018 amounted to £52,677,438. Benchmark Holdings plc has indicated 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.

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.

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

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**2. Accounting policies (continued)**

**2.3 Going concern (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 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue 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 revenue is recognised:

**Sale of goods**

Revenue 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 revenue 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.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.



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## BENCHMARK GENETICS LIMITED

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

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## 2. Accounting policies (continued)

### 2.5 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:

|            |   |            |
|------------|---|------------|
| Trademarks | - | Indefinite |
|------------|---|------------|

### 2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

### 2.7 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.

### 2.8 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 its financial liabilities into one of the categories discussed below, depending

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

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2. Accounting policies (continued)

2.8 Financial instruments (continued)

on the purpose for which the liability was acquired.

**Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives. They are carried in the Balance sheet at fair value with changes in fair value recognised in the Statement of comprehensive income.

**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.

2.9 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.

2.10 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.

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## BENCHMARK GENETICS LIMITED

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

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#### 2. Accounting policies (continued)

##### 2.11 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.

##### 2.12 Interest income

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

##### 2.13 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### 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.

##### Fair value measurement

In accordance with IFRS3 business combinations the company measures contingent consideration (note 16) at fair value.

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

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**BENCHMARK GENETICS LIMITED**

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

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**4. Turnover**

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

|                               | 2018<br>£        | 2017<br>£ |
|-------------------------------|------------------|-----------|
| Sale of intellectual property | <b>3,761,710</b> | -         |

All turnover arose within Chile.

**5. Operating profit**

The operating profit/(loss) is stated after charging/(crediting):

|  | 2018<br>£        | 2017<br>£   |
|--|------------------|-------------|
| Research & development charged as an expense | <b>41,331</b>    | -           |
| Exchange differences                         | <b>(199,169)</b> | 230,152     |
| Defined contribution pension cost            | <b>15,600</b>    | 12,228      |
| Acquisition related items (note 11)          | <b>279,473</b>   | (7,282,848) |

**6. Auditor's remuneration**

|   | 2018<br>£    | 2017<br>£ |
|---|--------------|-----------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | <b>4,000</b> | 2,250     |

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**BENCHMARK GENETICS LIMITED**

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

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**7. Employees**

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

|                                     | <b>2018</b><br>£      | <i>2017</i><br>£ |
|-------------------------------------|-----------------------|------------------|
| Wages and salaries                  | <b>281,135</b>        | 263,836          |
| Social security costs               | <b>30,718</b>         | 33,998           |
| Cost of defined contribution scheme | <b>15,600</b>         | 12,228           |
|                                     | <u><b>327,453</b></u> | <u>310,062</u>   |

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

|            | <b>2018</b><br>No. | <i>2017</i><br>No. |
|------------|--------------------|--------------------|
| Directors  | <b>3</b>           | 3                  |
| Management | <b>1</b>           | 1                  |
|            | <u><b>4</b></u>    | <u>4</u>           |

**8. Directors' remuneration**

|   | <b>2018</b><br>£      | <i>2017</i><br>£ |
|---|-----------------------|------------------|
| Directors' emoluments   | <b>144,095</b>        | 151,050          |
| Company contributions to defined contribution pension schemes | <b>8,171</b>          | 8,026            |
|   | <u><b>152,266</b></u> | <u>159,076</u>   |

During the year retirement benefits were accruing to 1 director (*2017 - 1*) in respect of defined contribution pension schemes.

The above remuneration is in relation to 1 Director. The other 2 Directors are remunerated by the ultimate parent and there is no reasonable or accurate way to apportion these costs to this entity.

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**BENCHMARK GENETICS LIMITED**

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

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**9. Interest receivable**

|  | 2018<br>£      | 2017<br>£     |
|--|----------------|---------------|
| Interest receivable from group companies | <u>245,322</u> | <u>69,986</u> |

**10. Taxation**

**Factors affecting tax charge for the year**

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

|  | 2018<br>£        | 2017<br>£        |
|--|------------------|------------------|
| Profit before tax  | <u>1,734,501</u> | <u>1,421,418</u> |
| Profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.5%) | <b>329,555</b>   | 277,177          |
| <b>Effects of:</b>   |                  |                  |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment        | <b>53,100</b>    | 1,029,477        |
| Non-taxable income   | -                | (1,411,864)      |
| Group relief   | <b>(212,304)</b> | -                |
| Amounts not recognised   | <b>(170,351)</b> | 105,210          |
| <b>Total tax charge for the year</b>   | <u>-</u>         | <u>-</u>         |

At the reporting date the Company had unrecognised deferred tax assets of £27,550.

**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.

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**BENCHMARK GENETICS LIMITED**

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

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**11. Acquisition related items**

|  | 2018<br>£      | 2017<br>£          |
|--|----------------|--------------------|
| Costs associated with integration of acquired businesses           | 475,199        | -                  |
| Release of contingent consideration                                | (206,402)      | (7,282,848)        |
| Foreign exchange impact of revaluation of contingent consideration | 10,676         | 42,012             |
|  | <u>279,473</u> | <u>(7,240,836)</u> |

During 2018, the contingent consideration element of the provision for contingent consideration held for previous acquisitions has been recalculated considering up to date performance of those acquisitions and the projected performance for the final 3 months of the earn out period (which ended on 31 December 2017) against the relevant sales volumes and revenue targets. As a result, £206,402 was released in 2018 (£7,282,848).

**12. Intangible assets**

|                       | Trademarks<br>£ |
|-----------------------|-----------------|
| <b>Cost</b>           |                 |
| At 1 October 2017     | 26,230          |
| Additions - external  | 26,817          |
| At 30 September 2018  | <u>53,047</u>   |
| <b>Net book value</b> |                 |
| At 30 September 2018  | <u>53,047</u>   |
| At 30 September 2017  | <u>26,230</u>   |

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**BENCHMARK GENETICS LIMITED**

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

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**13. Fixed asset investments**

|                       | Investments<br>in<br>subsidiary<br>companies<br>£ |
|-----------------------|---|
| <b>Cost</b>           |   |
| At 1 October 2017     | 57,103,489  |
| Additions             | 10,344,702  |
| At 30 September 2018  | 67,448,191  |
| <b>Impairment</b>     |   |
| At 1 October 2017     | 3,545,134   |
| At 30 September 2018  | 3,545,134   |
| <b>Net book value</b> |   |
| At 30 September 2018  | 63,903,057  |
| At 30 September 2017  | 53,558,355  |

Additions during the year represent investment in the Chilean subsidiary Benchmark Chile SPA.

During the year the Company subscribed for 100% of the issued share capital of a new subsidiary undertaking, Benchmark Chile SpA, for cash consideration of £10.3 million. Benchmark Chile SpA in turn invested in Benchmark Genetics Chile SpA (BGCSPA). BGCSPA is a joint venture with AquaChile, the world's sixth largest salmon producer, in which Benchmark Chile SpA has joint control although only a 49% ownership interest.

During 2017 the Directors performed a review of the carrying value of the company's investments and group receivables. Following this review an impairment charge of £3,545,134 was made against investments and a provision of £1,653,122 as made against amounts receivable from group companies. The combined charge is presented on the face of the income statement.



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**BENCHMARK GENETICS LIMITED**

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

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**13. 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> |
|---|--|-----------------------------------|------------------------|----------------|
| Salmobreed AS   | Sandviksboder 3A,5035<br>Bergen, norway  | Salmon breeding and genetics      | Ordinary               | 100%           |
| Stofnfiskur HF  | Stadarberg 2-4,<br>Hafnarfjordur   | Salmon breeding and genetics      | Ordinary               | 89.45%         |
| Akvaforsk Genetics Center AS                            | Auragata 3, 6600<br>Sunndalsøra. Norway  | Aquaculture genetics and research | Ordinary               | 100%           |
| Akvaforsk Genetics Center Inc                           | 25508 SW 169th Ave,<br>Miami Florida 33031<br>United States  | Tilapia genetics and breeding     | Ordinary               | 80%            |
| Akvaforsk Genetics Center Spring Mexico, SA de CV*      | Caguama 3023,<br>Zapopan, Loma Bonita,<br>Jalisco 45086  | Holding company                   | Ordinary               | 80%            |
| Akvaforsk Do Brasil Cultivo De Especies Aquaticas LTDA* | Rua Doutor Ribamar<br>Lobo, 451, Coco,<br>Fortaleza, CE, Brazil                                    | Tilapia breeding                  | Ordinary               | 80%            |
| Genetilapia, SA de CV*                                  | Avenida Dr Carlos<br>Canseco 5994 Planta<br>Alta El Cid C.P. 82110<br>Mazatlan, Sinaloa,<br>Mexico | Tilapia breeding                  | Ordinary               | 41%            |
| Stofnfiskur Chile Limitada*                             | Urmeneta 581, Of. 42,<br>Puerto Montt, Reg. X  | Marketing of salmon eggs          | Ordinary               | 89.45%         |
| Stofngen EHF  | Stadarberg 2-4,<br>Hafnarfjordur   | Dormant                           | Ordinary               | 62.62%         |
| Sudourlax EHF*  | Stadarberg 2-4,<br>Hafnarfjordur   | Cod farming and research          | Ordinary               | 89.45%         |
| Salmobreed Salten AS*                                   | Sørfjordmoen, Kobbelv,<br>8264 Engan   | Salmon breeding                   | Ordinary               | 75%            |
| Spring Genetics SRL*                                    | Calle Los Alemanes,<br>Condominium Condado<br>de Baviera, Apt 703                                  | Sales office                      | Ordinary               | 80%            |
| Genetica Spring SAS                                     | Calle 32, 8a-33 Office<br>215  | Shrimp genetics and breeding      | Ordinary               | 100%           |
| Benchmark Chile SPA                                     | Gertrudis Echeñique,<br>number 30, 22th floor,<br>Las Condes, Santiago                             | Holding company                   | Ordinary               | 100%           |
| Salmar Genetics AS*                                     | 7266 Kverva, Froya,<br>Norway  | Salmon breeding and genetics      | Ordinary               | 50%            |
| Benchmark Genetics Chile SPA*                           | Cardonal S/N, Lote B-<br>Barrio Industrial, Puerto<br>Montt, Chile                                 | Shrimp genetics and breeding      | Ordinary               | 49%            |

\*Indirect holding via subsidiaries

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BENCHMARK GENETICS LIMITED

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

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14. Debtors

|  | 2018<br>£         | 2017<br>£        |
|--|-------------------|------------------|
| Amounts owed by group undertakings                         | 9,644,466         | 2,066,803        |
| Amounts owed by joint ventures and associated undertakings | 3,761,757         | -                |
| Other debtors  | 2,245             | 195              |
|  | <u>13,408,468</u> | <u>2,066,998</u> |

Amounts owed by group undertakings are repayable on demand and incur interest at a rate of 2% plus LIBOR per annum.

15. Creditors: Amounts falling due within one year

|                                    | 2018<br>£         | 2017<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade creditors                    | 108               | 738               |
| Amounts owed to group undertakings | 59,282,663        | 39,194,602        |
| Other creditors                    | -                 | 200,000           |
| Accruals and deferred income       | 86,785            | -                 |
|                                    | <u>59,369,556</u> | <u>39,395,340</u> |

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

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**BENCHMARK GENETICS LIMITED**

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

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**16. Creditors: Amounts falling due after more than one year**

|                 | <b>2018<br/>£</b> | <b>2017<br/>£</b> |
|-----------------|-------------------|-------------------|
| Other creditors | <b>941,898</b>    | 937,624           |
|                 | <b>941,898</b>    | 937,624           |

Other creditors represents contingent consideration outstanding from business combinations and are analysed as follows:

|                                | <b>Due 2-5<br/>years<br/>£</b> | <b>2018<br/>£</b> |
|--------------------------------|--------------------------------|-------------------|
| Other contingent consideration | <b>941,898</b>                 | <b>941,898</b>    |

As at 30 September 2017

|                                | <i>Due &lt; 1 year<br/>£</i> | <i>Due 2-5<br/>years<br/>£</i> | <b>2017<br/>£</b> |
|--------------------------------|------------------------------|--------------------------------|-------------------|
| Contingent cash consideration  | 200,000                      | -                              | 200,000           |
| Other contingent consideration | -                            | 937,624                        | 937,624           |
|                                | <b>200,000</b>               | <b>937,624</b>                 | <b>1,137,624</b>  |

Book values approximate to fair value at 30 September 2018 and 2017.

The financial liability at fair value through profit and loss relates to contingent consideration outstanding from business combinations. The majority of this relates to deferred cash consideration dependent on the performance of the acquired businesses and the fair value is derived from the likely liabilities based on current performance against the targets at each reporting date. Also included in contingent consideration is a put/call agreement exercisable and payable in 2022 to acquire the remaining 20% stake in Akvaforsk Genetics Center Inc for a sum determined by future performance. The minimum consideration is NOK 1 (one Krone) payable in the event the business under performs the minimum target set and the maximum consideration is capped at NOK 60m. If Akvaforsk Genetics Center Inc achieves the projections provided by the vendors, payment will be NOK 10m and this assumption has been used in calculating the fair value of the liability.

**17. Share capital**

|  | <b>2018<br/>£</b> | <b>2017<br/>£</b> |
|--|-------------------|-------------------|
| <b>Allotted, called up and fully paid</b>                    |                   |                   |
| 15,000,002 (2017 - 15,000,002) Ordinary shares of £1.00 each | <b>15,000,002</b> | 15,000,002        |

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## BENCHMARK GENETICS LIMITED

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

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#### 18. 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.

#### 19. 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 £15,600 (2017 - £12,228). An amount of £nil (2017 - £nil) was payable to the fund at the balance sheet date and is included in creditors.

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## BENCHMARK GENETICS LIMITED

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

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#### 20. 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 and 30 September 2017 with other related parties being subsidiaries that aren't wholly owned, are as follows:

|                               | Sales to<br>related<br>party<br>£ | Purchases<br>from related<br>party<br>£ | Amounts<br>owed by<br>related<br>party<br>£ | Amounts<br>owed to<br>related<br>party<br>£ |
|-------------------------------|-----------------------------------|---|---|---|
| Akvaforsk Genetics Center Inc | -                                 | -                                       | 5,520,335                                   | -   |
| Stofnfiskur HF                | -                                 | 1,535,016                               | -   | 1,535,016                                   |
| Benchmark Genetics Chile SPA  | 3,761,757                         | -                                       | 3,761,757                                   | -   |
| 5M Enterprises Limited        | -                                 | 6,750                                   | -   | -   |
|                               | <b>3,761,757</b>                  | <b>1,541,766</b>                        | <b>9,282,092</b>                            | <b>1,535,016</b>                            |
| <b>2017</b>                   |                                   |   |   |   |
| Akvaforsk Genetics Center Inc | -                                 | -                                       | 2,961,581                                   | -   |
| 5M Enterprises Limited        | -                                 | 167                                     | -   | 167   |
| Stofnfiskur HF                | -                                 | -                                       | 2,821                                       | -   |
|                               | <b>-</b>                          | <b>167</b>                              | <b>2,964,402</b>                            | <b>167</b>                                  |

#### 21. Post balance sheet events

On 7 January 2019, the parent undertaking's Revolving Credit Facility, to which the company is a guarantor (note 18), 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.

#### 22. 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.

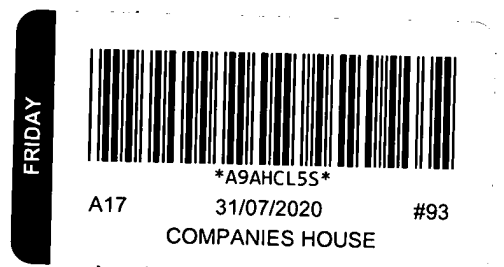
The largest and smallest group for which consolidated financial statements are prepared is that headed by Benchmark Holdings plc. Consolidated financial statements are available from Companies House, Cardiff, CF14 3UZ.



## **Benchmark Genetics Limited**

**Company Number 09115896**

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



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

|                   |  |
|-------------------|--|
| Directors         | J M Crowther<br>M J Plampin (Resigned 20 December 2019)<br>M D F Pye (Resigned 30 November 2019)<br>S Maguire (Appointed 20 December 2019) |
| Company secretary | Prism Cosec Limited  |
| Registered number | 09115896   |
| Registered office | Benchmark House<br>8 Smithy Wood Drive<br>Sheffield<br>S35 1QN   |
| Auditor           | KPMG LLP<br>1 Sovereign Square<br>Sovereign Street<br>Leeds<br>LS1 4DA   |



**Benchmark Genetics Limited**  
**Contents**  
**For the year ended 30 September 2019**

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**Benchmark Genetics 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 continues to act as the holding company for Benchmark's aquaculture genetics business in salmon, tilapia and shrimp.

**Principal risks and uncertainties**

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

**Carrying value of investments**

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

**Intercompany funding and support**

The Company has borrowed £61.0 million from its parent undertaking in order to partially fund the acquisitions it has made. 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.

**Settlement of contingent consideration and exchange risk**

The Company has made provision for the maximum amount of contingent consideration that is expected to be payable. Contingent consideration is denominated in foreign currencies. If the pound sterling weakens against these foreign currencies, the amount of contingent consideration payable (when translated into pound sterling) will be higher than is currently recognised in these financial statements.

**Option to purchase additional shares**

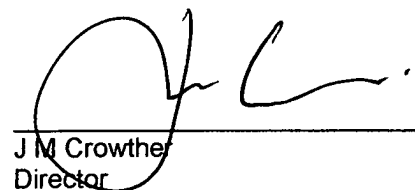
The Company has an option to purchase the remaining 20% of the issued share capital of Benchmark Genetics USA Inc (formerly Akvaforsk Genetics Center Inc). The purchase price payable is dependent upon sales by Benchmark Genetics USA Inc for the four years up to 2021. If the sales of Benchmark Genetics USA Inc exceed current expectations, then higher consideration than is currently provided in these financial statements will be due to the vendors. This is mitigated by the fact that the underlying performance of the investment will have surpassed expectations.

**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 manufacturing sites worldwide to reduce employee exposure and enhanced safety procedures. The subsidiary companies continue to serve their customers with limited interruption to date. Production and distribution of salmon eggs has been uninterrupted through the Covid-19 pandemic and there is a good order book for the remainder of the year. The two-and-a-half to three-year production cycle for salmon means that despite short term uncertainty producers continue to stock and plan for the medium term. In light of Covid-19 it has been decided to push back the commercial launch of the SPR shrimp to benefit from a recovery in the shrimp market, delaying capex and opex spend which conserves cash in the short term.

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

On behalf of the directors



J M Crowther  
Director

21 July 2020

**Benchmark Genetics 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 the intermediate holding company of the Benchmark Genetics division of the Benchmark group.

**Results and dividends**

The loss for the company after providing for income tax amounted to £7,605,686 (30 September 2018: profit of £1,734,501).

The directors do not recommend the payment of a dividend.

**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:

J M Crowther  
M J Plampin (Resigned 20 December 2019)  
M D F Pye (Resigned 30 November 2019)  
S Maguire (Appointed 20 December 2019)

**Future developments**

The Company continues to look for suitable investment opportunities in the breeding and genetics sector.

**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**

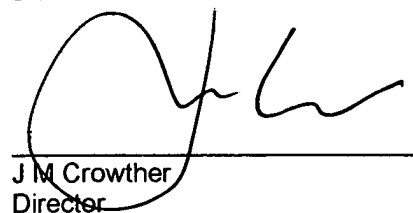
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's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

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

On behalf of the directors



J M Crowther  
Director

21 July 2020

**Benchmark Genetics 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

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

**Opinion**

We have audited the financial statements of Benchmark Genetics 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 Genetics Limited**  
**Independent auditor's report to the members of Benchmark Genetics Limited**  
**For the year ended 30 September 2019**

**Directors' responsibilities**

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 Genetics Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 September 2019**

|  | <b>Note</b> | <b>2019<br/>£</b>  | <b>2018<br/>£</b>  |
|--|-------------|--------------------|--------------------|
| Turnover   | 4           | -                  | 3,761,710          |
| Cost of sales  |             | -                  | (1,574,047)        |
|  |             | <u>-</u>           | <u>(1,574,047)</u> |
| Gross profit   |             | -                  | 2,187,663          |
|  |             | <u>-</u>           | <u>2,187,663</u>   |
| Administrative expenses  |             | (496,746)          | (698,484)          |
|  |             | <u>(496,746)</u>   | <u>(698,484)</u>   |
| <b>Operating (loss)/profit</b>   | 5           | (496,746)          | 1,489,179          |
| Interest receivable and similar income   | 10          | 774,138            | 245,322            |
| Interest payable and similar expenses  | 11          | (29,649)           | -                  |
| Amount written off balances owed by joint ventures and associated undertakings | 6           | (1,974,247)        | -                  |
| Amounts written off receivables from subsidiaries                              |             | (5,879,182)        | -                  |
|  |             | <u>(5,879,182)</u> | <u>-</u>           |
| <b>(Loss)/profit before tax</b>  |             | (7,605,686)        | 1,734,501          |
| Tax  | 12          | -                  | -                  |
|  |             | <u>-</u>           | <u>-</u>           |
| <b>(Loss)/profit after tax for the year</b>                                    |             | (7,605,686)        | 1,734,501          |
| Other comprehensive income for the year, net of tax                            |             | -                  | -                  |
|  |             | <u>-</u>           | <u>-</u>           |
| <b>Total comprehensive income for the year</b>                                 |             | <u>(7,605,686)</u> | <u>1,734,501</u>   |

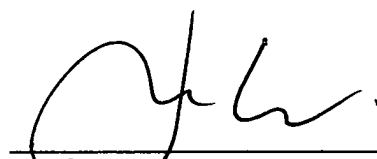
*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Benchmark Genetics Limited**  
**Balance sheet**  
**As at 30 September 2019**

|  | Note | 2019<br>£           | 2018<br>£           |
|--|------|---------------------|---------------------|
| <b>Fixed assets</b>                                      |      |                     |                     |
| Intangible assets  | 14   | 2,252,610           | 53,047              |
| Fixed asset investments                                  | 15   | <u>66,078,402</u>   | <u>63,903,057</u>   |
| Total fixed assets                                       |      | <u>68,331,012</u>   | <u>63,956,104</u>   |
| <b>Current assets</b>                                    |      |                     |                     |
| Debtors  | 16   | 9,439,134           | 13,408,468          |
| Cash at bank and in hand                                 |      | <u>7,006</u>        | <u>-</u>            |
| Total current assets                                     |      | <u>9,446,140</u>    | <u>13,408,468</u>   |
| <b>Current liabilities</b>                               |      |                     |                     |
| Creditors - Amounts falling due within one year          | 17   | <u>67,434,732</u>   | <u>59,369,556</u>   |
| Total current liabilities                                |      | <u>67,434,732</u>   | <u>59,369,556</u>   |
| <b>Net current liabilities</b>                           |      | <u>(57,988,592)</u> | <u>(45,961,088)</u> |
| <b>Total assets less current liabilities</b>             |      | <u>10,342,420</u>   | <u>17,995,016</u>   |
| <b>Non-current liabilities</b>                           |      |                     |                     |
| Creditors - Amounts falling due after more than one year | 18   | <u>894,988</u>      | <u>941,898</u>      |
| Total non-current liabilities                            |      | <u>894,988</u>      | <u>941,898</u>      |
| <b>Net assets</b>  |      | <u>9,447,432</u>    | <u>17,053,118</u>   |
| <b>Equity</b>  |      |                     |                     |
| Called up share capital                                  | 19   | 15,000,002          | 15,000,002          |
| Retained profits/(accumulated losses)                    |      | <u>(5,552,570)</u>  | <u>2,053,116</u>    |
| <b>Total equity</b>                                      |      | <u>9,447,432</u>    | <u>17,053,118</u>   |

Benchmark Genetics Limited's company number is 09115896.

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

  
 J M Crowther  
 Director

21 July 2020

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



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

|   | <b>Called up<br/>share capital<br/>£</b> | <b>Profit and<br/>loss account<br/>£</b> | <b>Total equity<br/>£</b> |
|---|--|--|---------------------------|
| Balance at 1 October 2017                           | 15,000,002                               | 318,615                                  | 15,318,617                |
| Profit after tax for the year                       | -  | 1,734,501                                | 1,734,501                 |
| Other comprehensive income for the year, net of tax | -  | -  | -                         |
| Total comprehensive income for the year             | -  | 1,734,501                                | 1,734,501                 |
| Balance at 30 September 2018                        | 15,000,002                               | 2,053,116                                | 17,053,118                |
|   | <b>Issued<br/>capital<br/>£</b>          | <b>Retained<br/>profits<br/>£</b>        | <b>Total equity<br/>£</b> |
| Balance at 1 October 2018                           | 15,000,002                               | 2,053,116                                | 17,053,118                |
| Loss after tax for the year                         | -  | (7,605,686)                              | (7,605,686)               |
| Other comprehensive income for the year, net of tax | -  | -  | -                         |
| Total comprehensive income for the year             | -  | (7,605,686)                              | (7,605,686)               |
| Balance at 30 September 2019                        | 15,000,002                               | (5,552,570)                              | 9,447,432                 |

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

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

**1. General information**

Benchmark Genetics Limited is a private company incorporated, domiciled and registered in England and in the UK. The registered company number is 09115896, 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 which are available from Companies House, Cardiff, CF14 3UZ.

**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.

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

**2. Accounting policies (continued)**

**Going concern**

Notwithstanding net current liabilities of £57,988,592 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 30th September 2019 amounted to £61,036,143 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.

**Cash at bank and in hand**

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.

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

**2. Accounting policies (continued)**

**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:

|                       |                |
|-----------------------|----------------|
| Trademarks            | Indefinite     |
| Intellectual property | Up to 20 years |
| Development costs     | Up to 10 years |

**Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**Creditors**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**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 its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

**Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives. They are carried in the Balance sheet at fair value with changes in fair value recognised in the Statement of comprehensive income.

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

**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.

**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.

**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. Nonmonetary 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.

**Interest income**

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

**Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives of up to 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

### **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.

#### **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. Turnover**

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

|                               | 2019<br>£ | 2018<br>£ |
|-------------------------------|-----------|-----------|
| Sale of intellectual property | -         | 3,761,710 |

In 2018 all turnover arose with Chile.

During the prior year the Company's subsidiary undertaking, Benchmark Chile SpA, invested in Benchmark Genetics Chile SPA ("BGCSPA"). BGCSPA was a joint venture in which the Benchmark Group ("the Group") had joint control although only a 49% interest. The other partner in the joint venture was AquaChile.

In January 2019 Agrosuper completed the acquisition of AquaChile. As a consequence of the change of ownership of AquaChile, both parties agreed to dissolve the JV which allowed the Group to take control of a salmon breeding operation in Chile previously owned by the JV, allowing it to pursue an independent strategy.

Under the terms of the dissolution of the JV, the Company had returned to it IP which it had licensed to BGCSPA the previous year. The IP had been licensed at a value of £3,761,710 and was disclosed as a debtor in the prior year accounts.

In bringing the IP into its own books, the Company has only recognised 51% of the original value of the IP, being the externally generated element of the IP. As a result, in treating the return of IP as full consideration for the outstanding debtor, a write down in the value of the debtor of £1,974,247 was suffered.

### **5. Operating loss**

The operating (loss)/profit is stated after charging/(crediting):

|  | 2019<br>£ | 2018<br>£ |
|--|-----------|-----------|
| Research & development charged as an expense | 26,903    | 41,331    |
| Exchange differences                         | (650,021) | (199,169) |
| Defined contribution pension cost            | 18,000    | 15,600    |
| Acquisition related items (note 13)          | -         | 279,473   |

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

**6. Amount written off balances owed by joint ventures and associated undertakings**

|   | <b>2019</b><br><b>£</b> | <b>2018</b><br><b>£</b> |
|---|-------------------------|-------------------------|
| Amounts written off balances owed by joint ventures and associated undertakings | <u>1,974,247</u>        | <u>-</u>                |

Upon dissolution of the joint venture BGCSPA, the company was only able to realise 51% of the value of the amount owed by BGCSPA in respect of IP sold to it in the prior year.

See note 4 for further details.

**7. Auditor remuneration**

|   | <b>2019</b><br><b>£</b> | <b>2018</b><br><b>£</b> |
|---|-------------------------|-------------------------|
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | <u>6,000</u>            | <u>4,000</u>            |

**8. Employees**

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

|                             | <b>2019</b> | <b>2018</b> |
|-----------------------------|-------------|-------------|
| Directors                   | 3           | 3           |
| Management                  | <u>2</u>    | <u>1</u>    |
| Average number of employees | <u>5</u>    | <u>4</u>    |

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

|                                     | <b>2019</b><br><b>£</b> | <b>2018</b><br><b>£</b> |
|-------------------------------------|-------------------------|-------------------------|
| Wages and salaries                  | 373,661                 | 281,135                 |
| Social security costs               | 35,640                  | 30,718                  |
| Cost of defined contribution scheme | <u>18,000</u>           | <u>15,600</u>           |
| Total employee benefits expense     | <u>427,301</u>          | <u>327,453</u>          |

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

**9. Directors' remuneration**

|   | 2019<br>£      | 2018<br>£      |
|---|----------------|----------------|
| Directors' emoluments   | 181,311        | 144,095        |
| Company contributions to defined contribution pension schemes | <u>9,548</u>   | <u>8,171</u>   |
|   | <u>190,859</u> | <u>152,266</u> |

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The above remuneration is in relation to 1 Director. The other 2 Directors are remunerated by the ultimate parent and there is no reasonable or accurate way to apportion these costs to this entity.

**10. Interest receivable and similar income**

|  | 2019<br>£      | 2018<br>£      |
|--|----------------|----------------|
| Interest receivable from group companies | <u>774,138</u> | <u>245,322</u> |

**11. Interest payable and similar expenses**

|                                     | 2019<br>£     | 2018<br>£ |
|-------------------------------------|---------------|-----------|
| Interest payable to group companies | <u>29,649</u> | <u>-</u>  |

**12. Tax**

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

|  | 2019<br>£          | 2018<br>£        |
|--|--------------------|------------------|
| (Loss)/profit before tax   | <u>(7,605,686)</u> | <u>1,734,501</u> |
| Tax at the statutory tax rate of 19%   | (1,445,080)        | 329,555          |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                    |                  |
| Expenses not deductible for tax purposes, other than impairment                      | 1,867,468          | 53,100           |
| Group relief   | (422,388)          | (212,304)        |
| Amounts not recognised   | <u>-</u>           | <u>(170,351)</u> |
| Tax  | <u>-</u>           | <u>-</u>         |

**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 Genetics Limited**  
**Notes to the financial statements**  
**For the year ended 30 September 2019**

**13. Acquisition related items**

|  | 2019<br>£ | 2018<br>£      |
|--|-----------|----------------|
| Acquisition costs  | -         | 475,199        |
| Release of contingent consideration                                | -         | (206,402)      |
| Foreign exchange impact of revaluation of contingent consideration | -         | 10,676         |
|  | <u>-</u>  | <u>279,473</u> |

During 2018, the contingent consideration element of the provision for contingent consideration held for previous acquisitions has been recalculated considering up to date performance of those acquisitions and the projected performance for the final 3 months of the earn out period (which ended on 31 December 2017) against the relevant sales volumes and revenue targets. As a result, £206,402 was released in 2018.

**14. Intangible assets**

|                       | Trademarks<br>£ | Intellectual<br>Property<br>£ | Development<br>costs<br>£ | Total<br>£       |
|-----------------------|-----------------|-------------------------------|---------------------------|------------------|
| <b>Cost</b>           |                 |                               |                           |                  |
| At 1 October 2018     | 53,047          | -                             | -                         | 53,047           |
| Additions - external  | 50,225          | 1,787,463                     | -                         | 1,837,688        |
| Additions - internal  | -               | -                             | 375,405                   | 375,405          |
| At 30 September 2019  | <u>103,272</u>  | <u>1,787,463</u>              | <u>375,405</u>            | <u>2,266,140</u> |
| <b>Amortisation</b>   |                 |                               |                           |                  |
| At 1 October 2018     | -               | -                             | -                         | -                |
| Charge for the year   | 13,530          | -                             | -                         | 13,530           |
| At 30 September 2019  | <u>13,530</u>   | <u>-</u>                      | <u>-</u>                  | <u>13,530</u>    |
| <b>Net book value</b> |                 |                               |                           |                  |
| At 30 September 2019  | 89,742          | 1,787,463                     | 375,405                   | 2,252,610        |
| At 30 September 2018  | <u>53,047</u>   | <u>-</u>                      | <u>-</u>                  | <u>53,047</u>    |

Capitalised development costs represent the costs of divisional employees co-ordinating commercial trials for the division's new product SPR Shrimp. Costs will ultimately be charged to the operating business Benchmark Genetics USA Inc.

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.

The £1.78m addition in intellectual property represents a licence to use pedigree breeding programmes for development and sale of the StofnFiskur strain of Atlantic salmon in the Chilean market. The licenced intellectual property was returned to the company by the Group's former joint venture, Benchmark Genetics Chile SpA, which was dissolved during the year. See note 4 for further information.

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

**15. Fixed asset investments**

|                       | <b>Investments<br/>in subsidiary<br/>companies<br/>£</b> | <b>Investments<br/>in associates<br/>£</b> | <b>Total<br/>£</b> |
|-----------------------|--|--|--------------------|
| <b>Cost</b>           |  |  |                    |
| At 1 October 2018     | 67,448,191   | -  | 67,448,191         |
| Additions             | 2,104,494  | 70,851                                     | 2,175,345          |
| At 30 September 2019  | <u>69,552,685</u>  | <u>70,851</u>                              | <u>69,623,536</u>  |
| <b>Impairment</b>     |  |  |                    |
| At 1 October 2018     | <u>3,545,134</u>   | <u>-</u>                                   | <u>3,545,134</u>   |
| <b>Net book value</b> |  |  |                    |
| At 30 September 2019  | 66,007,551   | 70,851                                     | 66,078,402         |
| At 30 September 2018  | <u>63,903,057</u>  | <u>-</u>                                   | <u>63,903,057</u>  |

**Investment in associates**

During the year the Group has invested in a 44% interest in an associate Benchmark Genetics (Thailand) Limited ("BGTL"). BGTL will engage in shrimp production in the form of a multiplication centre by selecting and growing marine shrimp species products (including broodstock, nauplii and post-larvae, based on Benchmark's and its Affiliates' genetic strains) which are locally optimised for Thailand.

The company is registered in Thailand and the registered address is No. 471, Bond Street Road, Bangpood Sub-district, Pakkred District, Nonthaburi Province, Thailand.

**Investments in subsidiaries**

During the year the company capitalised a loan of £2,104,494 with it's Colombian subsidiary Benchmark Genetics Colombia SAS.

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

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

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

| <b>Company name</b>   | <b>Registered address</b>   | <b>Principal activity</b>     | <b>Holding</b> |
|---|---|-------------------------------|----------------|
| Benchmark Do Brasil Cultivo De Especies Aquaticas LTDA (**) | Rua Doutor Ribamar Lobo, 451, Coco, Fortaleza, CEI, Brazil              | Tilapia breeding              | 80%            |
| Akvaforsk Genetic Center Spring Mexico, SA de CV (*)        | Caguama 3023, Zapopan, Loma Bonita, Jaalisco 45086, Mexico              | Holding company               | 80%            |
| Benchmark Genetics USA Inc (**)                             | 25508 SW 169th Ave, Miami Florida 33031, USA                            | Tilapia genetics and breeding | 80%            |
| Benchmark Chile SpA   | Gertrudis Echeñique, No 30, 22 floor, Las Condes, Santiago, Chile       | Holding company               | 100%           |
| Benchmark Genetics Colombia SAS (**)                        | Calle 32, 8a-33 Office 215, Colombia                                    | Shrimp genetics and breeding  | 100%           |
| Benchmark Genetics Norway AS (**)                           | Sandviksboder 3A, 5035 Bergen, Norway                                   | Salmon breeding and genetics  | 100%           |
| Icecod A Islandi EHF  | Staðarberg 2-4, 221 Hafnarfjörður, Iceland                              | Dormant                       | 88.84%         |
| Salmobreed Salten AS (*)                                    | Sørfjordmoen, Kobbelv, 8264 Engan, Norway                               | Salmon breeding               | 75%            |
| Spring Genetics SRL (*)                                     | Calle Los Alemanes, Condominium Condado de Baviera, Apt 703, Costa Rica | Sales office                  | 80%            |
| Stofnfiskur Chile Limitada (*)                              | Urmeneta 581, Of. 42, Puerto Montt, Reg. X, Chile                       | Marketing of salmon eggs      | 89.48%         |
| Stofnfiskur HF  | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Salmon breeding and genetics  | 89.48%         |
| Stofngen EHF  | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Dormant                       | 62.62%         |
| Sudourlax EHF (*)   | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Cod farming and research      | 89.48%         |

\*Indirect holding via subsidiaries

\*\* During the year there have been some company name changes. Benchmark do Brasil Cultivo de Especies Aquaticas Ltda was formerly known as Akvaforsk do Brasil Cultivo de Especies Aquaticas Ltda, Benchmark Genetics USA Inc was formerly known as Akvaforsk Genetics Centre Inc, Benchmark Genetics Colombia SAS was formerly known as Genetica Spring SAS, Benchmark Genetics Norway AS was formerly known as Salmobreed AS. Also during the year Akvaforsk Genetics Center AS merged with what is now known as Benchmark Genetics Norway AS.

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

**16. Debtors**

|  | 2019<br>£        | 2018<br>£         |
|--|------------------|-------------------|
| Other debtors  | 2,397            | 2,245             |
| Amounts owed by group undertakings                         | 9,436,737        | 9,644,466         |
| Amounts owed by joint ventures and associated undertakings | -                | 3,761,757         |
|  | <u>9,439,134</u> | <u>13,408,468</u> |

Amounts owed by group undertakings are repayable on demand and incur interest at a rate of 2% plus LIBOR per annum.

**17. Creditors - Amounts falling due within one year**

|                                    | 2019<br>£         | 2018<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade creditors                    | 28,885            | 108               |
| Amounts owed to group undertakings | 67,195,798        | 59,282,663        |
| Accruals and deferred income       | 210,049           | 86,785            |
|                                    | <u>67,434,732</u> | <u>59,369,556</u> |

Amounts owed to group undertakings includes a loan of £1,595,921 (2018 - £nil) which is repayable on demand and incurs interest at 2.50%. The remaining balance is interest free and repayable on demand.

**18. Creditors - Amounts falling due after more than one year**

|                 | 2019<br>£      | 2018<br>£      |
|-----------------|----------------|----------------|
| Other creditors | <u>894,988</u> | <u>941,898</u> |

Other creditors represent contingent consideration outstanding from business combinations and are analysed as follows:

Book values approximate to fair value at 30 September 2019 and 2018.

Contingent consideration is a put/call agreement exercisable and payable in 2022 to acquire the remaining 20% stake in Benchmark Genetics USA Inc (formerly Akvaforsk Genetics Center Inc) for a sum determined by future performance. The minimum consideration is NOK 1 (one Krone) payable in the event the business under performs the minimum target set and the maximum consideration is capped at NOK 60m. If Benchmark Genetics USA Inc achieves the projections provided by the vendors, payment will be NOK 10m and this assumption has been used in calculating the fair value of the liability.

**19. Called up share capital**

|  | 2019<br>£         | 2018<br>£         |
|--|-------------------|-------------------|
| 15,000,002 (2018 - 15,000,002) Ordinary shares of £1.00 each | <u>15,000,002</u> | <u>15,000,002</u> |

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

**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 £18,000 (2018 - £15,600). An amount of £nil (2018 - £nil) 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. Transactions entered into, and trading balances outstanding at 30 September 2019 and 30 September 2018 with other related parties being subsidiaries that aren't wholly owned, are as follows:

|                              | Sales to<br>related party<br>£ | Purchases<br>from related<br>party<br>£ | Amounts<br>owed by<br>related party<br>£ | Amounts<br>owed to<br>related party<br>£ |
|------------------------------|--------------------------------|---|--|--|
| <b>2019</b>                  |                                |   |  |  |
| Benchmark Genetics USA Inc   | -                              | -                                       | 10,012,513                               | -  |
| Stofnfiskur HF               | -                              | -                                       | -  | 1,595,921                                |
|                              | <u>-</u>                       | <u>-</u>                                | <u>10,012,513</u>                        | <u>1,595,921</u>                         |
| <b>2018</b>                  |                                |   |  |  |
| Benchmark Genetics USA Inc   | -                              | -                                       | 5,520,335                                | -  |
| Stofnfiskur HF               | -                              | 1,535,016                               | -  | 1,535,016                                |
| Benchmark Genetics Chile SPA | 3,761,757                      | -                                       | 3,761,757                                | -  |
| 5M Enterprises Limited       | -                              | 6,750                                   | -  | -  |
|                              | <u>3,761,757</u>               | <u>1,541,766</u>                        | <u>9,282,092</u>                         | <u>1,535,016</u>                         |

**23. Events after the reporting period**

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 nature of the markets operated in and the mitigating actions taken, it has also not had a significant impact on the performance of its subsidiaries. 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 Genetics 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 Genetics Limited**  
**Cover page**  
**For the year ended 30 September 2020**

# **Benchmark Genetics Limited**

**Company Number 09115896**

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

**Benchmark Genetics Limited – Unaudited Financial Statements**  
**Corporate directory**  
**For the year ended 30 September 2020**

|                   |  |
|-------------------|--|
| Directors         | J M Crowther<br>M J Plampin (Resigned 20 December 2019)<br>M D F Pye (Resigned 30 November 2019)<br>S Maguire (Appointed 20 December 2019) |
| Company secretary | Prism Cosec Limited  |
| Registered number | 09115896   |
| Registered office | Benchmark House<br>8 Smithy Wood Drive<br>Sheffield<br>S35 1QN   |
| Auditor           | KPMG LLP<br>1 Sovereign Square<br>Sovereign Street<br>Leeds<br>LS1 4DA   |



**Benchmark Genetics Limited – Unaudited Financial Statements**  
**Contents**  
**For the year ended 30 September 2020**

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| Statement of changes in equity                             | 6 |
| Notes to the financial statements                          | 7 |

**Benchmark Genetics 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<br/>£</b>  | <b>2019<br/>£</b>  |
|--|-------------|--------------------|--------------------|
| Administrative expenses  |             | <u>(1,240,547)</u> | <u>(496,746)</u>   |
| <b>Operating loss</b>  | 4           | (1,240,547)        | (496,746)          |
| Interest receivable and similar income   | 9           | 692,352            | 774,138            |
| Interest payable and similar expenses  | 10          | (43,846)           | (29,649)           |
| Amount written off balances owed by joint ventures and associated undertakings | 5           | -                  | (1,974,247)        |
| Amounts written off receivables from subsidiaries                              |             | <u>-</u>           | <u>(5,879,182)</u> |
| <b>Loss before tax</b>   |             | (592,041)          | (7,605,686)        |
| Tax  | 11          | <u>-</u>           | <u>-</u>           |
| <b>Loss after tax for the year</b>   |             | (592,041)          | (7,605,686)        |
| Other comprehensive income for the year, net of tax                            |             | <u>-</u>           | <u>-</u>           |
| <b>Total comprehensive income for the year</b>                                 |             | <u>(592,041)</u>   | <u>(7,605,686)</u> |

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

**Benchmark Genetics Limited – Unaudited Financial Statements**  
**Balance sheet**  
**As at 30 September 2020**

|  | <b>Note</b> | <b>2020<br/>£</b>   | <b>2019<br/>£</b>   |
|--|-------------|---------------------|---------------------|
| <b>Fixed assets</b>                                      |             |                     |                     |
| Intangible assets  | 12          | 1,976,834           | 2,252,610           |
| Fixed asset investments                                  | 13          | <u>66,223,222</u>   | <u>66,078,402</u>   |
| Total fixed assets                                       |             | <u>68,200,056</u>   | <u>68,331,012</u>   |
| <b>Current assets</b>                                    |             |                     |                     |
| Debtors  | 14          | 11,767,274          | 9,439,134           |
| Cash at bank and in hand                                 |             | <u>12,972</u>       | <u>7,006</u>        |
| Total current assets                                     |             | <u>11,780,246</u>   | <u>9,446,140</u>    |
| <b>Current liabilities</b>                               |             |                     |                     |
| Creditors - Amounts falling due within one year          | 15          | <u>70,300,090</u>   | <u>67,434,732</u>   |
| Total current liabilities                                |             | <u>70,300,090</u>   | <u>67,434,732</u>   |
| <b>Net current liabilities</b>                           |             | <u>(58,519,844)</u> | <u>(57,988,592)</u> |
| <b>Total assets less current liabilities</b>             |             | <u>9,680,212</u>    | <u>10,342,420</u>   |
| <b>Non-current liabilities</b>                           |             |                     |                     |
| Creditors - Amounts falling due after more than one year | 16          | <u>824,821</u>      | <u>894,988</u>      |
| Total non-current liabilities                            |             | <u>824,821</u>      | <u>894,988</u>      |
| <b>Net assets</b>  |             | <u>8,855,391</u>    | <u>9,447,432</u>    |
| <b>Equity</b>  |             |                     |                     |
| Called up share capital                                  | 17          | 15,000,002          | 15,000,002          |
| Accumulated losses                                       |             | <u>(6,144,611)</u>  | <u>(5,552,570)</u>  |
| <b>Total equity</b>                                      |             | <u>8,855,391</u>    | <u>9,447,432</u>    |

Benchmark Genetics Limited's company number is 09115896.

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

**Benchmark Genetics Limited – Unaudited Financial Statements**  
**Statement of changes in equity**  
**For the year ended 30 September 2020**

|   | <b>Issued<br/>capital<br/>£</b> | <b>Retained<br/>profits<br/>£</b> | <b>Total equity<br/>£</b> |
|---|---------------------------------|-----------------------------------|---------------------------|
| Balance at 1 October 2018                           | 15,000,002                      | 2,053,116                         | 17,053,118                |
| Loss after tax for the year                         | -                               | (7,605,686)                       | (7,605,686)               |
| Other comprehensive income for the year, net of tax | -                               | -                                 | -                         |
|   | <u>-</u>                        | <u>-</u>                          | <u>-</u>                  |
| Total comprehensive income for the year             | -                               | (7,605,686)                       | (7,605,686)               |
|   | <u>-</u>                        | <u>(7,605,686)</u>                | <u>(7,605,686)</u>        |
| Balance at 30 September 2019                        | <u>15,000,002</u>               | <u>(5,552,570)</u>                | <u>9,447,432</u>          |
|   | <b>Issued<br/>capital<br/>£</b> | <b>Retained<br/>profits<br/>£</b> | <b>Total equity<br/>£</b> |
| Balance at 1 October 2019                           | 15,000,002                      | (5,552,570)                       | 9,447,432                 |
| Loss after tax for the year                         | -                               | (592,041)                         | (592,041)                 |
| Other comprehensive income for the year, net of tax | -                               | -                                 | -                         |
|   | <u>-</u>                        | <u>-</u>                          | <u>-</u>                  |
| Total comprehensive income for the year             | -                               | (592,041)                         | (592,041)                 |
|   | <u>-</u>                        | <u>(592,041)</u>                  | <u>(592,041)</u>          |
| Balance at 30 September 2020                        | <u>15,000,002</u>               | <u>(6,144,611)</u>                | <u>8,855,391</u>          |

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

**Benchmark Genetics Limited**  
**Notes to the unaudited financial statements**  
**For the year ended 30 September 2020**

**1. General information**

Benchmark Genetics Limited is a private company incorporated, domiciled and registered in England and in the UK. The registered company number is 09115896, and the registered address is Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

These unaudited 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 which are available from Companies House, Cardiff, CF14 3UZ.

**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**

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 as the company has no leases.

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

### **Going concern**

Notwithstanding net current liabilities of £58,519,844 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 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 2020 amounted to £63,372,076 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 2021, including severe but plausible downside sensitivity assumptions in relation to the Covid-19 pandemic. These forecasts include assumptions around supply, demand and pricing of key raw materials and products and the timing of launching of 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.

### **Cash at bank and in hand**

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.

### **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:

|                       |                |
|-----------------------|----------------|
| Trademarks            | Indefinite     |
| Intellectual property | Up to 20 years |
| Development costs     | Up to 10 years |

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

### **Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

### **Creditors**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **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 its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

### **Fair value through profit or loss**

The Company comprises only out-of-the-money derivatives. They are carried in the Balance sheet at fair value with changes in fair value recognised in the Statement of comprehensive income.

### **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.

### **Employee benefits**

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

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

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.

### **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. Nonmonetary 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.

### **Interest income**

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

### **Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives of up to 10 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

## **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.

### **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.



**Benchmark Genetics Limited**  
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**4. Operating loss**

The operating (loss)/profit is stated after charging/(crediting):

|  | 2020<br>£     | 2019<br>£     |
|--|---------------|---------------|
| Research and development charged as an expense | 33,302        | 26,903        |
| Exchange differences                           | 264,323       | (650,021)     |
| Defined contribution pension cost              | 21,420        | 18,000        |
|  | <u>21,420</u> | <u>18,000</u> |

**5. Amount written off balances owed by joint ventures and associated undertakings**

|   | 2020<br>£ | 2019<br>£        |
|---|-----------|------------------|
| Amounts written off balances owed by joint ventures and associated undertakings | <u>-</u>  | <u>1,974,247</u> |

In 2018 the company's subsidiary undertaking, Benchmark Chile SpA, invested in Benchmark Genetics Chile SPA ("BGCSPA"). BGCSPA was a joint venture in which the Benchmark Group ("the Group") had joint control although only a 49% interest. The other partner in the joint venture was AquaChile.

In January 2019 Agrosuper completed the acquisition of AquaChile. As a consequence of the change of ownership of AquaChile, both parties agreed to dissolve the JV which allowed the Group to take control of a salmon breeding operation in Chile previously owned by the JV, allowing it to pursue an independent strategy.

Under the terms of the dissolution of the JV, the company had returned to it IP which it had licensed to BGCSPA the previous year. The IP had been licensed at a value of £3,761,710.

In bringing the IP into its own books, the company has recognised 51% of the original value of the IP, being the externally generated element of the IP. As a result, in treating the return of IP as full consideration for the outstanding debtor, a write down in the value of the debtor of £1,974,247 was suffered in 2019.

**6. Auditor remuneration**

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

**7. Employees**

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

|                             | 2020     | 2019     |
|-----------------------------|----------|----------|
| Directors                   | 2        | 3        |
| Management                  | <u>2</u> | <u>2</u> |
| Average number of employees | <u>4</u> | <u>5</u> |

**Benchmark Genetics Limited**  
**Notes to the financial statements**  
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**7. Employees (continued)**

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

|                                     | <b>2020</b>    | <b>2019</b>    |
|-------------------------------------|----------------|----------------|
|                                     | <b>£</b>       | <b>£</b>       |
| Wages and salaries                  | 312,778        | 373,661        |
| Social security costs               | 37,068         | 35,640         |
| Cost of defined contribution scheme | 21,420         | 18,000         |
|                                     | <u>371,266</u> | <u>427,301</u> |
| Total employee benefits expense     | <u>371,266</u> | <u>427,301</u> |

**8. Directors' remuneration**

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| Directors' emoluments   | 151,619        | 181,311        |
| Company contributions to defined contribution pension schemes | 10,143         | 9,548          |
|   | <u>161,762</u> | <u>190,859</u> |

During the year retirement benefits were accruing to 1 director (2019 - 1) in respect of defined contribution pension schemes.

The above remuneration is in relation to 1 Director. The other Directors are remunerated by the ultimate parent and there is no reasonable or accurate way to apportion these costs to this entity.

**9. Interest receivable and similar income**

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
|  | <b>£</b>       | <b>£</b>       |
| Interest receivable from group companies | <u>692,352</u> | <u>774,138</u> |

**10. Interest payable and similar expenses**

|                                     | <b>2020</b>   | <b>2019</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>£</b>      | <b>£</b>      |
| Interest payable to group companies | <u>43,846</u> | <u>29,649</u> |

**11. Tax**

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

**Benchmark Genetics Limited**  
**Notes to the financial statements**  
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**11. Tax (continued)**

|  | 2020<br>£        | 2019<br>£          |
|--|------------------|--------------------|
| Loss before tax  | <u>(592,041)</u> | <u>(7,605,686)</u> |
| Tax at the statutory tax rate of 19%   | (112,488)        | (1,445,080)        |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                  |                    |
| Expenses not deductible for tax purposes, other than impairment                      | -                | 1,867,468          |
| Group relief   | -                | (422,388)          |
| Amounts not recognised   | <u>112,488</u>   | <u>-</u>           |
| Tax  | <u>-</u>         | <u>-</u>           |

Amount of deferred tax asset not recognised for losses is £398,033.

**12. Intangible assets**

|                       | Trademarks<br>£ | Intellectual<br>Property<br>£ | Development<br>costs<br>£ | Total<br>£       |
|-----------------------|-----------------|-------------------------------|---------------------------|------------------|
| <b>Cost</b>           |                 |                               |                           |                  |
| At 1 October 2019     | 103,272         | 1,787,463                     | 375,405                   | 2,266,140        |
| Additions - external  | 131,223         | -                             | -                         | 131,223          |
| Additions - internal  | -               | -                             | 222,770                   | 222,770          |
| Disposals             | -               | -                             | (598,175)                 | (598,175)        |
| At 30 September 2020  | <u>234,495</u>  | <u>1,787,463</u>              | <u>-</u>                  | <u>2,021,958</u> |
| <b>Amortisation</b>   |                 |                               |                           |                  |
| At 1 October 2019     | 13,530          | -                             | -                         | 13,530           |
| Charge for the year   | 31,594          | -                             | -                         | 31,594           |
| At 30 September 2020  | <u>45,124</u>   | <u>-</u>                      | <u>-</u>                  | <u>45,124</u>    |
| <b>Net book value</b> |                 |                               |                           |                  |
| At 30 September 2020  | 189,371         | 1,787,463                     | -                         | 1,976,834        |
| At 30 September 2019  | <u>89,742</u>   | <u>1,787,463</u>              | <u>375,405</u>            | <u>2,252,610</u> |

Capitalised development costs represent the costs of divisional employees co-ordinating commercial trials for the business area's new product SPR Shrimp. The assets has been transferred during the year to the operating business Benchmark Genetics USA Inc.

**Benchmark Genetics Limited**  
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**13. Fixed asset investments**

|                       | Investments<br>in subsidiary<br>companies<br>£ | Investments<br>in associates<br>£ | Total<br>£        |
|-----------------------|--|-----------------------------------|-------------------|
| <b>Cost</b>           |  |                                   |                   |
| At 1 October 2019     | 67,448,191                                     | 70,851                            | 67,519,042        |
| Additions             | -  | 144,821                           | 144,821           |
| At 30 September 2020  | <u>67,448,191</u>                              | <u>215,672</u>                    | <u>67,663,863</u> |
| <b>Impairment</b>     |  |                                   |                   |
| At 1 October 2019     | <u>3,545,134</u>                               | <u>-</u>                          | <u>3,545,134</u>  |
| <b>Net book value</b> |  |                                   |                   |
| At 30 September 2020  | 66,007,551                                     | 215,671                           | 66,223,222        |
| At 30 September 2019  | <u>66,007,551</u>                              | <u>70,851</u>                     | <u>66,078,402</u> |

**Investment in associates**

During the year the company made an additional investment in its associate Benchmark Genetics (Thailand) Limited.

**Subsidiary undertakings**

The following were subsidiary undertakings of the company:

| Company name   | Registered address  | Principal activity            | Holding |
|--|---|-------------------------------|---------|
| Benchmark Do Brasil Cultivo De Especies Aquaticas LTDA (*) | Rua Doutor Ribamar Lobo, 451, Coco, Fortaleza, CEI, Brazil              | Tilapia breeding              | 80%     |
| Akvaforsk Genetic Center Spring Mexico, SA de CV (*)       | Caguama 3023, Zapopan, Loma Bonita, Jaalisco 45086, Mexico              | Holding company               | 80%     |
| Benchmark Genetics USA Inc                                 | 25508 SW 169th Ave, Miami Florida 33031, USA                            | Tilapia genetics and breeding | 80%     |
| Benchmark Chile SpA  | Gertrudis Echeñique, No 30, 22 floor, Las Condes, Santiago, Chile       | Holding company               | 100%    |
| Benchmark Genetics Colombia SAS                            | Calle 32, 8a-33 Office 215, Colombia                                    | Shrimp genetics and breeding  | 100%    |
| Benchmark Genetics Norway AS                               | Sandviksboder 3A,5035 Bergen, Norway                                    | Salmon breeding and genetics  | 100%    |
| Icecod A Islandi EHF                                       | Staðarberg 2-4, 221 Hafnarfjörður, Iceland                              | Dormant                       | 88.84%  |
| Salmobreed Salten AS (*)                                   | Sørfjordmoen, Kobbelv, 8264 Engan, Norway                               | Salmon breeding               | 75%     |
| Spring Genetics SRL (*)                                    | Calle Los Alemanes, Condominium Condado de Baviera, Apt 703, Costa Rica | Sales office                  | 80%     |
| Stofnfiskur Chile Limitada (*)                             | Urmeneta 581, Of. 42, Puerto Montt, Reg. X, Chile                       | Marketing of salmon eggs      | 89.48%  |
| Stofnfiskur HF   | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Salmon breeding and genetics  | 89.48%  |
| Stofngen EHF   | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Dormant                       | 89.48%  |
| Sudourlax EHF (*)  | Stadarberg 2-4, Hafnarfjordur, Iceland                                  | Cod farming and research      | 89.48%  |

**Benchmark Genetics Limited**  
**Notes to the financial statements**  
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**13. Fixed asset investments (continued)**

\*Indirect holding via subsidiaries

**14. Debtors**

|                                    | 2020<br>£         | 2019<br>£        |
|------------------------------------|-------------------|------------------|
| Other debtors                      | 97,201            | 2,397            |
| Amounts owed by group undertakings | 11,670,073        | 9,436,737        |
|                                    | <u>11,767,274</u> | <u>9,439,134</u> |

Amounts owed by group undertakings are repayable on demand and incur interest at a rate of 2% plus LIBOR per annum.

**15. Creditors - Amounts falling due within one year**

|                                    | 2020<br>£         | 2019<br>£         |
|------------------------------------|-------------------|-------------------|
| Trade creditors                    | 15,620            | 28,885            |
| Amounts owed to group undertakings | 70,192,770        | 67,195,798        |
| Accruals and deferred income       | 91,700            | 210,049           |
|                                    | <u>70,300,090</u> | <u>67,434,732</u> |

Amounts owed to group undertakings includes a loan of £1,639,767 (2019 - £1,595,921) which is repayable on demand and incurs interest at 2.50%. The remaining balance is interest free and repayable on demand.

**16. Creditors - Amounts falling due after more than one year**

|                 | 2020<br>£ | 2019<br>£ |
|-----------------|-----------|-----------|
| Other creditors | 824,821   | 894,988   |

Other creditors represent contingent consideration outstanding from business combinations and are analysed as follows:

Book values approximate to fair value at 30 September 2020 and 2019.

Contingent consideration is a put/call agreement exercisable and payable in 2022 to acquire the remaining 20% stake in Benchmark Genetics USA Inc (formerly Akvaforsk Genetics Center Inc) for a sum determined by future performance. The minimum consideration is NOK 1 (one Krone) payable in the event the business under performs the minimum target set and the maximum consideration is capped at NOK 60m. If Benchmark Genetics USA Inc achieves the projections provided by the vendors, payment will be NOK 10m and this assumption has been used in calculating the fair value of the liability.

**17. Called up share capital**

|  | 2020<br>£         | 2019<br>£         |
|--|-------------------|-------------------|
| 15,000,002 (2019 - 15,000,002) Ordinary shares of £1.00 each | <u>15,000,002</u> | <u>15,000,002</u> |

## **18. 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.

## **19. 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 £21,420 (2019 - £18,000). An amount of £nil (2019 - £nil) was payable to the fund at the balance sheet date and is included in creditors.

## **20. 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 2020 and 30 September 2019 with other related parties being subsidiaries that aren't wholly owned, are as follows:

|                            | <b>Sales to<br/>related party<br/>£</b> | <b>Purchases<br/>from related<br/>party<br/>£</b> | <b>Amounts<br/>owed by<br/>related party<br/>£</b> | <b>Amounts<br/>owed to<br/>related party<br/>£</b> |
|----------------------------|---|---|--|--|
| <b>2020</b>                |   |   |  |  |
| Benchmark Genetics USA Inc | -                                       | -   | 13,567,209   | -  |
| Stofnfiskur HF             | -                                       | -   | -  | 1,640,088  |
|                            | <u>-</u>                                | <u>-</u>  | <u>13,567,209</u>                                  | <u>1,640,088</u>                                   |
| <b>2019</b>                |   |   |  |  |
| Benchmark Genetics USA Inc | -                                       | -   | 10,012,513   | -  |
| Stofnfiskur HF             | -                                       | -   | -  | 1,595,921  |
|                            | <u>-</u>                                | <u>-</u>  | <u>10,012,513</u>                                  | <u>1,595,921</u>                                   |

## **21. 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 2.3.4

| <b>Benchmark Genetics 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>(592,041)</b>   | <b>(7,605,686)</b> | <b>1,734,501</b>    |
| Amortisation of intangible fixed assets   | 31,594             | 13,530             | -                   |
| Finance income  | (692,352)          | (774,138)          | (245,322)           |
| Finance expense   | 43,846             | 29,650             | -                   |
| Unrealised foreign exchange losses (gains)  | -                  | -                  | 94,915              |
| Unrealised foreign exchange losses (gains) on IC  | 657,386            | (614,466)          | -                   |
| Other adjustments for non-cash items  | -                  | 5,879,182          | -                   |
| Decrease (increase) in trade accounts receivable  | (94,804)           | 3,761,605          | (3,759,707)         |
| Increase (decrease) in trade accounts payable   | (201,781)          | 105,131            | (113,845)           |
| <b>Net cash flows from (used in) operating activities</b>                                       | <b>(848,152)</b>   | <b>794,808</b>     | <b>(2,289,458)</b>  |
| Cash flows used in obtaining control of subsidiaries or other businesses                        | -                  | -                  | (10,344,703)        |
| Other cash payments to acquire interests in joint ventures                                      | (144,821)          | (70,851)           | -                   |
| Proceeds from sales of intangible assets  | 598,175            | -                  | -                   |
| Purchase of intangible assets   | (353,993)          | (2,213,093)        | (26,817)            |
| Cash advances and loans made to IC parties  | (2,136,481)        | (6,328,130)        | (7,427,255)         |
| Interest received   | 9                  | -                  | -                   |
| <b>Net cash flows from (used in) investing activities</b>                                       | <b>(2,037,111)</b> | <b>(8,612,072)</b> | <b>(17,798,775)</b> |
| Proceeds from new loans   | -                  | -                  | -                   |
| Proceeds from new IC loans  | 2,891,242          | 7,824,272          | 20,088,232          |
| Interest paid   | (14)               | (1)                | -                   |
| <b>Net cash flows from (used in) financing activities</b>                                       | <b>2,891,229</b>   | <b>7,824,271</b>   | <b>20,088,232</b>   |
| <b>Net increase (decrease) in cash and cash equivalents before effect of exchange rate chan</b> | <b>5,966</b>       | <b>7,006</b>       | <b>-</b>            |
| <b>Cash and cash equivalents at beginning of period</b>   | <b>7,007</b>       | <b>-</b>           | <b>-</b>            |
| <b>Cash and cash equivalents at end of period</b>   | <b>12,973</b>      | <b>7,006</b>       | <b>-</b>            |

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Financial statements  
for year ended 30 September 2018  
ISK

Stofnfiskur hf.  
Staðarbergi 2-4  
220 Hafnarfirði

Reg. no. 620391-1079



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# Endorsement by the Board of Directors and the CEO

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## Main activities

The main activities of the Company are salmon ova production, salmon and lumpfish fingerling production, selective breeding of Atlantic salmon, research and development, domestic and international consultancy. Location of farms in Iceland are in Kalmanstjörn near Hafnir Reykjanes, Vogavík Incubation Center and Vogavík broodstock station at Vogar in Reykjanes and Kollafjörður in Mosfellsbær. Finally the company runs a lumpfish farm at Hafnir in Reykjanes. Average number of employees working for the Company during the fiscal year numbered 66 compared to 62 in last fiscal year.

The financial statements of Stofnfiskur hf. for the year ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006.

## Operations

Profit of the operations of Stofnfiskur hf. for the year amounted to ISK 711 million (2017: ISK 499 million). According to the statement of financial position the Company's assets amounted to ISK 4.758 million (2017: ISK 4.063 million) at 30 September 2018 and the book value of equity at the end of the fiscal year was ISK 2.826 million (2017: ISK 2.105).

## Treatment of profit

The Board of Directors will not propose a pay out of dividends at the annual general meeting.

## Outlook

The management of the Company views the general economic conditions for salmon production and salmon products as favourable and have made investments in production capabilities in order to expand the operation and increase sales for the coming years.

The management and the Board of Directors of the Company believe that they are taking all the necessary measures to support the sustainability and growth of the Company's business. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

The management of the Company believes it is well placed to manage its business risk successfully based on the present economic outlook.

## Shareholders

As of 30 September 2018 there were 3 shareholders in the Company. There has been no change in shareholders or their respective shares since end of last fiscal year.

|                                     | 30.9.2018 |
|-------------------------------------|-----------|
| Benchmark Genetics Ltd.....         | 89,48%    |
| L 1076 ehf.....                     | 10,47%    |
| Dánarbú, Vigfúsar Jóhannssonar..... | 0,05%     |

## Statement by the Board of Directors and the CEO

According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006 and it is the opinion of the Board of Directors and the CEO that the financial statements give a fair view of the of the Company's assets, liabilities and financial position as at 30 September 2018 and the company's results and changes in cash in the year ended 30 September 2018.

## Endorsement by the Board of Directors and the CEO, contd.:

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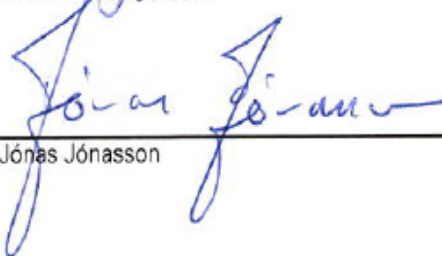
The Board of Directors and the CEO of Stofnfiskur hf. hereby confirm the financial statements for the year ended 30 September 2018 by means of their signatures.

Hafnarfjörður, 18 March, 2019

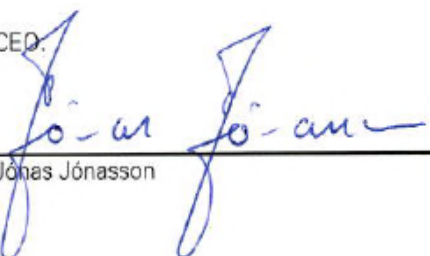
The Board of Directors:

  
Jon Crowther

  
Bára Gunnlaugsdóttir

  
Jónas Jónasson

CEO:

  
Jónas Jónasson

# Independent Auditor's Report

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To the Board of Directors and Shareholders of Stofnfiskur hf.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Stofnfiskur hf. ("the Company"), which comprise the statement of financial position as at September 30, 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at September 30, 2018, and of its financial performance and its cash flows for the fiscal year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and CEO for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report, contd.:

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Report on Other Legal and Regulatory Requirements

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the financial statements.

Reykjavík, 18 March 2019

**KPMG ehf.**



# Statement of profit and loss and other comprehensive income for the year ended 30 September 2018

|  | Notes | 1.10.2017-<br>30.9.2018 | 1.10.2016-<br>30.9.2017<br><b>Restated*</b> |
|--|-------|-------------------------|---|
| Operating revenue .....                            | 5     | 2.974.035.686           | 1.961.260.037                               |
| Cost of sales .....                                |       | ( 1.702.572.042 )       | ( 1.298.299.939 )                           |
| Fair value adjustments of biological assets .....  | 13    | 331.631.758             | 537.824.433                                 |
| <b>Gross profit</b> .....                          |       | 1.603.095.402           | 1.200.784.531                               |
| Overhead cost .....                                |       | ( 291.913.792 )         | ( 289.272.444 )                             |
| <b>Trading EBITDA</b> .....                        |       | 1.311.181.610           | 911.512.087                                 |
| Research & development .....                       |       | ( 146.290.238 )         | ( 131.439.901 )                             |
| Depreciation .....                                 |       | ( 129.141.628 )         | ( 127.181.467 )                             |
| Exceptional and acquisition costs .....            |       | ( 103.612.920 )         | ( 864.159 )                                 |
| <b>EBIT</b> .....                                  |       | 932.136.824             | 652.026.560                                 |
| Interest income .....                              | 8     | 5.644.974               | 5.901.105                                   |
| Finance costs .....                                | 8     | ( 23.097.712 )          | ( 24.848.654 )                              |
| Exchange rate difference .....                     | 8     | ( 10.804.224 )          | ( 7.027.171 )                               |
| <b>Net financial cost</b> .....                    |       | ( 28.256.962 )          | ( 25.974.720 )                              |
| Share of loss of associates .....                  | 12    | ( 11.518.864 )          | ( 962.042 )                                 |
| <b>Profit before tax</b> .....                     |       | 892.360.997             | 625.089.798                                 |
| Income tax expense .....                           | 9     | ( 180.779.392 )         | ( 125.228.402 )                             |
| <b>Profit and total comprehensive income</b> ..... |       | 711.581.605             | 499.861.396                                 |

\* See note 22.

The notes on pages 11 to 26 are an integral part of these financial statements.

# Statement of financial position as at 30 September 2018

|  | Notes | 30.9.2018                   | 30.9.2017<br>Restated*      |
|--|-------|-----------------------------|-----------------------------|
| <b>Assets</b>                                |       |                             |                             |
| Intangible assets .....                      | 10    | 6.067.952                   | 0                           |
| Property, plant and equipment .....          | 11    | 1.545.944.111               | 1.476.278.613               |
| Shares in associates .....                   | 12    | 596.606                     | 12.115.470                  |
| Biological assets .....                      | 13    | 1.227.409.125               | 1.158.542.782               |
| Non-current assets                           |       | <u>2.780.017.794</u>        | <u>2.646.936.865</u>        |
|  |       |                             |                             |
| Biological assets .....                      | 13    | 1.231.079.474               | 968.314.059                 |
| Inventories .....                            |       | 30.791.943                  | 25.868.917                  |
| Trade receivables .....                      | 14    | 654.111.059                 | 223.278.018                 |
| Other receivables and prepaid expenses ..... | 14    | 15.436.949                  | 26.337.075                  |
| Cash and cash equivalents .....              | 15    | 46.882.992                  | 172.866.900                 |
| Current assets                               |       | <u>1.978.302.417</u>        | <u>1.416.664.969</u>        |
|  |       |                             |                             |
| <b>Total assets</b>                          |       | <u><u>4.758.320.211</u></u> | <u><u>4.063.601.834</u></u> |
|  |       |                             |                             |
| <b>Equity</b>                                |       |                             |                             |
| Share capital .....                          |       | 143.055.110                 | 143.055.110                 |
| Statutory reserve .....                      |       | 35.776.278                  | 35.776.278                  |
| Share option reserve .....                   |       | 9.352.971                   | 0                           |
| Retained earnings .....                      |       | 2.638.597.621               | 1.927.016.017               |
| Total equity                                 | 16    | <u>2.826.781.980</u>        | <u>2.105.847.405</u>        |
|  |       |                             |                             |
| <b>Liabilities</b>                           |       |                             |                             |
| Deferred tax liabilities .....               | 18    | 307.911.921                 | 268.025.780                 |
| Non-current liabilities                      |       | <u>307.911.921</u>          | <u>268.025.780</u>          |
|  |       |                             |                             |
| Loan payable to parent company .....         | 17    | 1.069.948.490               | 1.192.117.634               |
| Trade payables .....                         | 19    | 224.423.270                 | 317.562.200                 |
| Current tax liabilities .....                | 18    | 140.893.251                 | 51.297.391                  |
| Other current liabilities .....              | 19    | 188.361.298                 | 128.751.424                 |
| Current liabilities                          |       | <u>1.623.626.309</u>        | <u>1.689.728.649</u>        |
|  |       |                             |                             |
| Total liabilities                            |       | <u>1.931.538.230</u>        | <u>1.957.754.429</u>        |
|  |       |                             |                             |
| <b>Total equity and liabilities</b>          |       | <u><u>4.758.320.211</u></u> | <u><u>4.063.601.834</u></u> |

\* See note 22.

The notes on pages 11 to 26 are an integral part of these financial statements.

## Statement of changes in equity for the year ended 30 September 2018

|                                   | Share<br>capital | Statutory<br>reserve | Retained<br>earnings | Total         |
|-----------------------------------|------------------|----------------------|----------------------|---------------|
| Equity at 1 October 2016 .....    | 143.055.110      | 35.776.278           | 1.427.154.621        | 1.605.986.009 |
| Profit for the year .....         |                  |                      | 499.861.396          | 499.861.396   |
| Equity at 30 September 2017 ..... | 143.055.110      | 35.776.278           | 1.927.016.017        | 2.105.847.405 |
| Equity at 1 October 2017 .....    | 143.055.110      | 35.776.278           | 1.927.016.017        | 2.105.847.405 |
| Profit for the year .....         |                  |                      | 711.581.605          | 711.581.605   |
| Share options .....               |                  |                      | 9.352.971            | 9.352.971     |
| Equity at 30 September 2018 ..... | 143.055.110      | 35.776.278           | 2.647.950.593        | 2.826.781.981 |

The notes on pages 11 to 26 are an integral part of these financial statements.



# Statement of cash flow for the year ended 30 September 2018

|   | Notes | 1.10.2017-<br>30.9.2018 | 1.10.2016-<br>30.9.2017 |
|---|-------|-------------------------|-------------------------|
| <b>Operating activities:</b>                                      |       |                         |                         |
| Profit .....  |       | 711.581.605             | 499.861.396             |
| Adjustments for:  |       |                         |                         |
| Depreciation .....  | 11    | 129.141.628             | 127.181.467             |
| Changes in fair value of biological assets .....                  | 13    | ( 331.631.758 )         | ( 537.824.433 )         |
| Gain on sales of non-current assets .....                         | (     | 511.000)                | 0                       |
| Share-based payment expense .....                                 | 6     | 9.352.971               | 0                       |
| Income tax expense .....  | 9     | 180.779.392             | 125.228.402             |
| Share of loss of associates .....                                 | 12    | 11.518.864              | 962.042                 |
| Net finance income .....  |       | 28.256.962              | 26.912.250              |
| Working capital generated from (used in) operations               |       | 738.488.665             | 242.321.124             |
| Changes in operating assets and liabilities:                      |       |                         |                         |
| Inventories, increase .....                                       | (     | 4.923.026 )             | ( 13.206.041 )          |
| Trade and other receivables, (increase) decrease .....            | (     | 419.932.915 )           | 59.744.774              |
| Short term liabilities, increase (decrease) .....                 | (     | 21.380.708)             | 29.327.807              |
| Cash flow generated from (used in) operating activities           |       | 292.252.016             | 318.187.664             |
| Interest received .....   |       | 5.644.974               | 3.812.302               |
| Interest paid .....   | (     | 23.097.712)             | ( 23.601.729)           |
| Taxes paid .....  | (     | 51.297.391)             | 0                       |
| Net cash generated from (used in) operating activities            |       | 223.501.887             | 298.398.237             |
| <b>Cash flows from investing activities</b>                       |       |                         |                         |
| Acquisition of property, plant and equipment .....                | 11    | ( 199.796.126 )         | ( 254.705.745 )         |
| Acquisition of intangible assets .....                            | (     | 6.067.952 )             | 0                       |
| Proceeds from sales of PPE .....                                  |       | 1.500.000               | 0                       |
| Acquisition of shares in associates .....                         |       | 0                       | ( 100.000)              |
| Net cash generated from (used in) investing activities            |       | ( 204.364.078 )         | ( 254.805.745 )         |
| <b>Cash flows from financing activities</b>                       |       |                         |                         |
| New borrowings .....  |       | 0                       | 111.442.720             |
| Repayment of borrowings .....                                     | 17    | ( 145.121.717)          | 0                       |
| Net cash generated from (used in) financing activities            |       | ( 145.121.717)          | 111.442.720             |
| <b>Net increase (decrease) in cash and cash equivalents .....</b> |       | ( 125.983.908 )         | 155.035.212             |
| Cash and cash equivalents at the beginning of the year .....      |       | 172.866.900             | 17.831.688              |
| <b>Cash and cash equivalents at year end .....</b>                |       | 46.882.992              | 172.866.900             |

The notes on pages 11 to 26 are an integral part of these financial statements.

# Notes

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## 1. Reporting entity

Stofnfiskur hf. "the Company", is a limited liability company and is domiciled in Iceland. The Company's registered office is at Staðarberg 2-4, Hafnarfjörður, Iceland.

The Company is a subsidiary of Benchmark Genetics Limited, and an indirect subsidiary of Benchmark Holdings plc. (ultimate parent company), with registered office at Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN, UK. The Financial Statements of Stofnfiskur hf. are also part of the Consolidated Financial Statements of the ultimate Parent Company and all operations and financial information on the Group can be found there.

The Company is primarily involved in selective breeding and production of salmon ova, lumpfish fingerling production, selective breeding of Atlantic salmon, research and development and domestic and international consultancy.

## 2. Basis of accounting

The financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU) and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006. They were authorised for issue by the Company's board of directors on 18 March 2019.

Details of the Company's accounting policies are included in Note 22.

## 3. Functional and presentation currency

The financial statements are presented in ISK, which is the Company's functional currency.

## 4. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 September 2019 is included in note 13 on determining the fair value of biological assets on the basis of significant unobservable inputs.

### i. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as price, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's board of directors.

## Notes, contd.:

### 4. Use of estimates and judgements, contd.:

#### i. Measurement of fair values, contd.:

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 13 on biological assets.

### 5. Operating revenue

|   | 1.10.2017-<br>30.9.2018 | 1.10.2016-<br>30.9.2017<br>Restated* |
|---|-------------------------|--------------------------------------|
| Operating revenue are specified as follows: |                         |                                      |
| Sold products, ova and fingerlings .....    | 2.476.370.059           | 1.693.303.224                        |
| Sold harvested fish .....                   | 189.116.412             | 194.088.592                          |
| Other operating revenue .....               | 308.549.215             | 85.742.070                           |
|   | <u>2.974.035.686</u>    | <u>1.973.133.886</u>                 |

### 6. Salaries and other personnel expenses

|  | 1.10.2017-<br>30.9.2018 | 1.10.2016-<br>30.9.2017<br>Restated* |
|--|-------------------------|--------------------------------------|
| Salaries and salary related expenses are specified as follows: |                         |                                      |
| Salaries .....   | 542.306.440             | 463.591.718                          |
| Defined contribution pension expenses .....                    | 63.329.240              | 46.428.776                           |
| Share-based payment expense .....                              | 9.352.971               | 0                                    |
| Other salary related expenses .....                            | 55.236.312              | 54.576.419                           |
|  | <u>670.224.963</u>      | <u>564.596.913</u>                   |

Salaries and related expenses are specified as follows on operating items:

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Cost of sales .....          | 509.328.242        | 428.538.260        |
| Overheads .....              | 99.147.924         | 100.846.319        |
| Research & development ..... | 61.748.797         | 35.212.334         |
|                              | <u>670.224.963</u> | <u>564.596.913</u> |

|                                   |    |    |
|-----------------------------------|----|----|
| Average number of employees ..... | 66 | 62 |
|-----------------------------------|----|----|

Salaries paid to Managing Director and the Board of Directors amounted to ISK 24,7 million for the period 1.10.2017 - 30.9.2018 and ISK 28,1 million for the period 1.10.2016 - 30.9.2017.

During the fiscal year there was an accounting charge for share-based payments in respect of the Directors for ISK 9,4 million (2017: ISK nil) . The aggregate gain on the exercise of options by the Directors during the period was ISK nil (2017: ISK nil) .

## Notes, contd.:

### 7. Auditor's remuneration

Audit fee amounted to ISK 5,5 million (2017: ISK 4,2 million ), other service provided by the auditor amounted to ISK 1,2 million (2017: ISK 1,3 million).

### 8. Net financial cost

|  | 1.10.2017-<br>30.9.2018 | 1.10.2016-<br>30.9.2017 |
|--|-------------------------|-------------------------|
| Net financial cost is specified as follows:                      |                         |                         |
| Interest Income .....  | 5.644.974               | 5.901.105               |
|  | <u>5.644.974</u>        | <u>5.901.105</u>        |
| Interest expense on accounts payable .....                       | ( 1.093.463)            | ( 2.184.455)            |
| Interest expense on loan from parent company .....               | ( 22.004.249)           | ( 22.664.199)           |
| Foreign exchange rate gain (loss) on long-term liabilities ..... | ( 22.952.572)           | 16.479.192              |
| Other net foreign exchange rate gain (loss) .....                | 12.148.348              | ( 23.506.363)           |
| Financial cost .....   | <u>( 33.901.936)</u>    | <u>( 31.875.825)</u>    |
| Net financial cost .....   | <u>( 28.256.962)</u>    | <u>( 25.974.720)</u>    |

### 9. Income tax expense

|  |        |                         |           |                         |
|--|--------|-------------------------|-----------|-------------------------|
| Income tax recognised in the profit or loss is specified as follows: |        |                         |           |                         |
|  |        | 1.10.2017-<br>30.9.2018 |           | 1.10.2016-<br>30.9.2017 |
| <i>Current tax expense</i>   |        |                         |           |                         |
| Current year .....   | (      | 140.893.251)            | (         | 51.297.391)             |
| <i>Deferred tax expense</i>  |        |                         |           |                         |
| Origination and reversal of temporary differences .....              | (      | 39.886.142)             | (         | 73.931.011)             |
| Income tax expense .....   | (      | 180.779.392)            | (         | 125.228.402)            |
| Reconciliation of effective tax rate:                                |        | 30.9.2018               |           | 30.9.2017               |
| Profit before income tax .....                                       |        | 892.360.997             |           | 625.089.798             |
| Income tax according to current tax %                                | 20,00% | ( 178.472.199)          | ( 20,00%) | ( 125.017.960)          |
| Effects of a share in associates .....                               | 0,26%  | ( 2.303.773)            | 0,03%     | ( 192.408)              |
| Other items .....  | 0,00%  | ( 3.420)                | 0,00%     | ( 18.034)               |
| Effective income tax .....   | 20,26% | <u>( 180.779.392)</u>   | 20,03%    | <u>( 125.228.402)</u>   |

### 10. Intangible assets

Reconciliation of carrying amount:

|                                    | Software         |
|------------------------------------|------------------|
| <b>Cost</b>                        |                  |
| Additions .....                    | 6.067.952        |
| Balance at 30 September 2018 ..... | <u>6.067.952</u> |
| <b>Carrying amount</b>             |                  |
| Balance at 30 September 2018 ..... | <u>6.067.952</u> |

## Notes, contd.:

### 11. Property, plant and equipment

Reconciliation of carrying amount:

|   | Buildings     | Machinery and equipment | Other equipment | Total         |
|---|---------------|-------------------------|-----------------|---------------|
| <b>Cost</b>   |               |                         |                 |               |
| Balance at 1 October 2016 .....                       | 1.488.884.639 | 569.200.367             | 20.892.308      | 2.078.977.314 |
| Additions .....                                       | 171.460.610   | 81.095.133              | 2.150.000       | 254.705.743   |
| Disposals .....                                       | 0             | ( 24.844.272)           | 0               | ( 24.844.272) |
| Balance at 30 September 2017 .....                    | 1.660.345.249 | 625.451.228             | 23.042.308      | 2.308.838.785 |
| Balance at 1 October 2017 .....                       | 1.660.345.249 | 625.451.228             | 23.042.308      | 2.308.838.785 |
| Additions .....                                       | 132.296.428   | 67.499.698              | 0               | 199.796.126   |
| Disposals .....                                       | 0             | 0                       | ( 2.150.000)    | ( 2.150.000)  |
| Balance at 30 September 2018 .....                    | 1.792.641.677 | 692.950.926             | 20.892.308      | 2.506.484.911 |
| <b>Accumulated depreciation and impairment losses</b> |               |                         |                 |               |
| Balance at 1 October 2016 .....                       | 428.226.359   | 289.037.052             | 12.959.569      | 730.222.980   |
| Additions .....                                       | 55.454.604    | 69.024.047              | 2.702.813       | 127.181.464   |
| Disposals .....                                       | 0             | ( 24.844.274)           | 0               | ( 24.844.274) |
| Balance at 30 September 2017 .....                    | 483.680.963   | 333.216.825             | 15.662.382      | 832.560.170   |
| Balance at 1 October 2017 .....                       | 483.680.963   | 333.216.825             | 15.662.382      | 832.560.170   |
| Depreciation .....                                    | 61.166.788    | 65.752.775              | 2.222.067       | 129.141.630   |
| Disposals .....                                       | 0             | 0                       | ( 1.161.000)    | ( 1.161.000)  |
| Balance at 30 September 2018 .....                    | 544.847.751   | 398.969.600             | 16.723.449      | 960.540.800   |
| <b>Carrying amount</b>                                |               |                         |                 |               |
| At 1 October 2016 .....                               | 1.060.658.280 | 280.163.315             | 7.932.739       | 1.348.754.334 |
| At 30 September 2017 .....                            | 1.176.664.286 | 292.234.403             | 7.379.926       | 1.476.278.615 |
| At 30 September 2018 .....                            | 1.247.793.926 | 293.981.326             | 4.168.859       | 1.545.944.111 |
| Depreciation ratios .....                             | 4 - 10%       | 14 - 20%                | 14 - 20%        | 14 - 20%      |

#### Official real estate value and insurance value

Insurance value, official real estate value and carrying amount is specified as follows:

|   | Real estate assessment | Insurance valuation | Carrying amount |
|---|------------------------|---------------------|-----------------|
| Farm at Vogavík, Vogum .....                | 538.978.000            | 1.392.035.000       | 457.236.884     |
| Farm at Kirkjuvogur, Hafnir .....           | 75.400.000             | 198.550.000         | 398.804.503     |
| Farm at Kalmanstjörn .....                  | 323.977.000            | 801.760.000         | 284.605.917     |
| Farm at Seljavogur, Hafnir .....            | 27.450.000             | 50.950.000          | 19.945.188      |
| Office in Vogavík, (capitalized cost) ..... | 0                      | 0                   | 2.836.766       |
| Drill holes, Kalmanstjörn .....             | 0                      | 0                   | 44.621.532      |
| Drill holes, Vogavík .....                  | 0                      | 0                   | 20.681.846      |
| Assets at Hraunsfjörður .....               | 0                      | 0                   | 1.193.177       |
| Farm at Hafnargötu 4, Hauganesi .....       | 22.750.000             | 78.300.000          | 17.868.114      |
|   | 988.555.000            | 2.521.595.000       | 1.247.793.927   |

## Notes, contd.:

### 12. Shares in associates and other companies

|  | 30.9.2018 |                 | 30.9.2017 |                   |
|--|-----------|-----------------|-----------|-------------------|
|  | Share     | Carrying amount | Share     | Carrying amount   |
| <b>Shares in associate and other company</b> |           |                 |           |                   |
| Icecod á Íslandi ehf. - associate .....      | 30,4%     | 496.606         | 30,4%     | 12.015.470        |
| Strandbúnaður ehf. - other company .....     | 6,25%     | 100.000         | 6,25%     | 100.000           |
|  |           | <u>596.606</u>  |           | <u>12.115.470</u> |

The Company's share in the loss of its associated company amounted to ISK 11,5 million (2017: ISK 0,96 million).

#### Shares in subsidiaries

The Company owns 70 - 100% shares in three subsidiaries Stofnfiskur Chile Ltda., Suðurlax ehf. and Stofngen ehf. The subsidiaries are not operating and therefore consolidated financial statements are not prepared for Stofnfiskur hf. Company's share in profit or loss or equity of subsidiaries is zero at 30 September 2018 (30 September 2017: zero).

### 13. Biological assets

#### Non-current assets are specified as follows:

|                         | 30.9.2018            | 30.9.2017            |
|-------------------------|----------------------|----------------------|
| Salmon broodstock ..... | 1.227.409.124        | 1.158.542.782        |
|                         | <u>1.227.409.124</u> | <u>1.158.542.782</u> |

#### Current assets are specified as follows:

|                            |                      |                    |
|----------------------------|----------------------|--------------------|
| Salmon broodstock .....    | 375.534.554          | 163.527.485        |
| Salmon eggs .....          | 607.662.705          | 554.927.118        |
| Salmon milt .....          | 69.830.490           | 60.000.000         |
| Lumpfish fingerlings ..... | 178.051.724          | 189.859.457        |
|                            | <u>1.231.079.472</u> | <u>968.314.060</u> |

|                               |                      |                      |
|-------------------------------|----------------------|----------------------|
| Biological assets total ..... | <u>2.458.488.597</u> | <u>2.126.856.842</u> |
|-------------------------------|----------------------|----------------------|

#### Salmon egg prices

The Company is exposed to risks arising from changes in the market value of salmon eggs. The Company does not anticipate that prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in salmon eggs price. The Company reviews its outlook for salmon eggs prices regularly in considering the need for active financial risk management.

#### Biological assets are specified as follows:

|  | Salmon<br>broodstock | Salmon<br>eggs     | Salmon<br>milt    | Lumpfish<br>eggs and<br>fingerlings | Total                |
|--|----------------------|--------------------|-------------------|-------------------------------------|----------------------|
| At 1 October 2016 ...                                      | 1.119.788.812        | 305.396.115        | 0                 | 176.510.357                         | 1.601.695.284        |
| Sale of the year .....                                     |                      | ( 1.177.386.201)   | 0                 | ( 515.917.023)                      | ( 1.693.303.224)     |
| Increase due to<br>production and<br>physical changes .... |                      | 1.177.386.201      | 0                 | 515.917.023                         | 1.693.303.224        |
| Fair value adjustm. ...                                    | 202.281.455          | 249.531.003        | 60.000.000        | 13.349.099                          | 525.161.557          |
| At 30 Sept. 2017 .....                                     | <u>1.322.070.267</u> | <u>554.927.118</u> | <u>60.000.000</u> | <u>189.859.456</u>                  | <u>2.126.856.841</u> |

## Notes, contd.:

### 13. Biological assets, contd.:

Biological assets are specified as follows, contd.:

|  | Salmon<br>broodstock | Salmon<br>eggs   | Salmon<br>milt | Lumpfish<br>eggs and<br>fingerlings | Total            |
|--|----------------------|------------------|----------------|-------------------------------------|------------------|
| Biological assets,<br>non-current .....                  | 1.158.542.782        | 0                | 0              | 0                                   | 1.158.542.782    |
| Biological assets,<br>current .....                      | 163.527.485          | 554.927.118      | 60.000.000     | 189.859.456                         | 968.314.059      |
|  | 1.322.070.267        | 554.927.118      | 60.000.000     | 189.859.456                         | 2.126.856.841    |
| At 1 Oct. 2017 .....                                     | 1.322.070.267        | 554.927.118      | 60.000.000     | 189.859.456                         | 2.126.856.841    |
| Sale of the year .....                                   |                      | ( 1.553.557.147) |                | ( 605.712.603)                      | ( 2.159.269.750) |
| Increase due to<br>production and<br>physical changes .. | 0                    | 1.023.338.287    | 0              | 347.875.070                         | 1.371.213.357    |
| Fair value adjustm. ...                                  | 280.873.411          | 582.954.447      | 9.830.490      | 246.029.803                         | 1.119.688.151    |
| At 30 Sept 2018 .....                                    | 1.602.943.678        | 607.662.705      | 69.830.490     | 178.051.726                         | 2.458.488.599    |
| Biological assets,<br>non-current .....                  | 1.227.409.125        | 0                | 0              | 0                                   | 1.227.409.125    |
| Biological assets,<br>current .....                      | 375.534.554          | 607.662.705      | 69.830.490     | 178.051.725                         | 1.231.079.474    |
|  | 1.602.943.679        | 607.662.705      | 69.830.490     | 178.051.725                         | 2.458.488.599    |

Assumptions used for determining fair value of broodstock, eggs and fingerlings

IAS41 requires that biological assets are accounted for at the estimated fair value net of selling and harvesting costs. Fair value is measured in accordance with IFRS13 and is categorised into level 3 in the fair value hierarchy as the inputs include unobservable inputs in the valuation of broodstock, eggs and fingerlings for which there are no published market data available.

The calculation of the estimated fair value of salmon broodstock is primarily based upon its main harvest output being salmon eggs, which are priced upon our current seasonally adjusted selling prices for salmon eggs. These prices are reduced for harvesting costs, freight costs, incubation costs and market capacity to arrive at the net value of broodstock. The valuation also reflects the internally generated data to arrive at the biomass. This includes the weight of the broodstock, the yield that each kilogram of fish will produce and mortality rates. The fish take four years to reach maturity, and so the fair value of the age and biomass of the fish is reflected in a discount to the gross biomass to reflect the progress to maturity.

The calculation of the fair value of the salmon eggs is based upon the current seasonally adjusted selling prices for salmon eggs less transport and incubation costs, and taking account of the market capacity. The valuation also takes account of the mortality rates of the eggs and expected life as sourced from internally generated data.

The calculation of the fair value of the salmon and lumpfish fingerlings is valued on current selling prices less transport costs. Internally generated data is used to incorporate mortality rates and the weight of the fish.

The valuation models by their nature are based upon uncertain assumptions on sales prices, market capacity, weight, mortality rates, yields and assessment of the discounts to reflect the stages of maturity. The Company has a degree of expertise in these assumptions but these assumptions are subject to change. Relatively small changes in assumptions would have a significant impact on the valuation.

## Notes, contd.:

### 13. Biological assets, contd.:

Inventories in following farm stations:

|   | 30.9.2018            |                      | 30.9.2017            |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | Insurance value      | Inventory            | Insurance value      | Inventory            |
| Farm at Kollafjörður .....                  | 13.571.104           | 3.940.629            | 13.200.202           | 4.078.054            |
| Broodstock farm, Kalmanstjörn, Hafnir ..... | 648.546.955          | 808.020.145          | 574.026.723          | 602.748.225          |
| Lumpfish farm at Krikjuvogur, Hafnir .....  | 234.389.436          | 178.051.724          | 203.787.149          | 189.859.457          |
| Broodstock farm at Vogavík, Vogar .....     | 701.607.979          | 790.982.904          | 670.576.589          | 715.243.988          |
| Incubation Center at Vogavík, Vogar .....   | 820.177.048          | 607.662.705          | 853.681.038          | 554.927.118          |
| Other biological assets .....               | 0                    | 69.830.492           | 0                    | 59.999.999           |
|   | <u>2.418.292.523</u> | <u>2.458.488.599</u> | <u>2.315.271.701</u> | <u>2.126.856.841</u> |

Total quantities held at 30 September were:

|   | 30.9.2018   | 30.9.2017   |
|---|-------------|-------------|
| Salmon broodstock and fingerlings ..... | 584 tonnes  | 540 tonnes  |
| Lumpfish fingerlings .....              | 2.8m units  | 3.2m units  |
| Salmon eggs .....                       | 55.8m units | 59.1m units |

### 14. Trade, other receivables and prepaid expenses

Trade and other receivables are specified as follows:

|  | 30.9.2018          | 30.9.2017          |
|--|--------------------|--------------------|
| Trade receivables .....                          | 289.649.921        | 73.624.404         |
| Trade receivables due from related parties ..... | 382.346.888        | 157.705.683        |
| Allowance for bad debt .....                     | ( 17.885.750)      | ( 8.052.069)       |
| Total trade receivables .....                    | <u>654.111.059</u> | <u>223.278.018</u> |

Change in allowance for bad debt is as follows:

|  |                      |                     |
|--|----------------------|---------------------|
| At beginning of the year .....         | ( 8.052.069)         | ( 8.599.393)        |
| Changes in provision in the year ..... | ( 9.833.681)         | 547.324             |
| At year end .....                      | <u>( 17.885.750)</u> | <u>( 8.052.069)</u> |

Other current receivables and prepaid expenses are specified as follows:

|                                       |                   |                   |
|---------------------------------------|-------------------|-------------------|
| VAT refundable .....                  | 10.127.489        | 21.930.436        |
| Prepaid expenses .....                | 3.434.674         | 2.340.665         |
| Capital income tax .....              | 1.874.786         | 2.010.974         |
| Other .....                           | 0                 | 55.000            |
| Total other current receivables ..... | <u>15.436.949</u> | <u>26.337.075</u> |

### 15. Cash and cash equivalents

Cash and cash equivalents consist of bank deposits.

|   |                   |                    |
|---|-------------------|--------------------|
| Bank deposits in ISK .....                        | 8.626.595         | 11.082.152         |
| Bank deposits in foreign currency .....           | 38.256.397        | 161.784.748        |
| Total cash and cash equivalents receivables ..... | <u>46.882.992</u> | <u>172.866.900</u> |

### 16. Equity

#### Share capital

Total share capital of Stofnfiskur hf. according to its Articles of Association was 143.105.110 at 30 September 2018 and the same time the Company owned 50.000 treasury shares. One vote is attached to each ISK one share in the Company, in addition to the right of receiving dividend.



## Notes, contd.:

### 16. Equity, contd.:

#### Statutory reserve

Statutory reserve may be used to settle losses, which can not be settled by using other reserves. When the statutory reserve amounts to one fourth of share capital the amount which is in excess may be used to increase share capital or for other needs.

#### Dividend

No dividend was paid to shareholders in the year 2018 (2017: ISK 0). The Board of Directors proposes no dividend to be paid to shareholders in 2019.

#### Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. Also the share-based payment recognised the value of equity-settled share-based payment transactions provided by the Company's Parent Company to employees, including management personnel, as part of their remuneration.

### 17. Loan payable to parent company

In December 2014 the company received a short term loan from its ultimate parent, Benchmark Holdings plc, for the amount of EUR 11.750.000 and bears interest at a rate of EURIBOR plus 2.00 per cent. In November 2016 the company received a short term loan from the ultimate parent company for the amount of GBP 800.000 with interest at a rate of LIBOR plus 2 per cent.

|   | 30.9.2018     | 30.9.2017     |
|---|---------------|---------------|
| EUR .....                                   | 975.810.199   | 1.075.711.535 |
| GBP .....                                   | 94.138.291    | 116.406.099   |
| Loan payable to Benchmark Holding plc. .... | 1.069.948.490 | 1.192.117.634 |

### 18. Deferred tax liability

Deferred tax liabilities is specified as follows:

|   | 1.10.-2017<br>30.9.2018 | 1.10.-2016<br>30.9.2017 |
|---|-------------------------|-------------------------|
| Income tax liability at beginning of period ..... | 268.025.780             | 194.094.773             |
| Income tax expense .....                          | 180.779.392             | 125.228.398             |
| Income tax payable .....                          | ( 140.893.251)          | ( 51.297.391)           |
| Deferred income tax liability 30.9. ....          | 307.911.921             | 268.025.780             |

Deferred tax liabilities are attributable to the following:

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Property, plant and equipment .....  | 111.776.445 | 103.102.522 |
| Biological assets .....              | 178.623.929 | 142.864.846 |
| Other items .....                    | 17.511.547  | 22.058.412  |
| Deferred tax liability at 30.9. .... | 307.911.921 | 268.025.780 |

### 19. Trade and other current payables

Trade payables are specified as follows:

|   | 30.9.2018   | 30.9.2017   |
|---|-------------|-------------|
| Trade payables .....                    | 196.019.473 | 164.758.116 |
| Trade payables to related parties ..... | 28.403.797  | 152.804.084 |
|   | 224.423.270 | 317.562.200 |

Other payables are specified as follows:

|   |             |             |
|---|-------------|-------------|
| Unpaid salaries and salary related expenses ..... | 136.995.213 | 111.462.731 |
| Unpaid taxes for prior year .....                 | 51.297.391  | 0           |
| Other items .....                                 | 68.694      | 17.288.693  |
|   | 188.361.298 | 128.751.424 |

## Notes, contd.:

### 20. Related parties

#### Identity of related parties

The Company's related party relationship with its shareholders, subsidiaries of its shareholder, its associates, board members, CEO and management, close family members and other parties with significant influences. Terms and conditions of transactions with related parties were equivalent with transactions with unrelated parties.

The following gives an overview of the transactions with related parties during the last fiscal years as well as a statement of receivables and payables.

|   | <b>1.10.-2017<br/>30.9.2018</b> |                    | <b>1.10.-2016<br/>30.9.2017</b> |                    |
|---|---------------------------------|--------------------|---------------------------------|--------------------|
| Related party transactions:                 | <b>Expenses</b>                 | <b>Income</b>      | <b>Expenses</b>                 | <b>Income</b>      |
| Benchmark Hold. plc,(ultimate parent) ..... | 98.252.690                      |                    | 60.974.732                      |                    |
| Benchmark Genetics, (parent) .....          |                                 | 221.600.006        |                                 |                    |
| SalmoBreed AS .....                         | 159.927.756                     | 587.938.352        | 94.881.980                      | 425.938.956        |
| FAI Aquaculture Ltd. ....                   | 0                               | 36.406.800         | 972.476                         | 28.855.479         |
| Dust Collective Ltd. ....                   | 3.171.966                       |                    | 4.151.274                       |                    |
| Akvaforsk .....                             | 7.951.022                       |                    | 13.815.000                      |                    |
| Fish Vet Group UK .....                     |                                 |                    |                                 | 3.937.509          |
| Fish Vet Group Norge .....                  | 268.170                         |                    | 3.256.527                       |                    |
| Fish Vet Group Chile .....                  | 3.183.249                       |                    |                                 |                    |
| Stofnfiskur Chile Ltda. ....                | 18.942.787                      |                    | 26.767.074                      |                    |
| Benchmark Animal Health .....               |                                 |                    |                                 | 7.867.243          |
| INVE .....                                  | 3.125.428                       |                    |                                 |                    |
| V.P. Vélaverkstæði ehf. ....                | 160.995.501                     |                    | 184.700.271                     |                    |
|   | <u>455.818.569</u>              | <u>845.945.158</u> | <u>389.519.334</u>              | <u>466.599.187</u> |

|   | <b>30.9.2018</b>   |                      | <b>30.9.2017</b>   |                      |
|---|--------------------|----------------------|--------------------|----------------------|
| Related party balances:                     | <b>Assets</b>      | <b>Liabilities</b>   | <b>Assets</b>      | <b>Liabilities</b>   |
| Benchmark Hold. plc,(ultimate parent) ..... |                    | 1.075.320.578        |                    | 1.302.907.571        |
| Benchmark Genetics, (parent) .....          | 221.600.006        |                      |                    | 402.193              |
| SalmoBreed AS .....                         | 155.386.537        |                      | 154.474.326        |                      |
| SalmoBreed Salten .....                     | 4.090.681          |                      |                    |                      |
| FAI Aquaculture Ltd. ....                   |                    |                      |                    | 11.393.981           |
| Dust Collective Ltd. ....                   |                    |                      |                    | 2.298.414            |
| Fish Vet Group UK .....                     | 365.972            |                      | 323.623            |                      |
| Fish Vet Group Chile .....                  | 538.488            |                      |                    |                      |
| Akvaforsk .....                             |                    |                      |                    | 13.367.800           |
| 5M .....                                    |                    |                      |                    | 356.427              |
| Benchmark Animal Health .....               | 365.204            |                      | 2.907.734          |                      |
| INVE .....                                  |                    | 769.055              |                    | 561.914              |
| V.P. Vélaverkstæði ehf. ....                |                    | 22.262.654           |                    | 13.633.417           |
|   | <u>382.346.888</u> | <u>1.098.352.287</u> | <u>157.705.683</u> | <u>1.344.921.717</u> |

Transactions related to Benchmark Holdings plc (ultimate parent) include interest expenses on loan to Stofnfiskur hf. Total interest expenses payable to ultimate parent company expensed in profit and loss amounted to ISK 22,3 million (2017: ISK 23,6 million).

Transactions related to Stofnfiskur Chile Ltda. are reimbursements of costs incurred by Stofnfiskur Chile Ltda.

V.P. Vélaverkstæði ehf. is a construction and maintenance company owned by a board member and a manager of Stofnfiskur hf.

## Notes, contd.:

### 21. Financial instruments

#### Measurement of fair values

The following table show the valuation techniques used in determination of fair values within Level 3 including the key inputs used.

| Type                    | Valuation technique   |
|-------------------------|---|
| Biological assets ..... | The fair value of biological assets are derived using the last known sales price for biological produce of the company, taking into account biological transformation of the assets until harvesting date and cost to sell. The fair value of the biomass is calculated on the basis of market price for the relevant weight class on the balance sheet date, corrected for sales costs, including harvesting costs and wastage. The market price is adjusted for quality variations. The sales prices used are based on external forward prices and/or the most relevant price information available for the period in which the fish will be harvested. |

#### Financial instruments categories

Financial assets and financial liabilities divides in following categories:

| Financial assets                  | 30.9.2018     | 30.9.2017     |
|-----------------------------------|---------------|---------------|
| Cash and cash equivalents .....   | 46.882.992    | 172.866.900   |
| Accounts receivables .....        | 654.111.059   | 223.278.018   |
| Other receivables .....           | 12.002.275    | 23.941.410    |
| <b>Financial liabilities</b>      |               |               |
| Other financial liabilities ..... | 1.623.626.309 | 1.689.728.649 |

#### Financial risk management

The risk management policies are established to identify and analyse the risks by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

##### Market risk

###### Biosecurity risk

Biosecurity risk is the risk of operations in the biotech and animal biology sector face the risk of contamination or disease.

###### Ova price risk

Salmon ova price risk is the risk that changes in the price of salmon ovals has negative effect on the income of the Company.

#### Sensitivity analysis

An increase in ova price by 5% would increase profit and equity by ISK 56 million (2017: ISK 35 million). The sensitivity analysis has been determined based on the exposure to ova price change at the balance sheet date. The analysis is prepared for biological assets valued at fair value. The sensitivity analysis does account for tax effects. An decrease in ova price would have an opposite impact on profit and loss and equity.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The parent company will provide the Company with necessary financial support for it to be able to meet its financial obligations. The Company is a part of its parents Company cash pooling and is monitoring the level of cash flow through that. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

## Notes, contd.:

### 21. Financial instruments, contd.:

#### Liquidity risk, contd.:

##### Exposure to liquidity risk

Following are the contractual maturities of financial liabilities at the reporting date, including estimated interest payments:

|                                      | Carrying<br>amount   | Contractual<br>cash flows | Within 12<br>months  |
|--------------------------------------|----------------------|---------------------------|----------------------|
| <b>30 September 2018</b>             |                      |                           |                      |
| Loan payable to parent company ..... | 1.069.948.490        | 1.069.948.490             | 1.069.948.490        |
| Other payables .....                 | 553.677.819          | 553.677.819               | 553.677.819          |
|                                      | <u>1.623.626.309</u> | <u>1.623.626.309</u>      | <u>1.623.626.309</u> |
| <b>30 September 2017</b>             |                      |                           |                      |
| Loan payable to parent company ..... | 1.192.117.634        | 1.192.117.634             | 1.192.117.634        |
| Other payables .....                 | 497.611.015          | 497.611.015               | 497.611.015          |
|                                      | <u>1.689.728.649</u> | <u>1.689.728.649</u>      | <u>1.689.728.649</u> |

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. Possible losses due to unpaid receivables are insubstantial and have limited effect on the Company's return.

#### Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

|                                 | 30.9.2018   | 30.9.2017   |
|---------------------------------|-------------|-------------|
| Cash and cash equivalents ..... | 46.882.992  | 172.866.900 |
| Accounts receivables .....      | 654.111.059 | 223.278.018 |
| Other receivables .....         | 12.002.275  | 23.941.410  |

#### Interest rate risk

The Company borrows funds from its parent company at floating interest rates. In general the Company's financial assets do not bear interests with the exception of bank accounts. The company has not used any derivatives for hedging purposes.

#### Sensitivity analysis

In the table below the effects of 50 and 100 basis point interest rate increase on P/L and equity are demonstrated. The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared for the interest bearing assets and liabilities with variable interest rate and assumes that all other variables, except basis points, are held constant. A positive number below indicates an increase in profit and equity. An increase in basis points would have an opposite impact on profit and equity.

|                                | 30.9.2018    |              | 30.9.2017    |               |
|--------------------------------|--------------|--------------|--------------|---------------|
|                                | 50 bp        | 100 bp       | 50 bp        | 50 bp         |
| Effect on P/L and equity ..... | ( 4.553.150) | ( 9.106.300) | ( 6.348.212) | ( 12.696.423) |

## Notes, contd.:

### 21. Financial instruments, contd.:

#### Currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as follows:

|           | Average rate |           | Year-end spot rate |           |
|-----------|--------------|-----------|--------------------|-----------|
|           | 30.9.2018    | 30.9.2017 | 30.9.2018          | 30.9.2017 |
| EUR ..... | 124,24       | 120,12    | 128,7              | 124,55    |
| GBP ..... | 140,38       | 137,79    | 144,97             | 141,14    |
| DKK ..... | 16,68        | 16,15     | 17,26              | 16,74     |
| NOK ..... | 12,95        | 13,09     | 13,58              | 13,26     |
| SEK ..... | 12,28        | 12,48     | 12,49              | 12,94     |
| USD ..... | 104,48       | 108,85    | 111,06             | 105,47    |
| CHF ..... | 107,05       | 110,12    | 113,82             | 108,74    |
| CAD ..... | 81,43        | 82,89     | 85,34              | 84,91     |

|           | Assets      |             | Liabilities   |               |
|-----------|-------------|-------------|---------------|---------------|
|           | 30.9.2018   | 30.9.2017   | 30.9.2018     | 30.9.2017     |
| EUR ..... | 23.638.515  | 5.286.217   | 995.534.477   | 1.082.199.990 |
| GBP ..... | 6.550.342   | 815.059     | 120.114.241   | 230.387.065   |
| DKK ..... | 98.821.288  | 148.227.117 | 2.271.065     | 5.934.915     |
| NOK ..... | 174.925.294 | 191.472.298 | 41.742.809    | 55.175.850    |
| USD ..... | 368.740.857 | 52.833.632  | 0             | 20.202.927    |
| NZD ..... | 0           | 0           | 29.693.588    | 0             |
|           | 672.676.296 | 398.634.323 | 1.189.356.180 | 1.393.900.747 |

#### Sensitivity analysis

The table below shows what effects a 5% and 10% increase of the ISK rate against the relevant currency would have on P/L and equity. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency borrowings and foreign currency bank balances. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables, excluding relevant foreign currency rate, are held constant. The sensitivity analysis does take into account tax effects. A positive number below indicates an increase in profit and equity. A decrease of the ISK rate against other currencies would have an opposite impact on P/L and equity.

|           | 30.9.2018    |              | 30.9.2017  |              |
|-----------|--------------|--------------|------------|--------------|
|           | 5%           | 10%          | 5%         | 10%          |
| EUR ..... | 3.887.584    | 7.775.168    | 4.194.977  | 13.603.640   |
| GBP ..... | 454.256      | 908.511      | 160.302    | 366.943      |
| DKK ..... | ( 386.201)   | ( 772.402)   | ( 269.912) | ( 2.237.033) |
| NOK ..... | ( 532.730)   | ( 1.065.460) | ( 219.666) | ( 1.741.679) |
| USD ..... | ( 1.474.963) | ( 2.949.927) | ( 116.023) | ( 2.320.278) |
| NZD ..... | 118.774      | 237.549      | 0          | 0            |
|           | 2.066.720    | 4.133.439    | 3.749.677  | 7.671.592    |

### **22. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for comparative amounts of revenue and expenses in the statement of profit and loss and related notes has been reclassified to be comparable to current year classification. This reclassification does not affect operating profit.

#### **a. Foreign currencies**

Transactions in foreign currencies are translated into ISK at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into ISK at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

#### **b. Revenue**

##### **(i) Sale of goods**

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of ovals, fingerlings and fish, the transfer usually occurs on receipt by the customer; however, the customer has the right to claim discount due to mortality.

#### **c. Defined contribution plan**

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### **d. Share-based payments**

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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 the income statement over the remaining vesting period.

#### **e. Finance income and finance costs**

The Company's finance income and finance costs include interest income, interest expense and foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised using the effective interest method.

#### **f. Income tax**

Income tax expense comprises current and deferred tax and is recognised in profit or loss.

##### **(i) Current tax**

Current tax comprises the expected tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payables the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

## Notes, contd.:

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### **22. Significant accounting policies, contd.:**

#### **f. Income tax, contd.:**

##### **(ii) Deferred tax**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against the asset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is considered that they will not be utilised. The Company's income tax ratio is 20%.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

##### **g. Intangible assets**

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives as outlined below, on a straight-line basis from the time they are available for use. The useful economic lives of software are 5 years.

##### **h. Property, plant and equipment**

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

|                               | <b>Useful life</b> |
|-------------------------------|--------------------|
| Buildings .....               | 10 - 25 years      |
| Machinery and equipment ..... | 5 - 7 years        |
| Other equipment .....         | 5 - 7 years        |

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

##### **i. Impairment**

The carrying amount of other assets of the Company is reviewed at each reporting date to determine whether there are indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset is the higher of their sales value or value in use. The value in use can be assessed on the basis of estimated cash flow, discounted on the basis of interests reflecting market interests and the risk inherent with the asset.

An impairment loss of an asset is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent corresponding to previous impairment losses, net of depreciation or amortisation.

## Notes, contd.:

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### **22. Significant accounting policies, contd.:**

#### **j. Associates**

An associate is an entity over which the company has significant influence but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of associates, until the date on which significant influence or joint control ceases.

#### **k. Biological assets**

Biological assets comprise fish and fish eggs. Biological assets are measured at fair value less costs to sell. The fair value is based market value which is last known sales price or quoted price for the biological products, taking into account growth rate, quality and biological transformation of the assets until harvesting date on and adjusted for age, breed, and genetic merit in the principal (or most advantageous) market for the biological assets, and therefore is categorised within level 2 of the fair value hierarchy set out in IFRS 13.

Fish and fish eggs are, in accordance with IAS 41 'Agriculture', measured at fair value, unless the fair value cannot be measured reliably. The principal components of fish and fish eggs within the business are:

- Salmon broodstock
- Salmon eggs
- Salmon fingerlings
- Lumpfish eggs and fingerlings

Changes in the fair value of the biomass are recognised in profit and loss on the line for fair value adjustments.

#### **l. Share capital**

##### **(i) Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

##### **(ii) Repurchase and reissue of ordinary shares (treasury shares)**

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

#### **m. Financial instruments**

##### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Non-derivative financial instruments are recognised at fair value at initial recognition. Financial instruments are entered in the financial statements when the Company becomes a part of contractual provisions of the relevant financial instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Conventional purchase and sale of financial assets are recognised at the transaction date, i.e. the date the Company enters into obligation to purchase or sell the asset. Financial obligations are derecognised when the obligations defined in a contract expire, are disallowed or revoked.

Trade and other receivables are measured at cost less impairment losses. Impairment loss on trade receivables is recognised in the year and expensed in the income statement. Current maturities on bonds are recognised among trade receivables under current assets in the balance sheet.



### **22. Significant accounting policies, contd.:**

#### **m. Financial instruments, contd.:**

##### **(i) Non-derivative financial instruments, contd.:**

Cash and cash equivalents consist of on demand bank deposits.

Interest bearing loans are initially measured at fair value less all direct transaction costs. After initial recognition, interest income and expense are recognised using the effective interest method. Loans denominated in other currencies than ISK are translated at the exchange rate ruling at the end of the reporting period. Current maturities on interest bearing liabilities are recognised among short term liabilities in the balance sheet.

Accounting for finance income and expense is discussed in note 22(e).

### **23. Standards issued but not effective**

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments: Classification and Measurement has been issued but is not yet effective. The standard has been developed in several phases and replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The effective date of the fully completed version of IFRS 9 is for periods beginning on or after 1 January 2018 with retrospective application. The Company expects no material impact to profit as a result. The Company has not yet quantified the full impact of all phases of the final standard. The Company will adopt IFRS 9 in its next financial statements.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers, which is effective for periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue — Barter Transactions Involving Advertising Services. The Company expects no material impact to either revenue recognised or profit as a result, however a detailed review is still ongoing. The Company will adopt IFRS 15 in its next financial statements.

#### **IFRS 16 Leases**

IFRS 16 Leases introduces a single, on-balance sheet accounting model for lessees which is effective for period beginning on or after 1 January 2019. The Company has not yet quantified the potential impact of this standard. The Company will adopt IFRS 16 on 1 October 2019.

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

The following standards which are effective for periods beginning on or after 1 January 2017 have been adopted without any significant impact on the amounts reported in these financial statements:

- Disclosure Initiatives (Amendments to IAS 7)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 12 Disclosure of Interest in Other Entities).

**Stofnfiskur hf.**  
**Financial statements**  
**for year ended 30 September 2019**  
**ISK**

Stofnfiskur hf.  
Staðarbergi 2-4  
220 Hafnarfirði

Reg. no. 620391-1079

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## Endorsement by the Board of Directors and the CEO

### Main activities

The main activities of the Company are salmon ova production, salmon and lumpfish fingerling production, selective breeding of Atlantic salmon, research and development, domestic and international consultancy. Location of farms in Iceland are in Kalmanstjörn near Hafnir Reykjanes, Vogavík Incubation Center and Vogavík broodstock station at Vogar in Reykjanes and Kollafjörður in Mosfellsbær. Finally the company runs a lumpfish farm at Hafnir in Reykjanes. Average number of employees working for the Company during the fiscal year numbered 70 compared to 66 in last fiscal year.

The financial statements of Stofnfiskur hf. for the year ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006.

### Operations

Profit of the operations of Stofnfiskur hf. for the year amounted to ISK 1.156 million (2018: ISK 711 million). According to the statement of financial position the Company's assets amounted to ISK 5.743 million (2018: ISK 4.758 million) at 30 September 2019 and the book value of equity at the end of the fiscal year was ISK 3.991 million (2018: ISK 2.827).

### Treatment of profit

The Board of Directors will not propose a pay out of dividends at the annual general meeting.

### Outlook

The management of the Company views the general economic conditions for salmon production and salmon products as favourable and have made investments in production capabilities in order to expand the operation and increase sales for the coming years.

The management and the Board of Directors of the Company believe that they are taking all the necessary measures to support the sustainability and growth of the Company's business. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

The management of the Company believes it is well placed to manage its business risk successfully based on the present economic outlook.

### Shareholders

As of 30 September 2019 there were 3 shareholders in the Company. There has been no change in shareholders or their respective shares since end of last fiscal year.

|                                     | 30.9.2019 |
|-------------------------------------|-----------|
| Benchmark Genetics Ltd.....         | 89,48%    |
| L 1076 ehf.....                     | 10,47%    |
| Dánarþú, Vígrúsar Jóhannssonar..... | 0,05%     |

### Statement by the Board of Directors and the CEO

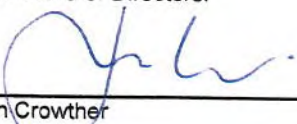
According to the best knowledge of the Board of Directors and the CEO, the financial statements are in accordance with International Financial Reporting Standards as adopted by the EU and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006 and it is the opinion of the Board of Directors and the CEO that the financial statements give a fair view of the of the Company's assets, liabilities and financial position as at 30 September 2019 and the company's results and changes in cash in the year ended 30 September 2019.

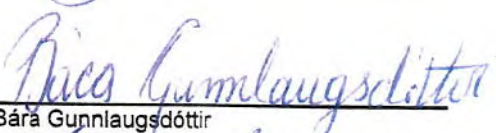
## Endorsement by the Board of Directors and the CEO, contd.:

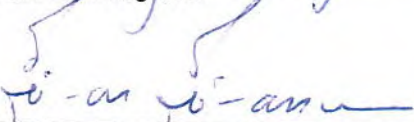
The Board of Directors and the CEO of Stofniskur hf. hereby confirm the financial statements for the year ended 30 September 2019 by means of their signatures.

Hafnarfjörður, 22 January, 2020

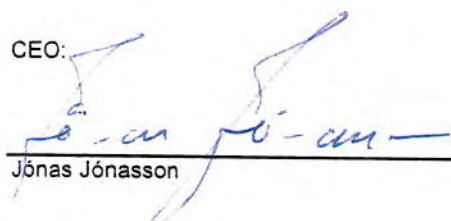
The Board of Directors:

  
Jon Crowther

  
Bára Gunnlaugsdóttir

  
Jónas Jónasson

CEO:

  
Jónas Jónasson



# Independent Auditor's Report

To the Board of Directors and Shareholders of Stofnfiskur hf.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Stofnfiskur hf. ("the Company"), which comprise the statement of financial position as at September 30, 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at September 30, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statement Act no. 3/2006.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of financial statements in Iceland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors and CEO for the Financial Statements

The Board of Directors and CEO are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as adopted by the European Union and additional Icelandic disclosure requirement in accordance with Icelandic Financial Statement Act no. 3/2006, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report, contd.:

### **Auditor's Responsibilities for the Audit of the Financial Statements, cont.:**

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

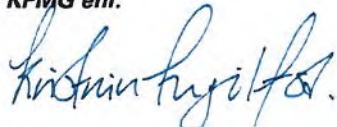
We communicate with The Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

Pursuant to the legal requirement under Article 104, Paragraph 2 of the Icelandic Financial Statement Act No. 3/2006, we confirm that, to the best of our knowledge, the report of the Board of Directors and CEO accompanying the financial statements includes the information required by the Financial Statement Act if not disclosed elsewhere in the financial statements.

Reykjavík, 22 January 2020

**KPMG ehf.**





# Statement of profit and loss and other comprehensive income for the year ended 30 September 2019

|  | Notes | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|--|-------|-------------------------|-------------------------|
| Operating revenue .....                            | 6     | 3,391,394,775           | 2,974,035,686           |
| Cost of sales .....                                |       | ( 1,943,920,849 )       | ( 1,702,572,042 )       |
| Fair value change of biological assets .....       | 14    | 665,121,292             | 331,631,758             |
| <b>Gross profit</b> .....                          |       | <b>2,112,595,218</b>    | <b>1,603,095,402</b>    |
| Overhead cost .....                                |       | ( 318,751,798 )         | ( 291,913,792 )         |
| <b>Trading EBITDA</b> .....                        |       | <b>1,793,843,420</b>    | <b>1,311,181,610</b>    |
| Research & development .....                       |       | ( 196,248,834 )         | ( 146,290,238 )         |
| Depreciation and amortisation .....                | 11-12 | ( 136,380,026 )         | ( 129,141,628 )         |
| Exceptional and acquisition costs .....            |       | 0                       | ( 103,612,920 )         |
| <b>EBIT</b> .....                                  |       | <b>1,461,214,560</b>    | <b>932,136,824</b>      |
| Interest income .....                              |       | 9,385,317               | 5,644,974               |
| Finance costs .....                                |       | ( 21,912,065 )          | ( 23,097,712 )          |
| Exchange rate difference .....                     |       | ( 6,449,869 )           | ( 10,804,224 )          |
| <b>Net financial cost</b> .....                    | 9     | <b>( 18,976,617 )</b>   | <b>( 28,256,962 )</b>   |
| Share of loss of subsidiaries/associates .....     | 13    | ( 1,344,196 )           | ( 11,518,864 )          |
| <b>Profit before tax</b> .....                     |       | <b>1,440,893,747</b>    | <b>892,360,997</b>      |
| Income tax expense .....                           | 10    | ( 284,630,008 )         | ( 180,779,392 )         |
| <b>Profit and total comprehensive income</b> ..... |       | <b>1,156,263,739</b>    | <b>711,581,605</b>      |

The notes on pages 11 to 27 are an integral part of these financial statements.



# Statement of financial position as at 30 September 2019

|  | Notes | 30.9.2019            | 30.9.2018            |
|--|-------|----------------------|----------------------|
| <b>Assets</b>                                |       |                      |                      |
| Intangible assets .....                      | 11    | 15,948,050           | 6,067,952            |
| Property, plant and equipment .....          | 12    | 1,749,199,278        | 1,545,944,111        |
| Shares in associates .....                   | 13    | 173,758              | 596,606              |
| Biological assets .....                      | 14    | 1,521,925,658        | 1,227,409,125        |
| <b>Non-current assets</b>                    |       | <b>3,287,246,744</b> | <b>2,780,017,794</b> |
| Biological assets .....                      | 14    | 1,601,684,233        | 1,231,079,474        |
| Inventories .....                            |       | 31,142,045           | 30,791,943           |
| Trade receivables .....                      | 15    | 587,934,585          | 654,111,059          |
| Other receivables and prepaid expenses ..... | 15    | 16,166,686           | 15,436,949           |
| Cash and cash equivalents .....              | 16    | 219,158,519          | 46,882,992           |
| <b>Current assets</b>                        |       | <b>2,456,086,068</b> | <b>1,978,302,417</b> |
| <b>Total assets</b>                          |       | <b>5,743,332,812</b> | <b>4,758,320,211</b> |
| <b>Equity</b>                                |       |                      |                      |
| Share capital .....                          |       | 143,055,110          | 143,055,110          |
| Statutory reserve .....                      |       | 35,776,278           | 35,776,278           |
| Share option reserve .....                   |       | 17,056,010           | 9,352,971            |
| Retained earnings .....                      |       | 3,794,861,371        | 2,638,597,621        |
| <b>Total equity</b>                          | 17    | <b>3,990,748,769</b> | <b>2,826,781,980</b> |
| <b>Liabilities</b>                           |       |                      |                      |
| Deferred tax liabilities .....               | 19    | 421,672,807          | 307,911,921          |
| <b>Non-current liabilities</b>               |       | <b>421,672,807</b>   | <b>307,911,921</b>   |
| Loan payable to parent company .....         | 18    | 708,828,819          | 1,069,948,490        |
| Trade payables .....                         | 20    | 245,841,560          | 224,423,270          |
| Current tax liabilities .....                | 19    | 170,869,122          | 140,893,251          |
| Other current liabilities .....              | 20    | 205,371,735          | 188,381,298          |
| <b>Current liabilities</b>                   |       | <b>1,330,911,236</b> | <b>1,623,626,309</b> |
| <b>Total liabilities</b>                     |       | <b>1,752,584,043</b> | <b>1,931,538,230</b> |
| <b>Total equity and liabilities</b>          |       | <b>5,743,332,812</b> | <b>4,758,320,211</b> |

The notes on pages 11 to 27 are an integral part of these financial statements.

## Statement of changes in equity for the year ended 30 September 2019

|                                  | Share<br>capital | Statutory<br>reserve | Share options<br>reserve | Retained<br>earnings | Total         |
|----------------------------------|------------------|----------------------|--------------------------|----------------------|---------------|
| Equity at 1 October 2017 .....   | 143.055.110      | 35.776.278           |                          | 1.927.016.016        | 2.105.847.404 |
| Profit for the year .....        |                  |                      |                          | 711.581.605          | 711.581.605   |
| Share options .....              |                  |                      | 9.352.971                |                      | 9.352.971     |
| Equity at 30 September 2018 .... | 143.055.110      | 35.776.278           | 9.352.971                | 2.638.597.621        | 2.826.781.980 |
| Equity at 1 October 2018 .....   | 143.055.110      | 35.776.278           | 9.352.971                | 2.638.597.621        | 2.826.781.980 |
| Profit for the year .....        |                  |                      |                          | 1.156.263.739        | 1.156.263.739 |
| Share options .....              |                  |                      | 7.703.050                |                      | 7.703.050     |
| Equity at 30 September 2019 .... | 143.055.110      | 35.776.278           | 17.056.021               | 3.794.861.360        | 3.990.748.769 |

The notes on pages 11 to 27 are an integral part of these financial statements.

## Statement of cash flows for the year ended 30 September 2019

|   | Notes | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|---|-------|-------------------------|-------------------------|
| <b>Operating activities:</b>                                      |       |                         |                         |
| Profit .....  |       | 1,156,263,739           | 711,581,605             |
| Adjustments for:  |       |                         |                         |
| Depreciation and amortisation .....                               | 11-12 | 136,380,026             | 129,141,628             |
| Changes in fair value of biological assets .....                  | 14    | ( 665,121,292 )         | ( 331,631,758 )         |
| Gain on sales of non-current assets .....                         |       | ( 3,208,100 )           | ( 511,000 )             |
| Share-based payment expense .....                                 | 7     | 7,703,050               | 9,352,971               |
| Income tax expense .....  | 10    | 284,630,008             | 180,779,392             |
| Share of loss of associates .....                                 | 13    | 1,344,196               | 11,518,864              |
| Net finance income .....  |       | 18,976,617              | 28,256,962              |
| Working capital generated from operations                         |       | 936,968,244             | 738,488,665             |
| Changes in operating assets and liabilities:                      |       |                         |                         |
| Inventories, (increase) .....                                     |       | ( 350,102 )             | ( 4,923,026 )           |
| Trade and other receivables, decrease (increase) .....            |       | 70,556,020              | ( 419,932,915 )         |
| Short term liabilities, (decrease) .....                          |       | ( 9,009,259 )           | ( 21,380,708 )          |
| Cash flow generated from operating activities                     |       | 998,164,902             | 292,252,016             |
| Interest received .....   |       | 4,276,034               | 5,644,974               |
| Interest paid .....   |       | ( 21,912,065 )          | ( 23,097,712 )          |
| Taxes paid .....  |       | ( 71,591,508 )          | ( 51,297,391 )          |
| Net cash generated from operating activities                      |       | 908,937,363             | 223,501,887             |
| <b>Cash flows from investing activities</b>                       |       |                         |                         |
| Acquisition of property, plant and equipment .....                | 12    | ( 339,463,503 )         | ( 199,796,126 )         |
| Acquisition of intangible assets .....                            | 11    | ( 11,093,688 )          | ( 6,067,952 )           |
| Proceeds from sales of PPE .....                                  |       | 4,250,000               | 1,500,000               |
| Acquisition of shares in associates .....                         |       | ( 921,348 )             | 0                       |
| Net cash generated from investing activities                      |       | ( 347,228,539 )         | ( 204,364,078 )         |
| <b>Cash flows from financing activities</b>                       |       |                         |                         |
| New borrowings .....  |       | 0                       | 0                       |
| Repayment of borrowings .....                                     | 18    | ( 389,433,297 )         | ( 145,121,717 )         |
| Net cash generated from (used in) financing activities            |       | ( 389,433,297 )         | ( 145,121,717 )         |
| <b>Net increase (decrease) in cash and cash equivalents</b> ..... |       | 172,275,527             | ( 125,983,908 )         |
| Cash and cash equivalents at the beginning of the year .....      |       | 46,882,992              | 172,866,900             |
| <b>Cash and cash equivalents at year end</b> .....                |       | 219,158,519             | 46,882,992              |

# Notes

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## 1. Reporting entity

Stofnfiskur hf. "the Company", is a limited liability company and is domiciled in Iceland. The Company's registered office is at Staðarberg 2-4, Hafnarfjörður, Iceland.

The Company is a subsidiary of Benchmark Genetics Limited, and an indirect subsidiary of Benchmark Holdings plc. (ultimate parent company), with registered office at Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN, UK. The Financial Statements of Stofnfiskur hf. are also part of the Consolidated Financial Statements of the ultimate Parent Company and all operations and financial information on the Group can be found there.

The Company is primarily involved in production of salmon ova, lumpfish fingerling production, selective breeding of Atlantic salmon, research and development and domestic and international consultancy.

## 2. Basis of accounting

The financial statements have been prepared in accordance with IFRS as adopted by the European Union (EU) and additional Icelandic disclosure requirement in accordance with Icelandic financial statement act no. 3/2006. They were authorised for issue by the Company's board of directors on 22 January 2020.

Details of the Company's accounting policies are included in Note 23.

## 3. Functional and presentation currency

The financial statements are presented in ISK, which is the Company's functional currency.

## 4. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 September 2019 is included in note 13 on determining the fair value of biological assets on the basis of significant unobservable inputs.

### i. Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as price, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Company's board of directors.

## Notes, contd.:

### 4. Use of estimates and judgements, contd.:

#### i. Measurement of fair values, contd.:

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 14 on biological assets.

### 5. Changes in significant accounting policies

The Company has initially applied IFRS 15 (see A) and IFRS 9 (see B) from 1 October 2018. A number of other new standards are also effective from 1 October 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

#### A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time

– requires judgement.

IFRS 15 using the cumulative effect method did not have a material impact on the Company's revenue recognition or profit, consequently no adjustments were made.

#### B. IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2018 and so has been adopted with effect from 1 October 2018. The standard introduced a new impairment model for financial assets and new rules for hedge accounting. For trade and other receivables, the carrying values were shown net of a provision for impairment which equate to fair value, under IFRS 9 they are carried at amortised cost less impairment due to their purpose being the collection of contract cashflows. In determining the impairment, the Company has applied the simplified approach permitted. This change in measurement has had no material impact on the Company's financial position.

### 6. Operating revenue

|   | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|---|-------------------------|-------------------------|
| Operating revenue are specified as follows: |                         |                         |
| Sold products, ova and fingerlings .....    | 3,071,933.738           | 2,476,370.059           |
| Sold harvested fish .....                   | 185,085.013             | 189,116.412             |
| Other operating revenue .....               | 134,376.024             | 308,549.215             |
|   | <b>3,391,394.775</b>    | <b>2,974,035.686</b>    |

## Notes, contd.:

### 7. Salaries and other personnel expenses

| Salaries and salary related expenses are specified as follows: | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|--|-------------------------|-------------------------|
| Salaries .....   | 570.924.816             | 542.306.440             |
| Defined contribution pension expenses .....                    | 83.430.301              | 63.329.240              |
| Share-based payment expense .....                              | 7.703.039               | 9.352.971               |
| Other salary related expenses .....                            | 66.193.033              | 55.236.312              |
|  | <b>728.251.189</b>      | <b>670.224.963</b>      |

Salaries and related expenses are specified as follows on operating items:

|                              |                    |                    |
|------------------------------|--------------------|--------------------|
| Cost of sales .....          | 536.550.741        | 509.328.242        |
| Overheads .....              | 115.245.672        | 99.147.924         |
| Research & development ..... | 76.454.776         | 61.748.797         |
|                              | <b>728.251.189</b> | <b>670.224.963</b> |

Average number of employees ..... 70 66

Salaries paid to Managing Director and the Board of Directors amounted to ISK 26,8 million for the period 1.10.2018 - 30.9.2019 and ISK 25,6 million for the period 1.10.2017 - 30.9.2018.

During the fiscal year there was an accounting charge for share-based payments in respect of the Directors for ISK 7,7 million (2018: ISK 9,4). The aggregate gain on the exercise of options by the Directors during the period was ISK nil (2018: ISK nil).

### 8. Auditor's remuneration

Audit fee amounted to ISK 5,2 million (2018: ISK 5,5 million), other service provided by the auditor amounted to ISK 1,9 million (2018: ISK 1,2 million).

### 9. Net financial cost

| Net financial cost is specified as follows:                      | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|--|-------------------------|-------------------------|
| Interest Income .....  | 9.385.317               | 5.644.974               |
|  | <b>9.385.317</b>        | <b>5.644.974</b>        |
| Interest expense on accounts payable .....                       | ( 16.577)               | ( 1.093.463)            |
| Interest expense on loan from parent company .....               | ( 21.895.488)           | ( 22.004.249)           |
| Foreign exchange rate gain (loss) on long-term liabilities ..... | ( 28.313.626)           | ( 22.952.572)           |
| Other net foreign exchange rate gain (loss) .....                | <b>21.993.707</b>       | <b>12.140.040</b>       |
| Financial cost .....   | <b>( 28.361.934)</b>    | <b>( 33.901.936)</b>    |
| Net financial cost .....   | <b>( 18.976.617)</b>    | <b>( 28.256.962)</b>    |

### 10. Income tax expense

| Income tax recognised in the profit or loss is specified as follows: | 1.10.2018-<br>30.9.2019 | 1.10.2017-<br>30.9.2018 |
|--|-------------------------|-------------------------|
| <i>Current tax expense</i>   |                         |                         |
| Current year .....   | ( 170.869.122)          | ( 140.893.251)          |
| <i>Deferred tax expense</i>  |                         |                         |
| Origination and reversal of temporary differences .....              | ( 113.760.886)          | ( 39.886.142)           |
| Income tax expense .....   | <b>( 284.630.008)</b>   | <b>( 180.779.392)</b>   |

## Notes, contd.:

| Reconciliation of effective tax rate:       | 30.9.2019             | 30.9.2018             |
|---|-----------------------|-----------------------|
| Profit before income tax .....              | 1.440.893.747         | 892.360.997           |
| Income tax according to current tax % ..... | 20,00% ( 288.178.749) | 20,00% ( 178.472.199) |
| Effects of a share in associates .....      | 0,02% ( 268.839)      | 0,26% ( 2.303.773)    |
| Other items .....                           | -0,26% 3.817.581      | 0,00% ( 3.420)        |
| Effective income tax .....                  | 19,75% ( 284.630.008) | 20,26% ( 180.779.392) |

|                                    |                 |
|------------------------------------|-----------------|
| <b>11. Intangible assets</b>       |                 |
| Reconciliation of carrying amount: |                 |
|                                    | <b>Software</b> |
| <b>Cost</b>                        |                 |
| Balance at 1 October 2018 .....    | 6.067.952       |
| Additions .....                    | 11.093.688      |
| Balance at 30 September 2019 ..... | 17.161.640      |
| <b>Amortisation</b>                |                 |
| Balance at 1 October 2018 .....    | 0               |
| Amortisation .....                 | 1.213.590       |
| Balance at 30 September 2019 ..... | 1.213.590       |
| <b>Carrying amount</b>             |                 |
| Balance at 30 September 2019 ..... | 15.948.050      |

|   |                  |                                |                        |               |
|---|------------------|--------------------------------|------------------------|---------------|
| <b>12. Property, plant and equipment</b>              |                  |                                |                        |               |
| Reconciliation of carrying amount:                    |                  |                                |                        |               |
|   | <b>Buildings</b> | <b>Machinery and equipment</b> | <b>Other equipment</b> | <b>Total</b>  |
| <b>Cost</b>   |                  |                                |                        |               |
| Balance at 1 October 2017 .....                       | 1.660.345.249    | 625.451.228                    | 23.042.308             | 2.308.838.785 |
| Additions .....                                       | 132.296.428      | 67.499.698                     | 0                      | 199.796.126   |
| Disposals .....                                       | 0                | ( 45.757.113)                  | ( 4.055.000)           | ( 49.812.113) |
| Balance at 30 September 2018 .....                    | 1.792.641.677    | 647.193.813                    | 18.987.308             | 2.458.822.798 |
| Balance at 1 October 2018 .....                       | 1.792.641.677    | 647.193.813                    | 18.987.308             | 2.458.822.798 |
| Additions .....                                       | 250.559.186      | 88.904.317                     | 0                      | 339.463.503   |
| Disposals .....                                       | ( 3.158.672)     | ( 11.412.804)                  | ( 9.060.000)           | ( 23.631.476) |
| Balance at 30 September 2019 .....                    | 2.040.042.191    | 724.685.326                    | 9.927.308              | 2.774.654.825 |
| <b>Accumulated depreciation and impairment losses</b> |                  |                                |                        |               |
| Balance at 1 October 2017 .....                       | 483.680.963      | 333.216.825                    | 15.662.382             | 832.560.170   |
| Depreciation .....                                    | 61.166.788       | 65.752.775                     | 2.222.067              | 129.141.630   |
| Disposals .....                                       | 0                | ( 45.757.113)                  | ( 3.066.000)           | ( 48.823.113) |
| Balance at 30 September 2018 .....                    | 544.847.751      | 353.212.487                    | 14.818.449             | 912.878.687   |
| Balance at 1 October 2018 .....                       | 544.847.751      | 353.212.487                    | 14.818.449             | 912.878.687   |
| Depreciation .....                                    | 68.149.030       | 65.707.490                     | 1.309.915              | 135.166.435   |
| Disposals .....                                       | ( 3.158.672)     | ( 11.412.804)                  | ( 8.018.099)           | ( 22.589.575) |
| Balance at 30 September 2019 .....                    | 609.838.109      | 407.507.173                    | 8.110.265              | 1.025.455.547 |
| <b>Carrying amount</b>                                |                  |                                |                        |               |
| At 1 October 2017 .....                               | 1.176.664.286    | 292.234.403                    | 7.379.926              | 1.476.278.615 |
| At 30 September 2018 .....                            | 1.247.793.926    | 293.981.326                    | 4.168.859              | 1.545.944.111 |
| At 30 September 2019 .....                            | 1.430.204.082    | 317.178.153                    | 1.817.043              | 1.749.199.278 |
| Depreciation ratios .....                             | 4%               | 15 - 20%                       | 20%                    |               |

## Notes, contd.:

### 12. Property, plant and equipment, contd.:

#### Official real estate value and insurance value

Insurance value, official real estate value and carrying amount is specified as follows:

|   | Real estate<br>assessment | Insurance<br>valuation | Carrying<br>amount |
|---|---------------------------|------------------------|--------------------|
| Farm at Vogavík, Vogum .....                | 651.993.000               | 1.515.695.000          | 635.515.205        |
| Farm at Kirkjuvogur, Hafnir .....           | 90.060.000                | 209.300.000            | 382.280.374        |
| Farm at Kalmanstjörn .....                  | 397.550.000               | 885.800.000            | 307.049.820        |
| Farm at Seljavogur, Hafnir .....            | 33.100.000                | 53.350.000             | 19.094.642         |
| Office in Vogavík, (capitalized cost) ..... | 0                         | 0                      | 2.725.736          |
| Drill holes, Kalmanstjörn .....             | 0                         | 0                      | 41.286.790         |
| Drill holes, Vogavík .....                  | 0                         | 0                      | 23.211.308         |
| New freshwater farm in Vogavík .....        | 0                         | 0                      | 2.768.138          |
| Farm at Hafnargötu 4, Hauganesi .....       | 24.850.000                | 81.950.000             | 16.272.070         |
|   | 1.197.553.000             | 2.746.095.000          | 1.430.204.083      |

Carrying amount of property, plant and equipments are pledged as security for parents company liabilities, see further note 23.

### 13. Shares in associates and other companies

|  | 30.9.2019 |                    | 30.9.2018 |                    |
|--|-----------|--------------------|-----------|--------------------|
|  | Share     | Carrying<br>amount | Share     | Carrying<br>amount |
| <b>Shares in associate and other company</b> |           |                    |           |                    |
| Icecod ehf. - subsidiary/associate .....     | 99,3%     | 73.758             | 30,4%     | 496.606            |
| Strandbúnaður ehf. - other company .....     | 6,25%     | 100.000            | 6,25%     | 100.000            |
|  |           | 173.758            |           | 596.606            |

The Company's share in the loss of Icecod ehf. (subsidiary) amounted to ISK 1,3 million (2018: ISK 11,5 million).

#### Shares in subsidiaries

The Company increased its shares in Icecod ehf. up to 99,32% and now hold 70 - 100% shares in four subsidiaries, Stofniskur Chile Ltda., Suðurlax ehf. and Stofngen ehf. and then Icecod ehf. The subsidiaries are not operating and therefore consolidated financial statements are not prepared for Stofniskur hf. Company's share in profit or loss or equity of subsidiaries is ISK 1,3m at 30 September 2019 (30 September 2018: zero).

### 14. Biological assets

Non-current assets are specified as follows:

|                         | 30.9.2019     | 30.9.2018     |
|-------------------------|---------------|---------------|
| Salmon broodstock ..... | 1.521.925.658 | 1.227.409.124 |
|                         | 1.521.925.658 | 1.227.409.124 |

Current assets are specified as follows:

|                               |               |               |
|-------------------------------|---------------|---------------|
| Salmon broodstock .....       | 473.278.173   | 375.534.554   |
| Salmon eggs .....             | 836.666.239   | 607.662.705   |
| Salmon milt .....             | 62.408.999    | 69.830.490    |
| Lumpfish fingerlings .....    | 229.330.822   | 178.051.726   |
|                               | 1.601.684.233 | 1.231.079.474 |
| Biological assets total ..... | 3.123.609.891 | 2.458.488.599 |

#### Salmon egg prices

The Company is exposed to risks arising from changes in the market value of salmon eggs. The Company does not anticipate that prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline in salmon eggs price. The Company reviews its outlook for salmon eggs prices regularly in considering the need for active financial risk management.



## Notes, contd.:

### 14. Biological assets, contd.:

Biological assets are specified as follows:

|   | Salmon<br>broodstock | Salmon<br>eggs   | Salmon<br>milt | Lumpfish<br>eggs and<br>fingerlings | Total            |
|---|----------------------|------------------|----------------|-------------------------------------|------------------|
| At 1 October 2017 ...                                       | 1,322,070.267        | 554,927,118      | 60,000,000     | 189,859,456                         | 2,126,856,841    |
| Sale of the year .....                                      |                      | ( 1,553,557,147) |                | ( 605,712,603)                      | ( 2,159,269,750) |
| Increase due to<br>production and<br>physical changes ..... | 0                    | 1,023,338,287    | 0              | 347,875,070                         | 1,371,213,357    |
| Fair value adjustm. ...                                     | 280,873,411          | 582,954,447      | 9,830,490      | 246,029,803                         | 1,119,688,151    |
| At 30 Sept. 2018 .....                                      | 1,602,943,678        | 607,662,705      | 69,830,490     | 178,051,726                         | 2,458,488,599    |

Biological assets are specified as follows, contd.:

|  | Salmon<br>broodstock | Salmon<br>eggs   | Salmon<br>milt | Lumpfish<br>eggs and<br>fingerlings | Total            |
|--|----------------------|------------------|----------------|-------------------------------------|------------------|
| Biological assets,<br>non-current .....                  | 1,227,409,125        | 0                | 0              | 0                                   | 1,227,409,125    |
| Biological assets,<br>current .....                      | 375,534,554          | 607,662,705      | 69,830,490     | 178,051,725                         | 1,231,079,474    |
|  | 1,602,943,678        | 607,662,705      | 69,830,490     | 178,051,725                         | 2,458,488,599    |
| At 1 Oct. 2018 .....                                     | 1,602,943,679        | 607,662,705      | 69,830,490     | 178,051,725                         | 2,458,488,599    |
| Sale of the year .....                                   |                      | ( 1,698,468,598) |                | ( 685,575,817)                      | ( 2,384,044,415) |
| Increase due to<br>production and<br>physical changes .. | 0                    | 1,262,551,422    | 0              | 406,979,690                         | 1,669,531,112    |
| Fair value adjustm. ..                                   | 392,260,150          | 664,920,710      | ( 7,421,491)   | 329,875,226                         | 1,379,634,595    |
| At 30 Sept 2019 .....                                    | 1,995,203,829        | 836,666,239      | 62,408,999     | 229,330,824                         | 3,123,609,891    |
| Biological assets,<br>non-current .....                  | 1,521,925,658        | 0                | 0              | 0                                   | 1,521,925,658    |
| Biological assets,<br>current .....                      | 473,278,171          | 836,666,239      | 62,408,999     | 229,330,824                         | 1,601,684,233    |
|  | 1,995,203,829        | 836,666,239      | 62,408,999     | 229,330,824                         | 3,123,609,891    |

Assumptions used for determining fair value of broodstock, eggs and fingerlings

IAS41 requires that biological assets are accounted for at the estimated fair value net of selling and harvesting costs. Fair value is measured in accordance with IFRS13 and is categorised into level 3 in the fair value hierarchy as the inputs include unobservable inputs in the valuation of broodstock, eggs and fingerlings for which there are no published market data available.

The calculation of the estimated fair value of salmon broodstock is primarily based upon its main harvest output being salmon eggs, which are priced upon our current seasonally adjusted selling prices for salmon eggs. These prices are reduced for harvesting costs, freight costs, incubation costs and market capacity to arrive at the net value of broodstock. The valuation also reflects the internally generated data to arrive at the biomass. This includes the weight of the broodstock, the yield that each kilogram of fish will produce and mortality rates. The fish take four years to reach maturity, and so the fair value of the age and biomass of the fish is reflected in a discount to the gross biomass to reflect the progress to maturity.

The calculation of the fair value of the salmon eggs is based upon the current seasonally adjusted selling prices for salmon eggs less transport and incubation costs, and taking account of the market capacity. The valuation also takes account of the mortality rates of the eggs and expected life as sourced from internally generated data.

## Notes, contd.:

### 14. Biological assets, contd.:

The calculation of the fair value of the salmon and lumpfish fingerlings is valued on current selling prices less transport costs. Internally generated data is used to incorporate mortality rates and the weight of the fish.

The valuation models by their nature are based upon uncertain assumptions on sales prices, market capacity, weight, mortality rates, yields and assessment of the discounts to reflect the stages of maturity. The Company has a degree of expertise in these assumptions but these assumptions are subject to change. Relatively small changes in assumptions would have a significant impact on the valuation.

| Inventories in following farm stations:     | 30.9.2019       |               | 30.9.2018               |                         |
|---|-----------------|---------------|-------------------------|-------------------------|
|   | Insurance value | Inventory     | Insurance value         | Inventory               |
| Farm at Kollafjörður .....                  | 11.215.659      | 1.937.878     | 13.571.104              | 3.940.629               |
| Broodstock farm Kalmanstjörn .....          | 627.338.558     | 925.758.956   | 648.546.955             | 808.020.145             |
| Lumpfish farm at Krikkjuvogur, Hafnir ..... | 234.481.876     | 229.330.822   | 234.389.436             | 178.051.724             |
| Broodstock farm at Vogavík, Vogar .....     | 722.822.393     | 1.067.506.995 | 701.607.979             | 790.982.904             |
| Incubation Center at Vogavík, Vogar .....   | 815.910.588     | 836.666.240   | 820.177.048             | 607.662.705             |
| Other biological assets .....               | 0               | 62.409.000    | 0                       | 69.830.492              |
|   | 2.411.769.074   | 3.123.609.891 | 2.418.292.523           | 2.458.488.599           |
| Total quantities held at 30 September were: |                 |               |                         |                         |
| Salmon broodstock and fingerlings .....     |                 |               | 30.9.2019<br>584 tonnes | 30.9.2018<br>584 tonnes |
| Lumpfish fingerlings .....                  |                 |               | 3.2m units              | 2.8m units              |
| Salmon eggs .....                           |                 |               | 45.9m units             | 55.8m units             |

### 15. Trade, other receivables and prepaid expenses

Trade and other receivables are specified as follows:

|  | 30.9.2019      | 30.9.2018     |
|--|----------------|---------------|
| Trade receivables .....                          | 435.913.818    | 289.649.921   |
| Trade receivables due from related parties ..... | 281.490.071    | 382.346.888   |
| Allowance for bad debt .....                     | ( 129.469.304) | ( 17.885.750) |
| Total trade receivables .....                    | 587.934.585    | 654.111.059   |

Change in allowance for bad debt is as follows:

|  |                |               |
|--|----------------|---------------|
| At beginning of the year .....         | ( 17.885.750)  | ( 8.052.069)  |
| Changes in provision in the year ..... | ( 111.583.554) | ( 9.833.681)  |
| At year end .....                      | ( 129.469.304) | ( 17.885.750) |

Other current receivables and prepaid expenses are specified as follows:

|                                       |            |            |
|---------------------------------------|------------|------------|
| VAT refundable .....                  | 10.707.779 | 10.127.489 |
| Prepaid expenses .....                | 821.954    | 3.434.674  |
| Capital income tax .....              | 3.669.668  | 1.874.786  |
| Total other current receivables ..... | 16.166.686 | 15.436.949 |

### 16. Cash and cash equivalents

Cash and cash equivalents consist of bank deposits.

|   |             |            |
|---|-------------|------------|
| Bank deposits in ISK .....                        | 8.633.679   | 8.626.595  |
| Bank deposits in foreign currency .....           | 210.524.840 | 38.256.397 |
| Total cash and cash equivalents receivables ..... | 219.158.519 | 46.882.992 |

### 17. Equity

#### Share capital

Total share capital of Stofniskur hf. according to its Articles of Association was 143,105,110 at 30 September 2019 and the same time the Company owned 50,000 treasury shares. One vote is attached to each ISK one share in the Company, in addition to the right of receiving dividend.

## Notes, contd.:

### 17. Equity, contd.:

#### Statutory reserve

Statutory reserve may be used to settle losses, which can not be settled by using other reserves. When the statutory reserve amounts to one fourth of share capital the amount which is in excess may be used to increase share capital or for other needs.

#### Dividend

No dividend was paid to shareholders in the year 2019 (2018: ISK 0). The Board of Directors proposes no dividend to be paid to shareholders in 2020.

#### Share options reserve

Share-based payment recognised the value of equity-settled share-based payment transactions provided by the Company's Parent Company to employees, including management personnel, as part of their remuneration.

#### Retained earnings

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

### 18. Loan payable to parent company

In December 2014 the company received a short term loan from its ultimate parent, Benchmark Holdings plc, for the amount of EUR 11,750,000 and bears interest at a rate of EURIBOR plus 2.00 per cent. In November 2016 the company received a short term loan from the ultimate parent company for the amount of GBP 800,000 with interest at a rate of LIBOR plus 2 per cent.

|   | 30.9.2019   | 30.9.2018     |
|---|-------------|---------------|
|   | ISK         | ISK           |
| EUR .....                                   | 691,685,044 | 975,810,199   |
| GBP .....                                   | 17,143,775  | 94,138,291    |
| Loan payable to Benchmark Holding plc. .... | 708,828,819 | 1,069,948,490 |

### 19. Deferred tax liability

Deferred tax liabilities is specified as follows:

|   | 1.10.-2018     | 1.10.-2017     |
|---|----------------|----------------|
|   | 30.9.2019      | 30.9.2018      |
| Income tax liability at beginning of period ..... | 307,911,921    | 268,025,780    |
| Income tax expense .....                          | 284,630,008    | 180,779,392    |
| Income tax payable .....                          | ( 170,869,122) | ( 140,893,251) |
| Deferred income tax liability 30.9. ....          | 421,672,807    | 307,911,921    |

Deferred tax liabilities are attributable to the following:

|                                      |               |             |
|--------------------------------------|---------------|-------------|
| Property, plant and equipment .....  | 125,313,016   | 111,776,445 |
| Biological assets .....              | 309,894,764   | 178,623,929 |
| Other items .....                    | ( 13,534,973) | 17,511,547  |
| Deferred tax liability at 30.9. .... | 421,672,807   | 307,911,921 |

### 20. Trade and other current payables

Trade payables are specified as follows:

|   | 30.9.2019   | 30.9.2018   |
|---|-------------|-------------|
| Trade payables .....                    | 192,219,273 | 196,019,473 |
| Trade payables to related parties ..... | 53,622,287  | 28,403,797  |
|   | 245,841,560 | 224,423,270 |

Other payables are specified as follows:

|   |             |             |
|---|-------------|-------------|
| Unpaid salaries and salary related expenses ..... | 84,772,601  | 136,995,213 |
| Unpaid taxes for prior year .....                 | 120,599,134 | 51,297,391  |
| Other items .....                                 | 0           | 68,694      |
|   | 205,371,735 | 188,361,298 |

## Notes, contd.:

### 21. Related parties

#### Identity of related parties

The Company's related party relationship with its shareholders, subsidiaries of its shareholder, its associates, board members, CEO and management, close family members and other parties with significant influences. Terms and conditions of transactions with related parties were equivalent with transactions with unrelated parties.

The following gives an overview of the transactions with related parties during the last fiscal years as well as a statement of receivables and payables.

| Related party transactions:                 | 1.10.-2018<br>30.9.2019 |             | 1.10.-2017<br>30.9.2018 |             |
|---|-------------------------|-------------|-------------------------|-------------|
|   | Expenses                | Income      | Expenses                | Income      |
| Benchmark Hold. plc.(ultimate parent) ..... | 119.876.510             |             | 98.252.690              |             |
| Benchmark Genetics, (parent) .....          |                         | 5.109.190   |                         |             |
| SalmoBreed AS .....                         | 121.662.569             | 562.818.669 | 159.927.756             | 587.938.352 |
| FAI Aquaculture Ltd. ....                   |                         | 9.124.800   |                         | 36.406.800  |
| Dust Collective Ltd. ....                   | 4.108.254               |             | 3.171.966               |             |
| Akvaforsk .....                             | 14.021.000              |             | 7.951.022               |             |
| Fish Vet Group Norge .....                  | 1.435.197               |             | 268.170                 |             |
| Fish Vet Group Chile .....                  |                         |             | 3.183.249               |             |
| Stofnfiskur Chile Ltda. ....                |                         |             | 18.942.787              |             |
| INVE .....                                  |                         |             | 3.125.428               |             |
| V.P. Vélaverkstæði ehf. ....                | 158.802.110             |             | 160.995.501             |             |
|   | 419.905.640             | 577.052.659 | 455.818.569             | 624.345.152 |

| Related party balances:                     | 30.9.2019   |             | 30.9.2018   |               |
|---|-------------|-------------|-------------|---------------|
|   | Assets      | Liabilities | Assets      | Liabilities   |
| Benchmark Hold. plc.(ultimate parent) ..... |             | 730.480.470 |             | 1.075.320.578 |
| Benchmark Genetics, (parent) .....          | 243.646.661 |             | 221.600.006 |               |
| SalmoBreed AS .....                         | 37.036.873  |             | 155.386.537 |               |
| SalmoBreed Salten .....                     | 204.602     |             | 4.090.681   |               |
| Dust Collective Ltd. ....                   |             | 729.818     |             |               |
| Fish Vet Group UK .....                     |             |             | 365.972     |               |
| Fish Vet Group Chile .....                  | 601.935     |             | 538.488     |               |
| Benchmark Animal Health .....               |             |             | 365.204     |               |
| INVE .....                                  |             |             |             | 769.055       |
| V.P. Vélaverkstæði ehf. ....                |             | 31.240.818  |             | 22.262.654    |
|   | 281.490.071 | 762.451.106 | 382.346.888 | 1.098.352.287 |

Transactions related to Benchmark Holdings plc (ultimate parent) include interest expenses on loan to Stofnfiskur hf. Total interest expenses payable to ultimate parent company expensed in profit and loss amounted to ISK 22 million (2018: ISK 22,3 million).

Transactions related to Benchmark Genetics Ltd. (parent) include interest income on loan from Stofnfiskur hf amounting to ISK 5,1 million.

V.P. Vélaverkstæði ehf. is a construction and maintenance company owned by a board member and a manager of Stofnfiskur hf.

## Notes, contd.:

### 22. Financial instruments

#### Measurement of fair values

The following table shows the valuation techniques used in determination of fair values within Level 3 including the key inputs used.

| Type                    | Valuation technique   |
|-------------------------|---|
| Biological assets ..... | The fair value of biological assets are derived using the last known sales price for biological produce of the company, taking into account biological transformation of the assets until harvesting date and cost to sell. The fair value of the biomass is calculated on the basis of market price for the relevant weight class on the balance sheet date, corrected for sales costs, including harvesting costs and wastage. The market price is adjusted for quality variations. The sales prices used are based on external forward prices and/or the most relevant price information available for the period in which the fish will be harvested. |

#### Financial instruments categories

Financial assets and financial liabilities divides in following categories:

| Financial assets                  | 30.9.2019     | 30.9.2018     |
|-----------------------------------|---------------|---------------|
| Cash and cash equivalents .....   | 219,158,519   | 46,882,992    |
| Accounts receivables .....        | 344,287,924   | 654,111,059   |
| Other receivables .....           | 16,166,686    | 12,002,275    |
| <b>Financial liabilities</b>      |               |               |
| Other financial liabilities ..... | 1,330,911,236 | 1,623,626,309 |

#### Financial risk management

The risk management policies are established to identify and analyse the risks by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### Market risk

##### Biosecurity risk

Biosecurity risk is the risk of operations in the biotech and animal biology sector face the risk of contamination or disease.

##### Ova price risk

Salmon ova price risk is the risk that changes in the price of salmon ovals has negative effect on the income of the Company.

#### Sensitivity analysis

An increase in ova price by 5% would increase profit and equity by ISK 67 million (2018: ISK 56 million). The sensitivity analysis has been determined based on the exposure to ova price change at the balance sheet date. The analysis is prepared for biological assets valued at fair value. The sensitivity analysis does account for tax effects. An decrease in ova price would have an opposite impact on profit and loss and equity.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The parent company will provide the Company with necessary financial support for it to be able to meet its financial obligations. The Company is a part of its parents Company cash pooling and is monitoring the level of cash flow through that. The Company also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

## Notes, contd.:

### 22. Financial Instruments, contd.:

#### Liquidity risk, contd.:

##### Exposure to liquidity risk

Following are the contractual maturities of financial liabilities at the reporting date, including estimated interest payments:

| 30 September 2019                    | Carrying amount | Contractual cash flows | Within 12 months |
|--------------------------------------|-----------------|------------------------|------------------|
| Loan payable to parent company ..... | 708,828,819     | 708,828,819            | 708,828,819      |
| Other payables .....                 | 622,082,417     | 622,082,417            | 622,082,417      |
|                                      | 1,330,911,236   | 1,330,911,236          | 1,330,911,236    |

| 30 September 2018                    | Carrying amount | Contractual cash flows | Within 12 months |
|--------------------------------------|-----------------|------------------------|------------------|
| Loan payable to parent company ..... | 1,069,948,490   | 1,069,948,490          | 1,069,948,490    |
| Other payables .....                 | 553,677,819     | 553,677,819            | 553,677,819      |
|                                      | 1,623,626,309   | 1,623,626,309          | 1,623,626,309    |

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. Possible losses due to unpaid receivables are insubstantial and have limited effect on the Company's return.

#### Exposure to credit risk

The carrying amounts of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

|                                 | 30.9.2019   | 30.9.2018   |
|---------------------------------|-------------|-------------|
| Cash and cash equivalents ..... | 219,158,519 | 46,882,992  |
| Accounts receivables .....      | 344,287,924 | 654,111,059 |
| Other receivables .....         | 16,166,686  | 12,002,275  |

#### Interest rate risk

The Company borrows funds from its parent company at floating interest rates. In general the Company's financial assets do not bear interests with the exception of bank accounts. The company has not used any derivatives for hedging purposes.

#### Sensitivity analysis

In the table below the effects of 50 and 100 basis point interest rate increase on P/L and equity are demonstrated. The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared for the interest bearing assets and liabilities with variable interest rate and assumes that all other variables, except basis points, are held constant. A positive number below indicates an increase in profit and equity. An increase in basis points would have an opposite impact on profit and equity.

|                                | 30.9.2019    |              | 30.9.2018    |              |
|--------------------------------|--------------|--------------|--------------|--------------|
|                                | 50 bp        | 100 bp       | 50 bp        | 50 bp        |
| Effect on P/L and equity ..... | ( 3,756,491) | ( 7,512,981) | ( 4,553,150) | ( 9,106,300) |

## Notes, contd.:

### 22. Financial instruments, contd.:

#### Currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period as follows:

|           | Average rate |           | Year-end spot rate |           |
|-----------|--------------|-----------|--------------------|-----------|
|           | 30.9.2019    | 30.9.2018 | 30.9.2019          | 30.9.2018 |
| EUR ..... | 137,45       | 124,24    | 135,10             | 128,70    |
| GBP ..... | 155,52       | 140,38    | 152,22             | 144,97    |
| DKK ..... | 18,42        | 16,68     | 18,09              | 17,26     |
| NOK ..... | 14,12        | 12,95     | 13,62              | 13,58     |
| SEK ..... | 13,09        | 12,28     | 12,64              | 12,49     |
| USD ..... | 121,86       | 104,48    | 123,69             | 111,06    |
| CHF ..... | 122,47       | 107,05    | 124,26             | 113,82    |
| CAD ..... | 91,84        | 81,43     | 93,39              | 85,34     |

|           | Assets      |             | Liabilities |               |
|-----------|-------------|-------------|-------------|---------------|
|           | 30.9.2019   | 30.9.2018   | 30.9.2019   | 30.9.2018     |
| EUR ..... | 30.469.836  | 23.638.515  | 721.521.542 | 995.534.477   |
| GBP ..... | 326.946.414 | 6.550.342   | 41.859.494  | 120.114.241   |
| DKK ..... | 145.206.922 | 98.821.288  | 4.008.168   | 2.271.065     |
| NOK ..... | 81.830.815  | 174.925.294 | 39.199.142  | 41.742.809    |
| USD ..... | 217.545.386 | 368.740.857 | 185.782     | 0             |
| NZD ..... | 0           | 0           | 0           | 29.693.588    |
|           | 801.999.373 | 672.676.296 | 806.774.128 | 1.189.356.180 |

#### Sensitivity analysis

The table below shows what effects a 5% and 10% increase of the ISK rate against the relevant currency would have on P/L and equity. The foreign currency assets and liabilities in the sensitivity analysis are mainly foreign currency borrowings and foreign currency bank balances. The analysis is prepared assuming the amount outstanding at the balance sheet date was outstanding for the whole year. The analysis assumes that all other variables, excluding relevant foreign currency rate, are held constant. The sensitivity analysis does take into account tax effects. A positive number below indicates an increase in profit and equity. A decrease of the ISK rate against other currencies would have an opposite impact on P/L and equity.

|           | 30.9.2019    |              | 30.9.2018  |              |
|-----------|--------------|--------------|------------|--------------|
|           | 5%           | 10%          | 5%         | 10%          |
| EUR ..... | 2.764.207    | 5.528.414    | 4.194.977  | 13.603.640   |
| GBP ..... | ( 1.140.348) | ( 2.280.695) | 160.302    | 366.943      |
| DKK ..... | ( 564.795)   | ( 1.129.590) | ( 269.912) | ( 2.237.033) |
| NOK ..... | ( 170.527)   | ( 341.053)   | ( 219.666) | ( 1.741.679) |
| USD ..... | ( 869.438)   | ( 1.738.877) | ( 116.023) | ( 2.320.278) |
| NZD ..... | 0            | 0            | 0          | 0            |
|           | 19.099       | 38.198       | 3.749.677  | 7.671.592    |

## Notes, contd.:

### 23. Contingent liabilities

Along with a number of other companies in the Benchmark Group, the company is a guarantor of a four year senior secured floating rate listed bond issue in the maximum amount of NOK 1,250 million (the Bond Issue). The Bond Issue refinanced Benchmark's previous USD 90m credit facility. The bonds are denominated in Norwegian Kroner and the initial nominal amount of each bond is NOK 1 million. The bonds mature in June 2023. At 30 September 2019, bonds with a nominal value of NOK 850 million had been issued.

A USD 15 million 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 Issue and the RCF:

*The company guarantees the punctual performance of other obligors to the Bond Issue 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 fixed and floating charge over its assets.*

### 24. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except if mentioned otherwise, see note 5.

#### a. Foreign currencies

Transactions in foreign currencies are translated into ISK at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into ISK at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

#### b. Revenue

This is the first set of the Company's financial statements in which IFRS 15 Revenue from Contracts with Customers. IFRS 15 using the cumulative effect method did not have a material impact on the Company's revenue recognition or profit, consequently no adjustments were made.

##### (i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of ovals, fingerlings and fish, the transfer usually occurs on receipt by the customer; however, the customer has the right to claim discount due to mortality. Within the Company, revenue from the sale of eggs is recognised upon despatch, which is when the control of the goods has transferred to the customer or distributor.

##### (ii) Rendering of services

Services including sustainable food production consultancy, technical consultancy

Within each contract, judgement is applied to determine the extent to which activities within the contract represent distinct performance obligations to be delivered. Judgement is applied to determine first whether control passes over time and if not, then the point in time at which control passes. Where control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. Where control passes at a point in time then revenue is recognised at that point.



## Notes, contd.:

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### 24. Significant accounting policies, contd.:

#### c. Defined contribution plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

#### d. Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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 the income statement over the remaining vesting period.

#### e. Finance income and finance costs

The Company's finance income and finance costs include interest income, interest expense and foreign currency gain or loss on financial assets and financial liabilities. Interest income or expense is recognised using the effective interest method.

#### f. Income tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss.

##### (i) Current tax

Current tax comprises the expected tax payable on the taxable income or loss for the year and any adjustment to the tax payable in respect of previous years. The amount of current tax payables the best estimate of the tax amount expected to be paid that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax assets and liabilities are offset only if certain criteria are met.

##### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against the asset. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is considered that they will not be utilised. The Company's income tax ratio is 20%.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

#### g. Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised over their useful economic lives as outlined below, on a straight-line basis from the time they are available for use. The useful economic lives of software are 5 years.

## Notes, contd.:

### 24. Significant accounting policies, contd.:

#### h. Property, plant and equipment

Items of property, plant and equipment are initially measured at cost less accumulated depreciation and any accumulated impairment losses. As well as the purchase price, cost includes directly attributable costs.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

|                               | Useful life   |
|-------------------------------|---------------|
| Buildings .....               | 10 - 25 years |
| Machinery and equipment ..... | 5 - 7 years   |
| Other equipment .....         | 5 - 7 years   |

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

#### i. Impairment

The carrying amount of other assets of the Company is reviewed at each reporting date to determine whether there are indications of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset is the higher of their sales value or value in use. The value in use can be assessed on the basis of estimated cash flow, discounted on the basis of interests reflecting market interests and the risk inherent with the asset.

An impairment loss of an asset is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent corresponding to previous impairment losses, net of depreciation or amortisation.

#### j. Associates

An associate is an entity over which the company has significant influence but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company's share of the profit or loss and OCI of associates, until the date on which significant influence or joint control ceases.

## Notes, contd.:

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### 24. Significant accounting policies, contd.:

#### k. Biological assets

Biological assets comprise fish and fish eggs. Biological assets are measured at fair value less costs to sell. The fair value is based market value which is last known sales price or quoted price for the biological products, taking into account growth rate, quality and biological transformation of the assets until harvesting date on and adjusted for age, breed, and genetic merit in the principal (or most advantageous) market for the biological assets, and therefore is categorised within level 2 of the fair value hierarchy set out in IFRS 13.

Fish and fish eggs are, in accordance with IAS 41 'Agriculture', measured at fair value, unless the fair value cannot be measured reliably. The principal components of fish and fish eggs within the business are:

- Salmon broodstock
- Salmon eggs
- Salmon fingerlings
- Lumpfish eggs and fingerlings

Changes in the fair value of the biomass are recognised in profit and loss on the line for fair value adjustments.

#### l. Share capital

##### (i) Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

##### (ii) Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

#### m. Financial instruments

##### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Non-derivative financial instruments are recognised at fair value at initial recognition. Financial instruments are entered in the financial statements when the Company becomes a part of contractual provisions of the relevant financial instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Conventional purchase and sale of financial assets are recognised at the transaction date, i.e. the date the Company enters into obligation to purchase or sell the asset. Financial obligations are derecognised when the obligations defined in a contract expire, are disallowed or revoked.

Trade and other receivables are measured at cost less impairment losses. Impairment loss on trade receivables is recognised in the year and expensed in the income statement. Current maturities on bonds are recognised among trade receivables under current assets in the balance sheet.

## Notes, contd.:

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**m. Financial instruments, contd.:**

**(ii) Non-derivative financial instruments, contd.:**

Cash and cash equivalents consist of on demand bank deposits.

Interest bearing loans are initially measured at fair value less all direct transaction costs. After initial recognition, interest income and expense are recognised using the effective interest method. Loans denominated in other currencies than ISK are translated at the exchange rate ruling at the end of the reporting period. Current maturities on interest bearing liabilities are recognised among short term liabilities in the balance sheet.

Accounting for finance income and expense is discussed in note 23(e).

**25. Standards issued but not effective**

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below.

**IFRS 16 Leases**

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. IFRS 16 will supersede the current lease guidance including IAS 17: "Leases" and related interpretations. It will require all leases to be recognised on the Balance Sheet. Currently, IAS 17 only requires arrangements categorised as finance leases to be recognised on the Balance Sheet, with other arrangements categorised as operating leases not recognised on the Balance Sheet but expensed through the Income Statement instead. The impact of IFRS 16 on the Company will be 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 will now change because the Company will recognise a depreciation charge for right of use assets and interest expense on lease liabilities. IFRS 16 will be adopted for the year ending 30 September 2020 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 October 2019, with no restatement of comparative information. The right-of use asset recognised on transition will be measured at an amount materially equal to the lease liability, which will be measured at the present value of the future lease payments discounted using the discount rate implicit in.

The following standards which are effective for periods beginning on or after 1 January 2018 have been adopted without any significant impact on the amounts reported in these financial statements:

••Annual Improvements to IFRSs 2014–2016 Cycle

(Amendments to IFRS 1 and IAS 28)

--Classification and Measurement of Share-based Payment

Transactions (Amendments to IFRS 2)





## Statement of profit and loss and other comprehensive income for the year ended 30 September 2020

|  | Notes | 1.10.2019-<br>30/09/2020 | 1.10.2018-<br>30/09/2019 |
|--|-------|--------------------------|--------------------------|
| Operating revenue .....                            |       | 3,884,996,987            | 3,391,394,775            |
| Cost of sales .....                                |       | ( 1,946,349,418 )        | ( 1,943,920,849 )        |
| Fair value change of biological assets .....       |       | 97,571,715               | 665,121,292              |
| <b>Gross profit</b> .....                          |       | 2,036,219,284            | 2,112,595,218            |
| Overhead cost .....                                |       | ( 195,211,049 )          | ( 318,751,798 )          |
| <b>Trading EBITDA</b> .....                        |       | 1,841,008,235            | 1,793,843,420            |
| Research & development .....                       |       | ( 346,644,461 )          | ( 196,248,834 )          |
| Depreciation and amortisation .....                |       | ( 176,429,227 )          | ( 136,380,026 )          |
| Exceptional and acquisition costs .....            |       | 0                        | 0                        |
| <b>EBIT</b> .....                                  |       | 1,317,934,547            | 1,461,214,560            |
| Interest income .....                              |       | 13,528,106               | 9,385,317                |
| Finance costs .....                                |       | ( 13,095,713 )           | ( 21,912,065 )           |
| Exchange rate difference .....                     |       | 45,676,825               | ( 6,449,869 )            |
| <b>Net financial cost</b> .....                    |       | 46,109,218               | ( 18,976,617 )           |
| Share of loss of subsidiaries/associates .....     |       | 453,971                  | ( 1,344,196 )            |
| <b>Profit before tax</b> .....                     |       | 1,364,497,736            | 1,440,893,747            |
| Income tax expense .....                           |       | ( 269,147,329 )          | ( 284,630,008 )          |
| <b>Profit and total comprehensive income</b> ..... |       | 1,095,350,407            | 1,156,263,739            |

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# Statement of financial position as at 30 September 2020

|  | Notes | 30/09/2020                  | 30/09/2019                  |
|--|-------|-----------------------------|-----------------------------|
| <b>Assets</b>                                |       |                             |                             |
| Intangible assets .....                      |       | 31,411,973                  | 15,948,050                  |
| Property, plant and equipment .....          | 3     | 1,953,111,047               | 1,749,199,278               |
| Right of use assets .....                    |       | 37,341,715                  | 0                           |
| Shares in associates .....                   |       | 627,729                     | 173,758                     |
| Biological assets .....                      |       | 0                           | 1,521,925,658               |
| Non-current assets                           |       | <u>2,022,492,464</u>        | <u>3,287,246,744</u>        |
|  |       |                             |                             |
| Biological assets .....                      |       | 3,221,181,606               | 1,601,684,233               |
| Inventories .....                            |       | 42,703,608                  | 31,142,045                  |
| Trade receivables .....                      |       | 763,859,177                 | 587,934,585                 |
| Other receivables and prepaid expenses ..... |       | 19,164,505                  | 16,166,686                  |
| Cash and cash equivalents .....              |       | 292,161,979                 | 219,158,519                 |
| Current assets                               |       | <u>4,339,070,875</u>        | <u>2,456,086,068</u>        |
| <b>Total assets</b>                          |       | <u><u>6,361,563,339</u></u> | <u><u>5,743,332,812</u></u> |
|  |       |                             |                             |
| <b>Equity</b>                                |       |                             |                             |
| Share capital .....                          |       | 143,055,110                 | 143,055,110                 |
| Statutory reserve .....                      |       | 35,776,278                  | 35,776,278                  |
| Share option reserve .....                   |       | 29,061,169                  | 17,056,010                  |
| Retained earnings .....                      |       | 4,890,211,778               | 3,794,861,371               |
| Total equity                                 |       | <u>5,098,104,335</u>        | <u>3,990,748,769</u>        |
|  |       |                             |                             |
| <b>Liabilities</b>                           |       |                             |                             |
| Deferred tax liabilities .....               |       | 439,997,785                 | 421,672,807                 |
| Non-current liabilities                      |       | <u>439,997,785</u>          | <u>421,672,807</u>          |
|  |       |                             |                             |
| Loan payable to parent company .....         | 4     | 42,401,647                  | 708,828,819                 |
| Lease liabilities .....                      |       | 38,422,807                  |                             |
| Trade payables .....                         |       | 296,351,177                 | 245,841,560                 |
| Current tax liabilities .....                |       | 250,822,351                 | 170,869,122                 |
| Other current liabilities .....              |       | 195,463,237                 | 205,371,735                 |
| Current liabilities                          |       | <u>823,461,219</u>          | <u>1,330,911,236</u>        |
| <b>Total liabilities</b>                     |       | <u>1,263,459,004</u>        | <u>1,752,584,043</u>        |
| <b>Total equity and liabilities</b>          |       | <u><u>6,361,563,339</u></u> | <u><u>5,743,332,812</u></u> |



## Statement of changes in equity for the year ended 30 September 2020

|                                   | Share<br>capital | Statutory<br>reserve | Share options<br>reserve | Retained<br>earnings | Total         |
|-----------------------------------|------------------|----------------------|--------------------------|----------------------|---------------|
| Equity at 1 October 2018 .....    | 143,055,110      | 35,776,278           | 9,352,971                | 2,638,597,621        | 2,826,781,980 |
| Profit for the year .....         |                  |                      |                          | 1,156,263,739        | 1,156,263,739 |
| Share options .....               |                  |                      | 7,703,050                |                      | 7,703,050     |
| Equity at 30 September 2019 ..... | 143,055,110      | 35,776,278           | 17,056,021               | 3,794,861,360        | 3,990,748,769 |
| Equity at 1 October 2019 .....    | 143,055,110      | 35,776,278           | 17,056,021               | 3,794,861,360        | 3,990,748,769 |
| Profit for the year .....         |                  |                      |                          | 1,095,350,407        | 1,095,350,407 |
| Share options .....               |                  |                      | 12,005,159               |                      | 12,005,159    |
| Equity at 30 September 2020 ..... | 143,055,110      | 35,776,278           | 29,061,180               | 4,890,211,767        | 5,098,104,335 |



# Statement of cash flows for the year ended 30 September 2020

|   | Notes           | 1.10.2019-<br>30/09/2020 | 1.10.2018-<br>30/09/2019 |
|---|-----------------|--------------------------|--------------------------|
| <b>Operating activities:</b>                                      |                 |                          |                          |
| Profit .....  |                 | 1,095,350,407            | 1,156,263,739            |
| Adjustments for:  |                 |                          |                          |
| Depreciation and amortisation .....                               |                 | 176,429,227              | 136,380,026              |
| Changes in fair value of biological assets .....                  | ( 97,571,715 )  | ( 665,121,292 )          |                          |
| Gain on sales of non-current assets .....                         | ( 2,059,944 )   | ( 3,208,100 )            |                          |
| Share-based payment expense .....                                 |                 | 12,005,159               | 7,703,050                |
| Income tax expense .....  |                 | 269,147,329              | 284,630,008              |
| Share of loss of associates .....                                 | ( 453,971 )     | 1,344,196                |                          |
| Net finance income .....  | ( 46,109,218 )  | 18,976,617               |                          |
| Working capital generated from operations                         |                 | 1,406,737,274            | 936,968,244              |
| Changes in operating assets and liabilities:                      |                 |                          |                          |
| Inventories, (increase) .....                                     | ( 11,561,563 )  | ( 350,102 )              |                          |
| Trade and other receivables, decrease (increase) .....            | ( 172,045,196 ) | 70,556,020               |                          |
| Short term liabilities, (decrease) .....                          |                 | 185,889,857              | ( 9,009,259 )            |
| Cash flow generated from operating activities                     |                 | 1,409,020,372            | 998,164,902              |
| Interest received .....   |                 | 6,650,891                | 4,276,034                |
| Interest paid .....   | ( 13,095,713 )  | ( 21,912,065 )           |                          |
| Taxes paid .....  | ( 203,185,873 ) | ( 71,591,508 )           |                          |
| Net cash generated from operating activities                      |                 | 1,199,389,677            | 908,937,363              |
| <b>Cash flows from investing activities</b>                       |                 |                          |                          |
| Acquisition of property, plant and equipment .....                | ( 429,990,443 ) | ( 339,463,503 )          |                          |
| Acquisition of intangible assets .....                            | ( 18,896,247 )  | ( 11,093,688 )           |                          |
| Proceeds from sales of PPE .....                                  |                 | 17,800,000               | 4,250,000                |
| Acquisition of shares in associates .....                         |                 | 0                        | ( 921,348 )              |
| Net cash generated from investing activities                      |                 | ( 431,086,690 )          | ( 347,228,539 )          |
| <b>Cash flows from financing activities</b>                       |                 |                          |                          |
| New borrowings .....  |                 | 56,148,448               | 0                        |
| Repayment of borrowings .....                                     | ( 751,447,975 ) | ( 389,433,297 )          |                          |
| Net cash generated from (used in) financing activities            |                 | ( 695,299,527 )          | ( 389,433,297 )          |
| <b>Net increase (decrease) in cash and cash equivalents .....</b> |                 | <b>73,003,460</b>        | <b>172,275,527</b>       |
| Cash and cash equivalents at the beginning of the year .....      |                 | 219,158,519              | 46,882,992               |
| <b>Cash and cash equivalents at year end .....</b>                |                 | <b>292,161,979</b>       | <b>219,158,519</b>       |

# Notes

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## 1. Basis of preparation

Stofnfiskur hf. "the Company", is a limited liability company and is domiciled in Iceland. The Company's registered office is at Staðarberg 2-4, Hafnarfjörður, Iceland.

The Company is a subsidiary of Benchmark Genetics Limited, and an indirect subsidiary of Benchmark Holdings plc. (ultimate parent company), with registered office at Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN, UK. The Financial Statements of Stofnfiskur hf. are also part of the Consolidated Financial Statements of the ultimate Parent Company and all operations and financial information on the Group can be found there.

The Company is primarily involved in production of salmon ova, lumpfish fingerling production, selective breeding of Atlantic salmon, research and development and domestic and international consultancy.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the company's financial statements as at and for the year ended 30 September 2019. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements. Statutory accounts for the year ended 30 September 2019 were approved by the Directors on 22 January 2020. The audit report received on those accounts was unqualified.

## 2. Accounting policies

The accounting policies adopted are consistent with those used in preparing the company's audited financial statements for the financial year ended 30 September 2019.

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total earnings.

### Use of estimates and judgements

The preparation of interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amounts may differ from these estimates.

In preparing these interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended 30 September 2019.

## Notes, contd.:

### 3. Property, plant and equipment

Reconciliation of carrying amount:

|   | Buildings     | Machinery and equipment | Other equipment | Total         |
|---|---------------|-------------------------|-----------------|---------------|
| <b>Cost</b>   |               |                         |                 |               |
| Balance at 1 October 2018 .....                       | 1,792,641,677 | 647,193,813             | 18,987,308      | 2,458,822,798 |
| Additions .....                                       | 250,559,186   | 88,904,317              | 0               | 339,463,503   |
| Disposals .....                                       | ( 3,158,672)  | ( 11,412,804)           | ( 9,060,000)    | ( 23,631,476) |
| Balance at 30 September 2019 .....                    | 2,040,042,191 | 724,685,326             | 9,927,308       | 2,774,654,825 |
| Balance at 1 October 2019 .....                       | 2,040,042,191 | 724,685,326             | 9,927,308       | 2,774,654,825 |
| Additions .....                                       | 213,273,417   | 160,568,578             | 0               | 373,841,995   |
| Disposals .....                                       | ( 45,345,281) | 0                       | 0               | ( 45,345,281) |
| Balance at 30 September 2020 .....                    | 2,207,970,327 | 885,253,904             | 9,927,308       | 3,103,151,539 |
| <b>Accumulated depreciation and impairment losses</b> |               |                         |                 |               |
| Balance at 1 October 2018 .....                       | 544,847,751   | 353,212,487             | 14,818,449      | 912,878,687   |
| Depreciation .....                                    | 68,149,030    | 65,707,490              | 1,309,915       | 135,166,435   |
| Disposals .....                                       | ( 3,158,672)  | ( 11,412,804)           | ( 8,018,099)    | ( 22,589,575) |
| Balance at 30 September 2019 .....                    | 609,838,109   | 407,507,173             | 8,110,265       | 1,025,455,547 |
| Balance at 1 October 2018 .....                       | 609,838,109   | 407,507,173             | 8,110,265       | 1,025,455,547 |
| Depreciation .....                                    | 72,649,090    | 81,103,764              | 437,315         | 154,190,169   |
| Disposals .....                                       | ( 29,605,225) | 0                       | 0               | ( 29,605,225) |
| Balance at 30 September 2019 .....                    | 652,881,974   | 488,610,937             | 8,547,580       | 1,150,040,491 |
| <b>Carrying amount</b>                                |               |                         |                 |               |
| At 1 October 2018 .....                               | 1,247,793,926 | 293,981,326             | 4,168,859       | 1,545,944,111 |
| At 30 September 2019 .....                            | 1,430,204,082 | 317,178,153             | 1,817,043       | 1,749,199,278 |
| At 30 September 2020 .....                            | 1,555,088,353 | 396,642,967             | 1,379,728       | 1,953,111,047 |
| Depreciation ratios .....                             | 4%            | 15 - 20%                | 20%             |               |

### 4. Loan payable to parent company

In December 2014 the company received a short term loan from its ultimate parent, Benchmark Holdings plc, for the amount of EUR 11.750.000 and bears interest at a rate of EURIBOR plus 2.00 per cent. In November 2016 the company received a short term loan from the ultimate parent company for the amount of GBP 800.000 with interest at a rate of LIBOR plus 2 per cent.

|   | 30/09/2020 | 30/09/2019  |
|---|------------|-------------|
|   | ISK        | ISK         |
| EUR .....                                   | 42,401,647 | 691,685,044 |
| GBP .....                                   | 0          | 17,143,775  |
| Loan payable to Benchmark Holding plc. .... | 42,401,647 | 708,828,819 |