Benchmark®

Benchmark Holdings plc
Annual Report 2017

TECHNOLOGY DRIVEN GROWTH

OUR VISION

To be the leading global player in aquaculture health, genetics and advanced nutrition

- We address some of the main challenges facing the aquaculture industry
- We focus on improving yield, quality and profitability for our customers
- We bring together technology and biology to deliver innovative products that support producers throughout the growth cycle

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Registered office:

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Benchmark House
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Sheffield S35 1QN

Registered number: 04115910

2017 HIGHLIGHTS

> Benchmark has delivered growth and achieved significant milestones, whilst continuing its focused investment in the development of its pipeline and infrastructure despite the challenges faced in the year.
>
> **Malcolm Pye**
> Chief Executive Officer

FINANCIAL HIGHLIGHTS

Significant organic growth despite the challenges in the year, as we have continued our focused investment in the development of the Group's pipeline and infrastructure.

- Revenue increased by 28% to £140.2m (2016: £109.4m)
- Like for like[1] sales, up by 13%
- Expensed R&D increased by £1.4m to £13.1m but reduced as a percentage of sales to 9% (2016: 11%) reflecting increased capitalised R&D and control of spend in line with revenue growth
- £21.5m investment in state-of-the-art additional production capacity in genetics and animal health
- Adjusted EBITDA[2] increased by 9% to £10.0m (2016: £9.2m)
- Loss reduced by 61% to (£7.1m) (2016: (£18.3m))
- Net debt[3] increased as expected to £23.9m including £6.0m of ringfenced non-recourse debt used to part fund Genetics capital expenditure

OPERATIONAL HIGHLIGHTS

Further developed our leadership in aquaculture with large scale production facilities now in seven countries combined with our established distribution network to serve 1,435 customers in 70 countries.

Advanced Nutrition

- Advanced Nutrition grew like for like[1] revenues by 21%. Continued signs of recovery in key shrimp markets resulting in strong growth in sales of compound hatchery, diets and specialised health products, with Artemia sales similar to last year
- New 10 year sales and marketing agreement with the Great Salt Lake Cooperative — securing continued access to high quality live feed (artemia)
- Launch of two new products
  - Sanolife GUT — targeted at marine fish in Greece with potential to expand to other geographies and to shrimp
  - Sanolife PRO-2 — improved formulation of an established product
- Development of 100% replacement feed for artemia progressing to plan. This will allow Benchmark to take advantage of the increasing demand for early stage feed against a limited artemia supply and will therefore contribute to the overall growth in the shrimp industry by making available a novel alternative to artemia

Genetics

- Strong sales growth in Genetics with a 47% increase, driven by increasing demand for salmon products with salmon egg sales up on prior year in every major market
- Launch of new salmon strain resistant to infectious salmon anaemia (ISA), developed using genomic selection tools
- Development of pathogen resistant shrimp broodstock for the Asian market progressing well, with field trials underway
- Integration of Genetics division which now includes salmon, shrimp and tilapia and has customers in Europe, North and Latin America and Asia
- New land-based production facility in Norway through joint venture with Salten Stamfisk AS received first batch of broodstock, post period end

Animal Health (medicines and vaccines)

- Sales in Animal Health decreased from £24.8m to £15.1m driven by a drop in sales of Salmosan® as a result of the continuing development of lice resistance to the product, and the consequent use of alternative mechanical lice removal tools in the industry
- Post period end, commencement of field trials for Ectosan®, Benchmark's new sea lice treatment for the salmon industry
- Development of CleanTreat® an innovative water purification system that avoids contamination of marine waters from medicinal treatments of fish
- Successful performance in field trials of sea bass nodavirus vaccine, with volumes growing
- First commercial scale production at the new Braintree vaccine antigen manufacturing facility
- Continued progress in pipeline of 41 products of which 7 are in regulatory phase and 10 are in pre-regulatory development trials

[1] Like for like includes three months' preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in the comparative period. See Financial Review Section page 74.

[2] Adjusted EBITDA — Earnings before tax, interest, depreciation and amortisation before exceptional including and acquisition related items. See Financial Review Section on page 73.

[3] Net debt is cash and cash equivalents less loans and borrowings.

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STRATEGIC REPORT

Genetics

Advanced Nutrition

Animal Health

Knowledge Services

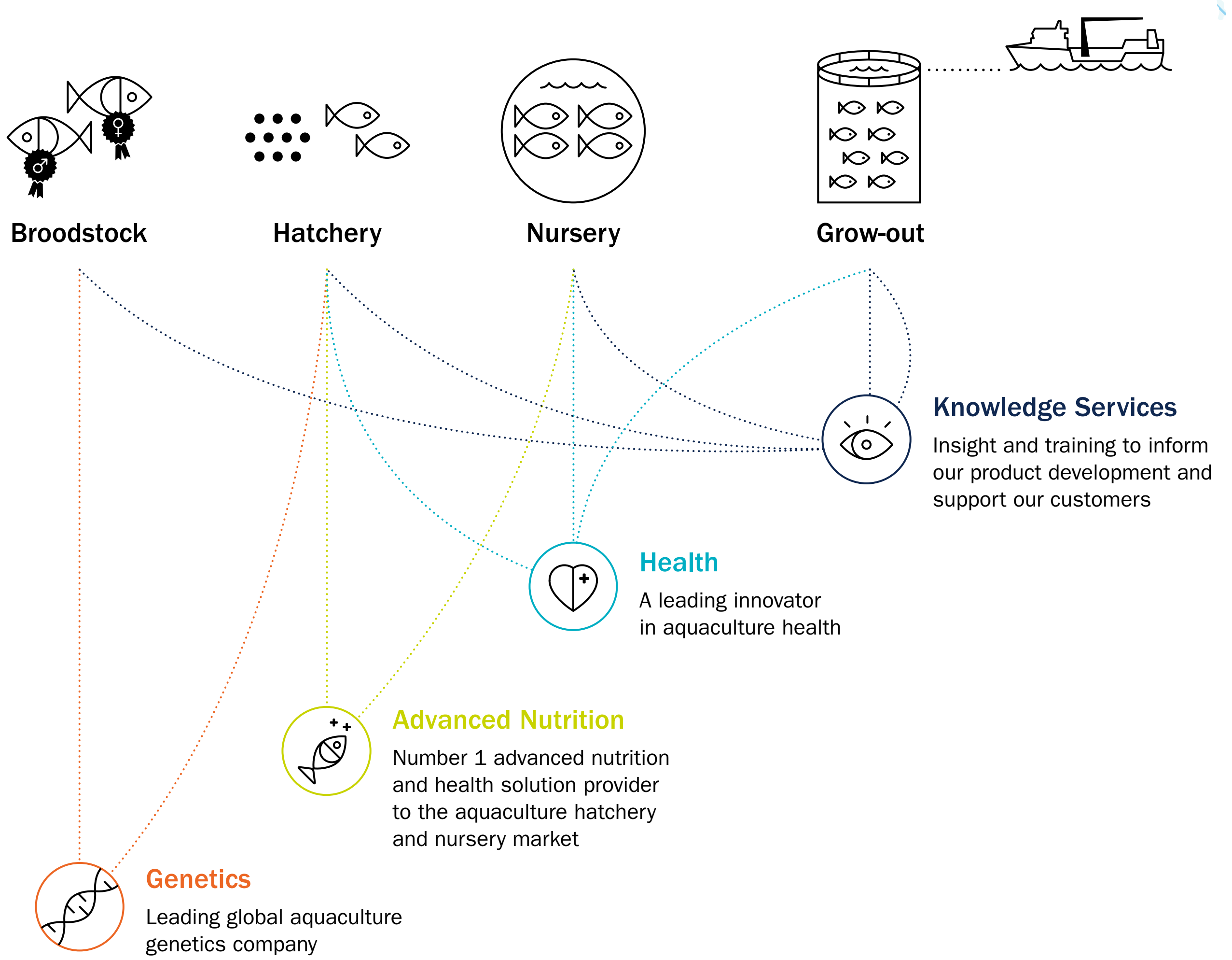
WHAT HAS BEEN YOUR MOST MEMORABLE EVENT WHILE WORKING AT BENCHMARK?

The work and results around our R&D project, SalmoResist, has been very compelling, and talking about it and getting to share it for the world during Aqua Nor was great fun.

Borghild Hillestad
Genetics Manager

DRIVING THE BLUE REVOLUTION WITH TECHNOLOGY

Benchmark brings together technology and fundamental biology to deliver products and solutions that support producers throughout the growth cycle



Large scale production facilities in **7 countries**, covering the main aquaculture regions and supported by a network of R&D and commercial operations in an additional **20 countries**

1,435
Customers

70
Products in pipeline[1]

£15m
Investment in R&D (FY17)

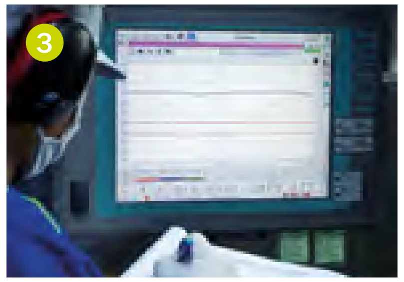
952
People

£707m
Total pipeline peak projected sales

[1] New products and enhancements to current product line.

2017 INVESTMENTS

SHRIMP



Warm water nutrition and health trials, Thailand

- Capability for tilapia in addition to shrimp
- Expansion with new 92-tank unit, doubling capacity to facilitate experimental-scale shrimp hatchery and on-growing stage testing
- Amount invested in FY17: £0.1m
- Amount invested to date: £0.2m

MANUFACTURING

State-of-the-art vaccine antigen production facility, UK

- All major farmed species
- Aquaculture vaccines
- 2,500-square-metre production facility
- Capability for large-scale antigen manufacture and pipeline products testing
- EU Good Manufacturing Practices (GMP) compliant
- Amount invested in FY17: £1.0m
- Amount invested to date: £16.1m

SEA BASS AND SEA BREAM

Warm water nutrition and health trials, Italy

- Capacity for larval and juvenile replicate and commercial-scale testing, rotifer and artemia production test and analytical lab facilities
- Annual fry production capacity of 4 million
- Amount invested in FY17: £0.1m
- Amount invested to date: £0.2m

“

We invest in projects that allow us to scale our operations to increase market share or that create a competitive advantage and in all cases that are capable of delivering attractive return on investment.

Malcolm Pye
Chief Executive Officer

SALMON

Land-based broodstock facility, Norway

- 10,000 square-metre, fully-biosecure joint venture facility
- Capacity to produce over 150 million ova per year to meet demand
- Year-round production
- Amount invested in FY17: £20.5m
- Amount invested to date: £21.8m

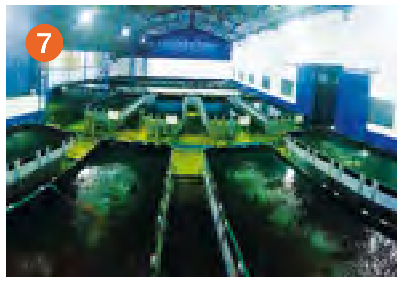
Lumpfish hatcheries, Scotland and Iceland

- Capacity to produce 3 million lumpfish per year, a biological control against sea lice
- Expanded capacity in Iceland, two new sites in Scotland
- Amount invested in FY17: £1.3m
- Amount invested to date: £3.4m

TILAPIA

Breeding centre, Miami

- Increased biosecurity
- Doubling of capacity to 20-million fingerlings per year
- Amount invested in FY17: £0.3m
- Amount invested to date: £0.3m



New hatchery, Brazil

- Capacity to produce 1 million high-quality fingerlings per month
- Leading-edge equipment and biosecurity
- Amount invested in FY17: £0.1m
- Amount invested to date: £0.2m

GROUP R&D

Aquaculture trials facility, Scotland

- Home office licensed
- Speeding up delivery of pipeline products
- Amount invested in FY17: £0.5m
- Amount invested to date: £4.9m

Activities during the year to deliver on

BENCHMARK'S STRATEGY

Image: Benchmark's new land-based salmon broodstock facility, Norway.

Benchmark's strategy is to take a leadership position in aquaculture technology, tackling deep-rooted issues in established markets and securing an early mover advantage in less developed, high growth markets.

Our strategy is driven by our customers' needs, a commitment to sustainability and the goal to deliver attractive returns for shareholders.

Ways in which we execute our strategy:

1. When developing new products, we apply the insights gained from our customer relationships, partnerships and front line veterinary services
2. We combine the fundamental biology disciplines to create a strong technology platform across products and services
3. We use technology and innovation to develop a range of complementary and proprietary products that address unmet needs
4. We develop products capable of achieving high margins and an attractive return on investment
5. We seek to capture cross-selling opportunities resulting from our broad range of products and our global distribution network
6. We build and operate secure and scalable manufacturing capabilities to support our growth

March 2017

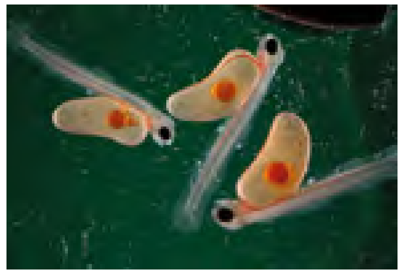
Long-term agreement signed with major salmon producer, SalMar, to provide genetics, health and knowledge services.

May 2017

Distribution deal signed with Thailand's largest tilapia fry and feed provider, Manit Farm, to supply tilapia nutrition and health products.

June 2017

New tilapia hatchery opened in Brazil with capacity to supply one-million-fish per-month to the high-growth domestic market.

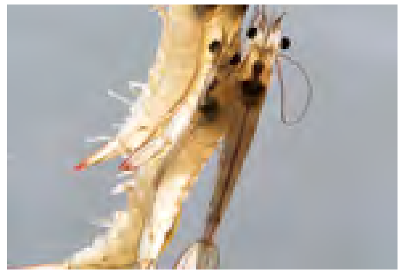


June 2017

Development of pancreas disease (PD) resistant strain in collaboration with industry partners.

June 2017

Inaugural 'Aquaculture UK 2017' conference draws sector stars and record numbers to Scotland.



July 2017

Launch of new probiotic to enhance shrimp performance and growth.

August 2017

Announcement of CleanTreat®, an innovative purification system allowing the use of medicinal bath treatments without water contamination.

August 2017

Renewal of key sales and marketing agreement and entry into strategic distribution agreement with Great Salt Lake Brine Shrimp Cooperative, Inc.

September 2017

Operations commenced at our brand-new £16m aquaculture vaccine production facility in Braintree, UK.

MARKET OVERVIEW

PROGRESSIVELY ELIMINATING AQUACULTURE'S PRODUCTION CONSTRAINTS

Human consumption of fish has now overtaken that of beef, and aquaculture accounts for half of all the fish people eat.[1]

Seafood demand drivers:

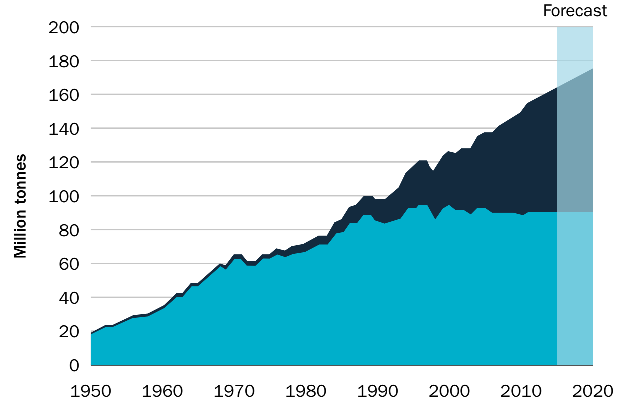
- Growing population
- Healthy food trend — omega 3, low saturated fats
- Indulgence trend — looking for new food experiences and variety
- Supply side marketing push
- Urbanisation* — better logistics, availability and food service
- Income effect* — switch to proteins and prestige products

[1] FAO, State of the World's Fisheries and Aquaculture 2016.

* Mostly relevant in developing countries.

Total aquaculture production is estimated to grow 3-4% in volume terms 2018 (Rabobank 2017)

Total seafood supply



Source: Rabobank

But the industry is young and faces significant challenges:

Disease is aquaculture's most limiting factor

40%

of shrimp production is lost to disease annually[2]

$1bn

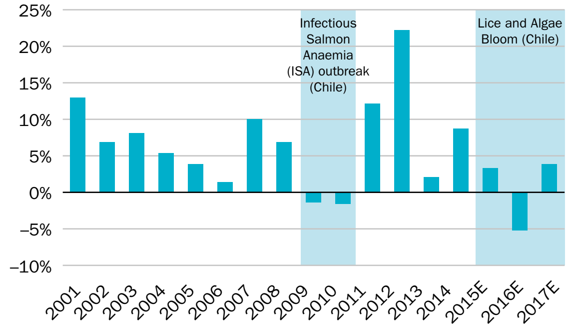
lost annually due to streptococcus in tilapia[4]

$500m

cost of sea lice in salmon[3]

This leads to volatility in supply

YOY change in global farmed Atlantic Salmon supply and forecast (%)



Source: Rabobank, Kontali, Subsecretaria de Pesca, 2016

Growth will be enabled by innovation:

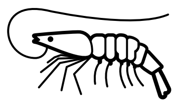
Genetics, Nutrition, Health including vaccines & treatments and Know-how.

Genetics technology is one of the primary drivers of efficient production. Like health care, genetics is consistently high margin with a high barrier to entry.

Increased professionalisation of the industry is creating demand for technically advanced nutritional and health products.

It is increasingly important to cooperate through the value chain to combat diseases and pathogens which has been a driver of M&A in the industry. Benchmark works across the full production lifecycle.

Aquaculture is the fastest growing food producing sector. Benchmark's key aquaculture markets:

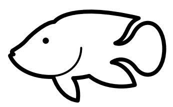


Shrimp

5%

Projected growth (2015–2019)[5]

The highest value aquaculture industry world-wide. Biological issues likely to drive a potential need for a new business model.

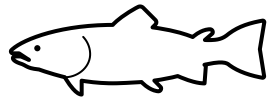


Tilapia

5-10%

Projected growth per annum[6]

World's second most farmed fish. Technology has played an important role in the development of the industry.



Salmon

5-7%

Projected growth (2018–2020)[6]

Highly innovative, established market. Sea lice issues are restricting growth.

[2] Stentiford, G.D. (2012) Disease will limit future food supply from the global crustacean fishery and aquaculture sectors, Journal of Invertebrate Pathology 110:141–157.

[3] Rabobank data.

[4] USDA (2017) A Big Step towards Reducing Strep in Farm-Raised Tilapia.

[5] GOAL (2017) Global Shrimp Production Review and Forecast.

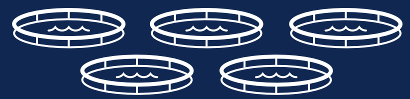
[6] Rabobank, 2017.

CASE STUDY: Salmon

SEA LICE
the challenge

The World's 20 largest salmon farmers

Source: Salmon Business

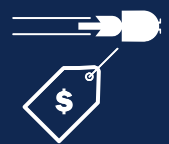


2,000,000

Tonnes of Atlantic salmon is farmed every year[1]

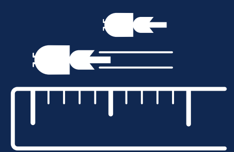
N°1

Sea lice is the salmon industry's number one disease challenge



$500m

Sea lice cost the industry an estimated $500m per year to treat[2]



18mm

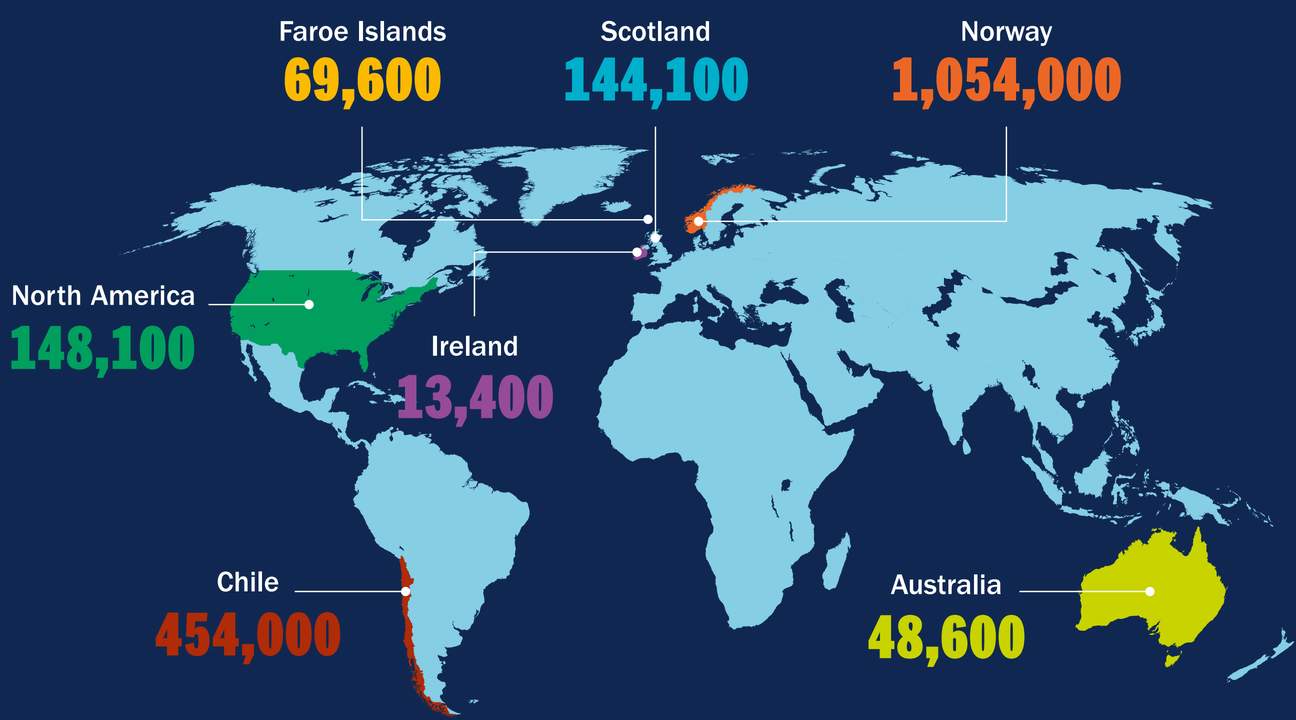
Sea lice grow to 5-6mm (males) and 8-18mm (females)

THE SOLUTION

Benchmark has developed a range of products and services to help producers protect against and combat sea lice, including:

- Veterinary services to assess the challenge and prescribe treatment
- Sea lice resistant salmon eggs
- Salmosan®, Benchmark's established sea lice treatment
- Biological controls to eat the lice i.e. lump fish
- Ectosan®, Benchmark's new sea lice treatment for the salmon industry, currently in commercial field trials

Top salmon producing countries 2016[3] (tonnes GWE[*])



[1] Salmon Farming Handbook, Marine Harvest.
[2] Rabobank data.
[3] Salmon Farming Handbook.
[*] Gutted Weight Equivalent.

A YEAR OF SIGNIFICANT OPERATIONAL AND STRATEGIC PROGRESS

"

What is predictable is that the demand for our products, driven by growth in demand for our customers' products, is showing long-term growth.

Alex Hambro
Chairman

Introduction

I am pleased to report on another year of significant operational and strategic progress for Benchmark Holdings. Despite certain challenges, we have put in place important technological, and infrastructure and organisational building blocks which will allow the Company to deliver substantial shareholder value in the future. At the same time, we continued to develop our leadership position in aquaculture; indeed, Benchmark is now one of the leading global providers of advanced nutrition, genetics and animal health in the industry.

There is an element of unpredictability in the introduction of new and innovative technologies and the nature of biological assets. For example, delays to introducing new products and the impact of both disease and climate have both been challenges for the business over the last year. However, I have been impressed with our ability to overcome these challenges during the year and believe that as the business has become more diversified, in the future it will be more able to mitigate these risks. What is predictable is that the demand for our products, driven by growth in demand for our customers' products, is showing long-term growth.

Having built Benchmark into a global leader in the fastest growing segment of the food industry, our task is now to ensure we successfully execute our plans and take advantage of the scale of opportunities that we see ahead, whilst delivering consistent and more predictable financial performance in the coming year and beyond.

Results overview

The year saw significant organic revenue growth; the Advanced Nutrition division grew like for like[1] revenue by 21% over the prior year and the Genetics division grew sales by 47%. At the same time we have made much progress in marshalling our pipeline of 41 Animal Health products, of which 7 are in regulatory phase, and 10 are in pre-regulatory development trials.

Adjusted EBITDA[2] increased by 9% to £10.0m (2016: £9.2m) and this together with a reduction in M&A activity and the associated costs resulted in the loss for the year reducing by 61% to (£7.1m) (2016: (£18.3m)). Net debt[3] increased, as expected, to £23.9m including £6.0m of ringfenced non-recourse debt used to part fund capital expenditure in the Genetics division. Net debt is managed within routine leverage parameters to ensure that there is sufficient headroom in the Group's facilities to meet funding requirements in the medium term.

New technologies

Whilst the introduction of new technologies and the nature of biological assets is unpredictable, Benchmark has developed an increasingly diversified, rich seam of technology, which it now deploys across multiple species and in multiple geographies. We have a highly skilled team of people who are creating enduring solutions to address the commercial and environmental challenges facing the global aquaculture industry and the past year has seen the delivery of some of these technologies.

More detail is outlined in the CEO Report but one such example is the recently announced successful first commercial field trials of Ectosan®, our new sea lice treatment for the salmon industry, which passed its first field trials showing 100% efficacy and no environmental impact due to our proprietary purification system, CleanTreat®. This marked a breakthrough development for Benchmark and for the salmon industry, for which sea lice is the biggest disease challenge, estimated to have cost the industry c.$500m at current market prices in 2016 (Source: Rabobank). CleanTreat® will, we anticipate, set a new standard in environmental protection by allowing marine fish medicines to be delivered safely and without in any way contaminating the marine environment. We are in the process of evaluating additional applications and routes to market for the CleanTreat® system.

[1] Like for like includes three months' preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in the comparative period. See Financial Review Section page 74.

[2] Adjusted EBITDA — Earnings before tax, interest, depreciation and amortisation before exceptional including and acquisition related items. See Financial Review Section on page 73.

[3] Net debt is cash and cash equivalents less loans and borrowings.

Integration — the 'Benchmark solution'

Our four divisions are increasingly working together to deliver an integrated "Benchmark Solution" for aquaculture producers across the major species and geographic farming areas. The integration of genetics, advanced nutrition and health products into a complete offering for aquaculture producers will provide the Group with a distinct competitive advantage. Over the past year, the establishment of a key account management strategy has been an important operational focus which will drive our commercial development into the future.

An important part of our integration effort this year was the reorganisation of our management structure to drive efficiency, synergies and accountability. The Board and the CEO in particular have spent a considerable amount of time reorganising the way the business is managed, establishing divisional heads, cross divisional functions and creating a streamlined Operations Board.

Strengthening of Benchmark's Board

One of my commitments to shareholders has been to further strengthen our Board to ensure we have the optimal blend of experience and skills to help deliver our strategy and shareholder value. I am particularly pleased therefore that we added two new and well regarded non-executive directors to our Board during the year. Both have extensive global experience in aquaculture and animal health and will provide the Company with strategic frameworks, market intelligence and operational insight.

- Yngve Myhre has many years of operational experience in running and managing salmon farming companies in Norway, as well as wider fin fish executive managerial experience in South America and the Mediterranean.
- Hugo Wahnish was for many years a leading executive for the animal health operations of Merck and brings Benchmark a wealth of knowledge of the global animal health industry and the companies and people at its core. Having insight into the approach taken by the "big pharma" players in the aquaculture sector is of great strategic value.

We welcome them to the Board and look forward to their contribution to the strategic trajectory of the Company over the coming years.

We are well advanced in the process to recruit a Chief Scientific Officer for the Group who will join the Board. This is a key role to ensure Benchmark's technology leadership into the future and support the execution and launch of our rich pipeline of products. We look forward to updating investors in due course.

During the year our colleague Roland Bonney stepped down from the Board and took a temporary leave of absence for medical reasons. We are pleased that Roland has recovered and has since rejoined Benchmark to lead our very important key accounts programme and as a member of the Operations Board.

Sustainability

Our objective is not merely to grow the business; we also aim to do so in a sustainable and environmentally responsible way. I mention this particularly because we take the environmental and social impact of the aquaculture industry as a whole extremely seriously and as we now hold a leadership position in the industry, we must also show leadership in this respect. This is not only ethically responsible, but we believe is also good for the business. We will be therefore outlining our Environmental, Social & Governance (ESG) approach in more detail in this and in future reports.

Summary

We have built a strong platform from which to deliver further progress in 2018 and beyond. We have put a new organisational structure in place with new members of the team ensuring we have the skill set to deliver on the market opportunity and make optimal use of the infrastructure we have built. Our focus is keenly on the execution and delivery of the Group's projects which will drive growth and profitability; this includes the rollout of our highest potential new products in Genetics and Advanced Nutrition as well as the work on the commercialisation of Ectosan®, together with the continuous leverage of our Group capabilities in cross-selling and shared development.

I believe we have created a unique group, comprised of a team of the most talented aquaculture professionals to be found anywhere in the world, and which would be impossible to replicate. I therefore thank all of Benchmark's people for their hard work, commitment and enthusiasm which has seen the Group reach many very important milestones allowing it to grow stronger despite a challenging year.

The Hon. Alexander Hambro
Chairman

23 January 2018

TECHNOLOGY DRIVING GROWTH IN AQUACULTURE

Overview

2017 was a transitional year for Benchmark. After three years of heavy investment and acquisitions to build a platform of products and technologies with strong market positions, our focus during the year was on strengthening and aligning the organisation for the next phase of our growth. The key tasks were:

- reviewing the organisational structure leading to a post year end implementation;
- recruiting new team members to complement and upskill the team;
- creating new functions to address key areas including Investor Relations (IR), scientific leadership (CSO) and marketing; and
- integrating the organisation and developing a "One Benchmark" culture to realise the benefits inherent in the Group.

We now have an execution driven team and structure. We have one important gap to fill in terms of our team, namely that of a Chief Scientific Officer (CSO) who will be responsible for leading our R&D effort and for delivering our pipeline. The CSO will join the Board in recognition of the importance of the role for Benchmark as a science-led, technology business, and I hope to report on an appointment in the near future.

Challenges during the year

There were however a few setbacks in the period, notably the delay experienced in the launch of the commercial field trials phase for Ectosan®, our new sea lice treatment; this was exacerbated by the impact from the anticipated drop in sales of Salmosan® as a result of the development of partial resistance to the product and the industry focus on mechanical treatments. The increased complexity from the addition of the CleanTreat® system to the Ectosan® solution required the delay, but critically has created new opportunities for the Group. We are pleased that commercial trials for Ectosan® have now commenced delivering excellent results so far and confirming the very significant potential of this product in the market.

In addition to Ectosan®, we faced challenges in Advanced Nutrition, where climate and disease outbreaks affected the shrimp sector during the first half of the year adversely impacting on demand for our products. There was a recovery in the second half and like for like sales for the year were up 21%[1], a positive result for the division. Biological disease is a feature of our industry which affects predictability, but our growing, diversified portfolio of products increasingly mitigates this risk.

Sales in our Genetics division grew strongly as well, by 47% to £30.5m (2016: £20.7m), driven by increased demand for our salmon eggs which were up on prior year in every major market. Our new state-of-the-art land based broodstock facility in Norway, with capacity to produce over 150 million ova per year, will enable us to continue to develop this market. The first broodstock has been delivered and salmon eggs from this stock will be produced in early Autumn 2018.

> Technology has played a very important role in the development of aquaculture to date. From genetics to feed and medicines, in addition to farming methods and equipment, the impact of technology has been substantial.
>
> **Malcolm Pye**
> Chief Executive Officer

Benchmark Strategy

- Take a leadership position in aquaculture technology, where commercially attractive
- Seek a first-mover advantage in high-growth markets where appropriate
- Tackle deep-rooted aquaculture issues in more mature aquaculture markets
- Deliver attractive shareholder returns

[1] Like for like includes three months' preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in the comparative period. See Financial Review Section page 74.

Our Advanced Nutrition and Genetics businesses are mature, established businesses, each with 20 to 30 years' presence in the market and leading positions. We are focused on leveraging our market position to realise opportunities across the group from presenting an integrated product offering to our customers, realising cross-selling opportunities and sharing technology and know-how. An important element of this strategy which was initiated this year is our key accounts programme.

Product Development

In addition to the progress with Ectosan®, new products were launched in our genetics and advanced nutrition businesses, some of which represent an addition to our product offering such as the Infectious Salmon Anaemia (ISA) resistant ova, and Sano-life GUT, while others are an upgrade to existing products like Sano-life PRO 2 in the area of advanced nutrition. Technology upgrades are an important part of our product development strategy. They enable us to strengthen our competitive position with limited product adoption risk. Good progress was made with the Group's pipeline of new products during the year and we now have 15 products in the final phase of development across the Group.

Post period end we announced the development of a specific pathogen resistant ("SPR") shrimp to address the challenges in the Asian market including white spot, early mortality syndrome and vibriosis. We are at an early stage, but this is an exciting project with the potential to unlock production capacity in the largest shrimp market by tackling disease.

The new SPR shrimp is the result of over 20 years' experience in our teams in Colombia and Norway and will be sold using our Advanced Nutrition distribution network in Asia, demonstrating the value of having created a global multi-product platform.

Another element of our strategy is to expand into newly industrialised farmed species. This is an area in which we made good progress in the year, signing a deal to supply Thailand's largest tilapia fry and feed provider, Manit Farm, with advanced nutrition and health products, and opening our own tilapia hatchery in Brazil with capacity to supply one million fish per month to the high growth Brazilian market.

Outlook

The fundamental drivers of our market remain favourable and we continue to see new growth opportunities in the sector. The outlook for our core species is positive with salmon production expected to grow strongly in the next two years and shrimp production recovering. We continue to execute our strategy, leveraging the platform we have built in recent years and making steady progress in the development of our pipeline.

Current trading is in line with the Board expectations and we expect to deliver on our strategic and financial objectives for the year.

Image: Benchmark vets on site with Sonja Brown of Loch Duart, Scotland.

CASE STUDY: Salmon

The use of genomic tools could

REVOLUTIONISE THE SEAFOOD INDUSTRY

Studying the genes that control characteristics helps breeders select desirable traits in parents and offspring. Selection methods using new genomic technologies has the potential to more than double the genetic gain from one generation to the next. This is due to higher accuracy and individual selection, compared to traditional family breeding.

Genomic tools in aquaculture were prohibitively expensive in the past, but recent progress is starting to bring the costs down making them more accessible.

In studies carried out by Benchmark's SalmoBreed, Nofima and several other partners, fish with high breeding value for PD had a survival rate close to 90 per cent, while for fish with low breeding value it was just below 60 per cent.

“

Genomic selection is a significant tool in the fight against pancreas disease. By breeding from individuals that have the desired gene composition, we are able to deliver fish with ever increasing resistance to PD, generation after generation.

Jan-Emil Johannessen
Head of Benchmark Genetics

Image: Salmon ova and alevins close up, Lønningdal, Norway.

2017 BUSINESS REVIEW

MARKET DRIVERS:

- Proliferation of disease
- Drive to eliminate antibiotics in the food chain
- Continuous end-product quality improvement
- Need for environmentally friendly solutions
- Enhancing productivity of established farmed species
- Making newly farmed species economically viable

“

We have made history this year with the development of Ectosan® and CleanTreat® and the impact it has had on sea lice. I am proud to be part of a team that develops products that are making a real difference to the industry, environment and the future of food production.

Matt Haslam
Head of CleanTreat®
Benchmark Animal Health

Image: Benchmark's Matt Haslam and Robert Reilly visiting a salmon farmer in Scotland.

BREEDING

for the future with genomic precision

We select the best performing fish and magnify their genetic strengths from generation to generation. We are seeing an increasing demand for our disease-resistant ova to help the industry combat disease challenges and support growth.

Jan-Emil Johannessen
Head of Genetics

21%
FY17 revenue contribution

8
Sites

128
Employees

HISTORY

Benchmark Genetics was established in 2014 through the acquisitions of StofnFiskur (Iceland) and SalmoBreed (Norway), two of the top three players in salmon genetics, each with more than 30 years' presence in the market. Following these acquisitions for a total of £52.4m, Benchmark became the leading player in salmon genetics. Further acquisitions totalling £13.5m were made in 2015 and 2016 to add a presence and expertise in shrimp and tilapia.

PRODUCTS

Atlantic salmon, tilapia and shrimp eggs/hatchery stage/breeding animals and genetic services for multiple species.

OPERATIONAL PROGRESS

Strengthened infrastructure in key growth markets

- Salmon production facility in Iceland now able to grow broodfish to 4–5 kg (similar to market size) within 11 months, due to investments and improvements. Previously the same production took approximately 16–18 months
- New tilapia hatchery opened by the Group in São Paolo, Brazil, with capacity to produce up to 1 million high-quality tilapia fingerlings a month
- Newly expanded tilapia genetics site in Miami with capacity to produce up to 20 million fingerlings per year
- New 10,000 square-metre on-land salmon broodstock facility receives its first batch of broodstock. The land-based facility is the first of its kind in Norway, with capacity to produce 150 million ova per year, post period end

New products

- Specific pathogen resistant (SPR) shrimp developed for the Asian market, the largest and fastest growing market for shrimp, announced post-period end with field trials underway
- Launch of new trait, GS-AGD, to increase natural resistance in Atlantic salmon to amoebic gill disease
- Launch of new ova resistant to infectious salmon anaemia (ISA). ISA causes high mortality and significant monetary losses in affected salmon farms worldwide, and is a major welfare issue

Partnerships

- Long-term agreement with one of the world's largest salmon producers, SalMar, to provide a full suite of services encompassing genetics, health and knowledge services

Innovation and integration

- Breeding breakthrough for fish with increased natural resistance to pancreas disease (PD) achieved by Benchmark's SalmoBreed, Nofima and other partners
- Integration of Genetics division which now includes salmon, shrimp and tilapia and has customers in Europe, North and Latin America and Asia

FINANCIAL PERFORMANCE

Benchmark Genetics delivered strong growth in Adjusted EBITDA with the main drivers being increased sales volumes and average sales prices for salmon eggs resulting from customer demand and the success of new products launched. The valuation of biological assets increased by £4.2m driven by the growth in sales in the year and strong order book at the year end. This supported strong growth in gross margins for the division and, after expensed R&D of £2.7m (2016: £2.2m), Adjusted EBITDA grew by 314% to £5.8m (2016: £1.4m).

Genetics Division Revenue

Genetics Division Adjusted EBITDA

Summary Income Statement	2017 £m	2016 £m
Revenue	**30.5**	20.7
Cost of Sales	**(13.8)**	(13.5)
Gross Profit	**16.7**	7.2
Research and development costs	**(2.7)**	(2.2)
Operating costs	**(8.2)**	(3.6)
Adjusted EBITDA	**5.8**	1.4
Exceptional including acquisition related items	**7.0**	(2.4)
Depreciation and amortisation	**(3.3)**	(2.6)
Operating profit/(loss)	**9.5**	(3.6)

CASE STUDY: Shrimp

Disease has cost the Asian shrimp sector more than

$20bn OVER THE LAST 7 YEARS[1]

Shrimp farmers globally are seeking robust shrimp adapted to local conditions to stabilize production. Benchmark's shrimp lines resistance to key pathogens and their genetic diversity has enormous potential to do just that. Benchmark has the veterinarians, breeds, and the delivery and distribution through INVE to help the global shrimp industry.

Oscar Hennig
Operations Director of Benchmark's shrimp breeding facility

Benchmark's new Specific Pathogen Resistant (SPR) shrimp have proven resistance to a number of diseases.

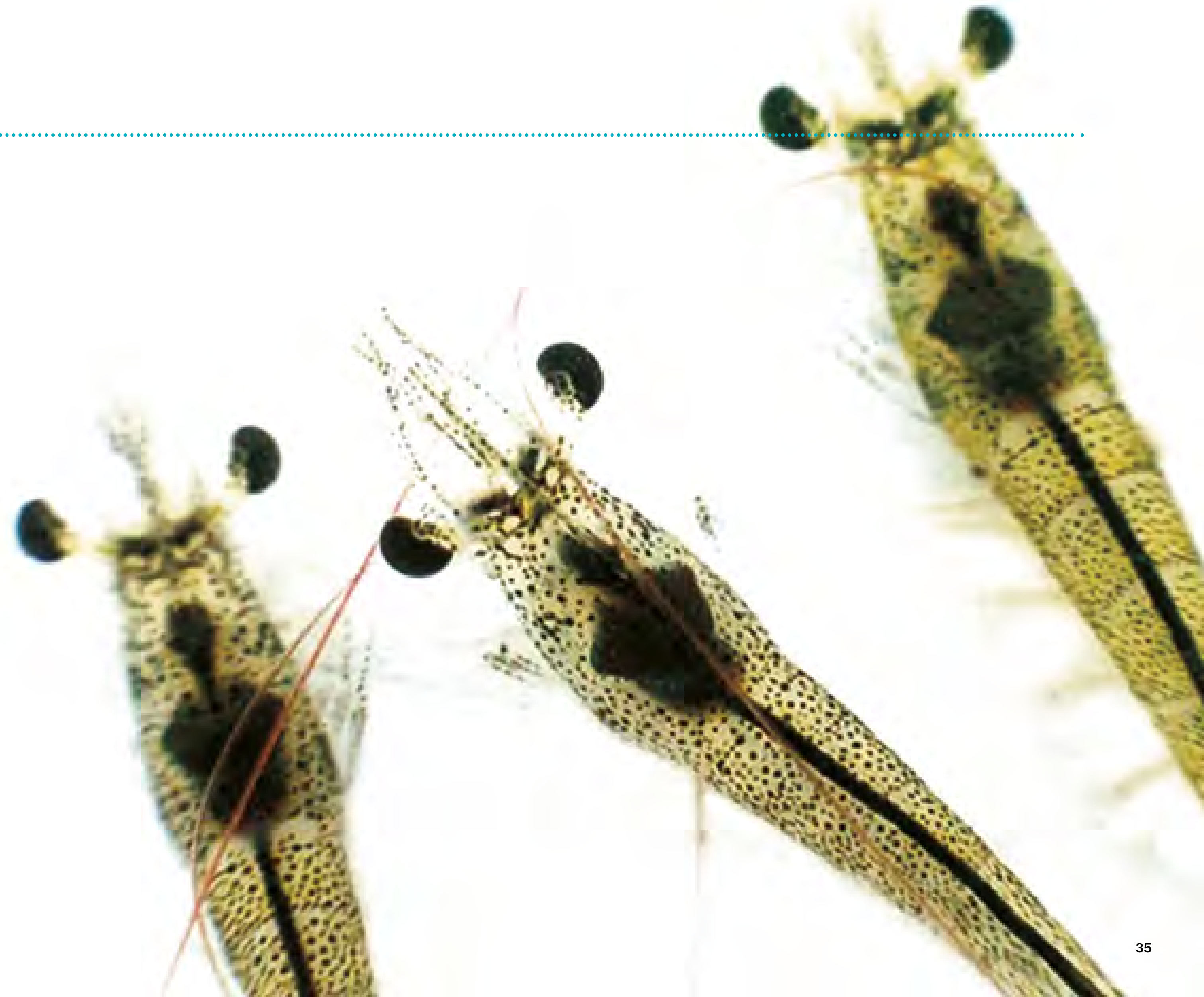
60%

Production of farmed shrimp is expected to grow by 50 to 60% through to 2030[2]

The genetics sector has a high barrier to entry due to the technical nature of the business and the length of time it would take to find desirable traits, select and then reproduce the stock. In 2016 Benchmark acquired a South American shrimp breeding programme to expand into the fast-growing shrimp sector.

It is from this point that Benchmark has a unique opportunity. Taking the learnings from our well-established breeding programmes in salmon and deploying this know-how into other major farmed species that are less technically developed.

This year trials have commenced in Asia with Benchmark's new specific pathogen resistant (SPR) shrimp to address the issues facing the Asian market. The Asian shrimp industry alone incurred a loss of $22.5bn from AHPND (previously known as Early Mortality Syndrome — EMS) over the period 2009 to 2016.[1] Benchmark's SPR shrimp have proven resistance to major diseases and early indications also suggest that our stocks hold resistance to AHPND.



[1] Shinn, A.P., Pratoomyot, J., Griffiths, D., Trong, T.Q., Vu, N.T., Jiravanichpaisal, J. & Briggs. M. (in press) Asian shrimp production and the economic costs of disease. Asian Fisheries Science Journal.
[2] World Bank, Fish to 2030.

High performance and cost-effective

NUTRITIONAL SOLUTIONS

"After decades of innovation we have seen aquaculture evolve from small-scale pioneering to the industry it is today. We aim to further support this evolution and shape the future of aquaculture with our customers by caring for their long-term growth.

Philippe Léger
Head of Advanced Nutrition

58%
FY17 revenue contribution

14
Sites

461
Employees

HISTORY

Advanced Nutrition was added to Benchmark's portfolio of products and services in 2015 when the Company acquired INVE Aquaculture, a world-leading provider of specialist nutrition and health solutions to the shrimp and finfish market, including sea bass and sea bream.

PRODUCTS

Live feed (artemia), enrichment diets, compound larval hatchery feeds, advanced health products including probiotics and soil and water treatments.

OPERATIONAL PROGRESS

Strengthened infrastructure in key growth markets

- Key account programme established covering marine fish, salmon, tilapia and shrimp to centralise and coordinate Benchmark's offering
- Expansion and renovation of Benchmark's sea bass and bream testing facility in Tuscany, Italy and of our testing facility for tropical species (shrimp and tilapia) in Chonburi, Thailand
- Initiation of probiotics production and completion of GMP certification

New product launches and contract wins

- Commercial launch of enhanced shrimp probiotics Sanolife GUT and Sanolife PRO-2 building on Sanolife's strong brand within the industry
- TomAlgae products fully integrated into the Advanced Nutrition product portfolio
- New contract signed with KA-Key Distributor in Honduras to serve Honduras, Costa Rica, Venezuela and Guatemala
- Distribution agreement signed with Manit Farms to supply tilapia products in Thailand
- Renewal and expansion of long-term sales and marketing agreement with Great Salt Lake artemia cooperative. This agreement generated revenues of over £30m for Benchmark in 2016

Increasing market share

- Double digit growth in replacement diets (20 per cent vs prior year) and health products (33 per cent vs prior year) under difficult market conditions, including Early Mortality Syndrome (EMS) in Vietnam and China, and whitespot outbreak in Brazil
- Overall revenue growth of 8 per cent vs prior year as a result of achieving maximum sustainable volumes of Artemia:
  - Strong growth in the Americas shrimp market including Ecuador
  - Launch of new initiatives in the stagnating Mediterranean marine fish markets

Innovation

- R&D releases achieved for four pipeline products: Hi-5 IL, non-GSL Artemia, HI-5 Defence, Sanolife PRO-2+, Easy Dry Selco
- Four year research project on pond bottom management underway with the University of Ghent, Belgium
- Major milestones reached in our 100 per cent Artemia replacement projects for shrimp and fish:
  - SmART Shrimp: milestone of 95 per cent Artemia replacement achieved
  - SmART Fish: milestone of 95 per cent Artemia replacement exceeded

FINANCIAL PERFORMANCE

Advanced Nutrition's increased revenue growth of £28.7m was driven by increased market share and demand for higher margin live feed replacement and health diets plus the inclusion of a full year's sales of the INVE business (vs nine months of trading post acquisition in 2016).

The Division experienced lower growth rates in the first half year but key markets continued to recover through the second half. This recovery aided strong growth in higher margin live feed replacement and health diets. Market prices for some live feed products were impacted by significant oversupply in Asia and this resulted in reduced gross margin from this product category. An exceptional bad debt provision of £1.1m was made in the year for a single debtor related to sales made in 2016. After this provision and after expensed R&D of £3m (2016: £1.3m) the division reported Adjusted EBITDA of £17.7m (2016: £15.9m — nine months post acquisition). 2016 like for like Adjusted EBITDA was £17.3m.

Advanced Nutrition Division Revenue

Advanced Nutrition Division Adjusted EBITDA

Summary Income Statement	2017 £m	2016 £m
Revenue	**83.7**	55.0
Cost of Sales	**(42.8)**	(26.5)
Gross Profit	**40.9**	28.5
Research and development costs	**(3.0)**	(1.3)
Operating costs	**(20.2)**	(11.3)
Adjusted EBITDA	**17.7**	15.9
Exceptional including acquisition related items	**(0.0)**	0.0
Depreciation and amortisation	**(16.6)**	(11.4)
Operating (loss)/profit	**1.1**	4.5

[1] Like for like includes three months' preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in the comparative period. See Financial Review Section page 74.

CASE STUDY: Tilapia

STREPTOCOCCUS

is one of the most devastating diseases in tilapia

The disease predominantly affects countries in Latin America and Asia. It can cause substantial mortalities of large fish and causes farmers heavy economic losses.

The solution

Benchmark has built a pioneering and complimentary preventative approach including vaccine development, specialist nutrition and an advanced family-based breeding programme for Nile tilapia that selects stock for key traits including increased resistance to Streptococcus *iniae* and Streptococcus *agalactiae*.

Weakened fish are especially susceptible to the illness. Our approach ensures we look at the health of the full animal:

- Strong genetics result in a greater level of disease resistance
- Probiotic nutrition helps immune stimulation to fend off diseases naturally
- Healthier fish respond better to vaccines

“

The combination of fry genetics, biosecurity measures, and specific management protocols — through product and strong technical support — will allow farmers to cost-efficiently produce quality fish.

Olivier Decamp
INVE's Farm & Feedmill Product Manager

$6.7bn
Global tilapia production ($6.7bn USD 2015)

$1bn
Lost annually due to streptococcus[1]

2nd
Most farmed fish globally[2]

[1] USDA (2017) A Big Step towards Reducing Strep in Farm-Raised Tilapia.
[2] Rise of the Aquatic Chicken, Rabobank 2015.
Image: Courtesy of CDC.

Cutting-edge

HEALTH PRODUCTS

targeted at the major disease challenges

Image: Benchmark vets monitor the gill health of salmon in Scotland.

“Our pipeline is progressing well. We use our market insight from the business to develop products targeted at the industry's largest unmet disease issues and emerging challenges. We are working on some potential game-changers.

John Marshall
Head of Benchmark Animal Health

11%
FY17 revenue contribution

10
Sites

177
Employees

HISTORY

Benchmark Animal Health was established through the acquisition of Fish Vet Group in 2003, the Company's first-move into aquaculture. Following this Benchmark acquired Novartis Animal Health vaccine manufacturing plant whilst organically growing the product pipeline. The product development team was built through a number of key strategic hires from the aquaculture pharmaceutical industry.

PRODUCTS

Vaccines, medicines, biocides, parasiticides, veterinary health services and diagnostics.

OPERATIONAL PROGRESS

Innovative breakthroughs in market

- Post period end, successful field trials of Benchmark's new generation sea lice treatment, proven in trials to be 100 per cent effective against sea lice
- Launch of CleanTreat®, Benchmark's new fully contained purification system which will be used in conjunction with sea lice treatments, ensuring there is no impact on the environment
- Second generation vaccine technology passed proof of concept and fast tracking to field trials during 2018

Increasing manufacturing firepower and commercial delivery

- Operations commenced at the new vaccine antigen production facility in Braintree, UK. The facility processed its first commercial-scale batch of antigen in September 2017
- Benchmark's aquaculture vaccines are now being manufactured at the Braintree facility, speeding up the delivery of vaccines to market
- Preparing to launch direct distribution of Byelice (Salmosan®) in Chile as a first initiative in strengthening the Company's position for future product introductions

Extracting synergies through strong distribution network

- Integration is progressing well with vaccines from Animal Health being distributed in the Mediterranean through INVE's extensive network
- Benchmark pipeline's streptococcus vaccine for tilapia being developed as part of a total control programme linked to products in Advanced Nutrition and Genetics

Product pipeline progress

- Continued progress in our pipeline of 41 products, of which 7 are in regulatory phase, and 10 are in pre-regulatory development trials
- Successful performance in field trials of sea bass nodavirus vaccine, with volumes growing
- Improved R&D efficiency through better integration with Benchmark's research facility Ardtoe, increasing capacity to deliver trials for pipeline products

FINANCIAL PERFORMANCE

Animal Health is in a phase of transition with a targeted increase in investment in new products that will deliver future organic growth set against a backdrop of reduced demand for existing mature products, primarily Salmosan®. Investment in expensed R&D reduced to £7.3m (2016: £8.3m) reflecting careful management of spend and the fact that an increasing proportion of R&D has to be capitalised as more pipeline products approach full launch. The division reported an increased Adjusted EBITDA loss of (£11.6m) (2016: loss of (£4.2m)).

Animal Health Division Revenue

Animal Health Division Adjusted EBITDA

Summary Income Statement	2017 £m	2016 £m
Revenue	**15.1**	24.8
Cost of Sales	**(13.9)**	(15.0)
Gross Profit	**1.3**	9.8
Research and development costs	**(7.3)**	(8.3)
Operating costs	**(5.5)**	(5.8)
Adjusted EBITDA	**(11.6)**	(4.2)
Exceptional including acquisition related items	**(0.6)**	(0.3)
Depreciation and amortisation	**(1.4)**	(1.5)
Operating loss	**(13.6)**	(6.0)

CASE STUDY: Sea bass

Nodavirus can cause up to

100% MORTALITY

148,650
Tonnes of sea bass produced (2016)

€300m
Mediterranean sea bass market[2]

25-30°C
Nodavirus is highly dependent on water temperature. Ideal temperature of 25-30°C

23%
Predicted increase in production 2016 to 2017, overtaking sea bream[1]

45,000
Tonnes of Mediterranean sea bass produced in 2015[3]

Nodavirus is a serious viral disease, primarily affecting farmed sea bass in Greece and other Mediterranean countries. The disease impedes growth and causes high production losses. There is currently no effective treatment.

The solution

Benchmark is currently trialling a new vaccine for the Mediterranean market. Full development of this product has been undertaken in-house covering R&D, vaccine manufacturing and trials.

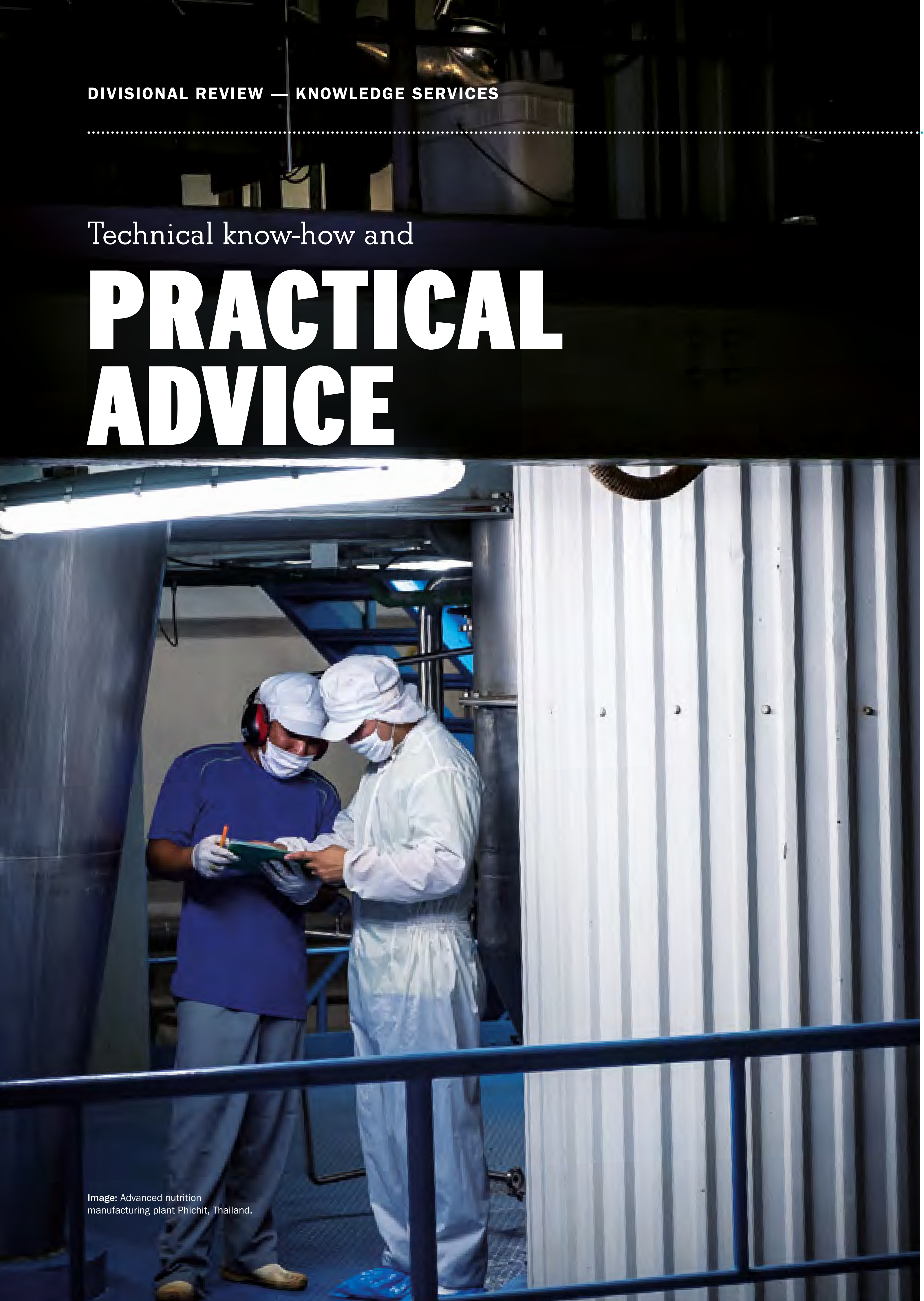
Now in the final stages of development, the brand new Benchmark vaccine will be available to customers in 2018.

“

The development process for producing this vaccine for sea bass can now be readily adapted to bring forward vaccines for several other emerging farmed aquaculture species including Turbot, Barramundi and Grouper also affected by Nodavirus.

Robin Wardle
Benchmark Vaccine Development Director

[1] INVE estimate.
[2] Aquaculture in Greece 2016, Federation of Greek Maricultures.
[3] INVE data.



Technical know-how and PRACTICAL ADVICE

Image: Advanced nutrition manufacturing plant Phichit, Thailand.

> Knowledge unlocks the growth of the industries we serve. Benchmark is becoming increasingly recognised for the value we create from our research, training, services and events.

James Banfield
Head of Knowledge Services

10%
FY17 revenue contribution

12
Sites

151
Employees

HISTORY

Knowledge Services[1] has been part of Benchmark since its inception when Benchmark's founders set out to build a business based on the growing need to create a sustainable and ethical future for global food production.

PRODUCTS

Conferences, cleanerfish sales, challenge tests (for Benchmark product pipeline), training, events and consultancy.

[1] Knowledge Services' encompasses the work of Benchmark's Sustainability Science and Technical Publishing.

OPERATIONAL PROGRESS

Strengthened infrastructure in key growth markets

- Successful delivery of trials at Benchmark's Ardtoe Aquaculture Research Facility of the new and patented CleanTreat® water purification solution
- Benchmark's tilapia hatchery in Brazil is now operational. The Knowledge Services team is working with Benchmark Genetics to provide training to producers on best practice in health and welfare
- Supporting Benchmark's two new lumpfish sites in the north of Scotland with training on welfare standards of cleanerfish, a biological control against sea lice
- New state-of-the-art veterinary training facility opened in Sheffield, UK
- Launch of new website for the aquaculture industry in The Fish Site and veterinary market through the new Vet Practice site

Growing market share

- Benchmark's aquaculture news site increased unique visitors by five per cent in the period
- Acquisition of Vet Practice, an industry magazine serving 10,000+ veterinary professionals

New product launches and contract wins

- Successful conferences in VetsNorth and VetsSouth attracting over 700 delegates and disseminating knowledge into fast evolving veterinary industry
- Successful Aquaculture Innovation conference at Stirling University
- Two year extension of Defra contract for the training and assurance of official veterinarians (OVs)
- Further development and securing of new clients for Benchmark's growing suite of data services
- Expanded consultancy contracts with existing food producer and retailer clients, including McDonald's, IKEA and KFC, and secured new long-term clients, including Barry Callebaut and Woolworths

FINANCIAL PERFORMANCE

Knowledge Services reported a reduced Adjusted EBITDA loss of (£0.9m) (2016: loss of (£1.4m)) as a result of increased R&D trials revenue and cost control.

Knowledge Services Division Revenue

Knowledge Services Division Adjusted EBITDA

Summary Income Statement	2017 £m	2016 £m
Revenue	**13.8**	11.2
Cost of Sales	**(9.4)**	(7.0)
Gross Profit	**4.4**	4.2
Operating costs	**(5.2)**	(5.6)
Adjusted EBITDA	**(0.9)**	(1.4)
Exceptional including acquisition related items	**(0.1)**	(0.1)
Depreciation and amortisation	**(1.9)**	(1.0)
Operating loss	**(2.9)**	(2.5)

TECHNOLOGY CENTRE PRODUCT PIPELINES

Genetics Pipeline

Product code (peak projected sales (£), date of first sales (incl. field trials)	Pre-Project				Project phase		Test development		Launch			
Salmon			PF011 (5.4m) 2020	DH021 (3.5m) 2020	DH022 (3.5m) 2020	QF001 (0.2m) 2019		DS011 (2.1m) 2021	Genomics GS-Quality (0.3m) 2018	Genomics ISA (5.4m)	Genomics SRS (1.9m)	Genomics AGD (2.7m)
Lumpfish									Lumpfish Scotland (4m)			
Tilapia	DT003 (6m) 2021	DT006 (3m) 2020	DT005 (3m) 2020	DT004 (4.5m) 2020					DT002 (4.5m) 2018	DT001 (4.5m) 2018		
Shrimp							DP002 (28m) 2019	DP001 (32m) 2019				

Total* peak projected sales: £100.5m

Total products: 14

Advanced Nutrition Pipeline

Product code (peak projected sales (£), date of first sales (incl. field trials)	Development and lab testing					Field verification		Market preparation		Start of sales up to 1Y		
Marine finfish	SL19 (0.3m) 2021									FD07 (0.4m)	FD06 (3m)	SL23 (0.2m)
Shrimp	SD03 (22.8m) 2022	SC30	SL22 (0.1m) 2020	SG25 (7m) 2019	SL18 (0.1m) 2019	SD04 (0.1m)	SG28 (8.5m)	SC15 (1m) 2018				SL16 (3.2m)
Shrimp/ marine finfish	SG27 2020							ART01 (3.8m) 2018	ART02 (0.3m) 2018			
Shrimp/ oyster												SD29 (1.4)
Tilapia	SC11 (2.7m) 2021	SC12 (3.3m) 2020										
Salmon/tilapia/ sea bass/bream	SG26 (1.5m) 2021											
Sea bass/bream	FD05 (7m) 2021											
All species	SL20 (2.2m) 2020											

Total* peak projected sales: £60.7m

Total products: 15

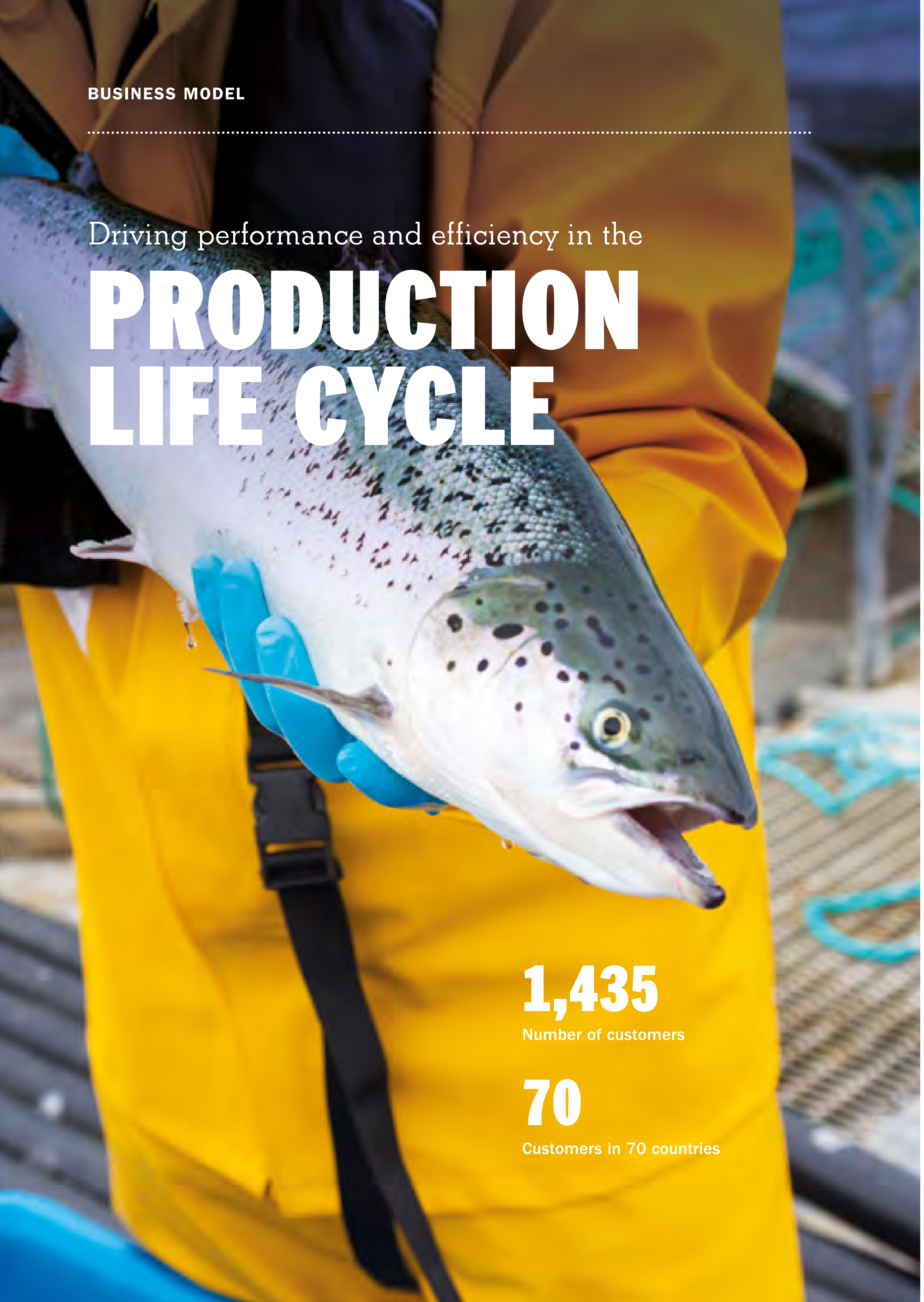
Animal Health Pipeline

Product code (peak projected sales (£), date of first sales (incl. field trials)	Discovery				Passed proof of concept				Development Trials				Regulatory process begins	Field Trials	Commercial launch
Sea bass/ bream								VAQ002 (3m) 2019	PAQ009 (10m) 2019	VAQ022 (6m) 2019	VAQ007 (12m) 2019	VAQ011 (3m) 2018	VAQ008 (1m) 2018	VAQ016 (1m) 2016	PAQ006 (1m)
Salmonids	PAQ024 (4m) 2021	VAQ017 (25m) 2021	VAQ032 (10m) 2019	VAQ006 (15m) 2019	PAQ017 (3m) 2022	VAQ029 (9m) 2020	VAQ015 (6m) 2020	VAQ010 (1m) 2018	VAQ019 (1m) 2019	VAQ021 (2m) 2019	VAQ020 (1m) 2019	VAQ028 (19m) 2019	PAQ014 (1m) 2018	PAQ008 (45m) 2018	
	PAQ004 (3m) 2022	PAQ022 (11m) 2021	VAQ031 (8m) 2021			PAQ018 (10m) 2021	PAQ007 (13m) 2021	VAQ009 (2m) 2020							
Tilapia	VAQ034 (10m) 2022	VAQ036 (3m) 2021	VAQ025 (4m) 2021									VAQ024 (1m) 2018	VAQ004 (1m) 2018		
Shrimp													EAQ002 (10m) 2019		
Cleanerfish				VAQ033 (1m) 2018											
Catfish					VAQ003 (3m) 2019										
All species (aquaculture)		PA016 (10m) 2022	PAQ021 (10m) 2022												PondDtox (1m)
Companion animal/ farm animal						VC002 (55m) 2021	VTS009 (50m) 2021		VC001 (165m) 2021				PAQ023 (3m) 2019		

Total* peak projected sales: £546m

Total products: 41

* Not including products above with 'launched' status.



BUSINESS MODEL

Driving performance and efficiency in the PRODUCTION LIFE CYCLE

1,435
Number of customers

70
Customers in 70 countries

1 DEVELOPING AND COMMERCIALIZING BIOLOGICAL SOLUTIONS

Technologies

- Robust genetics
- High quality nutritional products
- Health products including vaccines and treatments

Infrastructure

- Vaccine manufacturing capacity — GMP accredited
- Biosecure breeding and genetics production facilities
- R&D and challenge test units — Home Office licensed

Distribution

- Long standing customer relationships in 70 countries
- Strong distribution network — own and third party

2 FOCUSED ON KEY PRODUCTION NEEDS

- Improved disease resistance
- Lower mortality
- Lower stress levels
- Better harvest quality
- Better fillet quality
- Faster growth rate

3 DELIVERING VALUE

Customers

- High ROI relative to substantial costs resulting from major disease challenges
- Driving consistency in supply and better grow-out results
- Supporting long-term growth and sustainability of their businesses

Shareholders

- Driving shareholder value as the industry grows

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

WE ARE COMMITTED TO CONDUCTING BUSINESS IN AN ETHICAL MANNER AND ACTING WITH INTEGRITY

"I'm committed to ensure we continue to realise value for our clients, partners and investors, while safeguarding society and the world in which we work now and in the future. This is the vision on which Benchmark was founded.

Ruth Layton
Group Sustainability Director
(Benchmark co-founder)

Benchmark was founded upon the need to build a sustainable food chain; sustainability is part of our DNA.

The 3Es

Benchmark has been consistently guided by the '3Es' framework, which places equal value on ethics, environment and economics ("3E"). This framework is line with ESG reporting frameworks and ensures we can pursue our commercial interests in a manner that ensures consideration and respect for:

- Our people and partners
- The animals under our care and influence
- The communities and environments in which we operate
- The health and safety of every employee
- Our impact on the planet

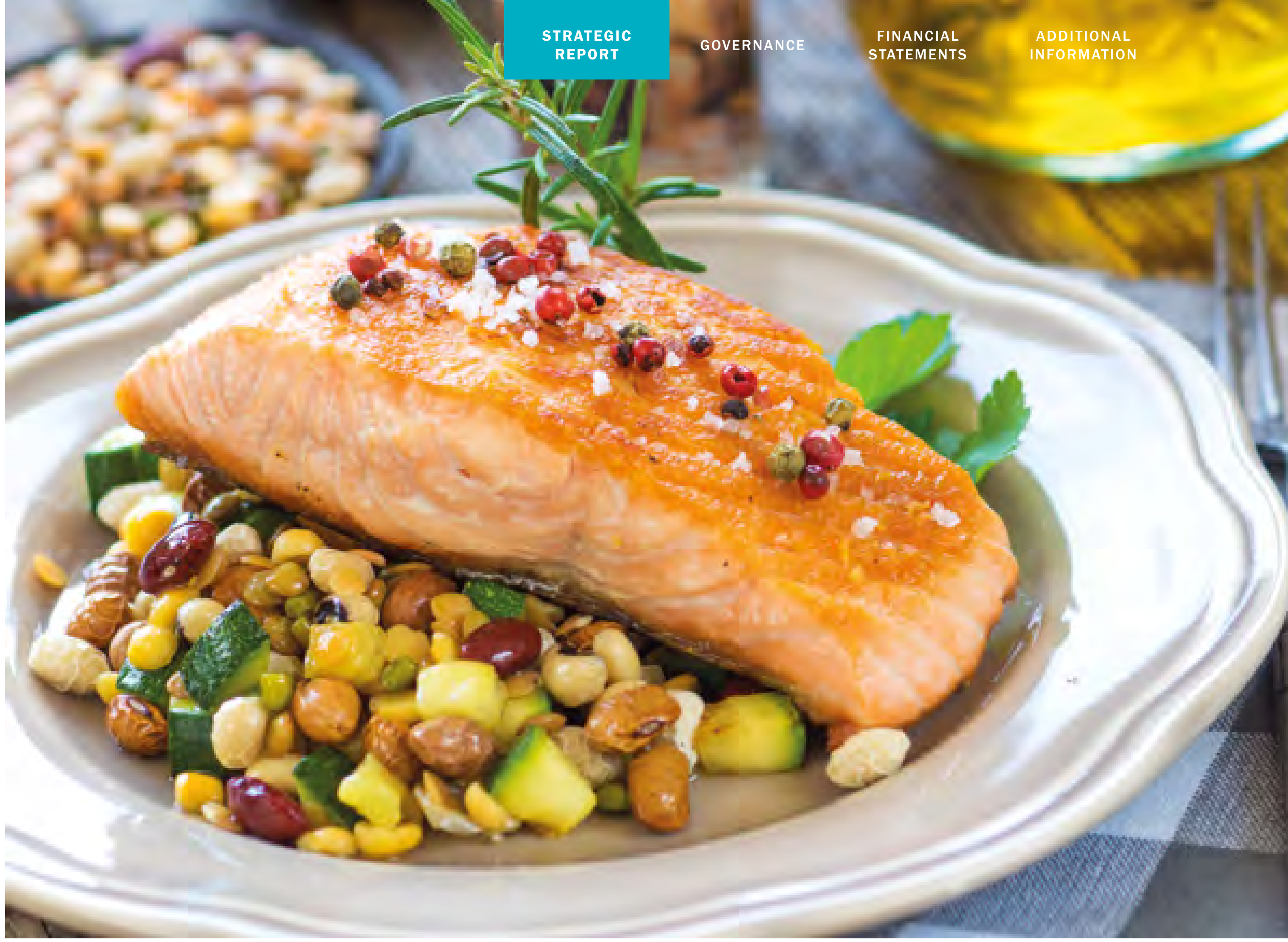
Increasing our impact

Post year-end Ruth Layton (pictured above) was appointed as Group Sustainability Director and a sustainability working group and PLC Board Committee was established. The group is beginning an assessment of the Company's sustainability strategy and operations against Benchmark's established 3Es framework.

The Committee will work alongside Benchmark's Operations Board to ensure we continue to realise value for our clients, partners and investors while also safeguarding society and the world in which we work now and in the future.

We continue to work closely with our clients, partners and wider stakeholders — including governments and industry bodies — to inform and influence their own standards and practices to ensure best practice is implemented as widely as possible.

SUCCESSFUL BUSINESSES CAN BE A FORCE FOR GOOD



OUR PEOPLE AND PARTNERS

Our people are the beating heart of our business. We are committed to building a working environment where health and safety is paramount in everything we do. In February, we asked every employee to sign up to our commitment to health and safety, followed by a series of workshops and a company-wide global safety day.

Our Commitment to health and safety is as follows:

- Nothing is more important than health and safety
- Nothing we do is worth being hurt for
- Nothing is so important we cannot take time to do it safely
- We will never witness an unsafe act or condition without taking action

Ethical business conduct

Benchmark employs people from 42 different nationalities encompassing a variety of languages, cultures and customs. We are committed to high ethical standards in our business dealings worldwide and require the same from every member of our team.

Our values and policies guide how we make decisions and what we do and say each day. Our values set the standards of behaviour we expect from one another, and which external parties can expect from us. Our policies cover whistleblowing, anti-fraud and anti-corruption, financial reporting as well as regulatory compliance.

We believe that openness and good communication promote a better culture. Our whistleblower channel facilitates the reporting of concerns about potential compliance issues, with regard to both laws and regulations, in the areas of environment, human and labour rights, equality and diversity, health and safety, business ethics and anti-corruption, conflict of interest and professional behaviour.

ANIMAL HEALTH AND WELFARE

We strive to ensure the highest level of animal welfare throughout the supply chain.

Animal health and welfare is at the very heart of what we do. We strive to ensure the highest possible welfare potential for every animal under our care. By working closely with academic and research organisations around the world, we ensure our standards and practices are constantly informed by the most up-to-date science and research in order to keep raising the bar for animal health and welfare throughout our business and beyond.

We continue to train and educate our people and customers in best-practice husbandry and prevention and management of key diseases. The aquaculture industry will only be able to grow successfully within sustainable parameters if certain challenges are overcome. During the year we have continued to invest in technologies to accelerate the early identification of new diseases and vaccine development as a means of preventing some of the leading health challenges. We have reached major milestones with two such projects: our CleanTreat® purification system enabling medical bath treatments to be administered with no impact on the marine environment, and our Cleanerfish programme, a biological control, that has reduced lice burden on some Scottish farms by up to 70 per cent.

Setting the standard

RSPCA-Assured is one of the UK's leading standards for farmed fish.

Benchmark works closely with the RSPCA, where possible, helping to inform and develop standards such as the welfare standards for farmed Atlantic salmon which covers over 90 per cent of UK farmed salmon, and the welfare standards for cleanerfish.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

WE WANT TO HAVE A 'NET POSITIVE' IMPACT ON THE COMMUNITIES IN WHICH WE OPERATE

COMMUNITIES

We have supported FarmAbility, an on-farm day service for adults with autism and learning difficulties, since it was founded. We provide a base, facilities and farm access for the charity at our farm in Oxford, UK.

"When I get home after a day at FarmAbility, I feel as though I have been smiling all day. It makes me feel really special. The peace and tranquillity really helps to control my epilepsy. It gives me peace of mind."

Hannah Crabb
FarmAbility Co-worker
Benchmark's supported charity

School outreach

Thailand

In Thailand we work closely with the local community, providing equipment and training in health and safety. Our team visited a school and donated tools such as fire extinguishers and traffic cones to create a safer environment for the children.

Brazil

At our farm in São Paulo we work with school children (9 to 11 years) from underprivileged areas, educating them about how their food is produced and nurturing their skills.

"It's rewarding to see the children working as part of a team out on the farm. It's important to give them a sense of purpose and help them find enjoyment in what they are doing.

Murilo Quintiliano
Director, Benchmark's FAI Farms, Brazil

Image: FarmAbility staff and co-workers at our R&D farm in Oxford.

Image: Local school children at our farm in São Paulo, Brazil.

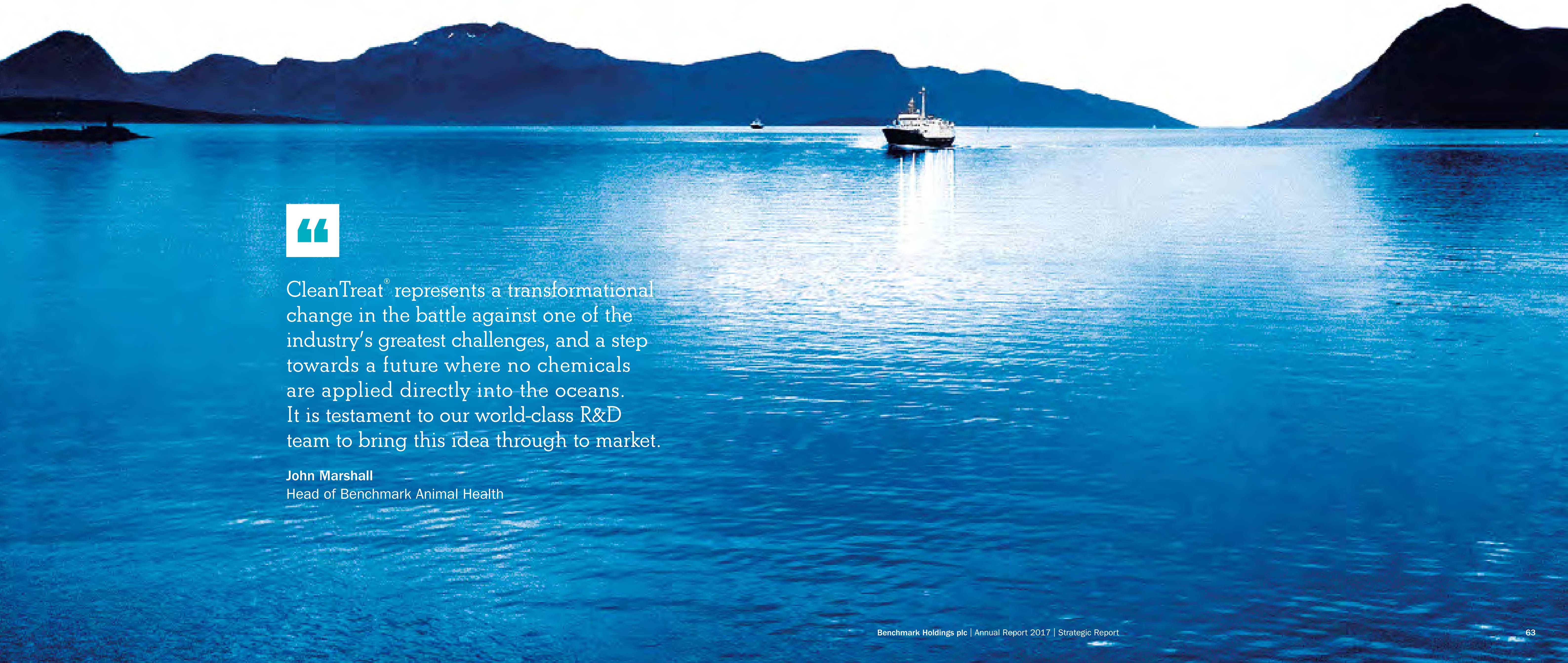
BATH TREATMENTS FOR SEA LICE THAT LEAVE NOTHING BEHIND BUT HEALTHY FISH AND CLEAN WATER

ENVIRONMENT

We continue to review our footprint in order identify 'hotspots' in our operations where we need to make a difference — ranging from improving our communication tools to reduce travel and investing in greener technologies through to sustainable sourcing across our entire supply chain and championing more sustainable alternatives such as cleanerfish and CleanTreat®.

Announced in August 2017, CleanTreat® is a unique purification system that removes all detectable medical components from treatment water after delousing salmon in well boats.

Chemical-based bath treatments that are released into the environment is one of the biggest objections to the salmon farming industry and CleanTreat® solves this environmental challenge.



> CleanTreat® represents a transformational change in the battle against one of the industry's greatest challenges, and a step towards a future where no chemicals are applied directly into the oceans. It is testament to our world-class R&D team to bring this idea through to market.

John Marshall
Head of Benchmark Animal Health

Image: Benchmark salmon production facility in Kalmanstjørn, Iceland.

BUILT ON KNOWLEDGE

We employ a diverse and expert team from 42 different nationalities, serving customers in over 70 countries. Our business is built on collaboration, expertise and rigorous ethical standards, which we require all of our employees to uphold.

Our business requires motivated, engaged people with in-depth technical and practical experience across the entire supply chain.

Anna Winton
Head of People

LEADERSHIP TEAM

Driving efficiencies for our customers requires collaboration, progression and strong leadership.

Post-year end there was a re-organisation of the management team to further strengthen leadership and communication, extract synergies and drive efficiencies in supply and better serve our customers as a one-stop shop. The Operations Board is now made up of representatives from each division and key group functions. Alongside this, functional working groups have been launched for the following key areas — account management; supply chain; R&D and innovation; marketing; finance and strategy execution and business growth.

PLC EXECUTIVE BOARD

Malcolm Pye
Chief Executive Officer

Mark Plampin
Chief Financial Officer

Athene Blakeman
Company Secretary and Group Legal Counsel

OPERATIONS BOARD

Jan-Emil Johannessen
Head of Genetics

Date joined: 2014

- Over 30 years' experience in the salmon industry
- Deep-rooted market insight into the food production sector
- Strong management and commercial skills

Philippe Léger
Head of Advanced Nutrition

Date joined: 2015

- 35 years' experience in the aquaculture industry, worked with INVE since its foundation
- Strong local relationships with major producers: Europe, S E Asia, China, Latin America, USA
- Strong commercial skills with pioneering reputation

John Marshall
Head of Animal Health

Date joined: 2011

- 20 years' experience in the pharmaceutical industry, former Head of Global Technical Services and Head of European Business unit aquaculture at Novartis
- Strong R&D, portfolio development and commercial skills
- Significant experience in taking new vaccines and products to market

James Banfield
Head of Knowledge Services

Date joined: 2012

- 20 years' experience in professional and education-publishing and business development
- Strong international strategic skills and experience of B2B and B2C businesses
- Experience of managing businesses across geographies: Europe, India, S E Asia, China, Australia, USA

Roland Bonney
Group Lead, Key Account Management (Benchmark co-founder)

Date joined: 2000

- Over 30 years' experience in the food production sector
- Significant M&A experience in Europe, Asia & the Americas
- Strong strategy development and execution skills

Ivonne Cantu
Director of Investor Relations and Corporate Development

Date joined: 2017

- 20 years' experience in corporate finance
- Significant experience of financing and capital raising
- M&A experience in international markets

Anna Winton
Head of People

Date joined: 2002

- Experience of managing HR departments in various businesses and regulatory environments
- Several years experience of operating within international businesses with cultural diversity
- Extensive knowledge of acquisition integration

ONE BENCHMARK

'One Benchmark'

Our global team ranges from geneticists, nutritionists, livestock technicians, veterinarians through to auditors, accountants and sustainability officers. Harnessing this expertise across our global operations to drive efficiencies for our customers requires collaboration, communication and upholding robust ethical standards. Workshops were held throughout the year in the UK, Brazil, Thailand and USA as part of our on-boarding process for new employees. During the year a new internal communications platform was rolled out to ensure we remain connected across our different geographies. Work has also continued on the integration of people, systems and process across the Group to drive efficiency, increase effectiveness and provide a consistent external presence.

Diversity and equality

We strive to attract a diverse workforce and provide equal opportunities throughout the business. We aim to conduct our activities without discrimination and value everyone as an individual. Within the Group, there are some differences with regard to the benefits to which permanent and temporary employees are entitled, due to geographies and the number of hours worked. As a minimum, we comply with each country's employment laws. Beyond this we aim to offer a competitive package of benefits that support and protect our people, are valued by our employees and are appropriate to our local markets.

Gender pay

The introduction of mandatory gender pay gap reporting in England, Scotland and Wales is a positive step for diversity and gender equality and will likely lead to increased transparency.

Whilst Benchmark is not obliged to report on this issue, as we do not have 250+ people employed at one site, we believe the potential benefits of reporting on gender pay will give us:

- Greater understanding of where we need to take action
- Access to a far wider reaching talent pool
- A different way of thinking around diversity and inclusion more widely in the workplace
- Reduced risk of equal pay claims and attrition.

We intend to report on the gender pay gap within the UK in April 2018. We will also review the gender pay gap within our overseas companies. This is an area that we take very seriously. More than 50 per cent of our employees are women and we continue to recruit women into senior roles.

Image: Benchmark specialists assess the prevalence of Amobic Gill Disease parasites at our lab in Norway.

VALUES

Our growth and continued success is down to the hard work, talent and dedication of every member of our team. Maintaining a culture where everyone feels a valued member of our global team, regardless of geography or role, is central to our strategy.

A series of global vision and values workshops continued throughout the year to ensure that all of our people feel empowered to 'live' the Benchmark values.

Our global values define our culture as a business:

Brave & Ambitious

We challenge the status quo to create understanding, opportunity and innovation.

Focused

We are clear on our vision and know what success looks like.

Practical

We deliver the day job, we keep it simple, we are honest and straightforward.

Collaborative

None of us are as good as all of us.

Courteous & have Fun

Our manners matter, our humour helps.

RECOGNITION

London Stock Exchange's 1000 Companies to Inspire Britain

Benchmark was delighted to be included in the LSE's 2017 report alongside so many exciting UK companies.

Outstanding Health and Safety, Thailand

For the second consecutive year, our advanced nutrition facility in Thailand received the provincial "Outstanding Occupational Health and Safety" award.

British Veterinary Association Chiron Award

Awarded to Benchmark co-founder and Director, Ruth Layton, for services to the international veterinary profession.

OFC & RASE Science & Innovation Award, UK

Won in January 2017 by Benchmark Veterinary surgeon, Ruth Clements, in recognition of Benchmark's 5-Point Plan to tackle lameness.

Reducing motorcycle fatalities and injuries, Thailand

Our factory in Phichit was the only non-government organisation to achieve 100 per cent compliance in this important government scheme.

ECO Factory Award, Thailand

Our factory in Phicit scooped 'ECO Factory Award' at the ECO Innovation Forum for excellence in safety, sustainability and positive contribution to the local community.

BENCHMARK AWARDS

During the year, Benchmark launched a number of awards to recognise and drive excellence in aquaculture.

UK marine aquaculture awards

Three brand new categories were added to the Scottish Marine Aquaculture Awards, including 'Shellfish Farm Manager of the Year', 'Rising Star Award', and the 'Peoples Choice Award'.

Best Dissertation on Aquaculture and Fisheries

In partnership with Swansea University's Centre for Sustainable Aquatic Research, awards were presented to Toby Champneys and Alice Wren for their dissertation on Nile tilapia, plaice and common sole.

Master of Science in Aquaculture award

Our inaugural Master of Science in Aquaculture was presented to MSc student, Bipul Kumar Dey, at the University of Ghent.

SOLID FINANCIAL PROGRESS

Financial highlights

- Revenue increased by 28% to £140.2m (2016: £109.4m)
- Like for like[1] sales, including 12 month comparative figures for businesses acquired in 2016, increased by 13%
- 47% growth in salmon genetics sales resulting from customer demand and the success of new products launched
- Like for like[1] 21% growth in nutrition products driven by increased market share and demand for higher margin live feed replacement and health diets
- Sales of health products reduced by 39% due to lower demand for mature products
- Total investment in R&D increased by £2.0m to £15.2m (of which £13.1m was expensed in the income statement and £2.1m was capitalised) but reduced as a percentage of sales to 11% (2016: 12%) reflecting reduced rate of increase in spend
- Adjusted EBITDA increased by 9% to £10.0m (2016: £9.2m).
- Loss for the year reduced by 61% to (£7.1m) (2016: (£18.3m))
- £21.5m investment in state-of-the-art additional production capacity in health products and genetics
- Net debt increased as expected, to £23.9m including £6.0m of ringfenced non-recourse debt used to part fund genetics capital expenditure

"Good progress in trading results for Benchmark's two largest divisions secured financial progress for the Group despite some end market challenges and the decline in sales of mature products.

Mark Plampin
Chief Financial Officer

£m	2017	2016
Total revenue	**140.2**	109.4
Gross profit	**62.4**	50.8
Gross profit percentage	**45%**	46%
Research and development costs	**(13.1)**	(11.7)
Operating expenses	**(39.3)**	(29.9)
Adjusted EBITDA	**10.0**	9.2
Exceptional including acquisition related items	**5.6**	(13.1)
Loss before tax	**(8.1)**	(22.4)
Basic loss per share (pence)	**(1.4)**	(4.4)

We continue to use adjusted results as our primary measures of financial performance. In line with many of our peers in the sector we highlight expensed R&D on the face of the income statement separate from operating expenses. Furthermore, we report earnings before interest, tax, depreciation and amortisation ("EBITDA") and EBITDA before including exceptional and acquisition related items ("Adjusted EBITDA"). We believe that this enables a better understanding of the investment we are making in the future growth of the Group and provides a better measure of our underlying performance. This is how the Board monitors the progress of the Group.

[1] Like for like includes three months' preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in the comparative period. See Financial Review Section page 74.

FINANCIAL REVIEW

Like for like

As an acquisitive group, we also make reference to “like-for-like” measures to adjust for the different periods of ownership of new acquisitions and to show the underlying performance of the group. For FY17, like for like includes three months’ preacquisition results from unaudited INVE Aquaculture Group management information and unaudited eleven months proforma results for Genetica Spring SAS in FY16 as shown in the tables below:

Like for like — Group	2017 £000	2016 £000	11 months FY16 proforma Genetica Spring £000	3 months pre-acquisition INVE £000	Revised 2016 £000	LFL £000
Revenue	**140,172**	109,375	60	14,242	123,677	13%
Adjusted EBITDA[2]	**10,039**	9,228	(970)	1,763	10,021	0%
Operating loss	**(7,662)**	(20,471)	(1,147)	1,147	(20,471)	(63)%
Loss before taxation	**(8,100)**	(22,384)	(1,147)	1,148	(22,383)	(64)%

Like for like — Advanced Nutrition	2017 £000	2016 £000	3 months pre-acquisition INVE £000	Revised 2016 £000	LFL £000
Revenue	**83,659**	55,024	14,242	69,266	21%
Adjusted EBITDA[2]	**17,681**	15,864	1,453	17,317	2%
Operating profit/loss	**1,082**	4,481	837	5,318	(80%)

Like for like — Genetics	2017 £000	2016 £000	11 months FY16 proforma Genetica Spring £000	Revised 2016 £000	LFL £000
Revenue	**30,530**	20,717	60	20,777	47%
Adjusted EBITDA[2]	**5,785**	1,385	(970)	415	1,294%
Operating profit/loss	**9,460**	(3,648)	(1,147)	(4,795)	297%

[2] Adjusted EBITDA — Earnings before tax, interest, depreciation and amortisation before exceptional including and acquisition related items. See Financial Review Section on page 73.

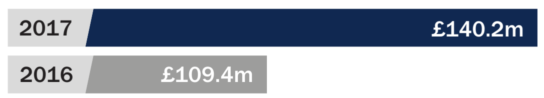
Revenue

Group revenue increased by 28% to £140.2m in the year (2016: £109.4m). The increase results from:

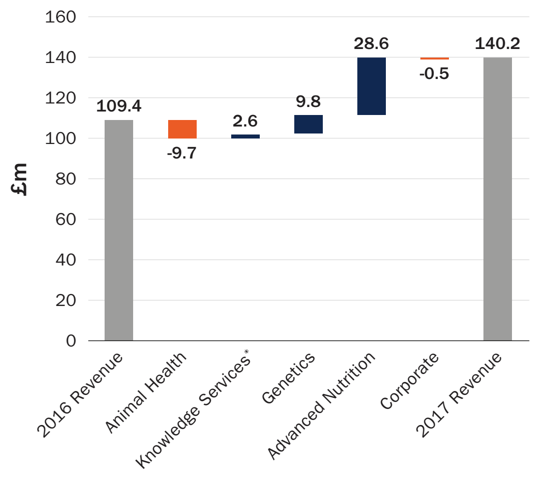
- £28.6m from growth in our Advanced Nutrition business driven by increased market share and demand for higher margin live feed replacement and health diets plus the inclusion of a full year’s sales of the INVE business (vs nine months of trading post acquisition in 2016);
- Strong growth in salmon genetics sales resulting from customer demand and the success of new products launched;
- Offset by reduced sales of health products due to lower demand for the now mature sea lice treatment Salmosan®.

On a like for like basis sales increased by £16.5m (13%) and the Advanced Nutrition division delivered an increase of 14.2m (21%).

Group Revenue

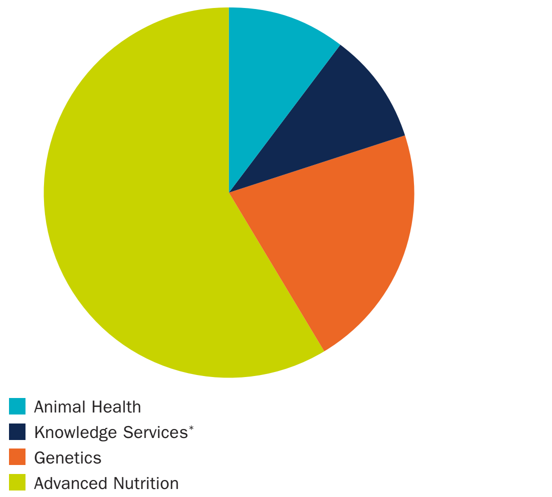


Group Revenue by Division



*Sustainability Science Division and Technical Publishing Division

Group Revenue by Division



*Sustainability Science Division and Technical Publishing Division

Adjusted EBITDA

Adjusted EBITDA increased by 9% to £10.0m (2016: £9.2m). On a like for like basis 2016 Adjusted EBITDA was £10.0m

Benchmark Genetics delivered strong growth in Adjusted EBITDA with increased sales volumes and average sales prices for salmon eggs being the main drivers. The valuation of biological assets increased by £4.2m driven by the growth in sales in the year and strong order book at the year end. This supported strong growth in gross margins for the division and, after expensed R&D of £2.7m (2016: £2.2m), Adjusted EBITDA grew by 314% to £5.8m (2016: £1.4m).

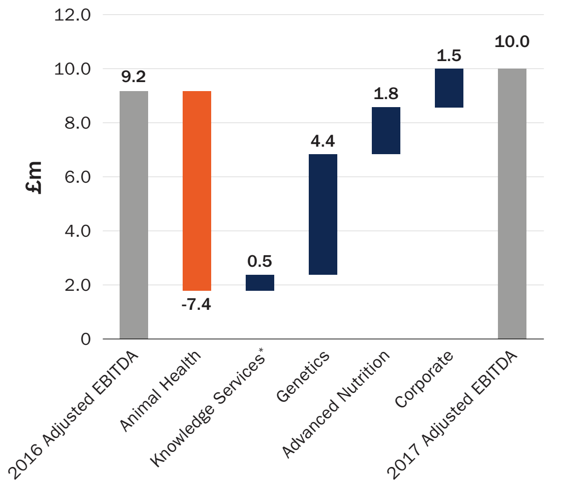
Advanced Nutrition experienced lower growth rates in the first half year but key markets continued to recover through the second half. This recovery aided strong growth in higher margin live feed replacement and health diets. Market prices for some live feed products were impacted by significant oversupply in Asia and this resulted in reduced gross margin from this product category. An exceptional bad debt provision of £1.1m was made in the year for a single debtor related to sales made in 2016. After this provision and after expensed R&D of £3m (2016: £1.3m) the division reported Adjusted EBITDA of £17.7m (2016: £15.9m — nine months post acquisition). 2016 like for like Adjusted EBITDA was £17.3m.

Animal Health is in a phase of transition with a targeted increase in investment in new products that will deliver future organic growth set against a backdrop of reduced demand for existing mature products. Investment in expensed R&D reduced to £7.3m (2016: £8.3m) reflecting careful management of spend and the fact that an increasing proportion of R&D has to be capitalised as more pipeline products approach full launch. The division reported an increased Adjusted EBITDA loss of (£11.6m) (2016: loss of (£4.2m)).

Knowledge Services reported a reduced Adjusted EBITDA loss of (£0.9m) (2016: loss of (£1.4m)) as a result of increased R&D trials revenue and cost control.

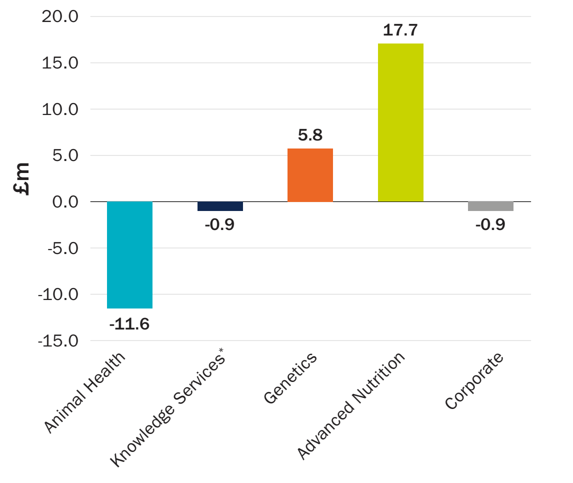
Total Group operating costs (excluding expensed R&D) increased by 32% to £39.3m (2016: £29.9m). This increase reflects the impact of including a full year of INVE's costs, a reduced credit from forex gains and a key driver of the balance was an increase in average headcount from 703 in 2016 to 881 in 2017. Year end headcount was 952 (2016: 884).

Adjusted EBITDA bridge by Division



*Sustainability Science Division and Technical Publishing Division

Adjusted EBITDA by Division



*Sustainability Science Division and Technical Publishing Division

Adjusted EBITDA

Investment in expensed R&D increased by £1.4m to £13.1m (2016: £11.7m). This represents a lower level of increase than in past years as R&D was carefully managed to ensure it is aligned with revenue growth and an increase in capitalised R&D as investment is more focused on products in the final stages of development. As a consequence R&D as a percentage of sales fell to 9% (2016: 11%). Total investment in R&D (including capitalized development costs) as a percentage of sales also fell to 11% (2016: 12%).

A net credit of £5.6m from exceptionals including acquisition related items is mainly due to the impact of the assessment of the likely level of payment of acquisition earnout liabilities and forex movements on those liabilities. In 2016, exceptional including acquisition related items were costs of £13.1m, principally due to the acquisition costs related to the purchase of INVE Aquaculture in December 2015.

As a result of the above, EBITDA was £15.7m for the year (2016: loss of £3.9m).

Headcount 2017

Investment in R&D
(including capitalised development costs)

Net finance costs

The Group incurred net finance costs of £0.5m during the year (2016: net finance costs of £2.2m). Interest charged on the Group's revolving credit facility was £1.7m (2016: £0.9m) reflecting both a full year of interest in 2017 (compared to nine months in the previous year) and a higher level of net debt during the year. The facility incurs interest in the range of 1.9% to 3.0% over LIBOR.

During the year, a foreign exchange gain of £1.2m arose due to the movement in exchange rates and has been included within finance costs (2016: £5.0m foreign exchange loss). In 2016, there was also an exchange gain of £3.7m on a foreign currency hedging instrument entered into to fix the US dollar consideration paid on the acquisition of INVE Aquaculture B.V.

Statutory loss before tax

The loss before tax for the year at £8.1m is an improvement of £14.3m on the prior year (2016: loss of £22.4m). The impact of the improved trading outlined above was offset by higher depreciation and amortisation charges of £23.4m (2016: £16.6m) due to a full year of charge on the assets acquired in the prior year.

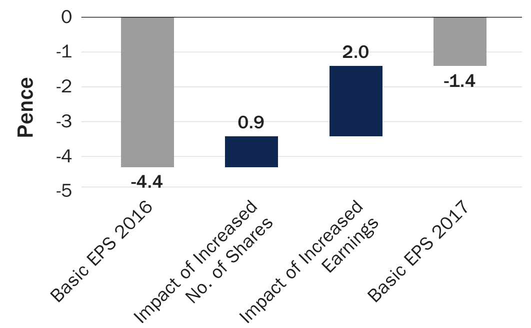
Taxation

There was a tax credit in the period of £1.0m (2016: credit £4.0m). The largest elements of this relate to overseas tax charges in the Genetics division of £1.7m and in the Advanced Nutrition division of £3.7m, offset by deferred tax credits of £5.6m, mainly on intangible assets arising on consolidation from recent acquisitions. No deferred tax assets have been provided on any losses made in the period.

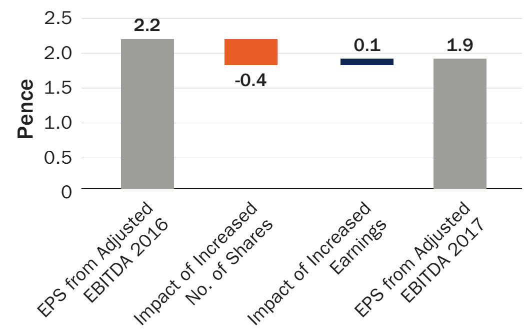
Earnings per share

Basic loss and diluted loss per share were both 1.43p (2016: loss per share -4.39p). The movement year on year is due to a combination of the improved result for the year as noted above, and the higher average number of shares in 2017 due to a full year of the new shares issued in the equity raise used to fund the acquisition of INVE.

Basic EPS



Basic EPS from Adjusted EBITDA



Dividends

No dividends have been paid or proposed in the year (2016: £nil) and the Board is not recommending a final dividend in respect of the year ended 30 September 2017.

Biological Assets

A feature of the Group's net assets is its investment in biological assets, which under IAS 41 are stated at fair value. At 30 September 2017, the carrying value of biological assets was £16.5m (2016: £11.9m). The movement in the overall carrying value of biological assets is due principally to the increase in sales of and future orders for the Company's salmon eggs.

Intangibles

Capitalised R&D increased by £0.7m to £2.1m. R&D costs related to products that are close to commercial launch have to be capitalised when they meet the requirements set out under IFRS. As Benchmark goes through a period of an increasing number of new products approaching launch this capitalisation will be an increasing feature in the mid-term.

Capital expenditure

Capital expenditure additions of £36.1m (2016: £18.7m) includes £20.5m cash investment on the ongoing construction of the new salmon egg production facility in Norway.

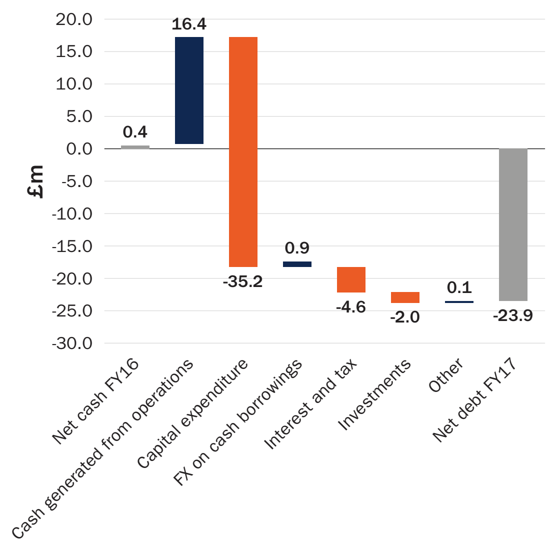
Cash flow

Net cash flow from operations was an increase of £13.4m (2016: outflow £10.5m) due to the improved EBITDA in the period, and the high acquisition costs incurred and a corresponding increase in working capital in the prior year.

Proceeds from increased borrowings of £5.9m were used to part fund some of the capital expenditure outlined above, with total cash outflow on tangible and intangible capital additions totalling £35.2m (2016: £20.2m).

Cash at the period end stood at £18.8m (2016: £38.1m) with net debt finishing the year at £23.9m (2016: net cash £0.4m).

Movement in Net Debt



Liquidity and net debt

The Group's finance function is responsible for sourcing and structuring borrowing requirements. The Group had £42.7m in bank borrowings at the end of the year. Reported debt includes £6m in relation to the funding of the Group's new salmon egg production facility in Norway. This is ringfenced debt without recourse to Benchmark. The key revolving credit facility has a maximum drawdown of £54m and a total of £38m had been drawn at the year end leaving sufficient headroom to meet normal funding requirements in the medium term. Net debt increased to £23.9m during the year as planned as available capital was invested in R&D and production capacity.

RISK MANAGEMENT

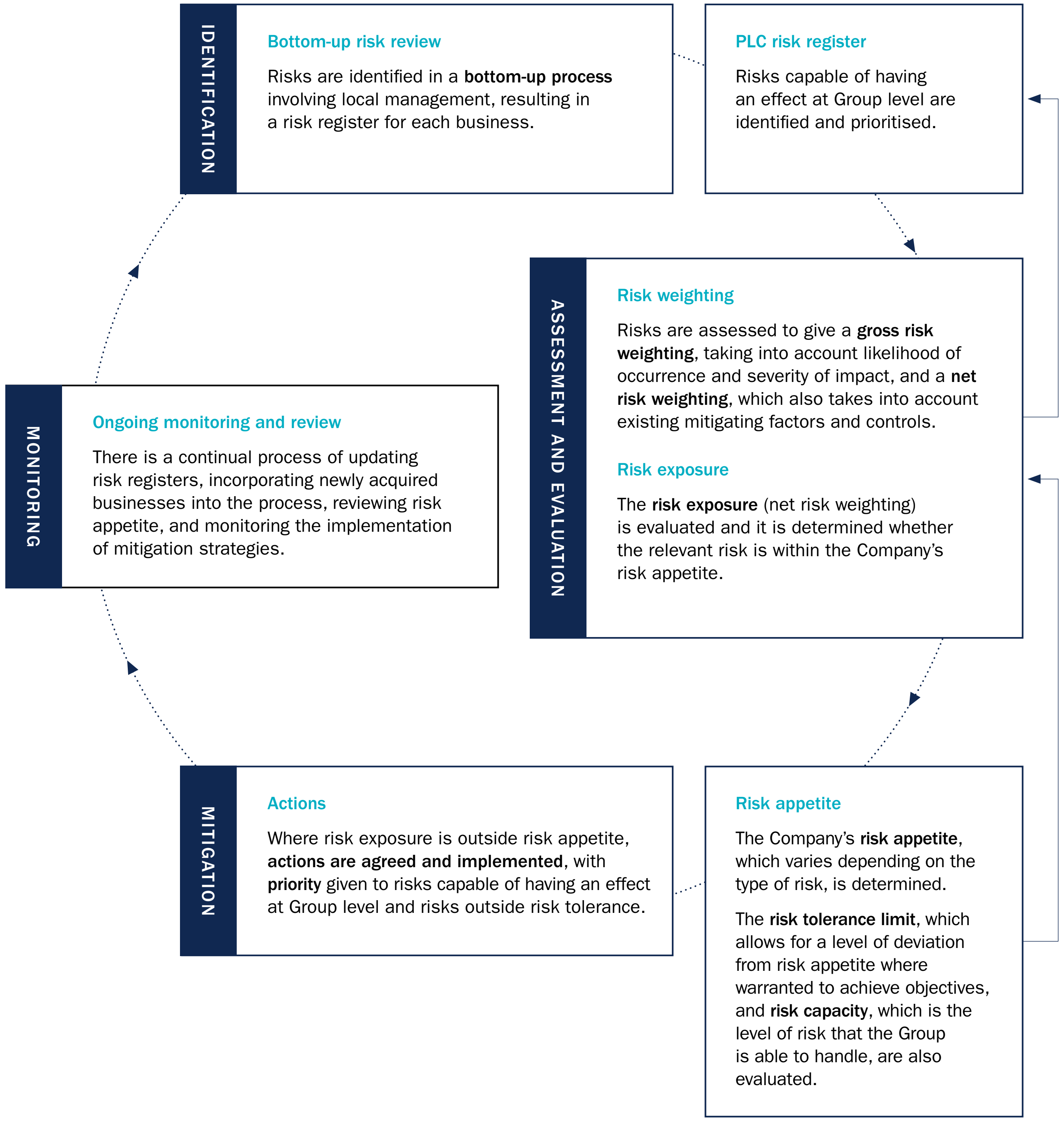
Systems for risk management

Taking calculated risks is an important part of the Group's business, and significant focus is given at Board level to the key risks affecting the business, including risk mitigation within the Group's long-term strategy. The Board also discusses risks over which the Group has limited control, including biological and climatic factors which may affect the Group and its customers.

During FY17, the Group continued to operate its established risk management framework, which is designed to make management of risk an integrated part of the organisation. The diagram visualises the Group's framework for risk identification, assessment, and mitigation. This involves a bottom-up approach in which local management lead the identification, assessment and mitigation of risk, within the context of the Group's framework for risk management and guidelines regarding risk appetite, with focus being placed on risks capable of having an effect at Group level.

The implementation of the Group's risk management framework is led by the Chief Financial Officer, with the support of external consultants, and the Board is ultimately responsible for oversight of the Group's risk management systems, with the Audit Committee acting as a reviewing committee. During FY17, the Audit Committee received reports from the Chief Financial Officer regarding risk management, and from the Group's auditors regarding financial and management controls. No major issues were identified, and the auditors' recommendations in relation to certain non-material matters were implemented, with external advice being taken where appropriate.

Actions to mitigate risk were progressed; an overview of actions taken in respect of the more significant risks affecting the Group is set out in the diagram on the right.



Risk appetite

The Group has determined not to make any amendments to its risk appetite statement, which is set out below:

Benchmark Holdings plc, operating as it does in a highly regulated sector involving significant interaction with living organisms, has a very low tolerance to risks of breaching legal, regulatory or ethical standards or anything which could negatively impact on our reputation. The nature of our business means that we can be impacted by biological or climatic effects which are beyond our influence and so, where possible, we take steps to mitigate these impacts on the business. We use our knowledge of fundamental biology to develop products that tackle unsolved problems often by applying new technology. We are mindful of our stakeholder requirements and so will take measured risk with regards to the integrity of our product pipeline and intellectual assets. We recognise that our people are one of our greatest assets and the Group encourages their long-term commitment allowing them to progress and achieve success. Failure to leverage value through collaborative working and cooperation between our divisions is not a risk we are prepared to accept and the Group has the management structure in place to continue to deliver this particular goal. Where we believe that actions will be beneficial to the Group and its stakeholders, such as specific projects or acquisitions, then we will be willing to take more risk commensurate with the potential rewards on offer.

This risk appetite statement is supported by guidelines for risk appetite in various areas, which have been reviewed and approved by the Board.

PRINCIPAL RISKS AND UNCERTAINTIES

Action to mitigate significant risks and uncertainties

In our 2016 Annual Report, we set out the principal risks and uncertainties to which the Group is subject. During FY17, we focused on assessing the principal risks and uncertainties in more detail, and implementing actions and establishing systems to ensure appropriate mitigation of these. The areas of focus included:

Risk category	Risk and uncertainty	Mitigating factors
Licences and accreditations	Failure to obtain or retain licences for key existing or new products, R&D facilities or production sites could lead to reduced sales or restrictions on sales growth.	The Group sells products and services into over 70 countries globally, many of which are regulated. During FY17, we undertook a programme of reviewing existing product portfolios and pipeline products to evaluate regulatory compliance and anticipate shifts in policy and regulation. In response to this review, resource was added to the product regulation teams to handle an increasing number of new product launches, solutions identified for specific issues, and an improved system for linking the R&D, operational, regulatory, commercial and marketing aspects of new product development launched within the Advanced Nutrition division.
Products	The Group is reliant on the continued success of its research and development programmes for aquaculture and the commercial success of its pipeline products. An unexpectedly high new product development failure rate or delay in reaching market would delay revenue growth.	Our product pipeline continues to be carefully managed and prioritised to ensure an appropriate balance of risk of failure against investment for future growth. There are risks associated with product development and achievement of timeframes, which the Group seeks to mitigate through its project management systems. A new Chief Scientific Officer is being recruited to strengthen the Group's R&D and innovation function and to ensure full exploitation of opportunities for cross divisional synergies in this space.
	Development of resistance to some existing products would lead to reduced efficacy.	In anticipation of resistance to the Group's first sea lice medicine Salmosan® developing in the field, the Company has over several years generated a next generation sea lice treatment. The new treatment is showing 100 per cent efficacy against sea lice in commercial field trials and has excellent environmental credentials, as all detectable traces of medicines are removed from the treatment water prior to it being discharged into the ocean.
Supply chain and production	Delayed launch or under-utilisation of laboratory, manufacturing or R&D facilities resulting in reduced return on investment.	The Group has a strategy of mitigating supply chain risk in its growing vaccine portfolio by establishing in-house manufacturing, as there is limited external capacity in this sector, and in FY17 commenced first commercial scale production at its new Braintree Biotech Building. The new building is a state-of-the-art EU GMP vaccine antigen manufacturing facility with the capability to support the technology platforms required by Benchmark's vaccine portfolio, including recombinant constructs. The building completed its first commercial production and is in the final stages of qualification. Utilisation of the Group's in-house aquaculture R&D facilities has increased again in FY17; the new facilities at Ardtoe are now almost fully on line and while further optimisation is being completed there is 100 per cent capacity scheduled FY18. The group's dedicated warm water facility within FVG Thailand has increased capacity and biosecurity providing the group year round challenge facilities for shrimp and warm water fish species. The utilisation here is increased with 24 hour working and 100 per cent utilisation by Animal Health and Advanced Nutrition. Trials from these facilities have advanced several warm water products as well as Ectosan® in FY17 and are scheduled to accelerate more than half the pipeline in FY18.
	Reliance on third parties to provide some raw materials and manufacturing services could lead to restrictions in supply.	A new cross divisional functional group has been established to review the Group's supply chains (being the process from procurement through manufacturing to delivery to customer), with the aim of identifying opportunities for efficiency, operational improvements and synergies.
	Disease outbreaks at sites with breeding programmes or live stocks could result in reduced revenues, reputational damage and potential product liability claims.	The Group is aware of the risk of disease outbreaks at sites with breeding programmes and live stocks and has implemented a number of initiatives to mitigate this risk. The Group's Genetics division needs to grow its production capacity to meet market demand. Growth is planned having regard to the need to replicate broodstock to ensure that in case of complete or partial stock loss, the genetic value in the breeding programme is preserved. The new SalmoBreed Salten land based salmon facility in North Norway, which commenced construction at the start of FY17 and received its first stock in November 2017, will hold the primary nucleus of the Group's salmon breeding lines. Projected growth in the Group's tilapia and shrimp production is being designed with these risks in mind, and will ensure that copies of breeding lines are held at multiple sites. In addition, the Group's approach to insuring biological assets will be reviewed in FY18, to ensure that the policies taken remain appropriate for the Group's growing portfolio of biological assets.
Financial	Limited diversity of revenue streams presents a risk of volatility in sales.	As the Group has grown, its revenue streams have increasingly diversified and this has improved its ability to withstand individual market or product challenges. Benchmark now operates across the aquaculture supply chain in several species, both in cold and warm water. The Group's strategy is targeted to exploit the growth opportunity in aquaculture and the focus on organic growth through launching new products into and expanding presence in existing markets will deliver further diversification.
	The group is exposed to risks associated with currency exchange rates. This impacts sales volumes where products are priced in US dollars but sold in local currency and impacts reported results when local results, assets and liabilities are converted to pounds sterling.	The Group's reporting currency is pounds sterling. Where Group entities operate with a different functional currency, the Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group. Where significant transactions are conducted in currencies other than the functional currencies of the individual entities, exposure to movements in exchange rate is mitigated by the use of simple financial derivative instruments as appropriate.
	Debt facilities include financial covenants related to leverage and interest cover which, if breached, could lead to reclassification of debt as "within one year" and to the requirement to refinance on uncertain terms.	The Group maintains short and long-term cash flow projections to ensure sufficient liquidity is available to meet foreseeable requirements. The Group's budgeting and forecasting process includes focus on financial covenants to ensure adequate headroom is maintained. Since inception of the facility strong relationships have been maintained with the Group's bankers. During 2017 regular meetings were held with the banks to keep them briefed on developments in the business. There is a productive and proactive relationship between the Group and its bankers.

Risk category	Risk and uncertainty	Mitigating factors
People	Failure to recruit, retain or replace employees with skills key to the success of the business.	Our ability to recruit and retain highly skilled people continues to be of high strategic importance. We take a multi-channel approach to recruitment, involving trusted recruitment partners, direct advertising and use of our own networks as appropriate to the role and local market. A key project commencing in early 2018 is to develop a systematic process for succession planning across the Group. This is one element of our approach to retaining critical knowledge, skills and experience within the Group and will help us develop our teams and mitigate any loss of key employees.
	Benchmark is involved in production environments and there is a risk of injury or death to employees. This could lead to legal action and, as a consequence, reputational and financial damage to the group.	A strong safety representative structure has been established and every employee signed up to the Benchmark commitment to health and safety. Throughout the year communication channels have been established to give employees globally the opportunity to engage with health and safety, report concerns and share best practice. The year culminated with Benchmark's first Global Safety Day, where managers and their teams explored health and safety in their workplace and generated improvement action plans.
Intellectual property	Risk of legal challenge to the Group's intellectual property leading to potentially significant costs being incurred in the defence of Group IP or defending against third party accusations that the group breached third party IP. A failed defence could lead to the loss of a product and/or compensatory awards. Access to rights to commercialise some pipeline products developed in collaboration with universities or other third parties are yet to be negotiated and there is a risk that the Group may not be able to launch these products or may have to agree to less favourable terms in order to do so.	Intellectual property rights are fundamental to supporting the technologies, services and products the Group delivers to the industry, and to its success. The Group's IP strategy focuses on ensuring that we have freedom to operate in the areas the business requires, that we capture and protect IP including through patenting and in-licensing, that we appropriately utilise IP by developing knowledge and promoting value realisation, and that we build and protect brand equity by securing and enforcing our trademarks. In FY17, the Group increased its campaign of prosecuting competitors which infringe its patents, some of which actions are settled by entering into licensing arrangements to ensure we capture value from these assets. We also invested by strategically enlarging the Group's patent portfolio by over 25 per cent, primarily through filing new patent applications, focused on new aquaculture vaccines, pharmaceuticals, diagnostics and supporting technologies.
Assets and business interruption	Damage to Group assets could result in loss of key breeding or manufacturing capacity coupled with long lasting consequential losses including loss of customers.	Fire risk assessments have been completed at key sites. Actions taken to reduce the identified risks include improvements in fire prevention and emergency response capabilities. The Group HSE Manager has performed audits at the majority of the Group production facilities. Policy changes have been made to ensure the potential for, or incidents of, damage to assets is an integral element of reporting procedures and health and safety initiatives.
	Key systems or IT Infrastructure failure could lead to temporary or permanent loss of data resulting in lost IP, delays to product launches, reduced production capacity, delays to financial reporting, etc.	Benchmark employs a centralised IT team with an IT strategy in place that has security at its centre. This includes implementation of key security systems like single sign on. The group utilises a mix of in house and outsourced solutions to ensure systems are robust and data is secure.
Reputational	Failure of a Group product could cause third party loss or damage resulting in potential legal action, loss of confidence in product, damaged reputation and reduced sales. There is risk of one entity suffering reputational damage that then spreads to other associated Group companies.	As the Group's portfolio of products and services grows, and opportunities for cross selling between divisions are implemented, the Group's exposure to reputational risk associated with failure of products also increases. The Group has a strong Operational Board, close relationships between its divisional heads, and for key customers systems for communication at all levels of the organization through its Key Account Management programme. This structure ensures good communication and coordinated management of customers, allowing for better management of these relationships, both as regards risks and optimisation of opportunities.
Synergies	One of the Group's key strategies is to extract synergies between operating divisions and failure to manage this effectively could inhibit growth.	The Group has reviewed and implemented changes to its management structure in order to optimise the identification and exploitation of cross divisional synergies. Details of the new structure are set out in the leadership section of this Annual Report on pages 84 to 86. The streamlined Operational Board is focused on optimising cross-divisional synergies; functional groups have been established to optimise synergies across R&D and innovation, supply chain and operations, key account management and marketing; key revenue streams for FY18 are reported on regularly to ensure focus on delivery; and a Strategy Execution and Business Growth team has been established to assist the business in delivering its strategic goals.
Brexit	The Board continues to monitor and assess the impact of the UK's decision to leave the European Union. Whilst the decision to leave the EU will affect UK trade agreements and relevant European legislation, we do not anticipate changes to our business model in the near to medium term.	Benchmark's current view on the possible impact is: • Trading — Most of Group's operations and sales do not involve EU countries, so the impact on trading of the result of the referendum are expected to be limited. • Exchange rate volatility — A large proportion of the Group's sales are transacted in US dollars and volatile GBP exchange rates may lead to increased exchange gains or losses. However, these are, to an extent, naturally hedged by raw materials sourced in US dollars and by Benchmark's US dollar denominated borrowing facility. • Regulatory environment — Changes to regulation, including product registration, will be an area of focus as the new trading environment becomes clear. Our international footprint gives the Group flexibility to mitigate the effects of any potential material changes. • Workforce mobility — Our ability to employ specialist professionals may be affected by changes to immigration and employment rules. We will monitor developments in this area to ensure we maintain an effective system for planning people resources.

The Strategic Report was approved by the Board on 23 January 2018 and signed on its behalf by

Malcolm Pye
Chief Executive Officer

02

GOVERNANCE

While working in the highlands as a vet I became increasingly interested in aquaculture. After finishing my Masters in Aquatic Vet Studies, I moved back, joined Benchmark's Fish Vet Group and I haven't looked back.

Chris Matthews
Fish Vet Group
Operations Director
Inverness

BOARD OF DIRECTORS

DIVERSE LEADERSHIP

The depth of knowledge, broad scientific skills and commercial experience of our directors ensure we recognise and extract the synergies we need to succeed.

Malcolm Pye
Chief Executive Officer

Appointed: November 2000

Independent: No

Skills, competence and experience: Malcolm has over 30 years' experience in international Agribusiness through his roles within the Hillsdown Holdings/HMTF group, operating in animal breeding, poultry, feed milling and veterinary services. During this time, Malcolm gained extensive experience in breeding and genetics, sales and strategic M&A, and held board positions within the Group. Malcolm co-founded Benchmark in 2000 and has since led the Company's growth and diversification. Malcolm has a degree in Zoology/Applied Zoology from the University of Wales (Bangor).

Mark Plampin
Chief Financial Officer

Appointed: March 2010

Independent: No

Skills, competence and experience: Mark is a qualified Chartered Certified Accountant with over 20 years' experience. Mark joined Benchmark in 2010 from PKF (UK) LLP (now BDO LLP), where he was a Partner and National Chairman of the Food Sector Group. Mark's experience at PKF was focussed on corporate finance, including leading on M&A and the strategic development of high-growth small and mid-market businesses.

Alex Hambro
Chairman

Nomination Committee (Chair) — Audit Committee

Appointed: December 2013

Independent: Yes

Skills, competence and experience: Alex has operated in the private equity industry, both in the UK and USA, for over 25 years. He has acted as principal investor, manager and sponsor of private equity and venture capital management teams, and adviser to professional private clients. Alex managed the venture capital and private equity fund investment portfolio for Hambros plc, prior to its sale to Société Générale in 1998. Alex was also a founding Director of both Crescent Capital, a venture capital fund management team based in Belfast, and Judges Scientific plc, a scientific instrument manufacturing group.

Other roles: Chair of Judges Scientific plc; Chair of Crescent Capital NI Limited; Non-executive Director of Octopus Apollo VCT plc; Non-executive Director of BACIT (UK) Ltd; Non-executive Director Bapco Closures; Non-executive Director Whitley Asset Management; Non-executive Director First Magazine Ltd.

Yngve Myhre
Non-executive Director

Appointed: November 2017

Independent: Yes

Skills, competence and experience: Yngve has more than 20 years' experience in the aquaculture sector as a senior executive, adviser and investor. Yngve was Chief Executive of leading Norwegian salmon producer SalMar, and of international white fish supplier Aker Seafood during periods of successful growth. Yngve has a very strong track record in Benchmark's focus area of aquaculture, both in the Norwegian and international markets.

Other roles: Yngve is Chairman of Chilean salmon producer Nova Austral, and sits on the boards of Mediterranean fish producer, Andromeda, and Norwegian aquaculture research institute, Nofima. Yngve also acts as a strategic adviser to investors in the aquaculture sector.

Kevin Quinn
Non-executive Director

Audit Committee (Chair) — Remuneration Committee

Appointed: November 2016

Independent: Yes

Skills, competence and experience: Kevin is a qualified Chartered Accountant with over 30 years' financial experience in international business and the biosciences industry, including with FTSE 100 companies. Kevin was Chief Financial Officer at Berendsen plc, the leading FTSE 250 European textile service business, until the takeover of Berendsen by Elis SA in September 2017. Previously, Kevin held senior finance positions within biosciences group Amersham plc and before that was a partner with PricewaterhouseCoopers (Prague). Kevin holds a BA in French from University College, Durham.

Hugo Wahnish
Non-executive Director

Appointed: November 2017

Independent: Yes

Skills, competence and experience: Hugo has over 35 years' experience in the animal health and pharmaceuticals industry, firstly with GlaxoSmithKline, and more recently with Merck during a major growth period. Hugo was Chief Commercial Officer Animal Health at Merck, with responsibility for Merck's commercial operations worldwide. Hugo brings a wealth of international experience to the board of Benchmark, alongside his expertise in aggressively growing businesses and in the commercialisation of medicines and animal health products.

Other roles: Hugo has acted as an independent senior advisor with several multinational companies, private equity groups and consulting firms, primarily in the animal health sector.

Susan Searle
Senior Independent Director

Remuneration Committee (Chair) — Nomination Committee

Appointed: December 2013

Independent: Yes

Skills, competence and experience: Susan has over 25 years' experience working with entrepreneurs and academic inventors in the commercialisation of university research. Susan co-founded Imperial Innovations Group plc (now owned by IP Group), one of the world's leading technology venture investment businesses, and was the group's Chief Executive Officer from 2002 to 2013. Previously, Susan held roles in sales, marketing, operations and manufacturing in various industries including chemicals, precious metals and retail. She has investment and M&A experience in healthcare and technology companies. Susan holds an MA in Chemistry from Exeter College, Oxford.

Other roles: Chair of Woodford Patient Capital PLC; Chair of Mercia Technologies PLC; Senior Independent Director and Non-executive Director of Horizon Discovery Group plc; Non-executive Director of QinetiQ Group plc.

Athene Blakeman
Company Secretary and Group Legal Counsel

Appointed: September 2014

Independent: No

Skills, competence and experience: Athene is a qualified Solicitor with over 13 years' experience. Having previously worked in Slaughter and May and Travers Smith's corporate finance teams, Athene joined Benchmark in 2014. Athene is responsible for the Group's legal and intellectual property functions globally, including compliance, M&A and joint ventures, share schemes, commercial and other contracts, capture and utilisation of IP, disputes, and management of legal risk. Athene holds an MA in Jurisprudence from St John's College, Oxford.

Board Committees

Audit Committee	Nomination Committee	Remuneration Committee
Kevin Quinn (Chair)	Alex Hambro (Chair)	Susan Searle (Chair)
Alex Hambro	Susan Searle	Kevin Quinn

In July 2017, Roland Bonney, formerly Chief Operating Officer, stepped down from the Board for medical reasons. In light of the Group's strong focus on aquaculture, the significance of its pipeline of products and technologies, and its rapid geographic expansion, the Nomination Committee determined to further strengthen the Board with Non-Executive Directors having dedicated aquaculture, pharmaceutical and international industry expertise. Hugo Wahnish, who has a strong track record in international pharmaceuticals, and Yngve Myhre, who has extensive expertise in aquaculture in Norway, Chile and the Mediterranean, were both appointed to the Board shortly after the year end (November 2017). The Company intends to appoint a Chief Scientific Officer to the Board during 2018.

LEADERSHIP

Governance framework

Benchmark's governance framework is outlined in the diagram below and described in this report.

The Company complies with the principles of the UK Corporate Governance Code (the Code). An overview of the Company's compliance with the Code is set out in the Directors' Report on pages 102 to 105.

Board of Directors of Benchmark Holdings plc	
Chair, Non-Executive Director	Alex Hambro
Senior Independent Non-Executive Director	Susan Searle
Non-Executive Directors	Kevin Quinn Hugo Wahnish Yngve Myhre
Chief Executive Officer	Malcolm Pye
Chief Financial Officer	Mark Plampin
Company Secretary	Athene Blakeman

Audit Committee	Nomination Committee	Remuneration Committee
Kevin Quinn (C) Alex Hambro	Alex Hambro (C) Susan Searle	Susan Searle (C) Kevin Quinn

Operations Board	
Chief Executive Officer	Malcolm Pye
Chief Financial Officer	Mark Plampin
Heads of Division	
• Advanced Nutrition • Genetics • Animal Health • Knowledge Services	Philippe Leger Jan-Emil Johannessen John Marshall James Banfield
Heads of cross-Group functions	
• Key Account Management • Group Legal Counsel • Investor Relations • Head of People	Roland Bonney Athene Blakeman Ivonne Cantu Anna Winton

Advanced Nutrition Board	Genetics Board	Animal Health Board	Knowledge Services Board
Executive Directors	Executive Directors	Executive Directors	Executive Directors
Head of Division	Head of Division	Head of Division	Head of Division
Senior management of businesses in division	Senior management of businesses in division	Senior management of businesses in division	Senior management of businesses in division

The Group is currently in the process of recruiting a Chief Scientific Officer, who will join the Board of Directors of the Company.

The roles of the Board of Directors of Benchmark Holdings plc, the Operations Board, and the Divisional Boards are as follows.

Board of Directors of Benchmark Holdings plc

Responsible for the long-term success of the Group, overseeing the development and delivery of strategy, financial performance, and conduct of the business, in order to generate sustainable value for shareholders.

The Executive Directors are responsible for the delivery of strategy, business operations, risk management, and ensuring that the right financial and people resources are in place to achieve the Company's aims. The Non-Executive Directors are responsible for assisting in the development of and constructively challenging strategy, overseeing the performance of management, satisfying themselves that financial controls and risk management systems are robust, and safeguarding the integrity of financial information, determining the Directors' remuneration, and succession planning for the Executive Directors and senior management.

A formal schedule of matters reserved for the Board is maintained and communicated throughout the Group with regular training, to ensure that decisions which are significant due to their strategic, financial or reputational implications are reserved for approval by the Board. The column to the right lists the key areas of decision-making reserved for the Board.

Operations Board

Responsible for developing and delivering cross-Group opportunities, revenue and costs synergies, advancing integration, and overseeing the financial and operational performance of the Group as a whole.

Divisional Boards — Advanced Nutrition; Genetics; Animal Health; Knowledge Services

Responsible for the development and delivery of the strategy of the relevant division and its businesses, its financial performance, and the implementation of cross-Group opportunities and synergies.

Matters reserved for the Board

Strategic decisions

- Review and approval of the long-term objectives and strategic direction of the Group
- Approval and monitoring of strategic and annual business plans and budget
- Approval of significant acquisitions, mergers, disposals and other transactions
- Approval of diversification into new business activities and new geographies

Reporting

- Approval of the Annual Report and Accounts and of the interim financial statements
- Oversight and approval of significant changes to reporting policies and practices

Regulatory matters

- Compliance with the AIM Rules for Companies, principles of the UK Corporate Governance Code, procedures for regulating dealing in the Company's shares by its employees and Directors

Finance, governance and controls

- Review and approval of internal control and risk management systems
- Approval of significant projects, contracts and disputes
- Approval of financing policy including the issue of shares and significant borrowings
- Appointment or removal of the auditors and determination of the audit fee
- Oversight and approval of Directors' conflicts of interests
- Approval of interim dividends and recommendation of final dividends

Succession planning and reward

- Ensuring adequate succession planning is in place
- Appointment and removal of Directors on the Board and its Committees, and of the Company Secretary
- Approving and recommending to shareholders the terms of employee share schemes, and approving significant changes to pension schemes
- Approval of remuneration of senior management

Board attendance

During the year, the Board held 10 scheduled Board meetings and 8 special Board meetings. Individual attendance at the scheduled Board meetings is set out below.

A Board dinner is usually held around Board meetings to allow for more informal discussion, and for the Board to spend time with the Company's senior management team.

Around scheduled Board meetings, the Board visited the Group's Advanced Nutrition and Animal Health manufacturing, diagnostics and trials facilities in Thailand; the Advanced Nutrition headquarters and R&D facilities in Belgium; Knowledge Services research farm in Oxford; and headquarters in Sheffield.

Attendance	Appointment	Number of scheduled Board meetings attended in FY17	Maximum possible scheduled meetings in FY17	% of scheduled meetings attended
Alex Hambro, Chair	December 2013	10	10	100%
Susan Searle, Senior Independent Director	December 2013	10	10	100%
Kevin Quinn Non-Executive Director	November 2016	7	8	88%
Malcolm Pye, Chief Executive Officer	December 2013	10	10	100%
Mark Plampin, Chief Financial Officer	December 2013	10	10	100%
Roland Bonney[1] Chief Operating Officer	December 2013	6	9	66%

[1] Roland Bonney stepped down from the Board in July 2017, and was unable to attend certain Board meetings prior to that date, for medical reasons.

Board activities in the year

At each scheduled Board meeting, the following standing items are considered:

Standing agenda items

- **Notice, quorum, Directors' duties** and any conflicts of interest arising.
- Approval of **minutes** and review **action points** from previous meetings.
- Review of **Management Information Pack** which includes Group management accounts, outlook, cash flow forecast, financial covenant forecast, share price performance, shareholder and trading report and headcount report.
- Receipt of **update from the CEO** regarding strategic matters and significant developments.
- Review of **Capex Project Report**, tracking expenditure and progress with significant capital investments. In FY17 these reports included the SalmoBreed Salten land based salmon broodstock facility; the Braintree Biotech vaccine manufacturing facility; Ardtoe aquaculture research facility; expansion of the Group's lumpfish production facilities; and construction of the Genetics division's salmon smolt facility.
- Review of **Deal Tracker**, updating on potential acquisitions, joint ventures and other exceptional transactions.
- Consideration and approval of **Matters Reserved for the Board.**
- Review of **Compliance Report**, regarding compliance matters, training and initiatives.
- Review of **People Report**, with an overview of headcount, vacancies, management appointments, and updating on other people matters arising.
- Review of **Health and Safety Report**, with an overview of accident and near miss reporting, initiatives, risk assessments, and Health and Safety performance.
- Review of **Investor Relations Report**, summarising announcements, media coverage and other shareholder events.

In addition to the standing items, an overview of the principal matters considered by the Board in the year is set out below:

Strategy and operations

- Received and discussed presentations from the **heads of each of the Advanced Nutrition, Genetics, Animal Health and Knowledge Services divisions,** covering 3 year strategic plans, synergies, investments, growth opportunities and key risks.
- Reviewed and approved the Group **budget for FY17**.
- Received reports on and discussed **synergies and cross-group opportunities**, across R&D, production, cross-selling and Key Account Management.
- Reviewed and approved **changes to the Group's management structure** to ensure that the Company has the people and structure required for the next phase of growth and integration.
- Received updates from the Head of IP Commercialisation regarding the Group's **intellectual property strategy** and discussed the capture and utilisation of IP within the business, key IP assets and risks.
- Received regular updates on progress with the development of **ground-breaking sea lice treatment and CleanTreat® system**.
- Discussed the Group's strategy for growth in the **Genetics division**, including in shrimp and tilapia, and related opportunities.
- Oversaw the process, and approved the renewal, of the **Sales and Marketing Agreements with the Great Salt Lake Cooperative.** Received regular updates on the **Great Salt Lake artemia harvest** and the Advanced Nutrition division's artemia procurement strategy.
- Received updates on and discussed the Group's **strategy in relation to China** and related proposals.
- Reviewed utilisation plan for Benchmark Vaccines including the new **Braintree Biotechnology vaccine manufacturing facility**.
- Discussed strategy in relation to **FVG Asia**, including movement of the aquaculture diagnostics laboratory in Thailand to reduce overheads and bring all the Group's Asian trials and diagnostics facilities together in the same region.
- Approved the **grant of share options** pursuant to the Group's bonus schemes, under which 60.66 per cent of employees hold options in the Company.

Governance and risk

- Oversaw and approved the **appointment of Non-Executive Director and Chair of the Audit Committee**, Kevin Quinn. Oversaw the process of recruiting **two new Non-Executive Directors** with international pharmaceutical and aquaculture expertise, resulting in the appointment of Hugo Wahnish and Yngve Myhre shortly after the year end. Approved the **reappointment of Non-Executive Directors** Alex Hambro and Susan Searle for a further three year term.
- Received report from the Chair of the Audit Committee on the **FY16 audit process** and principal matters discussed with the auditors.
- Reviewed the Group's **risk management framework and risk register** and received update on ongoing **process for mitigation** of key risks.
- Reviewed and approved the implementation of the Group's **policy in relation to international economic sanctions.**
- Received advice from the Group's auditors regarding the level of **D&O insurance**.
- Reviewed and approved the Group's **tax strategy**, and received report on a review of the Group's **transfer pricing policy.**
- Received **updates on key regulatory developments**, including the new Market Abuse Regulation and corporate tax offences, and discussed the Group's plans for compliance.
- Received updates on **disputes and litigation**, including actions taken to protect the Group's intellectual property.
- Received presentation on **health and safety** from the Group Health and Safety Manager, including near miss and incident reporting, approach to health and safety, higher risk areas, and mitigating action.
- Received presentation regarding **talent management** from the Head of People.

Shareholders

- Approved the **Annual Report and Accounts** and **Interim Results.**
- Oversaw the planning and execution of the **Company's Capital Markets Day** for investors, and other engagement with institutional investors.
- Received reports following **meetings with major shareholders** involving the Chairman of the Board and Senior Independent Director, throughout the year.

Research and development

- Received presentations from the Heads of R&D of the **Advanced Nutrition division** and **Animal Health division** on the **product pipeline**, discussing R&D expenditure, the portfolio's strategic focuses, late stage and major products, timelines to launch, risks, and opportunities.
- Received reports on the **Advanced Nutrition, Genetics and Animal Health product pipelines** on a quarterly basis, providing an overview of the portfolio and updates on progress.

EFFECTIVENESS

Nomination Committee Report

The Nomination Committee is responsible for safeguarding the effectiveness of the Board by regularly reviewing its composition, and leading a rigorous and transparent process for the identification and appointment of new Directors.

The Nomination Committee comprises:

Alex Hambro (Chair)
Susan Searle

Only the members of the Nomination Committee have the right to attend meetings. The Head of People, other Board members and external advisers may be invited to contribute on specified agenda items. The Company Secretary acts as a secretary to the Nomination Committee. The Nomination Committee regularly updates, and invites contributions from, the Board.

Attendance	Appointment	Number of scheduled Board meetings in FY17	Maximum possible scheduled meetings in FY17	% of scheduled meetings attended
Alex Hambro Chair	December 2013	2	2	100%
Susan Searle	December 2013	2	2	100%

In addition to the Nomination Committee meetings, several informal meetings and calls were held during the year between the members of the Nomination Committee and other members of the Board, regarding the recruitment and appointment of new Non-Executive Directors.

Responsibilities

During the year the main responsibilities were:

- To review the composition of the Board, including its size, balance of skills, knowledge, experience and diversity
- To lead the process for Board appointments and recommend the appointment of new Directors
- To review the re-appointment of Non-Executive Directors
- To make recommendations on the composition of the Board Committees
- To consider succession for Board members and senior management

The Nomination Committee's terms of reference are reviewed annually and a summary of these is available on the Corporate Governance section of our website at benchmarkplc.com.

Actions undertaken during the year

Following a review of the Board composition in FY16, the focus of the Nomination Committee in FY17 was on broadening the experience represented on the Board, in light of the Group's growth, the diversification of its business and increased presence in global markets. It was recognised that the Board would benefit from increased diversity and dedicated aquaculture, pharmaceutical and international industry expertise.

At the start of the year, the Committee finalised the appointment of Kevin Quinn as Non-Executive Director, Chair of the Audit Committee and member of the Remuneration Committee, following the retirement of Basil Brookes for health reasons.

The Nomination Committee then initiated a process of recruiting two new Non-Executive Directors, appointing the Zygos Partnership to assist. The Zygos Partnership are signatories to the Voluntary Code of Conduct for Executive Search Firms in Board Appointments which is designed to address gender and wider diversity on boards. The Company set certain requirements for diversity on long lists of candidates, relating to gender and nationality, which were met. The Zygos Partnership has no other connections with the Company. Throughout the process, the Nomination Committee consulted with and involved the Board. Shortly after year end, we were pleased to appoint Hugo Wahnish, who is based in the US and has over 30 years of experience in the international animal health and pharmaceuticals industry, and Yngve Myhre, who is based in Norway and has over 20 years of experience in the international aquaculture sector, to the Board. The Nomination Committee is coordinating and overseeing the induction of the new Directors, including meetings with senior management and site visits during the coming year.

Roland Bonney, formerly Chief Operating Officer, experienced ill health during the year and stepped down from the Board in July 2017. The Nomination Committee monitored the situation and exercised oversight over the allocation of his duties to other members of the executive and senior management team. In FY17, the Company undertook a review of its management structure to prepare the Group for the next phase of its development, and the duties formerly held by the COO were considered as part of this process. Roland Bonney has now returned to the business to lead the Key Account Management initiative.

The Nomination Committee and the Board discussed and received regular updates regarding the implementation of the new management structure. The changes were designed to clarify the responsibilities of the operational boards for the development and delivery of strategy, drive efficiencies in the supply chain, streamline R&D and innovations activities, drive further integration with a focus on the way the Group interacts with its customers, and improve internal and external communications. The review resulted in a leaner Operational Board, with some key hires focused on strengthening the Group's commercial operations. Businesses within the divisions have been further integrated, with each divisional Board responsible for development and delivery both of strategy in the division and of relevant synergies and cross-divisional opportunities. A number of new cross-Group functions were established to cement strong relationships and coordinated action between divisions, including Key Account Management; Supply Chain; Chief Scientific Officer; Marketing Director; and a Strategy Execution and Business Growth Team. The new structure is designed to support the delivery of the Group's strategy, on the basis of the platform that Benchmark has now built, in order to drive value for shareholders.

Actions for the coming year

In the coming year, the focus of the Nomination Committee will be working with the Remuneration Committee to oversee the establishment of a strategy for and systematic approach to succession planning across the business, including at Board level. We will continue to assess the Group's performance at management level against diversity metrics, and support the business with initiatives to drive improvement in this area. The Nomination Committee plans to undertake a review of the effectiveness of the Board, a process which was last undertaken in 2015. It will keep the composition of the Board under review to ensure that the size, balance of skills, knowledge and experience remains suitable for the needs of the Company.

Board composition

The Board comprises seven Directors, a Non-Executive Chairman; Senior Independent Director; three further Non-Executive Directors; and two Executive Directors, the Chief Executive Officer and the Chief Financial Officer.

The size and composition of the Board was reviewed during the year by the Nomination Committee and by the Board, and it was determined that in light of the Group's growth, the diversification of its business and increased presence in global markets, it would be beneficial to bring additional expertise to the Board. The report of the Nomination Committee discusses the process of recruitment and other changes to the Board during the course of the year, which ultimately resulted in the appointment of two new Non-Executive Directors shortly after year end.

The Board considers that the composition of the Board remains suitable for the Group, and contains an appropriate breadth and balance of skills, knowledge, experience and independence.

Directors' roles and responsibilities

Biographical details for all members of the Board can be found on pages 84 to 85 of this report.

There is a clear separation between the roles of Chairman and Chief Executive Officer.

Chairman	Chief Executive Officer
Lead the Board to ensure effective functioning in all aspects of its role	Oversee operation of the day-to-day business of the Group
Promote an open culture of debate	Lead the development and delivery of strategy and budget, to enable the Group to meet the requirements of its shareholders
Ensure that the membership of the Board is appropriate for the needs of the business	Lead and oversee the executive management of the Group
Oversee Board committees as they carry out their duties, including reporting to the Board	Establish an environment which allows the recruitment, engagement, retention and development of the people needed to deliver the Group's strategy
Set and manage the agenda for Board meetings	
Ensure the provision of information necessary for Directors to take a full and constructive part in Board discussions	
Develop and maintain effective communications with shareholders	
Establish appropriate personal objectives for the Chief Executive Officer	
Ensure the Directors are up to date and receive suitable training and development	

The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. The Non-Executive Directors meet regularly throughout the year without the Executive Directors present.

Induction, business awareness and development

The Chairman is responsible for ensuring that new Directors receive a comprehensive and formal induction. This includes:

- An overview of the Group, its functions and governance framework
- Briefings on Directors' responsibilities and compliance responsibilities
- Site visits to key Group locations
- Detailed reviews of the strategic projects and initiatives underway
- One-to-one meetings with senior management

Kevin Quinn was appointed in November 2016, and Hugo Wahnish and Yngve Myhre appointed in November 2017. Kevin has received, and Hugo and Yngve are receiving, a full induction covering all of the above matters.

During the year, the Board visited the following sites:

FVG Asia Chonburi, Thailand	Aquaculture diagnostics laboratory (Animal Health division)
INVE Aquaculture shrimp trials facility Chonburi, Thailand	Aquaculture research centre and trials facility (Advanced Nutrition division)
INVE Aquaculture advanced nutrition production facility Phichit, Thailand	Advanced nutrition manufacturing site (Advanced Nutrition division)
INVE Aquaculture Dendermonde	INVE Aquaculture headquarters and R&D facilities (Advanced Nutrition division)
FAI Farms Oxford, UK	Working research farm and location of terrestrial vaccine trials facility (Knowledge Services division)
Benchmark Holdings plc and Improve International Sheffield, UK	Benchmark's head office, hosting the finance team and veterinary training laboratories (Knowledge Services division)

During the year, the Board received presentations from, and discussed strategy with, several members of the management team, including:

- The heads of each of the Advanced Nutrition, Genetics, Animal Health and Knowledge Services divisions, regarding three year strategic plans, synergies, investments, growth opportunities and key risks.
- The Heads of R&D of the Advanced Nutrition division and Animal Health division regarding the product pipeline, R&D expenditure, the portfolio's strategic focuses, late stage and major products, timelines to launch, risks, and opportunities.
- The Head of IP Commercialisation regarding the Group's intellectual property strategy and discussed the capture and utilisation of IP within the business, key IP assets and risks.
- The information technology team, regarding the Group's strategy for supporting the business through the coming years.
- The Health and Safety Manager regarding health and safety near miss and incident reporting, approach to health and safety, areas of risk, mitigating action, and proposed investment.
- The Head of People regarding talent management and personnel development within the workforce.
- The Knowledge Services division in relation to opportunities for data analytics across the business, focusing on the developing needs of the aquaculture industry and synergies with other Group products and services.

Independence of Directors

The Board considered each Non-Executive Director's independence on appointment, and concluded that they were independent. The Board reviews independence on an annual basis and has concluded that the Non-Executive Directors all remain independent.

Non-Executive Directors are appointed for specified terms, subject to re-election by shareholders, and terms beyond six years are subject to rigorous review. Accordingly, Non-Executive Directors are appointed for a maximum of two terms of three years, and thereafter may serve for an additional period only at the invitation of the Board following scrutiny of their continued independence. During FY17, Alex Hambro and Susan Searle completed their first three year term with the Company, and were each appointed for a further term of three years from 18 December 2016.

The periods of service of our Non-Executive Directors are set out below.

Name	Date of appointment	Term
Alex Hambro Chair	18 December 2013	4 years, 1 month
Susan Searle Senior Independent Director	18 December 2013	4 years, 1 month
Kevin Quinn Non-Executive Director	25 November 2016	1 year, 1 month
Hugo Wahnish Non-Executive Director	6 November 2017	2 months
Yngve Myhre Non-Executive Director	6 November 2017	2 months

Conflicts of interest

Directors are obliged to seek authorisation from the Board before taking up any position which conflicts, or which may conflict, with the interests of the Company. The Board is empowered to authorise situations of potential conflict, where it sees fit, in order that a Director is not in breach of his/her duties. The interested Director is excluded from voting on the resolution to authorise the conflict. The Directors may resolve that any such transaction or arrangement be subject to such terms as they may determine.

All existing external appointments and other such situational conflicts of Directors have been considered and authorised by the Board, including in relation to the newly appointed Non-Executive Directors.

All Directors are required to ensure that their external appointments do not involve a time commitment that would adversely affect their responsibilities to the Company, and this principle is enshrined in their engagement letters.

If a Director is a party to or otherwise interested in any actual or proposed transaction or other arrangement with the Company, or in which the Company is otherwise interested, the Director is obliged to declare his/her interest in the transaction or arrangement. The Directors may resolve that any such transaction or arrangement be subject to such terms as they may determine. Where the interest is material, the interested Director will not be permitted to vote on decisions relating to the matters in which he/she has an interest.

Information and independent professional advice

The Company Secretary assists the Chairs of the Board and each of the Nomination Committee, Remuneration Committee and Audit Committee to ensure that the Directors have access to the information and advice they require to carry out their roles effectively.

The Directors have access to independent professional advice at the Company's expense. In addition, they have access to the services of the Company Secretary, who is responsible for advising the Board on corporate governance matters.

ACCOUNTABILITY

Audit Committee Report

Key objective

The Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness and to oversee the relationship with the external auditor in order to ensure that the interests of shareholders are properly protected in this regard.

Membership, meetings and attendance

The composition of the Audit Committee during the year was:

- Kevin Quinn (Chair)
- Alex Hambro

All Committee members are independent Non-Executive Directors.

In addition to the Committee members, there are a number of regular attendees at each meeting. The Chief Financial Officer (CFO) and lead external audit partner normally attend all scheduled Audit Committee meetings. The Audit Committee members regularly take time before or after a meeting, without any Executive Directors or senior management present, to raise any questions and discuss issues with the external auditor. The Chairman of the Audit Committee meets the CFO and the external auditor separately to review current issues and developments prior to each meeting of the Audit Committee, such meetings often taking place by telephone.

The Audit Committee met four times during the year with all members of the Committee in attendance at each.

Responsibilities

During the year the main responsibilities were:

- To review accounting policies and the integrity and content of the financial statements;
- To monitor disclosure controls and procedures and the Group's internal controls;
- To monitor the integrity of the financial statements of the Group, and to assist the Board in ensuring that the Annual Report and Accounts 2016/17, when taken as a whole, are fair, balanced and understandable;
- To consider the adequacy and scope of external audits;
- To monitor the objectivity, independence and effectiveness of the external auditor, including the scope and expenditure on non-audit work;
- To review and approve the statements to be included in the Annual Report on internal control and risk management;
- To review and report on the significant issues considered in relation to the financial statements and how they are addressed.

The Committee's terms of reference are reviewed annually and a summary of these are available on the Governance section of our website at benchmarkplc.com.

Actions undertaken during the year

The key activities for the Committee for the period under review are set out below.

Presentation of results

At the request of the Board, the Committee reviewed the presentation of the Group's unaudited results for the six months to 31 March 2017 and the audited results for the year to 30 September 2017 to ensure they were fair, balanced and understandable and provide sufficient information necessary for shareholders and other users of the accounts to assess the Group's position and performance, business model and strategy. Particular attention was paid to the presentation of the results in the income statement following the growth and evolution of the Group and the acquisition of INVE Aquaculture in the prior year. The board considers the separation of the statutory IFRS results into Trading Activities and Investing Activities no longer to be appropriate, and a single column approach has been adopted, retaining reference to "Adjusted EBITDA" and "EBITDA". "EBITDA" is "earnings before interest, tax, depreciation and amortisation, and "Adjusted EBITDA" is "EBITDA before exceptional items and acquisition related expenditure". The board regards this an appropriate way to present the underlying performance and development of the business as it reflects the continuing investment being made by the Group, particularly in relation to recent and future acquisition activity, and this is how the board monitors progress of the existing group businesses.

Management override of internal controls

The Committee considered the inherent risk of management override of internal controls as defined by auditing standards. In doing so the Committee continue to review the overall robustness of the control environment, including consideration of the Group's whistleblowing arrangements and the review by the external auditor.

Revenue recognition

The Committee considered the inherent risk of fraud in revenue recognition as defined by auditing standards and was satisfied that there were no issues arising.

Valuation of goodwill and intangible assets

The Committee considered the carrying value of the Group's businesses, including goodwill and intangible assets. The first anniversary of the acquisition of INVE Aquaculture occurred during the year, so management conducted a review of the acquisition values of the assets acquired to ensure their appropriateness. Furthermore, management performed an impairment review on goodwill and other intangible assets held within the Group. The Committee reviewed management's recommendations, which were also reviewed by the external auditor, including an evaluation of the appropriateness of the identification of cash generating units and the assumptions applied in determining asset carrying values. The Committee was satisfied with the assumptions and judgements applied by management and concluded that no impairment of carrying values was required.

Going Concern

The Committee was presented by management with an assessment of the Group's future cash forecasts and profit projections, available facilities, facility headroom, banking covenants and the results of a sensitivity analysis. The Committee discussed the assessment with management and was satisfied that the going concern basis of preparation continues to be appropriate for the Group and advised the Board accordingly.

Valuation of biological assets

The Group holds significant biological assets on the balance sheet at fair value less costs to sell, with the valuation dependent on a number of subjective assumptions, including some which relate to future egg sales prices and volumes and seasonal variations. The Committee considered the accounting policy employed by the Group for biological assets, the assumptions used in the valuation calculations and the disclosures provided in the financial statements. The Committee was satisfied with the accounting policy in force and with the judgements applied by management in employing this policy.

Risk management

Effective risk management and control is key to the delivery of the Group's business strategy and objectives. Risk management and control processes are designed to identify, assess, mitigate and monitor significant risks, and can only provide reasonable and not absolute assurance that the Group will be successful in delivering its objectives. The Board is responsible for the oversight of how the Group's strategic, operational, financial, human, legal and regulatory risks are managed and for assessing the effectiveness of the risk management and internal control framework.

Work has continued to ensure that risk management is embedded in the Group's policies and procedures and to continue to maintain the Risk Register to ensure all risks are appropriately prioritised and addressed.

A description of the Group's risk management procedures and the work completed in the year is provided in the Principal Risks and Uncertainties section on page 78 to 81.

Internal audit

As the Group evolves and grows, the Committee continues to monitor whether an internal audit function would add significant value as a part of the integrated control environment currently operating. During the year further consideration has been given to this, and although a decision is yet to be made to proceed with internal audit, the form and structure of such a potential function has been investigated.

Safeguards and effectiveness of the external auditor

The Committee recognises the importance of safeguarding auditor objectivity. The following safeguards are in place to ensure that auditor independence is not compromised.

- The Audit Committee carries out an annual review of the external auditor as to its independence from the Group in all material respects and that it is adequately resourced and technically capable to deliver an objective audit to shareholders. Based on this review the Audit Committee recommends to the Board the continuation, or removal and replacement, of the external auditor;
- A tax adviser separate from the external auditor is engaged to provide tax related services;
- The external auditor may provide audit-related services such as regulatory and statutory reporting as well as formalities relating to shareholder and other circulars;
- Non-audit services carried out by the external auditor are generally limited to work that is closely related to the annual audit or where the work is of such a nature that a detailed understanding of the business is beneficial;
- The external auditor may undertake due diligence reviews and provide assistance on tax matters given its knowledge of the Group's business. Such provision is assessed on a case-by-case basis so that the best adviser is retained. The Audit Committee monitors the application of policy in this regard and keeps the policy under review;
- The Audit Committee reviews all fees paid for audit and consultancy services on a regular basis to assess the reasonableness of fees, value of delivery and any independence issues that may have arisen or may potentially arise in the future;
- The external auditor reports to the Directors and the Audit Committee regarding their independence in accordance with Auditing Standards. KPMG's policy is that audit partners are required to be rotated every fifth year, and audit senior management require approval from the Engagement Partner and Engagement Quality Control Reviewer every seven years, and approval from the UK Audit Risk Management Partner to continue after 10 years, but such approval will be rare and only likely for one or two years;
- Different teams are used on all other assignments undertaken by the auditor;
- The Audit Committee monitors these costs in absolute terms and in the context of the audit fee for the year, to ensure that the potential to affect auditor independence and objectivity does not arise. The Committee does not adopt a formulaic approach to this assessment. The split between audit and non-audit fees for 2017 and information on the nature of the non-audit fees incurred is detailed in Note 1 accompanying the consolidated financial statements.

The Audit Committee monitors the effectiveness of the external audit functions. To comply with this requirement, the Committee reviews and comments on the external audit plans before it approves them. It then considers progress during the year by assessing the major findings of their work, the perceptiveness of observations, the implementation of recommendations and management feedback. At the request of the Board, the Committee also monitors the integrity of all financial statements in the Annual Report and half year results statements, and the significant financial reporting judgements contained in them. Further details of the Committee's procedures to review the effectiveness of the Group's systems of internal control during the year can be found in the section on effective risk management and internal control below.

The Committee recognises that all financial statements include estimates and judgements by management. The key audit areas are agreed with management and the external auditors as part of the year-end audit planning process. This includes an assessment by management both at business unit and at Group level of the significant areas requiring management judgement. These areas are reviewed with the auditors to ensure that appropriate levels of audit work are completed and the results of this work are reviewed by the Committee.

Effective risk management and internal control

One of the Board's key responsibilities is to ensure that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. The Group's systems are designed to identify key financial and other risks to the Group's business and reputation, and to ensure that appropriate controls are in place. Consideration is given to the relative costs and benefits of implementing specific controls.

Assurance

On behalf of the Board, the Audit Committee examines the effectiveness of:

- the systems of internal control, primarily through reviews of the financial controls for financial reporting of the annual, preliminary and half yearly financial statements and a review of the nature, scope and reports of external audit;
- the management of risk by reviewing evidence of risk assessment and management; and
- any action taken to manage critical risks or to remedy any control failings or weaknesses identified, ensuring these are managed through to closure.

Where appropriate, the Audit Committee ensures that necessary actions have been, or are being, taken to remedy or mitigate significant failings or weaknesses identified during the year either from internal review or from recommendations raised by the external auditor. The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance and may not prevent or detect all misstatements whether caused by error or fraud. The Group's internal controls over financial reporting and the preparation of consolidated financial information include policies and procedures that provide reasonable assurance that transactions have been recorded and presented accurately.

Management regularly conducts reviews of the internal controls in place in respect of the processes of preparing consolidated financial information and financial reporting. During the year ended 30 September 2017, the Group installed new consolidation software to increase the efficiency and accuracy of the consolidation process, primarily as a result of the ongoing growth in the Group. This process was run parallel to the previous consolidation system for three months to ensure ongoing accurate reporting. There were no other changes to the internal controls over these processes that have or are reasonably likely to materially affect the level of assurance provided over the reliability of the financial statements.

Risk management and internal control system features

Risk management control system

As well as the risks that management identify through the ongoing processes of reporting and performance analysis, the Audit Committee has additional risk identification processes, which include:

- risk and control process for identifying, evaluating and managing major business risks. A risk register is maintained defining each business risk identified and quantifying its likely impact to ensure adequate priority is given to each in turn;
- external audit reports, which comment on controls to manage identified risks and identify new ones; and
- a confidential whistle-blowing helpline and an email address available for employees to contact the Non-executive Directors in confidence.

Internal control system

The internal controls which provide assurance to the Committee of effective and efficient operations, internal financial controls and compliance with law and regulation include:

- A formal authorisation process for investments;
- An organisational structure where authorities and responsibilities for financial management and maintenance of financial controls are clearly defined;
- Anti-bribery and corruption policies and procedures and a dedicated email hotline, designed to address the specific areas of risk of corruption faced by the Group;
- A comprehensive financial review cycle where annual budgets and subsequent reforecasts are formally approved by the Board and monthly variances are reviewed against detailed financial and operating plans.

Kevin Quinn
Chairman of the Audit Committee
23 January 2018

REMUNERATION

Remuneration Report for year ended 30 September 2017

Statement from Susan Searle, Chairman of the Remuneration Committee

This year has been focused on further development of the underlying business and its pipeline, extraction of synergies from the acquisitions and infrastructure investments made and the scaling of the organisation and its people. The underlying health of the business for the medium to long-term is strong and many of the actions taken this year position the business well to deliver in the coming years. However, these drivers of value were not reflected in the share price movement experienced by our shareholders with the share price falling significantly following our trading update in September that disappointed the market in respect of 2017 financial performance. This picture was mixed with good growth in revenue, especially in Genetics and Advanced Nutrition but the delay of significant revenue into next year from the launch of Ectosan® in the Animal Health division contributed to a shortfall in that division and lower than expected EBITDA. This reflects the inherent uncertainty in timing of bringing such an innovative new product to market, and we are pleased that post year end the launch is proving very successful and the opportunity is bigger than that of previous new sea lice medicines, with the inclusion of the innovative CleanTreat® system which has wider application.

In terms of investments and extraction of synergies, the business has made solid progress. The SalmoBreed Salten project has been extremely well managed and will prove to be a valuable asset in delivering all year round from a fully biosecure environment in Norway. We are pleased that the new vaccine manufacturing facility in Braintree is now in commissioning and with new development products being put through the plant, is moving closer to the original plan for the site. The extraction of synergies from recent acquisitions is a five year program and good progress has been made in a number of areas, especially in the collaboration between shrimp feeding and breeding. The company is well positioned as a leader in aquaculture.

Our plans for development of the team were impacted by the absence through illness of Roland Bonney, but with the changes in management organisation we have put in place (as discussed in on pages 66 to 67), the right organisation structure for the future is now set. We are encouraged that some extremely talented people have been attracted into the business and a Chief Scientific Officer will join Malcolm and Mark as an executive director in 2018.

Whilst the executives have clearly worked very hard this year in laying down further the right foundations for the business, shareholders have yet to see this reflected in our financial performance and the value creation of an appropriate share price has clearly been deferred. Against this background, the Remuneration Committee determined that, save for a nominal cross company cash bonus of £500, it was more appropriate to allocate a number of market value options, with vesting over three years to the two Executive Directors rather than to award immediate cash bonuses based on the delivery of the medium to long-term objectives. This move has been reflected across the whole organisation. This does two things; it allows cash to be deployed for investment in the longer term opportunities within the business and further aligns executive directors and management to shareholders in the value creation associated with delivery of strategy, stronger financial performance, and share price improvement. Last year, we reported that we had benchmarked salaries with the external market and moved them into the lower end of the comparator band, reflecting the issues discussed above. We have not sought to make any significant change this year and plan to revisit this with an update to the benchmark data when 2018 performance on integration and financial delivery is clear.

The Committee has sought to balance the challenge of rewarding executives when progress towards medium to long-term objectives is being made but short-term financial performance and share price performance within the year are more challenging. We believe we have struck the right balance but welcome shareholder feedback.

Susan Searle
Chairman of the Remuneration Committee
23 January 2018

Remuneration Committee overview

The composition of the Remuneration Committee during the year was:

- Susan Searle (Chair)
- Kevin Quinn

The Committee comprises two independent Non-Executive Directors with the Company Secretary acting as secretary and the Head of People attending committee meetings to provide advice on policies and practices. At appropriate times, the Committee invites the views of the Chief Executive and Chairman of the Board, and seeks advice from independent remuneration consultants. No director or employee is present when his or her own remuneration or fees are discussed.

Key objectives: The key objectives of the Remuneration Committee are to develop the Company's policy on executive remuneration and to fix the remuneration of the Executive Directors, Chairman of the Board and senior managers.

Responsibilities: The main responsibilities of the Committee are:

- To monitor and develop the Company's remuneration policy
- To determine the remuneration of the Executive Directors
- To approve the service agreements of the Executive Directors
- To approve the remuneration of senior managers
- To determine the fees of the Chairman
- To review the Company's annual bonus proposals and to approve bonuses for the Executive Directors and senior managers

- To approve the design of and oversee all awards under the Company's share incentive plans
- To consider risks to the Group in light of its remuneration policies

An overview of the Remuneration Committee's terms of reference is available on the Governance section of our website at benchmarkplc.com.

Actions undertaken during the year: During the year the Remuneration Committee carried out a review of employee base salaries and implemented in the UK, the policy of paying the living wage as described by the Living Wage foundation to all employees (with the exception of apprentices) regardless of whether they work full or part time or on a temporary basis. Work is underway to ensure that in our overseas jurisdictions where similar organisations exist our pay reflects the levels that they advocate, and where they do not, to establish a level of pay that is set above the minimum wage. The introduction of gender pay gap reporting has been of interest to the Committee who recognise that at senior management level women are under-represented, steps are being taken to address this. As Benchmark has fewer than 250 employees in any one entity within the UK we are not required to report our gender pay gap figures, however, it is our intention to do so voluntarily.

Following the reorganisation of the management team, the Committee has continued to work on succession planning across the Group to ensure that we have the skills required to drive success in all our markets.

Directors' Remuneration Policy

The Group's policy is unchanged and seeks to balance three key objectives:

- To pay competitively in the relevant talent markets to sustain motivation and commitment, recognising that Benchmark has a unique culture and staff join and remain with Benchmark in order to share in the Company's vision for sustainability and participate in the important work it does
- To remunerate in a way that makes economic sense for the Company, ensuring there is a fair balance of return to the executive team, management, staff and shareholders for their contributions to the Company's success
- To encourage the cooperative behaviours which promote business priorities and lead to high performance

The Company's remuneration policy supports a climate of team involvement and generates a shared enthusiasm for the growth and success of the Group as a whole. It encourages cooperation, sharing of ideas and mutual support between people in different business units. The policy reflects and supports the sense that the Group is involved in creating and delivering services which benefit mankind and the natural environment. It also recognises that the non-monetary rewards of team membership, intellectual stimulation, freedom, creativity and producing something worthwhile, have equal or higher place in maintaining personal commitment and in attracting and retaining the best people.

Remuneration policy

The Executive Directors' remuneration comprises fixed elements in the form of a base salary, benefits and pension contributions, and a variable discretionary element in the form of a bonus, which may be satisfied in cash, deferred shares (or share options) or a combination of both. This year the Executive Directors are not receiving cash bonuses, other than a nominal cross group figure mentioned in the Chairman's report, but are instead receiving awards of market value share options under the Benchmark Company Share Option Plan (CSOP) I, as described on page 97. Other than these awards, the Company does not intend to make further awards under the share plans to the Executive Directors in the coming year.

Fixed elements of remuneration

The fixed elements of the Executive Directors' remuneration are designed to attract and retain directors of the appropriate calibre, with the requisite knowledge, skills and experience, and to sustain motivation and commitment.

Following a further review by MM&K of executive salaries in 2016 the Remuneration Committee substantially increased the Executive Directors' salaries in January 2017 to bring them into the lower end of a band of AIM/main listed companies where Benchmark Holdings plc sits in terms of turnover and market capitalisation. The Executive Directors' salaries from IPO had been substantially below those of their peer group. This year the Executive Directors base salaries were adjusted in line with other employees across the Group. Over the next 2–3 years the Company expects to be at median for the comparator range once the combined business delivers on its plans and this is reflected in the share price.

The Executive Directors all participate in defined contribution pension schemes on terms consistent with those of other employees. The Company contributes up to 10 per cent of the employee's salary, starting at 5 per cent and increasing by 1 per cent for every three years of service. The Executive Directors also receive private medical insurance for themselves and their families and death in service benefits.

Variable elements of remuneration

Executive Directors are eligible for an annual performance bonus, part or all of which may be deferred for three years and paid in shares or share options. The maximum award, including any deferred element, is 100 per cent of salary. The bonus is designed to reward and incentivise success leading to sustainable long-term growth and to recognise the Directors' commitment to the business. Four key metrics are used to evaluate performance of the Executive Directors:

- Progress towards the Group's objectives of mid to long-term growth in revenue and trading earnings per share
- Successful and secure investment of the Group's available capital in long-term revenue and generation of EBITDA from trading activities
- Building on the Group's track record of recruiting the highest calibre and most appropriate people, in terms of skills and experience
- Establishing a strong and long-lasting leadership position in the development of sustainable food and farming internationally

The Remuneration Committee exercises judgment in assessing performance against these metrics when setting bonus levels for the Executive Directors. The remuneration of senior management is also taken into consideration. The bonus is discretionary and no element of the bonus is guaranteed.

Statement of consideration of employment conditions elsewhere in the Group

Historically, the salaries across the Group have been increased annually by reference to the consumer price index (CPI). In 2017, the average salary increase across the Group including senior management was 4.8 per cent. This percentage rise included adjustments made for additional responsibilities taken on by staff as the Group's activities expanded. The entitlements of the Executive Directors to pension contributions are the same as those of employees. Bonuses for employees are determined on a discretionary basis, by reference to a combination of Group and individual performance. Senior managers' bonuses for 2017 will be paid part in cash, and part will be deferred and satisfied in share options with an exercise price equal to market value of the Benchmark shares on the date of grant.

The Company aims to encourage everyone in the team to have an interest in the Company's shares in order to foster a culture of cooperation and shared participation in the Group's achievements and the remuneration policy supports this by issuing share options to employees at a level that reflects the strategic contribution of their role. In 2017, 436,702 share options were issued to 53 employees across the Group.

Executive Directors' service contracts and remuneration on termination

Each Executive Director contract commenced on 18 December 2013 and is terminable by either party on 12 months' notice at any time, and by the Company at any time and without compensation in case of serious misconduct, breach of duty or in similar circumstances. As a result of a period of ill-health, Roland Bonney stepped down as COO on 28 July 2017. We are very pleased to say that he has subsequently returned to the business as Group Lead, Key Account Management.

In the event of termination by the Company without cause, the Executive Director is entitled to receive payment of salary for any unexpired notice period and any accrued holiday entitlement. In the event of termination for cause, the Director is not entitled to compensation in respect of salary.

The Executive Directors' bonuses are fully discretionary. In the event of termination during a bonus period, the Committee will consider payment of a bonus on a pro rata basis for the relevant portion of the year worked, having regard to the circumstances. Deferred bonuses which have been satisfied in share options remain exercisable where the Executive Director is a good leaver, including in case of death, incapacity, redundancy, retirement, and where the Remuneration Committee so determines. In all other circumstances, deferred bonuses satisfied in share options cease to be exercisable on termination of employment and lapse.

Non-Executive Directors' terms of appointment

The Non-Executive Directors hold office under letters of appointment. Each appointment is for a term of three years but with an additional period of three years anticipated. All directors are required to stand for re-election at least every three years. Alex Hambro and Susan Searle were appointed for a further three year term by the Board in December 2016. Kevin Quinn was appointed as a new Non-Executive Director on 25 November 2016, replacing Basil Brookes as Chair of the Audit Committee and on the Remuneration Committee. In accordance with the UK Corporate Governance Code, Kevin Quinn, Malcolm Pye and Susan Searle stood for re-election at the Annual General Meeting held on 10 March 2017 and all were re-elected.

Following the year end, Hugo Wahnish and Yngve Myhre were appointed as new Non-Executive Directors. Both will stand for election at the AGM to be held on 8 March 2018.

Either the Company or the Non-Executive Director may terminate the appointment on three months' notice, and the appointments are subject to the Company's articles of association and to the Director being re-elected by shareholders upon retirement by rotation. On termination as a result of the Non-Executive Director not being re-elected by shareholders or under the articles of association for reasons connected with outside interests or independence, the appointment terminates immediately and the Non-Executive Director is not entitled to compensation. On termination in other circumstances, including on three months' notice, a Non-Executive Director is entitled to accrued but unpaid directors' fees to the date of termination but no other compensation.

The dates of appointment of and length of service for each Non-Executive Director are shown in the table below.

Name	Date of appointment	Length of service as at 2018 AGM
Alex Hambro	18 December 2013	4 year, 2 months
Susan Searle	18 December 2013	4 year, 2 months
Kevin Quinn	25 November 2016	1 year, 2 months
Hugo Wahnish	6 November 2017	4 months
Yngve Myhne	6 November 2017	4 months

Shareholder dilution

The total number of ordinary shares issued and issuable in respect of options granted in any ten year period under the Company's discretionary share option schemes (excluding pre-IPO options under the Enterprise Management Incentive (EMI) scheme) is restricted to 10% of the Company's issued ordinary shares from time to time.

In the financial year ended 30 September 2017 the Company allocated 463,702 nominal cost share options (0.09% of issued share capital) to staff including senior management as mentioned on page 100.

Annual Report on Remuneration for 2017

Single total figure of remuneration for the financial year ended 30 September 2017

The remuneration in respect of qualifying services of the directors who served during the financial year ended 30 September 2017 is as set out below.

Executive Directors

	Salary	Bonus (a)	Taxable benefits (b)	Long-term incentive	Pension	Total 2017	Total 2016
Roland Bonney	243,750	500	2,391	-	24,375	271,016	**288,942**
Mark Plampin	230,000	500	2,592	-	15,517	248,609	**268,757**
Malcolm Pye	282,500	500	6,010	-	28,250	317,268	**318,121**

(a) The balance of the cash bonuses will be paid in February 2018. Options with an exercise price equal to market value in lieu of a cash bonus in the year to September 2017, will be granted to the Executive Directors shortly after the date of this report. Further details can be found in the bonus section below.

(b) Benefits provided for all Executive Directors are medical insurance coverage for the Directors and their families, and death in service benefits. Also includes taxable mileage payments as a result of the Company's policy of paying 55p per business mile (10p per mile paid over the HMRC rate of 45p per mile is taxable via P11Ds).

Executive Directors' salaries were reviewed with effect from 1 January 2018. Having regard to the Group's performance in 2017, the increases awarded are shown on page 101.

Non-Executive Directors

	Fees (£) 2017	Fees (£) 2016
Alex Hambro	45,000	45,000
Susan Searle	45,000	45,000
Kevin Quinn	38,365	-

Although the Board believes that the Chairman's fees and the fees of the Committee may be out of line with market practice it has been decided not to adjust them given the share price performance during the year. However, given the size, scale and complexity of the business has changed considerably, a review of fees will be undertaken in 2018 with a view to implementation in the following year.

Executive Directors' bonuses for the financial year ended 30 September 2017

As described in the Chairman's statement, the Remuneration Committee considered the performance of the Executive Directors against the delivery of long-term sustainable growth and their performance against four KPIs set out on page 98.

Accordingly, the Executive Directors received bonuses in respect of the financial year ended 30 September 2017 as set out below.

	Bonus (£) 2017(a)	Bonus (£) 2016
Roland Bonney (resigned as COO on 28th July 2017)	500	99,000
Mark Plampin	500	93,000(b)
Malcolm Pye	500	110,000

(a) The remuneration committee has decided, in lieu of cash, save for a nominal cross company cash bonus of £500, market value share options will be granted following publication of the annual results, in accordance with the company's share plan rules. Malcolm Pye will be granted 500,000 options, Mark Plampin will receive 400,000 options and Roland Bonney will receive 100,000 options. The exact value of these awards cannot be determined until the date of grant.

(b) Mark Plampin received £37,200 in cash and the balance in nominal cost share options.

Defined contribution pension scheme

The Executive Directors all participate in defined contribution pension schemes. Roland Bonney and Malcolm Pye participate in the Benchmark Holdings Executive Pension Scheme and Mark Plampin participates in a self-invested personal pension (SIPP).

In accordance with the policy set out on page 98, the Company contributes 10 per cent of salary for each of Roland Bonney and Malcolm Pye, and 7 per cent of salary for Mark Plampin.

LTIP awards

No awards under the Company's share plans were made to Executive Directors in the financial year ended 30 September 2017.

Executive Directors' external appointments

None of the Executive Directors held non-executive directorships or external appointments with organisations other than the Company in the financial year ended 30 September 2017.

Non-Executive Directors' fees for the financial year ended 30 September 2017

No changes were made to the Non-Executive Directors' fees in the financial year ended 30 September 2017. Kevin Quinn was appointed as a new Non-Executive Director on 25 November 2016.

Statement of Implementation of Remuneration Policy in 2018

Executive Directors' salaries

From 1 January 2018, the Executive Directors' base pay was increased as set out below.

	Salary (£) 2017	Salary (£) 2016	Increase in salary 2017 to 2018 (%)
Mark Plampin	255,175	250,000	2.07%
Malcolm Pye	316,417	310,000	2.07%

Bonus

The 2018 bonus will be implemented in line with the future policy described above.

LTIP

The Company will use the CSOP shortly after the publication of the annual results in 2018 to grant awards to the Executive Directors in lieu of a cash bonus as described in the introduction to this report.

Additional information on Directors' interests

Directors' interests under the Company's employee share plans

Details of the Executive Directors' interests in outstanding share awards under the employee share plans during the financial year ended 30 September 2017 are set out below.

	Share option scheme	Options held at 30 September 2016	Options exercised in year	Options granted in year	At 30 September 2017	Exercise price	Grant date	Date from which exercisable
Mark Plampin	EMI Scheme	135,000	135,000		-	0.1p	29 August 2013	29 August 2016
Mark Plampin	CSOP II	67,647	135,000	56,938	124,585	0.1p	6 March 2017	5 March 2020

Directors' interests in ordinary shares

At 30 September 2017, the interests of the Directors and their connected persons in ordinary shares was as follows.

	Interests in ordinary shares at 30 September 2017	% of Company's issued share capital at 30 September 2017 (c)	Interests in ordinary shares at 30 September 2016
Roland Bonney	15,145,686	2.90%	15,145,686
Alex Hambro	100,000 (a)	0.02%	46,875
Malcolm Pye	15,145,686	2.90%	15,145,686
Mark Plampin	536,686 (b)	0.10%	401,686
Susan Searle	98,125 (a)	0.02%	98,125
Kevin Quinn	25,000	0%	-

(a) Held through self-invested personal pension (SIPP).

(b) Comprising 265,000 ordinary shares registered in own name, 267,000 ordinary shares held through self-invested personal pension (SIPP) and 4,686 ordinary shares held through the Benchmark employee share incentive plan.

(c) As at 30 September 2017.

Susan Searle
Chairman of the Remuneration Committee
23 January 2018

SHAREHOLDERS

Share capital and share holdings

The Company's issued share capital, together with details of movements during the year, are shown in note 25 accompanying the financial statements. The Company has one class of ordinary share which carries no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company.

As at 22 January 2017 the Company has been notified of the following substantial shareholdings under Rule 5 of the UKLA's Disclosure and Transparency Rules:

	% of issued share capital
Woodford Investment Management Limited	25.10
FERD AS	16.67
Invesco Limited	16.17
Lansdowne Partners International Limited Lansdowne Partners Limited Lansdowne Partners (UK) LLP	9.88
The Royal Bank of Scotland Group plc	6.84
Harwood Capital	3.54

Engagement with shareholders

The Board recognises that engagement with shareholders is vital to the success of the business, and to ensuring that shareholders understand the strategy of the Company and the means by which that strategy will be delivered.

The Board welcomes regular and open engagement with its shareholders.

A number of meetings were held between institutional shareholders and both Executive and Non-Executive Directors (together and independently) throughout the year. The Company held a capital markets day for institutional shareholders which included presentations regarding the macro environment; the aquaculture industry and Benchmark's positioning within it; and the strategies, assets, capabilities, and markets of each of the Genetics, Animal Health, Advanced Nutrition and Knowledge Services divisions; and the Company's financial model and capital structure. Shareholders had the opportunity to meet with the Board and senior management and to discuss and challenge the strategy of the Company. The Directors attended the Annual General Meeting and were available for questions and discussion both in and following the meeting.

The Chairman is responsible for ensuring that major shareholders are able to access and engage with all members of the Board. The Chairman is also responsible for ensuring that the Board is aware of any feedback received from, or concerns raised by, major shareholders, and that these views are taken into account. The Board regularly discusses feedback from meetings and other liaison with major shareholders. If shareholders have concerns which have not been resolved by means of contact through other channels, or for which such channels are inappropriate, they are welcome to contact the Senior Independent Director.

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements of the Company and of the Group for the year ended 30 September 2017.

Benchmark Holdings plc is a public limited company, incorporated and domiciled in England and Wales. Its shares are admitted to trading on AIM, London Stock Exchange's international market for smaller growing companies.

The disclosure requirements of the Companies Act 2006, and where the Directors have deemed it appropriate, the UK Disclosure and Transparency Rules, have been met by the contents of this Directors' Report, along with the Strategic Report, Corporate Governance Report, Nomination Committee Report, Audit Report and Remuneration Report, which should be read in conjunction with this report.

UK Corporate Governance Code

The Company complies with the principles of the Code. A copy of the Code is available from the website of the Financial Reporting Council (frc.org.uk). Benchmark complies with the main principles of the Code, as set out in the diagram on page 103.

During the year, the Company did not comply with the following aspects of the Code:

- The Nomination Committee evaluates the performance of the Board as a whole and in doing so evaluates the performance of each of the Directors, but a formal evaluation of the performance of individual Directors is not undertaken.
- The Company is not subject to the Listing Rules and is not required to make a longer term viability statement.
- The bonus element of the Executive Directors' remuneration is performance related and based on four key performance indicators. The Company believes that purely financial targets can lead to focus on delivery of short-term goals at the expense of long-term success, and the key performance indicators used to determine performance based remuneration involve an element of discretion, which is exercised critically by the Remuneration Committee. The Remuneration Committee intends to review these key performance indicators in the coming year to ensure that they remain relevant and appropriate for the Group in light of its growth.

Overview of compliance with principles of UK Corporate Governance Code

A. Leadership	
A.1 Role of Board	The Board is collectively responsible for the long-term success of the Group, and oversees the development and delivery of strategy and operations. It does this by exercising oversight and control over the performance of the Company through review of management financial information; agreeing budgetary targets; approving investment programmes and monitoring their execution against budget and returns on investment. (See page 87)
A.2 Clear division of responsibilities	There is a clear division of responsibilities between the Chairman and the Chief Executive Officer which is described on page 91 of this report.
A.3 Role of Chairman	The Chairman leads the Board, setting and managing the agenda, and promoting open and constructive discussion and challenge. (See page 91)
A.4 Role of Non-Executive Directors	The Board has a culture of transparency and open debate, and the Non-Executive Directors constructively challenge the Executive Directors regarding the strategy and its implementation. (See page 87)
B. Effectiveness	
B.1 Composition of the Board	Two new Non-Executive Directors were recently appointed to strengthen the pharmaceutical and aquaculture expertise on the Board. The Board and the Nomination Committee is of the view that the Board contains an appropriate breadth and balance of skills, knowledge, experience and independence.
B.2 Board appointments	The Nomination Committee leads the process for the appointment of new Directors, and follow a formal and rigorous process, with the assistance of independent external recruiters, and taking into account the Group's policies regarding diversity. This process was followed in relation to the recent appointments of Hugo Wahnish and Yngve Myhre.
B.3 Time commitments	Non-Executive Directors are notified of and agree to the required time commitments prior to appointment, and external directorships which may impact existing time commitments must be agreed with the Chairman. (See pages 93)
B.4 Training and development	New Directors receive a comprehensive and formal induction programme which is tailored to their role and needs, and the Board receives updates regarding the business and regulatory developments. (See pages 91)
B.5 Provision of information and support	The Chairman, supported by the Company Secretary, ensures that Board members receive accurate and timely information and other support requested, including access to external legal advice. (See pages 93)
B.6 Board and Committee performance evaluations	Following a formal evaluation of the Board's performance, size and composition in 2015, which was kept under review, it was determined to strengthen the Board with pharmaceutical and aquaculture sector expertise, in an international forum. Two new Non-Executive Directors were appointed shortly after the year end.
B.7 Re-election of Directors	The Articles of Association require Directors to retire by rotation at the third Annual General Meeting after the Annual General Meeting at which they were elected. (See pages 104)
C. Accountability	
C.1 Financial and business reporting	The Board has reviewed this Annual Report and the results for the year to 30 September 2017 to ensure that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable. (See pages 106)
C.2 Risk management and internal control systems	The Board is responsible for ensuring that the Company has in place effective procedures for the management of risk, and that the principal risks faced by the Group are identified, assessed, appropriately mitigated and monitored. Pages 78 to 81 of this report set out the Company's risk framework and risk management activity.
C.3 Role and responsibilities of the Audit Committee	Responsibility for oversight of the Group's financial reporting procedures, internal controls and audit process is delegated to the Audit Committee, which also oversees the Group's risk management framework. (See pages 93 to 96)
D. Remuneration	
D.1 Executive Directors' remuneration	The policy for determining the remuneration of Executive Directors is set out in the Remuneration Report on pages 99 to 101. No Director is involved in setting his/her own remuneration.
D.2 Remuneration policy	The Company's remuneration policy is set out in the Remuneration Report on pages 99 to 101.
E. Relations with Shareholders	
E.1 Shareholder engagement	The Board engages actively and regularly with its shareholders. The Chairman and Senior Independent Director are available for discussions with major shareholders, and the Board is kept appraised of their views and feedback. (See pages 102)
E.2 Use of general meetings	The Directors are always available at the AGM to meet with shareholders, who are invited to raise questions and also to meet with the Board following the formal business of the meeting. (See pages 104)

Annual General Meeting

The next Annual General Meeting will be held at 12.00pm on 8 March 2018 at Travers Smith LLP, 10 Snow Hill, London, EC1A 2AL. Details of the AGM are set out in the Notice of AGM which is being posted to shareholders with this report.

The Directors will be available at the AGM to answer questions and for discussion with shareholders following conclusion of the formal business of the meeting.

Directors

The Directors who held office during the year were as follows:

Alex Hambro
Susan Searle
Kevin Quinn (appointed 25 November 2016)
Malcolm Pye
Mark Plampin
Roland Bonney (stepped down 28 July 2017)

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

Re-election of Directors

The re-appointment of Susan Searle and Malcolm Pye, and the appointment of Kevin Quinn was approved at the Annual General Meeting held on 7 March 2017.

The Articles of Association require Directors to retire by rotation at the third Annual General Meeting after the Annual General Meeting at which they were elected. The Articles also provide that the Board has the power to appoint any person to be a Director, and that any Director appointed by the Board shall only hold office until the next following AGM. Hugo Wahnish and Yngve Myhre was appointed as a Director by the Board on 6 November 2017.

At the Annual General Meeting to be held on 8 March 2018, Hugo Wahnish and Yngve Myhre are standing for re-election.

Power to allot shares

Each year at the Annual General Meeting, the Directors seek authority to allot shares for the following year. At the last AGM held on 7 March 2017, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £174,006, representing one third of the issued share capital, and to further allot equity securities up to an additional aggregate nominal value of £174,006 in connection with a fully pre-emptive rights issue, in accordance with ABI guidance. Directors were authorised to allot for cash equity securities having a nominal value not exceeding in aggregate £26,100 (being 5 per cent of issued share capital) , and to further allot for cash equity securities having a nominal value not exceeding in aggregate £26,100 for the purpose of financing acquisitions and capital investments. The authorities expire at the conclusion of the next AGM.

At the forthcoming AGM, authorities will be sought from shareholders similar to those sought at the 2017 AGM.

Authority for the Company to purchase its own shares

At the Company's 2017 Annual General Meeting, shareholders renewed the Company's authorities to make market purchases of up to 52,201,825 ordinary shares, representing 10 per cent of the Company's issued share capital. These authorities were not used during the year, or up to the date of this report. At the 2017 Annual General Meeting, shareholders will be asked to renew these authorities for another year, and the resolution will once again propose a maximum aggregate number of ordinary shares which the Company can purchase equal to 10 per cent of the Company's issued ordinary share capital. Details are set out in the Notice of Annual General Meeting.

The Company held no treasury shares during the year, or at the date of this report.

Length of notice of general meetings

The Company has taken authority under the Companies Act 2006 to call general meetings of the Company, other than AGMs, on 14 days notice. The 14 day notice period will only be used where the flexibility is merited by the business of the meeting, and is thought to be in the best interests of shareholders as a whole. The Company offers the facility for shareholders to vote by electronic means. This facility is open to all shareholders and would be available if the Company were to call a meeting on 14 clear days' notice.

Employee involvement

The Group has grown significantly since its IPO in 2014, and has now established the platform for the next phase of its development. As discussed on pages 66 to 67 of this report, the management was reviewed during the year to ensure that it is appropriate, and has the necessary expertise required, to deliver the Company's strategy.

The Group now has nearly 1,000 employees in 27 countries, and recognises the challenges of communicating strategy and information to all its people in an effective and timely manner. The following are the principal methods by which the Company ensures that all employees receive the information they require to optimise their personal performance and that of the Group, and to ensure effective functioning of internal control systems:

- Members of the Operations Board and of the divisional boards are responsible for the communication of strategy, focuses and relevant developments to their managers and teams, and formal and informal meetings are held at local level to ensure effective dissemination of such information.
- Regular newsletters are received by all employees, and include an update from the Executive Directors, together with information on business developments within the Group, new projects, investment programmes, and news regarding the aquaculture and animal health industries.
- One-off newsletters are used to promptly communicate important events, such as the release of results, acquisitions, significant business developments and other events which are announced to shareholders.
- Short videos from the Executive are used to communicate more personally with the workforce around the world and to highlight key matters, such as the significance of and the Board's commitment to Health and Safety on our Global Health and Safety Day.
- An improved intranet platform was launched during the year, which provides comprehensive information on each of the businesses within the Group, together with the Employee Handbook, policies, toolkits and other relevant information to all employees.
- Targeted training and workshops are undertaken with the workforce to ensure that there is a good understanding of the Group's strategy and values; compliance matters including the Share Dealing Code, control of inside information, Matters Reserved for the Board, Anti-Bribery Policy and Whistleblowing Policy, employee share schemes and other matters.
- The People Team is responsible for acting as a bridge between the business and its employees, ensuring effective communication and where appropriate acting as mediator.

The Group has a policy of encouraging share ownership and over 60 per cent of the Group's employees hold shares or options in the Company.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Information elsewhere in the report

The information set out below is contained in other areas of this report.

		Page(s) of this report
Financial instruments	Details of the Group's financial risk management objectives and policies including the Group's policy for hedging, and the exposure of the Company and its subsidiaries to price risk, credit risk, liquidity risk and cash flow risk.	127–129
Important events	Particulars of important events affecting the Company or its subsidiaries.	5
Post balance sheet events	Description of post balance sheet events.	None
Future developments	Likely future developments in the business of the Company or its subsidiaries.	12–17, 20, 24
Research and development	Details of research and development activities of the Company and its subsidiaries.	33, 38, 50, 73
Branches outside the UK	Details of the existence of branches outside the UK.	N/A
Risk management	Details of the Company's risk management framework, activities in the year and principal risks and uncertainties	78–81
Directors' remuneration and interests	Details of Directors' remuneration, interests in shares of the Company, share options and pension arrangements.	97–101
Principal activities and business review	Business review, details of 2017 results, key performance indicators, outlook for future years.	5–63
Financial risk management	Objectives and policies for management of financial risk.	78–81, 94, 96
Share capital	Details of the issued share capital and movements during the year.	157

This report was approved by the Board on 22 January 2018 and signed on its behalf.

Athene Blakeman
Company Secretary 23 January 2018

DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in relation to the Group financial statements and Annual Report

The Directors are responsible for preparing the Group and parent Company financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable, relevant and reliable
- State whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website benchmarkplc.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Image: Dr Ernesto Dieguez and Rosana Estevez at our StofnFiskur facility in Kalmanstjørn, Iceland.

03

FINANCIAL STATEMENTS

"The services we provide have a fundamental impact on the development of sustainable aquaculture production and we are proud to serve the world's largest players in the industry.

Morten Rye
Managing Director
Akvaforsk Genetics

INDEPENDENT AUDITOR'S REPORT

to the members of Benchmark Holdings plc

1 Our opinion is unmodified

We have audited the financial statements of Benchmark Holdings plc ("the Company") for the year ended 30 September 2017 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows,and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 September 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview		
Materiality: Group financial statements as a whole	£1,000,000 (2016: £750,000) 0.7% (2016: 0.7%) of revenue	
Coverage	86% (2016: 91%) of group revenue	
Risks of material misstatement		**vs 2016**
Recurring risks	Valuation of goodwill, intangibles	◀▶
	Valuation of biological assets	◀▶
	Recoverability of parent company's investment in subsidiaries and group debtor balances	◀▶

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Valuation of group goodwill, acquired intangibles and of parent's investment in subsidiaries/debt due from group entities Goodwill: £149,665,000 (2016: 152,905,000) Intangibles: £175,695,000 (2016: £197,682,000) Investments (parent company): £263,841,000 (2016: £261,902,000) Debt due from group entities (parent company): £126,348,000 (2016: £101,122,000) Refer to page 94 (Audit Committee Report), page 126 (accounting policy) and page 144 (financial disclosures).	**Forecast-based valuation:** The carrying value of goodwill, acquired intangibles, investments and debt due from group entities depends on assumptions of future financial performance which inherently contain an element of judgement and uncertainty. In addition, certain cash generating units of the group are at risk of impairment as they contain immature products or markets, or are not trading in line with initial expectations. Significant areas of judgement include sales growth rates, operating margins and the discount rate applied to future cash flows.	Our procedures included: • **Data comparisons:** Assessing the Group's impairment model for mathematical accuracy as well as internal consistency with board approved budgets and forecast; • **Benchmarking assumptions:** With the assistance of our valuation specialists we compared the Group's assumptions in relation to key inputs such as projected growth and discount rates to externally derived data; • **Sensitivity analysis:** Performing analysis of changes in key assumptions such as projected growth and discount rates to understand the sensitivity of the valuation; • **Historical comparison:** Considering the Group's historical budgeting accuracy, by assessing actual performance against budget; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the group's market capitalisation to assess the reasonableness of those cash flows; and • **Assessing transparency:** We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill, intangibles and investments.
Valuation of biological assets, Salmon broodstock Salmon broodstock: £9,273,000 (2016: £7,584,000) Refer to page 94 (Audit Committee Report), page 127 (accounting policy) and page 151 (financial disclosures).	**Subjective valuation:** The group hold significant biological assets at StofnFiskur in Iceland. Under IFRS these are required to be held at fair value less cost to sell. The calculations of fair value include a number of assumptions relating to the future (e.g. egg sales prices, sales volumes), and are subject to seasonal variations.	Our procedures included: • **Data comparisons:** Assessing the Group's valuation model for mathematical accuracy and internal consistency with board approved budgets and forecast; • **Benchmarking assumptions:** We compared the Group's assumptions in relation to key inputs such as selling price to externally derived data; • **Sensitivity analysis:** Performing analysis of changes in key assumptions such as egg sales prices to understand the sensitivity of the valuation; and • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of the valuation of biological assets.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1,000,000 (2016: £750,000), determined with reference to a benchmark of Group revenue, of which it represents 0.7% (2016: 0.7% of Group revenue). We consider revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £750,000 (2016: £650,000), determined with reference to a benchmark of company total assets, of which it represents 0.2% (2016: 0.2%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £50,000 (2016: £37,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 69 (2016: 45) reporting components, we subjected 19 (2016: 15) to full scope audits for Group purposes and 1 (2016: nil) was subject to specified risk-focused audit procedures over cost of sales and trade payables. The latter was not individually financially significant to require an audit for group reporting purposes but did present specific individual risks that need to be addressed. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

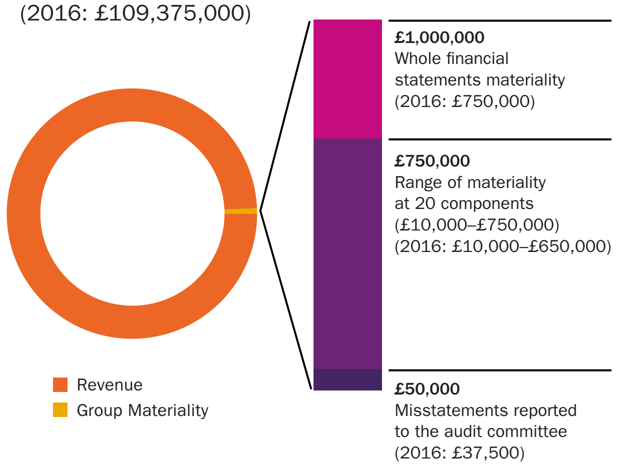
The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team also approved the component materialities ranging from £10,000–£750,000 (2016: £10,000–£650,000) having regard to the mix of size and risk profile of the Group across the components. The work on 10 of the 20 (2016: 4 of the 15) components was performed by component auditors and the rest, including the audit of the parent company, by the Group team.

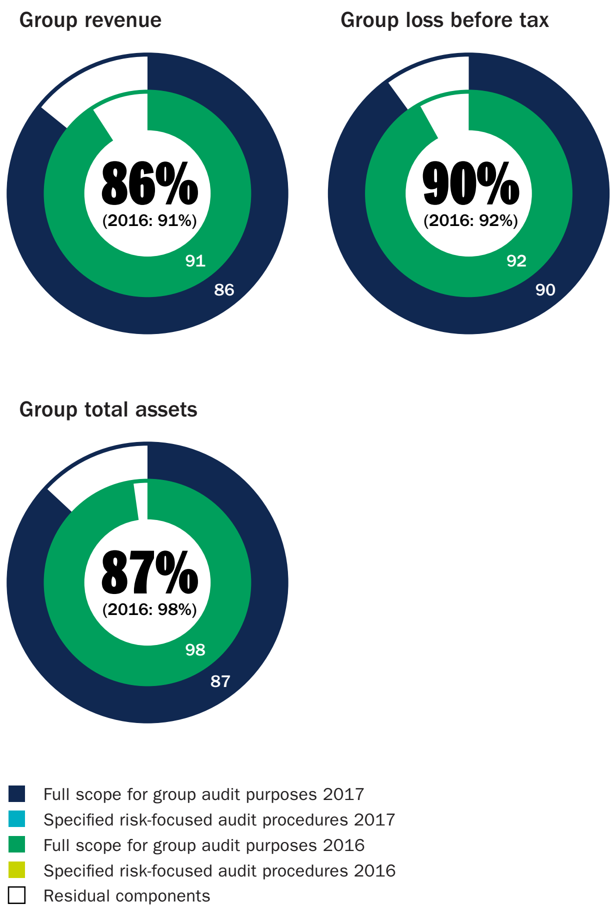
The Group team visited one component in Iceland and held calls with all other full scope component auditors to assess the audit risk and strategy as part of the planning process. During these, the audit approach to key risk areas were discussed.

The Group team visited three component locations in Iceland, Norway, and Belgium to attend clearance meetings and held calls with all other full scope component auditors. During these, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

Revenue
£140,172,000
(2016: £109,375,000)

Group Materiality
£1,000,000 (2016: £750,000)





4 We have nothing to report on going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Strategic report and directors' report

Based solely on our work on the other information:

- 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.

6 We have nothing to report on the other 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 106, the directors are responsible for: the preparation of the financial statements including 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 Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent 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 frc.org.uk/auditorsresponsibilities.

8 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.

Ian Beaumont
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds, LS1 4DA
23 January 2018

CONSOLIDATED INCOME STATEMENT
for the year ended 30 September 2017

	Notes	2017 £000	2016 £000
Revenue	4	140,172	109,375
Cost of sales		(77,781)	(58,562)
Gross profit		62,391	50,813
Research and development costs		(13,055)	(11,720)
Other operating costs		(39,297)	(29,865)
Adjusted EBITDA[2]		10,039	9,228
Exceptional including acquisition related items	10	5,649	(13,091)
EBITDA[1]		15,688	(3,863)
Depreciation	13	(4,877)	(2,859)
Amortisation	14	(18,473)	(13,749)
Operating loss		(7,662)	(20,471)
Finance cost	9	(1,960)	(6,170)
Finance income	9	1,495	3,984
Share of profit of equity-accounted investees, net of tax		27	273
Loss before taxation		(8,100)	(22,384)
Tax on loss	11	980	4,038
Loss for the year		(7,120)	(18,346)
Loss for the year attributable to:			
— Owners of the parent		(7,440)	(18,337)
— Non-controlling interest		320	(9)
		(7,120)	(18,346)
Basic loss per share (pence)	12	(1.43)	(4.39)
Diluted loss per share (pence)	12	(1.43)	(4.39)

[1] EBITDA — Earnings before interest, tax, depreciation and amortisation

[2] Adjusted EBITDA — EBITDA before exceptional and acquisition related items

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2017

	2017 £000	2016 £000
Loss for the year	(7,120)	(18,346)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Movement on foreign exchange reserve	(7,128)	48,386
Total comprehensive income for the year	(14,248)	30,040
Total comprehensive income for the year attributable to:		
— Owners of the parent	(14,407)	29,752
— Non-controlling interest	159	288
	(14,248)	30,040

The accompanying notes form part of the financial statements.

CONSOLIDATED BALANCE SHEET
as at 30 September 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Property, plant and equipment	13	80,845	50,023
Intangible assets	14	329,137	352,538
Equity-accounted investees	16	2,512	581
Other investments		237	246
Biological and agricultural assets	19	5,745	5,028
Total non-current assets		418,476	408,416
Current assets			
Inventories	18	20,053	23,231
Biological and agricultural assets	19	10,798	6,831
Trade and other receivables	20	38,530	34,288
Cash and cash equivalents	35	18,779	38,140
Total current assets		88,160	102,490
Total assets		506,636	510,906
Liabilities			
Current liabilities			
Trade and other payables	21	(44,498)	(31,232)
Loans and borrowings	22	(6,234)	(289)
Corporation tax liability		(2,844)	(1,107)
Provisions	23	(450)	(1,086)
Total current liabilities		(54,026)	(33,714)
Non-current liabilities			
Loans and borrowings	22	(36,453)	(37,407)
Other payables	21	(1,213)	(8,825)
Deferred tax	24	(56,359)	(63,261)
Total non-current liabilities		(94,025)	(109,493)
Total liabilities		(148,051)	(143,207)
Net assets		358,585	367,699
Issued capital and reserves attributable to owners of the parent			
Share capital	25	522	521
Additional paid-in capital*	25	339,431	339,431
Capital redemption reserve	26	5	5
Retained earnings	26	(24,742)	(18,904)
Foreign exchange reserve	26	38,398	45,365
Equity attributable to owners of the parent		353,614	366,418
Non-controlling interest	27	4,971	1,281
Total equity and reserves		358,585	367,699

* See note 26

The financial statements on pages 114 to 170 were approved and authorised for issue by the Board of Directors on 23 January 2018 and were signed on its behalf by:

M J Plampin
Chief Financial Officer

The accompanying notes form part of the financial statements.

COMPANY BALANCE SHEET
as at 30 September 2017

	Note	2017 £000	2016 £000
Assets			
Non-current assets			
Property, plant and equipment	13	287	240
Investments	17	263,841	261,902
Total non-current assets		264,128	262,142
Current assets			
Trade and other receivables	20	126,843	101,489
Cash and cash equivalents	35	1,776	27,480
Total current assets		128,619	128,969
Total assets		392,747	391,111
Liabilities			
Current liabilities			
Trade and other payables	21	(26,195)	(26,102)
Total current liabilities		(26,195)	(26,102)
Non-current liabilities			
Loans and borrowings	22	(36,451)	(37,193)
Total non-current liabilities		(36,451)	(37,193)
Total liabilities		(62,646)	(63,295)
Net assets		330,101	327,816
Issued capital and reserves attributable to owners of the parent			
Share capital	25	522	521
Additional paid-in capital*	25	339,431	339,431
Capital redemption reserve	26	5	5
Retained earnings	26	(9,857)	(12,141)
Total equity and reserves		330,101	327,816

* See note 26

The financial statements on pages 114 to 170 were approved and authorised for issue by the Board of Directors on 23 January 2018 and were signed on its behalf by:

M J Plampin
Chief Financial Officer

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2017

	Share capital £000	Additional paid-in capital* £000	Other reserves £000	Retained earnings £000	Total attributable to equity holders of parent £000	Non-controlling interest £000	Total equity £000
As at 1 October 2015	219	94,672	(2,719)	(1,021)	91,151	947	92,098
Comprehensive income for the period							
Loss for the period	-	-	-	(18,337)	(18,337)	(9)	(18,346)
Other comprehensive income	-	-	48,089	-	48,089	297	48,386
Total comprehensive income for the period	-	-	48,089	(18,337)	29,752	288	30,040
Contributions by and distributions to owners							
Share issue	302	249,444	-	-	249,746	-	249,746
Share issue costs recognised through equity	-	(4,685)	-	-	(4,685)	-	(4,685)
Share based payment	-	-	-	749	749	-	749
Deferred tax on share options	-	-	-	(295)	(295)	-	(295)
Total contributions by and distributions to owners	302	244,759	-	454	245,515	-	245,515
Changes in ownership							
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	46	46
Total changes in ownership interests	-	-	-	-	-	46	46
Total transactions with owners of the Company	302	244,759	-	454	245,515	46	245,561
As at 30 September 2016	521	339,431	45,370	(18,904)	366,418	1,281	367,699
Comprehensive income for the period							
(Loss)/profit for the period	-	-	-	(7,440)	(7,440)	320	(7,120)
Other comprehensive income	-	-	(6,967)	-	(6,967)	(161)	(7,128)
Total comprehensive income for the period	-	-	(6,967)	(7,440)	(14,407)	159	(14,248)
Contributions by and distributions to owners							
Share issue	1	-	-	-	1	-	1
Share based payment	-	-	-	1,602	1,602	-	1,602
Total contributions by and distributions to owners	1	-	-	1,602	1,603	-	1,603
Changes in ownership interests							
Investment in subsidiary by non-controlling interest	-	-	-	-	-	3,531	3,531
Total changes in ownership interests	-	-	-	-	-	3,531	3,531
Total transactions with owners of the Company	1	-	-	1,602	1,603	3,531	5,134
As at 30 September 2017	522	339,431	38,403	(24,742)	353,614	4,971	358,585

* See note 26.

The accompanying notes form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2017

	Share capital £000	Additional paid-in capital* £000	Capital redemption reserve £000	Retained earnings £000	Total attributable to equity holders £000
At 1 October 2015	219	94,672	5	1,799	96,695
Comprehensive income for the year					
Loss for the year	-	-	-	(14,646)	(14,646)
Total comprehensive income for the year	-	-	-	(14,646)	(14,646)
Contributions by and distributions to owners					
Share based payment	-	-	-	749	749
Deferred tax on share options	-	-	-	(43)	(43)
Share issue	302	249,444	-	-	249,746
Share issue costs recognised through equity	-	(4,685)	-	-	(4,685)
Total contributions by and distributions to owners	302	244,759	-	706	245,767
At 30 September 2016	521	339,431	5	(12,141)	327,816
Comprehensive income for the year					
Profit for the year	-	-	-	682	682
Total comprehensive income for the year	-	-	-	682	682
Contributions by and distributions to owners					
Share based payment	-	-	-	1,602	1,602
Share issue	1	-	-		1
Total contributions by and distributions to owners	1	-	-	1,602	1,603
At 30 September 2017	522	339,431	5	(9,857)	330,101

* See note 26.

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Loss for the year		(7,120)	(18,346)
Adjustments for:			
Depreciation of property, plant and equipment	13	4,877	2,859
Amortisation of intangible fixed assets	14	18,473	13,749
Loss on sale of property, plant and equipment		19	30
Finance income	9	(1,495)	(3,984)
Finance costs	9	1,960	6,170
Share of profit of equity-accounted investees, net of tax		(27)	(273)
Foreign exchange (gains)/losses		(1,434)	6,776
Share based payment expense	31	1,602	749
Tax credit	11	(980)	(4,038)
		15,875	3,692
Increase in trade and other receivables		(1,250)	(3,729)
Increase in inventories and biological assets		(1,253)	(4,704)
Increase/(decrease) in trade and other payables		3,665	(4,124)
Decrease in provisions		(643)	(238)
		16,394	(9,103)
Income taxes paid		(3,015)	(1,429)
Net cash flows from/(used in) operating activities		13,379	(10,532)
Investing activities			
Proceeds from investment by NCI		188	-
Acquisition of subsidiaries, net of cash acquired		-	(191,502)
Purchase of investments		(2,032)	-
Purchases of property, plant and equipment		(32,740)	(18,660)
Purchase of intangibles		(2,423)	(1,523)
Proceeds from sale of fixed assets		245	174
Interest received		270	254
Net cash flows used in investing activities		(36,492)	(211,257)
Financing activities			
Proceeds of share issues		1	216,519
Proceeds from bank or other borrowings		5,921	42,254
Share-issue costs recognised through equity		-	(4,685)
Net cash flows from derivative financial instruments		-	3,731
Repayment of bank borrowings		-	(8,809)
Interest and finance charges paid		(1,869)	(2,481)
Payments to finance lease creditors		(301)	(164)
Net cash inflow from financing activities		3,752	246,365
Net (decrease)/increase in cash and cash equivalents		(19,361)	24,576
Cash and cash equivalents at beginning of year		38,140	13,564
Cash and cash equivalents at end of year	35	18,779	38,140

The accompanying notes form part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Cash flows from operating activities			
Profit/(loss) for the year		682	(14,646)
Adjustments for:			
Depreciation of property, plant and equipment	13	90	62
Finance income		(1,567)	(4,018)
Finance expense		2,232	6,219
Foreign exchange gains		(587)	-
Share based payment expense		369	149
Tax expense		325	127
		1,544	(12,107)
Increase in trade and other receivables		(24,462)	(34,001)
(Decrease)/increase in trade and other payables		(576)	17,207
Net cash flows used in operating activities		(23,494)	(28,901)
Investing activities			
Loans to subsidiary undertakings		(800)	-
Repayment of loan from subsidiary undertaking		-	1,659
Investment in subsidiary undertakings		-	(197,440)
Purchases of property, plant and equipment		(137)	(148)
Interest received		30	288
Net cash received used in investing activities		(907)	(195,641)
Financing activities			
Proceeds of share issue		1	216,519
Proceeds from bank borrowings		-	42,254
Share issue costs recognised through equity		-	(4,685)
Net cash flows from derivative financial instruments		-	3,731
Repayment of bank borrowings		-	(8,809)
Interest paid		(1,304)	(2,530)
Net cash (used in)/from financing activities		(1,303)	246,480
Net (decrease)/increase in cash and cash equivalents		(25,704)	21,938
Cash and cash equivalents at beginning of period		27,480	5,542
Cash and cash equivalents at end of period	35	1,776	27,480

The accompanying notes form part of the financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2017

1 Accounting policies

Corporate information

Benchmark Holdings plc (the Company) is a public limited company, which is listed on the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange. The Company is incorporated and domiciled in England and Wales. The registered office is at Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN.

The Group is principally engaged in the provision of technical services, products and specialist knowledge that support the global development of sustainable food and farming industries.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. 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, the Strategic Report, the FY17 Financial Review and the Audit Committee Report. As at 30 September 2017 the Group had net assets of £358.6 million, including cash of £18.8 million (2016: £38.1 million) as set out in the consolidated balance sheet on page 116 and a five year revolving credit facility of US$70.0 million, of which US$50 million was drawn down at 30 September 2017 and which expires in 2020.

The Directors have considered these factors, together with the results for the year and the likely future performance of the business and possible alternative outcomes and the financing activities available to the Group. Having taken all of these factors into consideration, including the impact on covenants relating to the external borrowing facility, the Directors confirm that forecasts and projections indicate that the Group and its Parent Company have adequate resources for the foreseeable future and at least for the period of 12 months from the date of signing the annual report. Accordingly, the financial information has been prepared on the going concern basis.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs") and those parts of the Companies Act 2006 that are applicable to companies that prepare financial statements in accordance with IFRS.

Following the growth and evolution of the Group and the acquisition of INVE Aquaculture in the prior year, the Directors consider the separation of the statutory IFRS results into Trading Activities and Investing Activities no longer to be appropriate, and a single column approach has been adopted. In this approach, in line with many of the Group's peers in the sector, the Group highlights expensed research and development costs on the face of the consolidated income statement separate from other operating costs. Furthermore, the Group reports earnings before interest, depreciation and amortisation ("EBITDA") and EBITDA before exceptional and acquisition related items ("Adjusted EBITDA") to enable a better understanding of the investment being made in the Group's future growth and provide a better measure of our underlying performance. This is how the Directors monitor the progress of the Group.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 30 September 2017. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

Where the Company has power, either directly or indirectly, over another entity or business and the ability to use this power to affect the amount of returns, as well as exposure or rights to variable returns from its involvement with the investee, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions, balances, unrealised gains and losses resulting from intra- Group transactions and dividends are eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

Non-controlling interests, presented as part of equity, represent a proportion of a subsidiary's profit or loss and net assets that is not held by the Group. The total comprehensive income or loss of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their respective ownership interests.

A separate income statement for the Company is not presented, in accordance with Section 408 of the Companies Act 2006. The profit for the year for the Company was £682,000 (2016: loss £14,646,000).

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 consolidated financial statements. Those which may be relevant to the Group are set out below. The adoption of these standards is not expected to have a material effect on the financial statements unless otherwise indicated:

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 Group has not yet quantified the full impact of all phases of the final standard. It is expected that the Group will adopt IRFS 9 on 1 October 2018.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

1 Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers, which has been issued but has an effective date of 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 Group has not yet quantified the potential impact of this standard. It is expected the Group will adopt IRFS 15 on 1 October 2018.

IFRS 16 Leases introduces a single, on-balance sheet accounting model for lessees which has an effective date of 1 January 2019. The Group has not yet quantified the potential impact of this standard. It is expected that the Group will adopt IFRS 16 on 1 October 2019.

New standards and interpretations applied for the first time

The following standards with an effective date of 1 January 2016 have been adopted without any significant impact on the amounts reported in these financial statements:

Annual Improvements to IFRS 2012 — 2014 Cycle — various standards

Revenue

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

Sale of goods

Within Benchmark Animal Health, revenue from the sale of licenced veterinary vaccines and vaccine components is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, usually on despatch. Where the buyer has a right of return, revenue and cost of sales are adjusted for the value of the expected returns based on historical results, taking into consideration the specifics of each arrangement.

Within Benchmark Genetics, revenue from the sale of eggs is recognised upon despatch, which is when the risks and rewards of ownership are considered to have passed to the customer.

Within Benchmark Advanced Animal Nutrition, revenue of advanced nutrition and health products is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, usually on despatch.

Within Benchmark Sustainability Science, revenue from the sale of agricultural produce is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, usually on delivery. Where the buyer has a right of return, revenue and cost of sales are adjusted for the value of the expected returns based on historical results, taking into consideration the specifics of each arrangement.

Within Benchmark Technical Publishing, revenue from the sales of books and publications is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer, usually on despatch.

Rendering of services

Services including sustainable food production consultancy, technical consultancy and assurance services are provided by Benchmark Sustainability Science, Benchmark Animal Health, Benchmark Genetics and Benchmark Advanced Animal Nutrition. Online news, marketing and technical publications, book publishing, online shops, online distance learning programs and other training courses are provided by Benchmark Technical Publishing.

Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for these services is recognised in the period in which they are rendered.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Transaction costs, other than share and debt issue costs, are expensed as incurred. In accordance with IFRS 3 — Business Combinations, the Group has a twelve-month period in which to finalise the fair values allocated to assets and liabilities determined provisionally on acquisition.

Contingent consideration is measured at fair value based on an estimate of the expected future payments. Deferred consideration is measured at the present value of the obligation.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated income statement.

1 Accounting policies (continued)

Foreign currency

The Group's consolidated financial statements are presented in UK pounds sterling, which is also the parent Company's functional currency. The Group determines the functional currency of each of its subsidiaries and items included in the financial statements of each of those entities are measured using that functional currency.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the consolidated income statement.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised in the income statement in the Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated income statement as part of the profit or loss on disposal.

Financial assets

The Group classifies all of its financial assets as loans and receivables and has not classified any of its financial assets as held to maturity.

Loans and receivable assets 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 Group will be unable to collect all of the amounts due under the terms of the 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 operating costs in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less from inception, and for the purpose of the statements of cash flows, bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated balance sheet.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities which include the following items:

- Bank borrowings which 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 in the consolidated balance sheet.
- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Financial liabilities fair value through profit and loss

Contingent consideration is recognised at fair value with movements recognised in the consolidated income statement.

Share capital

The Group's ordinary shares are classified as equity instruments.

Retirement benefits: Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the income statement in the year to which they relate.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

1 Accounting policies (continued)

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 consolidated 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 consolidated income statement over the remaining vesting period.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a "finance lease"), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Goodwill

Goodwill is initially measured at cost, being the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on the acquisition date.

Externally acquired 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.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

In-process research and development programmes acquired in such combinations are recognised as an asset, even if subsequent expenditure is written off because it does not meet the criteria specified in the policy for development costs below.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Websites	5 years	Assessment of estimated revenues and profits
Patents	2-5 years	Cost to acquire
Trademarks	2-5 years	Cost to acquire
Contracts	3-20 years	Assessment of estimated revenues and profits
Licences	3-20 years	Cost to acquire, or if not separately identifiable, assessment of estimated revenues and profits
Intellectual property	Up to 20 years	Cost to acquire, or if not separately identifiable, assessment of estimated revenues and profits
Customer lists	Up to 26 years	Assessment of estimated revenues and profits
Genetic material and breeding nuclei	10-40 years	Cost to acquire, or if not separately identifiable, assessment of estimated revenues and profits
Development costs	Up to 10 years	Cost to acquire

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

1 Accounting policies (continued)

Impairment of non-financial assets (excluding inventories)

The carrying values of all non-current assets are reviewed for impairment, either on a stand-alone basis or as part of a larger cash generating unit, when there is an indication that the assets might be impaired. Additionally, goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet available for use are tested for impairment annually. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the consolidated income statement, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Internally generated intangible assets (development costs)

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

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

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is included within the cost of sales line in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/assets are settled/recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

1 Accounting policies (continued)

Freehold land is not depreciated. Assets in the course of construction which have not yet been brought into use are not depreciated until fully commissioned and available for use. Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Freehold property	– 2% per annum straight line
Long term leasehold property improvements	– 2% — 10% per annum straight line
Plant and machinery	– 15% per annum reducing balance
Motor vehicles	– 25% per annum reducing balance
E commerce infrastructure	– 10% per annum straight line
Other fixed assets	– 15% — 33% per annum straight line

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Biological assets

Biological assets comprise two asset types: livestock, and fish, fish eggs and frozen milt.

Livestock is measured at fair value less costs to sell. The fair value of livestock is based on quoted prices of livestock and adjusted for age, breed, and genetic merit in the principal (or most advantageous) market for the livestock, and therefore is categorised within level 2 of the fair value hierarchy set out in IFRS 13.

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

- Salmon broodstock
- Salmon fingerlings
- Salmon eggs
- Lumpfish eggs and fingerlings
- Tilapia broodstock and fingerlings
- Frozen milt

Non-current biological assets are those biological assets which will not produce saleable progeny within twelve months of the balance sheet date. Further details of the valuation of fish, fish eggs and frozen milt are given in note 19.

Government grants

Government grants received on capital expenditure are included in the balance sheet as deferred income and released to the income statement over the life of the asset. Grants for revenue expenditure are netted against the cost incurred by the Group. Where retention of a government grant is dependent on the Group satisfying certain criteria, it is initially recognised as deferred income. When the criteria for retention have been satisfied, the deferred income balance is released to the consolidated income statement or netted against the asset purchased.

Provisions

The Group has recognised provisions for liabilities of uncertain timing or amount including those for leasehold dilapidations, sale or return obligations and legal disputes. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability. In the case of leasehold dilapidations, the provision takes into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at cost less provision for impairment.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the investment. Losses of an associate in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

2 Critical accounting estimates and judgements

The Group 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.

Estimates

(a) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted)

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

The Group measures the following items at fair value.

Biological assets (note 19)

Contingent consideration outstanding from past acquisitions (note 21).

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

(b) Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information including carrying values is included in note 15.

Judgements

(a) Capitalisation of development costs

Costs incurred on Internally developed products are capitalised in line with the Group's accounting policy, and significant judgement is required in determining at which point the appropriate criteria for capitalisation have been met. This involves determination of factors such as the point when the technical feasibility has been established and the likelihood of commercialisation of the product.

(b) Recognition of deferred tax

Deferred tax is provided in full on temporary differences under the liability method using substantively enacted rates to the extent that they are expected to reverse. Provision is made in full where the temporary differences result in liabilities, but deferred tax assets are only recognised where the directors believe it is probably that the assets will be recovered. Judgement is required to determine the likelihood of reversal of the temporary differences in establishing whether an asset should be recognised.

(c) Valuation of intangible assets

Where the cost of intangible assets acquired as part of business combinations is not separately identifiable or does not represent the fair value, the valuation is calculated based upon value in use which requires the use of a discount rate in order to calculate the present value of cash flows. These intangibles are reviewed annually for impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The assumptions used in the assessment of the recoverable amount are consistent with those used in the impairment review for goodwill as outlined in note 15.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

3 Financial instruments — Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Contingent consideration

The contingent consideration held within other payables is classified as financial liabilities at fair value through profit and loss. In accordance with IFRS 13 'Fair Value Measurement', the measurement of the fair value of contingent consideration is categorised into Level 3 in the fair value hierarchy, as the inputs are primarily unobservable. The amounts payable for all of the outstanding amounts depend on sales volumes or sales revenues targets. Management uses the actual performance against these targets together with relevant budgets and forecasts to derive the fair value of the contingent consideration. Where the level of contingent consideration payable is known with a reasonable level of certainty, as the underlying performance against target levels is well established, the contingent consideration is adjusted accordingly. This has resulted in an income statement credit in the period as shown in note 10. The contingent consideration for Akvaforsk Genetic Center Inc is dependent on a longer-term target and is recorded in these financial statements at management's best estimate. An increased level of performance for Akvaforsk Genetic Center Inc would increase the amount payable. A reduction in the level of performance would significantly reduce the amounts payable.

A summary of the financial instruments held by category is provided below:

Group

Financial assets

	2017 £000	2016 £000
Financial assets measured at amortised cost		
Cash and cash equivalents (note 35)	18,779	38,140
Trade and other receivables (note 20)	30,074	30,003
Total financial assets	48,853	68,143

Financial liabilities

	2017 £000	2016 £000
Financial liabilities measured at amortised cost		
Trade and other payables (note 21)	37,850	27,682
Loans and borrowings (note 22)	42,687	37,696
	80,537	65,378
Financial liabilities at fair value through profit and loss		
Other payables — contingent consideration (note 21)	1,222	8,806
Total financial liabilities	81,759	74,184

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

3 Financial instruments — Risk Management (continued)

Company

Financial assets

	2017 £000	2016 £000
Financial assets measured at amortised cost		
Cash and cash equivalents (note 35)	1,776	27,480
Trade and other receivables (note 20)	126,843	101,122
Total financial assets	128,619	128,602

Financial liabilities

	2017 £000	2016 £000
Financial liabilities measured at amortised cost		
Trade and other payables (note 21)	25,772	25,916
Loans and borrowings (note 22)	36,451	37,193
	62,223	63,109
Financial liabilities at fair value through profit and loss		
Other payables — contingent consideration (note 21)	84	82
Total financial liabilities	62,307	63,191

There were no financial instruments classified as available for sale.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The Board receives monthly reports from the Group Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

Further disclosures regarding trade and other receivables are provided in note 20.

Fair value and cash flow interest rate risk

During the year the Group had borrowings denominated in Sterling, US Dollars and Norwegian Krone, if interest rates on Pound Sterling and US Dollar denominated borrowings had been 100 basis points higher/lower with all other variables held constant, loss after tax for the year ended 30 September 2017 would be £454,000 higher/lower (2016: £434,000 higher/lower). The Directors consider that 100 basis points is the maximum likely change in the relevant interest rates over the next year, being the period up to the next point at which the Group expects to make these disclosures.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

3 Financial instruments — Risk Management (continued)

Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency (principally Sterling, Norwegian Krone, Icelandic Krona, Euro, US dollars and Danish Krone). The Group's policy is, where possible, to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Group.

The table below shows the impact of a 10 per cent increase and reduction in Sterling against the relevant foreign currencies, with all other variables held constant, on the Group's profit before tax and equity. A greater or smaller change would have a pro-rata effect. The movements in profit arise from retranslation of foreign currency denominated monetary items held at the year end, including the foreign currency revolving credit facility, foreign currency bank accounts, trade receivables, trade and other payables. The movements in equity arise from the retranslation of the net assets of overseas subsidiaries and the intangible assets arising on consolidation in accordance with IFRS 10 Consolidated Financial Statements.

	£/$		£/€		£/NOK		£/ISK		£/THB	
Increase/(decrease)	Profit £000	Equity £000	Profit £000	Equity £000	Profit £000	Equity £000	Profit £000	Equity £000	Profit £000	Equity £000
2017 10% increase in rate	3,213	(17,949)	(186)	(1,735)	115	(3,480)	427	(2,888)	-	(961)
2017 10% reduction in rate	(3,927)	21,938	227	2,121	(140)	4,253	(521)	3,530	-	1,174
2016 10% increase in rate	3,214	(20,545)	174	(554)	359	(2,659)	412	(2,518)	-	(854)
2016 10% reduction in rate	(3,928)	25,110	(213)	677	(439)	3,250	(504)	3,077	-	1,043

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, the Group seeks to maintain cash balances (or agreed facilities) sufficient to meet expected requirements detailed in rolling three month cashflow forecasts, and in longer term cashflow forecasts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

3 Financial instruments — Risk Management (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group

As at September 2017	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	**34,803**	**3,332**	**-**	**937**	**-**
Loans and borrowings	**6,411**	**1,146**	**1,314**	**38,091**	**60**
Total	**41,214**	**4,478**	**1,314**	**39,028**	**60**

As at September 2016	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	26,613	1,051	7,862	962	-
Loans and borrowings	416	1,232	1,438	40,042	60
Total	27,029	2,283	9,300	41,004	60

Company

As at September 2017	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	**25,615**	**241**	**-**	**-**	**-**
Loans and borrowings	**328**	**984**	**1,312**	**38,091**	**60**
Total	**25,943**	**1,225**	**1,312**	**38,091**	**60**

As at September 2016	Up to 3 months £000	Between 3 and 12 months £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Trade and other payables	25,916	82	-	-	-
Loans and borrowings	326	966	1,292	40,042	60
Total	26,242	1,048	1,292	40,042	60

Capital Management

The capital structure of the Group consists of debt, as analysed in Note 22, and equity attributable to the equity holders of the Parent Company, comprising share capital, share premium, merger reserve, capital redemption reserve, foreign exchange reserve, retained earnings, and share based payment reserve, and non-controlling interest as shown in the Consolidated Statement of Changes in Equity. The Group manages its capital with the objective that all entities within the Group continue as going concerns while maintaining an efficient structure to minimise the cost of capital and ensuring that the Group complies with the banking covenants associated with the external borrowing facilities. These covenants are related to interest cover and leverage. The Group is not restricted by any externally imposed capital requirements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

4 Revenue

Revenue arises from:

	2017 £000	2016 £000
Sale of goods	**122,513**	94,751
Provision of services	**17,659**	14,624
	140,172	109,375

5 Expenses by nature

	2017 £000	2016 £000
Changes in inventories of finished goods and work in progress	**4,788**	1,186
Changes in biological assets	**(4,413)**	(928)
Write-down of inventory to net realisable value	**1,414**	686
Course fees	**2,871**	2,648
Raw materials and consumables used	**56,288**	43,634
Transportation expenses	**3,306**	1,137
Staff costs (see note 7)	**37,183**	26,499
Motor, travel and entertainment	**4,580**	3,093
Premises costs	**8,169**	6,516
Advertising and marketing	**1,909**	1,690
Professional fees	**4,846**	4,563
Foreign exchange gains	**(136)**	(1,674)
Losses on disposal of property, plant and equipment	**18**	30
Exceptional items (see note 10)	**(5,649)**	13,091
Other research and development costs	**5,180**	7,702
Depreciation of PPE	**4,877**	2,859
Amortisation of intangible assets	**18,473**	13,749
Other costs	**4,130**	3,365
Total cost of sales, operating costs, depreciation and amortisation	**147,834**	129,846

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

6 Auditor's remuneration

	2017 £000	2016 £000
Audit of these financial statements	66	64
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	304	249
Audit related assurance services	24	23
Services relating to taxation	-	3
Due diligence	13	907
	407	1,246

The 2016 fees for the services relating to taxation and the due diligence were performed by the Company's previous auditor, BDO LLP. The remainder of the fees for 2016 were due to KPMG LLP, who were appointed during that year.

7 Staff costs

	2017 £000	2016 £000
Staff costs (including Directors) comprise:		
Wages and salaries	30,992	22,741
Social security contributions and similar taxes	2,946	1,930
Defined contribution pension cost	1,643	1,079
Share-based payment expense (note 31)	1,602	749
	37,183	26,499

	2017 No.	2016 No.
The average monthly number of employees, including Directors, during the year was as follows:		
Production	636	500
Administration	138	105
Management	107	98
	881	703

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

7 Staff costs (continued)

Directors' remuneration

	Salary £000	Bonus £000	Taxable benefits £000	Long-term incentive £000	Pension £000	Fees £000	2017 £000	2016 £000
Roland Bonney	244	1	2	-	24	-	271	288
Mark Plampin	230	1	3	-	16	-	250	269
Malcolm Pye	283	1	6	-	28	-	318	318
Alex Hambro	-	-	-	-	-	45	45	45
Susan Searle	-	-	-	-	-	45	45	43
Kevin Quinn	-	-	-	-	-	38	38	-
Basil Brookes	-	-	-	-	-	-	-	35
Total	757	3	11	-	68	128	967	998

Of the 2016 total of £998,000, £954,000 was emoluments and £44,000 related to pension and other post-employment benefit costs.

During the year retirement benefits were accruing to 3 Directors (2016: 3) in respect of defined contribution pension schemes. The cost of employer National Insurance contributions in relation to the Directors was £119,000 (2016: £146,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £28,000 (2016: £17,000).

In addition to the above, there was an accounting charge for share based payments in respect of the Directors for £81,000 (2016: £35,000). The aggregate gain on the exercise of options by the Directors during the year was £106,000 (2016: £nil).

Directors' interests under the Company's employee share plans

Director	Share option scheme	Options held at 30 September 2016	Options exercised in year	Options granted in year	Options held at 30 September 2017	Exercise price	Grant date	Date from which exercisable
Mark Plampin	EMI scheme	135,000	(135,000)	-	-	0.1p	29 August 2013	29 August 2016
Mark Plampin	CSOP II	67,647	-	-	67,647	0.1p	9 March 2015	8 March 2018
Mark Plampin	CSOP II	-	-	56,398	56,398	0.1p	6 March 2017	5 March 2020

In addition to the cash bonus, Malcolm Pye will receive 500,000 options, Mark Plampin will receive 400,000 options and Roland Bonney will receive 100,000 options, with an exercise price equal to market value of the Benchmark shares on the date of grant.

Further details of Directors' remuneration are provided in the Remuneration Report on pages 97 to 101.

The key management of the Group is deemed to be the Board of Directors who have authority and responsibility for planning and controlling all significant activities of the Group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

8 Segment information

Operating segments are reported in a manner consistent with the reports made to the chief operating decision maker. It is considered that the role of chief operating decision maker is performed by the Board of Directors.

The Group operates globally and for management purposes is organised into reportable segments as follows:

- *Animal Health Division* — provides veterinary services, environmental services diagnostics and animal health products to global aquaculture, and manufactures licenced veterinary vaccines and vaccine components;
- *Genetics Division* — harnesses industry leading salmon breeding technologies combined with state-of-the-art production facilities to provide a range of year-round high genetic merit ova;
- *Advanced Animal Nutrition* — manufactures and provides technically advanced nutrition and health products to the global aquaculture industry;
- Corporate — the corporate segment represents revenues earned from recharging certain central costs to the operating divisions, together with unallocated central costs.

In addition to the above, reported together as "all other segments" are the following divisions (known collectively as "Knowledge Services"), the results of which are not significant on an individual basis:

- *Sustainability Science Division* — provides sustainable food production consultancy, technical consultancy and assurance services;
- *Technical Publishing Division* — promotes sustainable food production and ethics through online news and technical publications for the international agriculture and food processing sectors and through delivery of training courses to the industries.

Measurement of operating segment profit or loss

Inter-segment sales are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources at a rate acceptable to local tax authorities. This policy was applied consistently throughout the current and prior period.

Year ended 30 September 2017

	Notes	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000
Revenue		15,149	30,530	83,659	13,770	4,300	(7,236)	140,172
Cost of sales		(13,882)	(13,842)	(42,789)	(9,405)	(359)	2,496	(77,781)
Gross profit / (loss)		1,267	16,688	40,870	4,365	3,941	(4,740)	62,391
Research and development costs		(7,343)	(2,682)	(3,030)	-	-	-	(13,055)
Operating costs		(5,527)	(8,221)	(20,159)	(5,240)	(4,890)	4,740	(39,297)
Adjusted EBITDA		(11,603)	5,785	17,681	(875)	(949)	-	10,039
Exceptional including acquisition related items	10	(631)	7,005	(19)	(51)	(655)	-	5,649
EBITDA		(12,234)	12,790	17,662	(926)	(1,604)	-	15,688
Depreciation		(851)	(1,217)	(1,630)	(1,053)	(126)	-	(4,877)
Amortisation		(523)	(2,113)	(14,950)	(887)	-	-	(18,473)
Operating profit / (loss)		(13,608)	9,460	1,082	(2,866)	(1,730)	-	(7,662)
Finance cost								(1,960)
Finance income								1,495
Share of profit of equity-accounted investees, net of tax								27
Loss before tax								(8,100)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

8 Segment information (continued)

Year ended 30 September 2016

	Notes	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000
Revenue		24,837	20,717	55,024	11,195	3,002	(5,400)	109,375
Cost of sales		(15,035)	(13,523)	(26,517)	(6,985)	(938)	4,436	(58,562)
Gross profit / (loss)		9,802	7,194	28,507	4,210	2,064	(964)	50,813
Research and development costs		(8,258)	(2,195)	(1,341)	-	-	74	(11,720)
Operating costs		(5,766)	(3,614)	(11,302)	(5,599)	(4,317)	733	(29,865)
Adjusted EBITDA		(4,222)	1,385	15,864	(1,389)	(2,253)	(157)	9,228
Exceptional including acquisition related items	10	(257)	(2,387)	2	(146)	(10,317)	14	(13,091)
EBITDA		(4,479)	(1,002)	15,866	(1,535)	(12,570)	(143)	(3,863)
Depreciation		(721)	(796)	(1,016)	(271)	(55)	-	(2,859)
Amortisation		(792)	(1,850)	(10,369)	(738)	-	-	(13,749)
Operating profit / (loss)		(5,992)	(3,648)	4,481	(2,544)	(12,625)	(143)	(20,471)
Finance cost								(6,170)
Finance income								3,984
Share of profit of equity-accounted investees, net of tax								273
Loss before tax								(22,384)

External revenue by location of customers

	2017 £000	2016 £000
Norway	**18,803**	18,697
India	**15,040**	9,584
United Kingdom	**14,661**	13,610
Singapore	**9,821**	2,360
Ecuador	**9,223**	4,876
Rest of Europe	**30,471**	18,772
Other	**42,153**	41,476
	140,172	109,375

No customers accounted for greater than 10% of total turnover in the year or the previous year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

8 Segment information (continued)

Non-current assets by location of assets

	2017 £000	2016 £000
Belgium	**244,627**	276,327
United Kingdom	**44,911**	39,717
Rest of Europe	**109,916**	80,336
Rest of world	**19,022**	12,036
	418,476	408,416

9 Net finance costs

	2017 £000	2016 £000
Interest received on bank deposits	**258**	254
Foreign exchange gains on financing activities	**1,225**	3,730
Dividend income	**12**	-
Finance income	**1,495**	3,984
Finance leases (interest portion)	**(5)**	(16)
Foreign exchange losses on financing activities	**-**	(4,978)
Interest expense on financial liabilities measured at amortised cost	**(1,955)**	(1,176)
Finance costs	**(1,960)**	(6,170)
Net finance costs recognised in profit or loss	**(465)**	(2,186)

The foreign exchange gains of £3,730,000 in 2016 arose on a foreign currency hedging instrument entered into to fix the exchange rate for the US Dollar consideration paid on the acquisition of INVE Aquaculture B.V.

10 Exceptional items

Items that are material because of their nature, non-recurring or whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as exceptional items. The separate reporting of exceptional items helps to provide an understanding of the Group's underlying performance.

	2017 £000	2016 £000
Acquisition related items	**(6,254)**	12,945
Exceptional expenses	**605**	146
Total exceptional costs	**(5,649)**	13,091

Acquisition related items are costs incurred in investigating and acquiring new businesses. During the year, the contingent consideration element of the provision for deferred 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, £7,283,000 (2016: £2,791,000) has been released in the year. Included in 2016 is £9,504,000 relating to the acquisition of INVE Aquaculture B.V.

Exceptional include: costs of £452,000 (2016: £nil) for legal fees incurred in relation to a dispute around building works with the main contractor at premises in Braintree within the Animal Health Division; costs totalling £182,000 (2016: £nil) relating to a restructuring in an Animal Health Division business in Thailand, this included £97,000 of redundancy payments (staff costs) and £85,000 loss on disposal of property, plant and equipment; also included is a £29,000 (2016: £nil) credit in relation to balances written off in preparation for liquidating an entity in the Advanced Animal Nutrition division. In 2016 restructuring costs (staff costs) of £146,000 were incurred on re-organisations within the Sustainability Science Division.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

11 Taxation

Amounts recognised in profit or loss

	2017 £000	2016 £000
Current tax expense		
Analysis of charge in period		
Current tax:		
Current income tax expense on profits for the period	**4,404**	1,252
Adjustment in respect of prior periods	**245**	(1,250)
Total current tax	**4,649**	2
Deferred tax expense		
Origination and reversal of temporary differences	**(5,812)**	(4,048)
Deferred tax movements in respect of prior periods	**183**	8
Total deferred tax credit (Note 24)	**(5,629)**	(4,040)
Total tax credit	**(980)**	(4,038)

The reasons for the difference between the actual tax credit for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2017 £000	2016 £000
Accounting loss before income tax	**(8,100)**	(22,384)
Expected tax credit based on the standard rate of UK corporation tax at the domestic rate of 19.5% (2016: 20%)	**(1,580)**	(4,477)
Income not taxable	**(1,484)**	-
Expenses not deductible for tax purposes	**801**	2,982
Research and development relief	**-**	(54)
Deferred tax not recognised	**2,835**	2,592
Adjustment to tax charge in respect of prior periods	**428**	(1,242)
Profits of associate reported net of tax	**-**	(54)
Effects of changes in tax rates	**(142)**	(475)
Different tax rates in overseas jurisdictions	**(1,838)**	(3,310)
Total tax credit	**(980)**	(4,038)

Changes in tax rates and factors affecting the future tax charge

Reductions in the UK corporation tax rate were substantively enacted in the year. The main rate of corporation tax was reduced from 20% to 19% effective from 1 April 2017 and to 17% 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.

The adjustment in respect of prior periods includes £109,356 (2016: £1,037,000) in relation to Research and Development tax credits from 2015 and 2016 received during the year. Income not taxable includes a release of provision for deferred consideration.

There was no deferred tax recognised in other comprehensive income.

12 Loss per share

Basic loss per share is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	2017	2016
Loss attributable to equity holders of the parent (£000)	(7,440)	(18,337)
Weighted average number of shares in issue (thousands)	522,092	417,952
Basic loss per share (pence)	(1.43)	(4.39)

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. This is done by calculating the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares since admission to AIM) based on the monetary value of the subscription rights attached to outstanding share options and warrants.

Therefore, the Company is required to adjust the loss per share calculation in relation to the share options that are in issue under the Company's share based incentive schemes as follows:

	2017	2016
Loss attributable to equity holders of the parent (£000)	(7,440)	(18,337)
Weighted average number of shares in issue (thousands)	522,092	417,952
Diluted loss per share (pence)	(1.43)	(4.39)

A total of 4,464,413 potential ordinary shares have not been included within the calculation of statutory diluted loss per share for the year (2016: 5,891,889) as they are anti-dilutive. However, these potential ordinary shares could dilute earnings/loss per share in the future.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

13 Property, plant and equipment

Group	Freehold Land and Buildings £000	Assets in the course of construction £000	Long Term Leasehold Property Improvements £000	Plant and Machinery £000	E commerce Infra-structure £000	Office Equipment and Fixtures £000	Total £000
Cost							
Balance at 1 October 2015	5,630	11,092	2,721	7,557	204	990	28,194
Additions	1,268	11,785	487	4,803	-	317	18,660
On acquisition	3,017	555	-	2,204	-	313	6,089
Reclassification	518	(1,718)	1,480	34	43	(357)	-
Fair value adjustment	-	-	(75)	-	-	-	(75)
Exchange differences	2,015	93	267	1,325	-	100	3,800
Disposals	-	-	(33)	(411)	-	(227)	(671)
Balance at 30 September 2016	12,448	21,807	4,847	15,512	247	1,136	55,997
Balance at 1 October 2016	12,448	21,807	4,847	15,512	247	1,136	55,997
Additions	5,147	21,708	893	7,993	-	309	36,050
Reclassification	15,047	(16,118)	(1,188)	2,254	-	5	-
Exchange differences	310	(245)	(54)	150	-	19	180
Disposals	4	-	(217)	(318)	-	(242)	(773)
Balance at 30 September 2017	32,956	27,152	4,281	25,591	247	1,227	91,454
Accumulated Depreciation							
Balance at 1 October 2015	175	-	451	1,780	178	469	3,053
Depreciation charge for the year	638	-	358	1,638	21	204	2,859
Reclassification	-	-	79	162	42	(283)	-
Exchange differences	143	-	28	321	1	36	529
Disposals	-	-	-	(300)	-	(167)	(467)
Balance at 30 September 2016	956	-	916	3,601	242	259	5,974
Balance at 1 October 2016	956	-	916	3,601	242	259	5,974
Depreciation charge for the year	1,029	-	759	2,817	2	270	4,877
Reclassification	245	-	(305)	22	-	38	-
Exchange differences	184	-	(36)	108	-	11	267
Disposals	-	-	(123)	(160)	-	(226)	(509)
Balance at 30 September 2017	2,414	-	1,211	6,388	244	352	10,609
Net book value							
At 30 September 2017	30,542	27,152	3,070	19,203	3	875	80,845
At 30 September 2016	11,492	21,807	3,931	11,911	5	877	50,023
At 1 October 2015	5,455	11,092	2,270	5,777	26	521	25,141

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

13 Property, plant and equipment (continued)

Security over the assets is disclosed within note 20.

The above includes the following in respect of plant and machinery held under finance leases (note 28):

	2017 £000	2016 £000
Cost	599	824
Accumulated depreciation	(396)	(266)
Net book value	**203**	558

Company	Office equipment and fixtures £000
Cost	
Balance at 1 October 2015	218
Additions	148
Balance at 1 October 2016	366
Additions	137
Balance at 30 September 2017	503
Accumulated Depreciation	
Balance at 1 October 2015	64
Depreciation charge for the year	62
Balance at 1 October 2016	126
Depreciation charge for the year	90
Balance at 30 September 2017	216
Net book value	
At 30 September 2017	287
At 30 September 2016	240
At 1 October 2015	154

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

14 Intangible assets

	Websites £000	Goodwill £000	Patents and Trademarks £000	Intellectual Property £000	Customer Lists £000	Contracts £000	Licences £000	Genetics £000	Development costs £000	Total £000
Cost or valuation										
Balance at 1 October 2015	517	29,702	709	4,737	1,327	8,524	5,824	20,256	-	71,596
Additions — on acquisition	-	103,137	208	117,019	4,789	-	25,562	601	-	251,316
Additions — externally acquired	44	-	30	9	-	-	-	-	-	83
Additions — internally developed	-	-	-	-	-	-	-	-	1,440	1,440
Disposals	-	(345)	-	-	-	-	-	-	-	(345)
Exchange differences	-	20,690	128	16,625	667	1,124	4,192	5,332	-	48,758
Balance at 30 September 2016	**561**	**153,184**	**1,075**	**138,390**	**6,783**	**9,648**	**35,578**	**26,189**	**1,440**	**372,848**
Balance at 1 October 2016	561	153,184	1,075	138,390	6,783	9,648	35,578	26,189	1,440	372,848
Additions — on acquisition	-	12	-	-	157	-	-	-	-	169
Additions — externally acquired	36	-	30	26	-	18	-	-	-	110
Additions — internally developed	-	-	-	-	-	-	-	-	2,144	2,144
Exchange differences	-	(3,255)	(294)	(3,778)	(156)	(156)	(914)	56	(53)	(8,550)
Balance at 30 September 2017	**597**	**149,941**	**811**	**134,638**	**6,784**	**9,510**	**34,664**	**26,245**	**3,531**	**366,721**
Accumulated amortisation and impairment										
Balance at 1 October 2015	515	618	449	261	133	2,431	937	380	-	5,724
Amortisation charge for the period	3	-	84	9,488	349	1,452	1,797	576	-	13,749
Disposals	-	(345)	-	-	-	-	-	-		(345)
Exchange differences	-	6	74	541	9	240	124	188	-	1,182
Balance at 30 September 2016	**518**	**279**	**607**	**10,290**	**491**	**4,123**	**2,858**	**1,144**	**-**	**20,310**
Balance at 1 October 2016	518	279	607	10,290	491	4,123	2,858	1,144	-	20,310
Amortisation charge for the period	13	-	79	13,544	552	1,443	2,162	680	-	18,473
Exchange differences	-	(3)	(55)	(932)	(15)	(60)	(121)	(13)	-	(1,199)
Balance at 30 September 2017	**531**	**276**	**631**	**22,902**	**1,028**	**5,506**	**4,899**	**1,811**	**-**	**37,584**
Net book value										
At 30 September 2017	**66**	**149,665**	**180**	**111,736**	**5,756**	**4,004**	**29,765**	**24,434**	**3,531**	**329,137**
At 30 September 2016	43	152,905	468	128,100	6,292	5,525	32,720	25,045	1,440	352,538
At 1 October 2015	2	29,084	260	4,476	1,194	6,093	4,887	19,876	-	65,872

15 Impairment testing of goodwill

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Goodwill arises across all of the Group's operating segments, and is allocated specifically against the following CGUs:

	Animal Health 2017 £000	Sustainability Science 2017 £000	Breeding and Genetics 2017 £000	Technical Publishing 2017 £000	Advanced Animal Nutrition 2017 £000	Total 2017 £000
FVG Limited	288	-	-	-	-	288
Benchmark Vaccines Limited	432	-	-	-	-	432
Atlantic Veterinary Services Limited	167	-	-	-	-	167
FAI do Brasil Criacao Animal Ltda	-	96	-	-	-	96
FAI Aquaculture Limited	-	450	-	-	-	450
5M Enterprises Limited	-	-	-	775	-	775
Salmobreed AS	-	-	7,401	-	-	7,401
Stofnfiskur HF	-	-	14,049	-	-	14,049
Akvaforsk Genetic Center*	-	-	9,099	-	-	9,099
Improve International Limited	-	-	-	2,996	-	2,996
Improve International GmbH	-	-	-	12	-	12
INVE Aquaculture Group	-	-	-	-	113,900	113,900
	887	546	30,549	3,783	113,900	149,665

*Includes goodwill arising from the joint acquisition of Akvaforsk Genetics Center AS and Akvaforsk Genetics Center Inc.

	Animal Health 2016 £000	Sustainability Science 2016 £000	Breeding and Genetics 2016 £000	Technical Publishing 2016 £000	Advanced Animal Nutrition 2016 £000	Total 2016 £000
FVG Limited	288	-	-	-	-	288
Benchmark Vaccines Limited	439	-	-	-	-	439
Atlantic Veterinary Services Limited	167	-	-	-	-	167
FAI do Brasil Criacao Animal Ltda	-	96	-	-	-	96
FAI Aquaculture Limited	-	446	-	-	-	446
5M Enterprises Limited	-	-	-	774	-	774
Salmobreed AS	-	-	7,590	-	-	7,590
Stofnfiskur HF	-	-	13,512	-	-	13,512
Akvaforsk Genetic Center*	-	-	9,334	-	-	9,334
Improve International Limited	-	-	-	2,995	-	2,995
INVE Aquaculture Group	-	-	-	-	117,264	117,264
	894	542	30,436	3,769	117,264	152,905

*Includes goodwill arising from the joint acquisition of Akvaforsk Genetics Center AS and Akvaforsk Genetics Center Inc.

The recoverable amounts of the above CGUs have been determined from value in use calculations which have been predicated on discounted cash flow projections from formally approved budgets. These budgets cover a three-year period to 30 September 2020, and were then extrapolated into perpetuity taking account of specific growth rates for future cash flows, using individual business operating margins based on past experience and future expectations in light of anticipated economic and market conditions.

The pre-tax cashflows that these projections produced were discounted at pre-tax discount rates based on the Group's beta adjusted cost of capital reflecting management's assessment of specific risks related to each cash generating unit. Pre-tax discount rates of between 9 and 11% (2016: between 10% and 14%) have been used in the impairment calculations which the Directors believe fairly reflect the risks inherent in each of the CGUs, and a 2.5% growth rate (2016: 2.5%) was used in extrapolating the budgets into perpetuity.

The value in use assessment is sensitive to changes in the key assumptions used, most notably the discount rate, the growth rates and the timing of new product launches. Sensitivity analysis has been performed on the individual CGUs, and based on this analysis, no reasonably possible changes, such as a 1% change in discount rate, to these assumptions resulted in an additional impairment charge being required.

16 Equity-accounted investees

	2017 £000	2016 £000
Interest in joint venture	1,934	-
Interest in associate	578	581
	2,512	581

Joint venture

During the year the Group invested in Salmar Genetics AS (SGA). SGA is a joint venture in which the Group has joint control and a 50% ownership interest.

SGA is structured as a separate vehicle and the Group has a residual interest in the net assets of SGA. Accordingly, the Group has classified its interest in SGA as a joint venture.

The following table summarises the financial information of SGA as included in its own financial statements, adjusted for fair value adjustments and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in SGA.

	2017 £000	2016 £000
Percentage ownership interest	50%	-
Non-current assets	3,173	-
Current assets	2,917	-
Non-current liabilities	(441)	-
Current liabilities	(863)	-
Net assets (100%)	4,786	-
Group's share of net assets (50%)	2,393	-
Elimination of unrealised profit	(459)	-
Carrying amount of interest in joint venture	1,934	-
Revenue	1,966	-
Cost of sales and operating costs	(1,965)	-
Finance costs	(1)	-
Profit and total comprehensive income (100%)	-	-
Group's share of total comprehensive income (50%)	-	-

The company is registered in Norway and the registered address is 7266 Kverva, Frøya, Norway.

Associate

The Group has a 22% interest in an associate Great Salt Lake Brine Shrimp Cooperative, Inc (the"Cooperative"). The Cooperative is one of the Group's strategic suppliers and is an aquacultural cooperative organised for the purpose of harvesting, processing, manufacturing, and marketing artemia cysts and artemia feeds.

The Group's interest in the Cooperative represents 22% of the Cooperative's unallocated equity reserves.

The company is registered in USA and the registered address is 1750 West 2450 South, Ogden, Utah.

17 Subsidiary undertakings

The direct and indirect subsidiary undertakings of Benchmark Holdings plc, all of which have been included in these consolidated financial statements, are as follows:

Company name	Registered address	Country of Incorporation	Direct/ Indirect Group Interest	Share class	% of share capital/ voting rights held by Group companies	Note
Animal Health Division						
Atlantic Veterinary Services Limited	Unit 7B Oranmore Business Park, Oranmore, Co Galway, H91 XP3F	Ireland	Indirect	1€ ordinary shares	100%	
Benchmark Animal Health Group Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
Benchmark Animal Health Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Benchmark Vaccines Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Fish Vet Group Asia Limited	No.57/1 Moo 6, Samed Sub-District, Muang Chonburi District, Chonburi Province, 20000	Thailand	Indirect	THB 10 ordinary	100%	
Fish Vet Group Limited (dormant)	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Fish Vet Group Norge AS	Hoffsveien 21-23, 0275, Oslo.	Norway	Indirect	NOK 1 ordinary	100%	
Fish Vet Group SPA	Bernardino 1978, Puerto Montt	Chile	Indirect	CLP 1 ordinary	100%	
FVG Canada Inc	1600-3500 Boulevard De Maisonneuve, Ouest, Westmount, QC, H3Z 3CI	Canada	Indirect	CAD 1 ordinary	100%	
FVG Inc	Gulf of Maine Research Institute, 350 Commercial Street, Portland, Maine -04101	USA	Indirect	$10 common stock	100%	
FVG Limited	22 Carsegate Road, Inverness, IV3 8EX	United Kingdom	Indirect	£1 ordinary	100%	
Knowledge Services – Sustainability Science Division						
Allan Environmental Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Dust Collective Limited	340 Glossop Road, Sheffield, S10 2HW	United Kingdom	Direct	£1 ordinary	100%	
FAI Aquaculture Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
FAI do Brasil Criação Animal LTDA	Fazenda Santa Terezinha, S/N — Zona Rural, Jaboticabal/SP, CEP: 14870-000	Brazil	Indirect	R$1 ordinary	99.25%	
FAI Farms Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
RL Consulting Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
Trie Benchmark Limited	The Field Station, Northfield Farmhouse, Wytham, Oxford, OX2 8QJ	United Kingdom	Direct	£1 ordinary	100%	
Viking Fish Farms Limited (dormant)	Benchmark House, 8 Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Woodland Limited (dormant)	Benchmark House, 8 Smithy Wood, Sheffield, S35 1QN	United Kingdom	Direct	£1 ordinary	100%	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

17 Subsidiary undertakings (continued)

Company name	Registered address	Country of Incorporation	Direct/ Indirect Group Interest	Share class	% of share capital/ voting rights held by Group companies	Note
Knowledge Services - Technical Publishing Division						
5M Enterprises Inc	CBoT, 141 West Jackson Boulevard, Chicago, IL 60604-2900	USA	Direct	ordinary shares	98.50%	
5M Enterprises Limited	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	98.50%	
AquacultureUK Limited (dormant)	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Direct	£5 ordinary	100%	
Continuous Medical Training LDA	53 Rua do Bolhao, 4000-112 Oporto	Portugal	Indirect	£1 ordinary	100%	
Curriculo Limited (dormant)	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	98.50%	
European School of Veterinary Post-Graduate Studies Ltd (ESVPS)	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	N/A	100%	
Improve Formacion Veterinaria	Calle Rio Lozoya 5, Bloque Derecho 3 A, 28981 Parla, Madrid	Spain	Indirect	N/A	100%	
Improve France SARL	11 rue Laugier, 75017 Paris	France	Indirect	N/A	100%	
Improve International Australia Pty	PO Box 59, Kenmore QLD 4069	Australia	Indirect	AUD 1 ordinary shares	100%	
Improve International GmbH	Amtsgericht, Frankfurt, HRB 90624	Germany	Indirect	N/A	100%	
Improve International Limited	Alexandra House, Wroughton, Swindon SN4 0QJ	United Kingdom	Direct	1p ordinary	100%	
OOO 5M Enterprises	Shlizovaya embarkmet 8/1, Moscow, 115 115	Russia	Indirect	Shares	0%	b
Benchmark Genetics Division						
Akvaforsk Do Brasil Cultivo De Especies Aquaticas LTDA	Rua Doutor Ribamar Lobo, 451, Coco, Fortaleza, CEI	Brazil	Indirect	ordinary	80%	a
Akvaforsk Genetic Center AS	Auragata 3, 6600 Sunndalsøra.	Norway	Indirect	ordinary	100%	
Akvaforsk Genetic Center Spring Mexico, SA de CV (dormant)	Caguama 3023, Zapopan, Loma Bonita, Jaalisco 45086	Mexico	Indirect	ordinary	80%	a
Akvaforsk Genetics Center Inc	25508 SW 169th Ave, Miami Florida 33031	USA	Indirect	ordinary	80%	a
Benchmark Genetics Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
Genetica Spring SAS	Calle 32, 8a-33 Office 215	Colombia	Indirect	ordinary	100%	
Genetilapia, SA de CV	Avenida Dr Carlos Canseco 5994 Planta Alta El Cid C.P. 82110 Mazatlan, Sinaloa	Mexico	Indirect	ordinary	41%	
Salmobreed AS	Sandviksboder 3A,5035 Bergen	Norway	Indirect	ordinary	100%	
Salmobreed Salten AS	Sørfjordmoen, Kobbelv, 8264 Engan	Norway	Indirect	ordinary	75%	
Spring Genetics SRL	Calle Los Alemanes, Condominium Condado de Baviera, Apt 703	Costa Rica	Indirect	ordinary	80%	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

17 Subsidiary undertakings (continued)

Company name	Registered address	Country of Incorporation	Direct/ Indirect Group Interest	Share class	% of share capital/ voting rights held by Group companies	Note
Stofnfiskur Chile Limitada (dormant)	Urmeneta 581, Of. 42, Puerto Montt, Reg. X	Chile	Indirect	ordinary	89.45%	
Stofnfiskur HF.	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	89.45%	
Stofngen EHF (dormant)	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	62.62%	
Sudourlax EHF (dormant)	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	89.45%	
Advanced Animal Nutrition Division						
Fortune Ocean Americas, LLC	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	N/A	100%	
Fortune Ocean Technologies Ltd.	25/F., OTB Building 160 Gloucester Road, Wanchai	Hong Kong	Indirect	1 HKD ordinary	100%	
Golden West Artemia	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	$1 shares	100%	
Inland Sea Incorporated	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	shares	100%	
INVE (Thailand) Ltd.	No. 79/ 1 Moo 1 Nakhonsawan-Pitsanulok Road, Tumbol Nhong Lhum, Amphur, Wachirabharamee, Phichit Province	Thailand	Indirect	THB 1,000 shares	100%	
Inve Animal Health, S.A.	Policarpo Sanz 12, 4°, 36202 Vigo, Pontevedra	Spain	Indirect	10€ shares	100%	
Inve Aquaculture Europe Holding B.V.	Verlengde Poolseweg 16,4818 CL Breda	Netherlands	Indirect	1€ shares	100%	
Inve Aquaculture Holding B.V.	Verlengde Poolseweg 16, 4818 CL Breda	Netherlands	Direct	$1 shares	100%	
Inve Aquaculture México, S.A. de C.V.	Avenida Camaron Sabalo # 51, Local 6, Interior, Plaza Riviera, Zona Dorada,Mazatlán Sinaloa 82110	Mexico	Indirect	MXN $1,000 shares	100%	
Inve Aquaculture NV	Hoogveld 93, 9200 Dendermonde	Belgium	Indirect	shares	100%	
Inve Aquaculture Temp Holding B.V.	Verlengde Poolseweg 16, 4818 CL Breda	Netherlands	Indirect	1€ shares	100%	
INVE Aquaculture, Inc.	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	shares	100%	
Inve Asia Ltd	25/F., OTB Building, 160 Gloucester Road, Wanchai	Hong Kong	Indirect	$1 shares	100%	
INVE Asia Services Ltd.	471 Bond Street, Tumbol Bang-Pood, Amphur Pakkred, Nonthburi ProvinceTumbol bang-pood, Amphur Pakkred, Nontburi Province	Thailand	Indirect	THB 100 shares	100%	
Inve do Brasil Ltda.	Rua Augusto Calheiros, n° 226, Messejana, Fortaleza, Ceará, Zip Code 60.863-290	Brazil	Indirect	BRL 1 shares	100%	
Inve Eurasia SA	Karacaoğlan Mahallesi 6170 Sokak No. 17/B Işikkent/Izmir	Turkey	Indirect	6.25 TL shares	100%	
Inve Hellas S.A.	93 Kiprou Str., 16451, Argyroupoli	Greece	Indirect	$29.35 shares	100%	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

17 Subsidiary undertakings (continued)

Company name	Registered address	Country of Incorporation	Direct/ Indirect Group Interest	Share class	% of share capital/ voting rights held by Group companies	Note
Inve Latin America B.V.	Verlengde Poolseweg 16, 4818 CL Breda	Netherlands	Indirect	10€ shares	100%	
Inve Technologies NV	Hoogveld 93, 9200 Dendermonde	Belgium	Indirect	shares	100%	
INVE USA Holdings, Inc.	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	$0.001 shares	100%	
Inve Vietnam Company Ltd	8FI-19 Tan Canh, Ward 1, Tan Binh District, Ho Chi Minh City	Vietnam	Indirect	N/A	100%	
Invecuador S.A.	CDLA. Las Conchas, MZ A-11 No. Lot 8 , Salinas, Santa Elena	Ecuador	Indirect	$1 shares	100%	
Inveservicios, S.A. de C.V.	Avenida Camaron Sabalo # 51, Local 6, Interior, Plaza Riviera, Zona Dorada,Mazatlán Sinaloa 82110	Mexico	Indirect	shares	100%	
Maricoltura di Rosignano Solvay S.r.l.	Rosignano Marittimo (LI), in via Pietro Gigli, 57013 , Solvay Loc. Lillatro	Italy	Indirect	shares	100%	
PT. Inve Indonesia	Cilandak Commercial Estate, Jl. Cilandak KKO — Cilandak Timur — PasarMinggu — South Jakarta 12560	Indonesia	Indirect	A shares & B shares	100%	
Salt Creek Holdings, Inc	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	$0.001 shares	100%	
Salt Creek, Inc.	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	$0.05 shares	100%	
Sanders Brine Shrimp Company, L.C.	3528 W 500 South, Salt Lake City, Utah 84104	USA	Indirect	N/A	100%	
Tianjin INVE Aquaculture Co., Ltd	No. 108, 83 Area, Xiamen Road, Tanggu Economic Development Zone, Binhai, New Area, Tianjin	China	Indirect	shares	100%	
Tom Algae C.V.B.A.	Graaf van Hoornestraat 1, 9850 Nevele	Belgium	Direct	fixed and variable shares	100%	
United Aquaculture Technologies, LLC	3528 W 500 South , Salt Lake City, Utah 81404	USA	Indirect	N/A	100%	

Notes

a A put and call option agreement is in place to acquire the remaining 20% of Akvaforsk Genetic Center Inc, so the Group controls 100% of that company and its wholly owned subsidiaries despite having an 80% equity holding.

b European School of Veterinary Post-Graduate Studies is a company limited by guarantee and although the Group has no equity holding in the company, its results are consolidated into this annual report by virtue of control exercised under the provisions of IFRS 10 — Consolidated Financial Statements. The same is true of 0005M Enterprises, a limited company incorporated in Russia.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

17 Subsidiary undertakings (continued)

	Investments in subsidiary companies £000
Cost or valuation	
Balance at 1 October 2015	30,352
Additions	231,267
Capitalisation of intercompany balances	1,133
Balance at 1 October 2016	262,752
Additions	1,233
Capitalisation of intercompany balances	706
Balance at 30 September 2017	**264,691**
Provisions	
Balance at 1 October 2015, 30 September 2016 and 30 September 2017	**(850)**
Net book value	
At 30 September 2017	**263,841**
At 30 September 2016	261,902
At 1 October 2015	29,502

During 2017, intercompany balances totalling £706,000 were converted into share capital (2016: £1,133,000). Additionally, £1,233,000 (2016: £600,000) of the charge associated with share options relates to employees of subsidiary companies, and so this amount has been treated as an investment by the Company.

In 2016, the Company acquired 100% of the share capital of INVE Aquaculture Holding B.V. for total consideration of £230,667,000.

18 Inventories

Group	**2017 £000**	2016 £000
Raw materials	**8,120**	6,510
Work in progress	**1,781**	10,039
Finished goods and goods for resale	**10,152**	6,682
Total inventories at the lower of cost and net realisable value	**20,053**	23,231

During 2017, £57,702,000 (2016: £44,320,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales. The cost of inventories recognised as an expense includes £1,414,000 (2016: £686,000) in respect of write-downs of inventory to net realisable value.

The Company did not have any inventories at the year-end (2016: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

19 Biological assets

Group	**2017 £000**	2016 £000
Organic sheep	**214**	262
Organic beef	**201**	244
Organic hens	**24**	23
Frozen Milt	**876**	-
Broodstock, eggs and fingerlings	**15,228**	11,330
Total biological assets	**16,543**	11,859
Less: non current broodstock	**(5,745)**	(5,028)
Total current biological assets	**10,798**	6,831

Livestock

The Group operates a commercial and research farming and technology transfer business, and at 30 September 2017 held 2,909 (2016: 3,269) head of sheep, 327 (2016: 447) head of cattle, and 9,011 (2016: 6,940) hens. The Group had farming sales of £346,194 in the year ended 30 September 2017 (2016: £358,000).

The Group is exposed to financial risks arising from changes in the market value of farm animals. The Group 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 livestock price. The Group reviews its outlook for livestock prices regularly in considering the need for active financial risk management.

Frozen Milt

Where we have identified individual salmon carrying particular traits or disease resistance, semen (milt) can be extracted and deep frozen using cryopreservation techniques (the process of freezing biological material at extreme temperatures in liquid nitrogen). The calculation of the fair value of milt is based on production and freezing costs and, where appropriate, an uplift to recognise the additional selling price that can be achieved from eggs fertilised by premium quality milt. The estimated fair value of Frozen Milt at 30 September 2017 was £876,000 (2016: £nil). The increase in value of £876,000 all relates to production.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

19 Biological assets (continued)

Broodstock, eggs and fingerlings

	Salmon Broodstock £000	Salmon eggs £000	Salmon fingerlings £000	Lumpfish eggs and fingerlings £000	Tilapia £000	Total £000
Biological assets 1 October 2016	7,584	2,364	295	1,027	60	11,330
Increase due to production / purchase	4,441	-	300	1,431	47	6,219
Due to physical changes	(2,945)	16,180	(136)	435	(3)	13,531
Foreign exchange movements	247	(39)	-	12	3	223
Reduction due to sales / discarding of stock	-	(14,626)	(167)	(1,013)	(18)	(15,824)
Fair value adjustments	(54)	34	-	(231)	-	(251)
Biological assets 30 September 2017	**9,273**	**3,913**	**292**	**1,661**	**89**	**15,228**
Broodstock, eggs and fingerlings — non-current	**5,745**	**-**	**-**	**-**	**-**	**5,745**
Broodstock, eggs and fingerlings — current	**3,528**	**3,913**	**292**	**1,661**	**89**	**9,483**
	9,273	**3,913**	**292**	**1,661**	**89**	**15,228**

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 approximately four years to reach maturity, and the age and biomass of the fish is taken into account in the fair value.

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 lumpfish eggs are valued at cost. Internally generated data is used to calculate mortality rates.

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 Group 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. A 1% increase/decrease in assumed selling price would increase/decrease the fair value of biological assets by £160,000.

Total quantities held at 30 September were:

	2017	2016
Salmon broodstock and fingerlings	**538 tonnes**	557 tonnes
Lumpfish fingerlings	**2.1m units**	1.5m units
Salmon eggs	**37.2m units**	23.6m units

The Company did not hold any biological assets at the year-end (2016: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

20 Trade and other receivables

Group	2017 £000	2016 £000
Trade receivables	**33,284**	32,133
Less: provision for impairment of trade receivables	**(3,210)**	(2,130)
Trade receivables — net	**30,074**	30,003
Total financial assets other than cash and cash equivalents classified as loans and receivables	**30,074**	30,003
Prepayments	**2,812**	1,672
Other receivables	**5,644**	2,613
Total trade and other receivables	**38,530**	34,288
Less: non-current portion: prepayments	**-**	-
Current portion	**38,530**	34,288

The fair values of trade and other receivables classified as loans and receivables are not materially different to their carrying values. As at 30 September 2017 trade receivables of £4,577,000 (2016: £6,979,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	2017 £000	2016 £000
Up to 3 months overdue	**3,616**	5,253
3 to 6 months overdue	**716**	1,139
6 to 12 months overdue	**245**	587
	4,577	6,979

Movements on the Group provision for impairment of trade receivables are as follows:

	2017 £000	2016 £000
At 1 October	**2,130**	279
Assumed in a business combination	**-**	1,831
(Released)/provided during the year	**1,347**	291
Receivable written off during the year as uncollectable	**(267)**	(271)
At 30 September	**3,210**	2,130

The movement on the provision for impaired receivables has been included in the administrative expenses line in the consolidated income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

20 Trade and other receivables (continued)

Company	2017 £000	2016 £000
Receivables from related parties	117,986	93,879
Loan provided to subsidiary company	8,362	7,243
Total financial assets other than cash and cash equivalents classified as loans and receivables	126,348	101,122
Prepayments	475	218
Other receivables	20	149
Total trade and other receivables	126,843	101,489
Less: non-current portion	-	-
Current portion	126,843	101,489

The balance of receivables from related parties includes a provision for impairment of £6,600,000 (2016: £nil) made during the year following a review of the individual subsidiaries' net assets.

21 Trade and other payables

Group	2017 £000	2016 £000
Trade payables	22,534	14,172
Other payables	5,629	8,271
Accruals	9,687	5,239
Financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	37,850	27,682
Other payables — contingent consideration	1,222	8,806
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through profit or loss	1,222	8,806
Other payables — tax and social security payments	2,882	593
Deferred income	3,757	2,976
Total trade and other payables	45,711	40,057
Less: non-current portion of other payables — contingent consideration	(1,213)	(8,825)
Current portion	44,498	31,232

Book values approximate to fair value at 30 September 2017 and 2016.

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. 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. As disclosed in note 10, there has been a release of £7,283,000 (2016: £2,791,000) of the amount provided.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

21 Trade and other payables (continued)

Company	2017 £000	2016 £000
Trade payables	474	1,336
Payables to related parties	24,156	23,517
Accruals	1,142	1,063
Financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	25,772	25,916
Other payables — contingent consideration	84	82
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through profit or loss	84	82
Other payables — tax and social security payments	339	104
Total trade and other payables	26,195	26,102
Less: non-current portion of other payables — contingent consideration	-	-
Current portion	26,195	26,102

Book values approximate to fair value at 30 September 2017 and 2016.

22 Loans and borrowings

Group

	2017 £000	2016 £000
Non-Current		
Bank borrowings	36,391	37,133
Other loans	60	60
Finance lease creditor (note 28)	2	214
	36,453	37,407
Current		
Other loans	6,019	-
Finance lease creditor (note 28)	215	289
	6,234	289
Total loans and borrowings	42,687	37,696

The fair value of loans and borrowings is not materially different to the carrying value and has not been separately disclosed.

On 30 December 2015, the Group completed the acquisition of the Inve Aquaculture Group and on the same day entered into new borrowing facilities consisting of a five-year revolving credit facility (expiring on 11 December 2020) of up to $70,000,000 secured on the assets of the parent company, UK subsidiary companies and certain overseas subsidiary companies. At 30 September 2017, $50,000,000 was drawn down on the facility. The interest rate on the facility is between 1.9% and 3.0% above LIBOR depending on leverage.

The finance lease liabilities are secured on the assets to which they relate.

At 30 September 2017 SalmoBreed Salten AS had a NOK 60 million short term loan outstanding from its minority shareholder, Salten Stamfisk AS. The interest rate on the loan was 2.5% above seven day Norwegian Interbank Offered Rate (NIBOR). The loan was fully repaid in October 2017 from the proceeds of a new NOK 216 million construction loan facility provided by Nordea Bank Norge ASA to SalmoBreed Salten AS. The construction loan is available for drawdown up to 31 December 2018. The interest rate on this new facility is 2.5% above seven day NIBOR. Once the construction loan has been fully drawn, the loan converts into a five year term loan at an interest rate of 2.65% above 3 month NIBOR.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

22 Loans and borrowings (continued)

The currency profile of the Group's loans and borrowings is as follows:

	2017 £000	2016 £000
Sterling	71	97
US Dollar	36,391	37,133
Euro	200	456
Norwegian Krone	6,019	-
Thai Baht	6	10
	42,687	37,696

Company

The book value and fair value of loans and borrowings are as follows:

	2017 £000	2016 £000
Non-Current		
Bank borrowings	36,391	37,133
Other loans	60	60
Total loans and borrowings	36,451	37,193

The fair value of loans and borrowings is not materially different to the carrying value and has not been separately disclosed.

The currency profile of the Company's loans and borrowings is as follows:

	2017 £000	2016 £000
Sterling	60	60
US Dollar	36,391	37,133
	36,451	37,193

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

23 Provisions

Group	Legal fees provision £000	Repairs provision £000	Other provisions £000	Total £000
At 1 October 2015	201	30	802	1,033
Assumed in a business combination	-	-	291	291
Charged to profit or loss	349	40	107	496
Foreign exchange movement	-	-	63	63
Utilised in year	(88)	-	(709)	(797)
At 1 October 2016	462	70	554	1,086
Credited to profit or loss	-	-	(336)	(336)
Foreign exchange movement	-	-	7	7
Utilised in year	(262)	-	(45)	(307)
At 30 September 2017	**200**	**70**	**180**	**450**
Current	200	70	180	450
Non-current	-	-	-	-
At 30 September 2017	**200**	**70**	**180**	**450**
Current	462	70	554	1,086
Non-current	-	-	-	-
At 30 September 2016	**462**	**70**	**554**	**1,086**

Legal fees provision

The legal fees provision relates to potential costs the Group may be liable for relating to a legal action it took against a third party in relation to intellectual property matters. Management believe the provision held to be adequate and expect conclusion to the matter in the next 12 months.

Repairs provision

Under property operating lease agreements, FAI Farms Limited, a subsidiary company, has a rolling obligation to maintain all properties to the standard that prevailed at the inception of the lease. The Directors estimate the costs of this obligation at £15,000 (2016: £15,000). Additionally, Benchmark Vaccines Limited has a repairs provision of £55,000 (2016: £15,000) in respect of its Braintree premises.

Other provisions

During the year provisions of a further £25,000 were made and amounts of £45,000 were utilised to total £180,000 (2016: £200,000) in relation to potential rebates to customers/distributors based on targeted volumes, price fluctuations and potential stock returns under right of return clauses. The Directors expect these to be settled in the financial year ended 30 September 2018.

A provision of £354,000 held at the previous year end for an overseas customs duty dispute has been released to profit or loss as it was no longer required.

No provisions were held by the Company at the year-end (2016: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

24 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the substantively enacted rates in the relevant territories in which the temporary differences and tax losses are expected to reverse.

The movement on the deferred tax account is as shown below:

Group	2017 £000	2016 £000
At 1 October	(63,261)	(8,224)
Acquired during the year	-	(50,106)
Recognised in income statement		
Tax credit (note 11)	5,629	4,040
Exchange differences	1,273	(8,676)
Recognised in equity	-	(295)
At 30 September	(56,359)	(63,261)

Company	2017 £000	2016 £000
At 1 October	-	170
Recognised in income statement		
Tax credit (note 11)	-	(127)
Recognised in equity	-	(43)
At 30 September	-	-

There was no deferred tax recognised in other comprehensive income.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. The Directors believe there is sufficient evidence that the amounts recognised will be recovered against future taxable profits in the relevant tax jurisdiction. The Group did not recognise deferred tax assets of £9,112,000 (2016: £5,535,000) in respect of losses amounting to £28,492,000 (2016: £21,903,000) and temporary differences of £1,363,000 (2016: £4,358,000), where there was insufficient evidence that the amounts will be recovered.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures. As the earnings are continually reinvested by the Group and there is no intention for these entities to pay dividends, no tax is expected to be payable on them in the foreseeable future.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

24 Deferred tax (continued)

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period, together with amounts recognised in the consolidated income statement and amounts recognised in other comprehensive income are as follows:

Group	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	(Charged)/ credited to profit or loss 2017 £000	(Charged)/ credited to equity 2017 £000
Accelerated capital allowances	-	(58,348)	(58,348)	3,126	-
Other temporary and deductible differences	-	(1,081)	(1,081)	(281)	-
Available losses	2,922	-	2,922	2,635	-
Fair value of share options	-	-	-	-	-
Net tax assets / (liabilities)	2,922	(59,429)	(56,507)	5,480	-

Group	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	(Charged)/ credited to profit or loss 2016 £000	(Charged)/ credited to equity 2016 £000
Accelerated capital allowances	-	(62,748)	(62,748)	4,962	-
Other temporary and deductible differences	-	(800)	(800)	(1,149)	-
Available losses	287		287	225	-
Fair value of share options	-	-	-	2	295
Net tax assets / (liabilities)	287	(63,548)	(63,261)	4,040	295

Company	Asset 2017 £000	Liability 2017 £000	Net 2017 £000	(Charged)/ credited to profit or loss 2017 £000	(Charged)/ credited to equity 2017 £000
Accelerated capital allowances	-	-	-	-	-
Other temporary and deductible differences	-	-	-	-	-
Available losses	-	-	-	-	-
Fair value of share options	-	-	-	-	-
Net tax assets / (liabilities)	-	-	-	-	-

Company	Asset 2016 £000	Liability 2016 £000	Net 2016 £000	(Charged)/ credited to profit or loss 2016 £000	(Charged)/ credited to equity 2016 £000
Accelerated capital allowances	-	-	-	3	-
Other temporary and deductible differences	-	-	-	(130)	-
Available losses	-	-	-	-	-
Fair value of share options	-	-	-	-	(43)
Net tax assets / (liabilities)	-	-	-	(127)	(43)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

25 Share capital and additional paid-in capital

Allotted, called up and fully paid	Number	Share Capital £000	Additional paid-in capital £000
Ordinary shares of 0.1 penny each			
Balance at 30 September 2015	219,349,525	219	94,672
Shares placed to fund the acquisition of INVE	215,922,141	216	185,477
Shares issued as consideration for the acquisition of INVE	38,635,671	39	33,188
Exercise of share options	50,742	-	-
Shares issued to management	110,873	-	95
Placing shares to fund investments in joint ventures and capital projects	47,279,127	47	30,684
Share issue costs recognised through equity	-	-	(4,685)
Balance at 30 September 2016	**521,348,079**	**521**	**339,431**
Exercise of share options	991,144	1	-
Benchmark Share Incentive Plan	25,811	-	-
Balance at 30 September 2017	**522,365,034**	**522**	**339,431**

On 30 December 2015, the Company issued 215,922,141 shares of 0.1p each at a price of 86p per share to fund the acquisition of INVE Aquaculture Holdings B.V. In addition, on 31 December 2015, the Company issued 38,635,671 shares of 0.1p each at 86p as part consideration for the acquisition. Non-recurring costs of £4.4 million were incurred in relation to the share placing and this has been charged to the share premium account.

On 2 March 2016, the Company issued a total of 50,742 shares of 0.1p each to 6 employees of the Group relating to share options granted in August 2013 and March 2015.

On 20 April 2016, the Company issued a total of 110,873 shares of 0.1p each at a price of 86p per share to certain managers of INVE Aquaculture Holdings B.V.

On 4 August 2016, the Company placed 47,279,127 shares of 0.1p each at a price of 65p per share to fund investment in certain strategic joint ventures and capital projects. Non-recurring costs of £0.2 million were incurred in relation to the share placing and this has been charged to the share premium account.

On 1 December 2016, the Company issued a total of 670,173 shares of 0.1p each to certain employees of the Group relating to share options granted in August 2013 and March 2015.

On 6 March 2017, the Company issued a total of 203,105 shares of 0.1p each to certain employees of the Group relating to share options granted in August 2013 and March 2015.

On 13 March 2017, the Company issued a total of 25,811 shares of 0.1p each in respect of the Benchmark Share Incentive Plan ("SIP"). The shares are free matching shares issued upon certain conditions being met following purchase by eligible employees of partnership shares in 2014.

On 3 April 2017, the Company issued a total of 117,866 shares of 0.1p each to certain employees of the Group relating to share options granted in August 2013 and March 2015.

Employee share option scheme

The Company introduced an employee share option scheme in 2010. The options existing immediately before admission to trading on AIM on 18 December 2013 were subdivided into equivalent options over the new 0.1p ordinary shares. At the year end, options exist over 4,543,420 (2016: 5,257,431) 0.1p ordinary shares in the Company and the exercise price is the nominal value of 0.1p per share. Movements in the share options are disclosed in note 30.

Members of the scheme can exercise the options at any point from the third anniversary of the option grant date until the options lapse on the tenth anniversary of the option grant date. Options cannot be exercised after the option holder ceases to hold employment with any member of the Group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

26 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share premium reserve	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Under merger relief, the amount in excess of nominal value attributed to shares issued as consideration in an acquisition where the Group has secured at least a 90% equity holding in the other company.
Capital redemption reserve	Amounts transferred from share capital on redemption of issued shares.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere. To simplify presentation, the share-based payment reserve has been combined with the retained earnings reserve. The share-based payment reserve recognised the value of equity-settled share-based payment transactions provided to employees, including management personnel, as part of their remuneration. Refer to note 31 for further details of these plans.

During the current year the directors noticed that the amount that was described as share premium reserve in the prior year financial statements should have been described as additional paid-in capital as it was made up of two components, the share premium reserve as well as a merger reserve. As a result the reserve has been re-labelled as paid-in capital instead of share premium reserve. This change is merely presentational. The balance of additional paid-in share capital includes the merger reserve balance of £33,188,000, the balance being the share premium reserve. The merger reserve arose due to the Company issuing 38,635,671 shares of 0.1p each at 86p as part consideration for the acquisition of INVE Aquaculture Holdings B.V. on 30 December 2015.

27 Non-controlling interest

The following table summarises the information relating to each of the Group's subsidiaries that has a material non-controlling interest (NCI), before any intra-group eliminations.

Year ended 30 September 2017	Stofnfiskur HF. £000	Salmobreed Salten AS £000	Other individually immaterial subsidiaries £000	Total £000
NCI percentage	10%	25%		
Non-current assets	16,184	24,517		
Current assets	11,330	716		
Non-current liabilities	(1,880)	-		
Current liabilities	(11,698)	(11,250)		
Net assets	13,936	13,983		
Net assets attributable to NCI	1,459	3,500	12	4,971
Revenue	14,345	-		
Profit/(loss)	4,116	(99)		
OCI	(1,280)	(256)		
Total comprehensive income	2,836	(355)		
Profit/(loss) allocated to NCI	431	(25)	(86)	320
OCI allocated to NCI	(134)	(64)	37	(161)
Cash flows from operating activities	2,425	3,781		
Cash flows used in investment activities	(1,815)	(23,858)		
Cash flows from financing activities (dividends to NCI: £nil)	500	20,737		
Net increase in cash and cash equivalents	1,110	660		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

27 Non-controlling interest (continued)

Year ended 30 September 2016	Stofnfiskur HF. £000	Salmobreed Salten AS £000	Other individually immaterial subsidiaries £000	Total £000
NCI percentage	**10%**	**50%**		
Non-current assets	9,195	996		
Current assets	12,663	32		
Non-current liabilities	(7,244)	-		
Current liabilities	(3,511)	(913)		
Net assets	**11,103**	**115**		
Net assets attributable to NCI	1,163	58	60	1,281
Revenue	7,933	-		
Profit	415	-		
OCI	2,646	24		
Total comprehensive income	**3,061**	**24**		
Profit allocated to NCI	43	-	(34)	9
OCI allocated to NCI	277	12	(10)	279
Cash flows from operating activities	993	935		
Cash flows used in investment activities	(3,612)	(996)		
Cash flows (used in)/from financing activities (dividends to NCI: £nil)	(1,496)	93		
Net (decrease)/increase in cash and cash equivalents	**(4,115)**	**32**		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

28 Leases

Finance leases

The Group leases plant and machinery with a carrying value of £203,000 (2016: £558,000). Such leases are generally classified as finance leases as the rental period amounts to the estimated useful economic life of the assets concerned and often the Group has the right to purchase the assets outright at the end of the minimum lease term by paying a nominal amount.

Future lease payments are due as follows:

	Minimum lease payments 2017 £000	Interest 2017 £000	Present value 2017 £000
Not later than one year	220	5	215
Later than one year and not later than five years	2	-	2
Later than five years	-	-	-
	222	5	217

	Minimum lease payments 2016 £000	Interest 2016 £000	Present value 2016 £000
Not later than one year	294	5	289
Later than one year and not later than five years	215	1	214
Later than five years	-	-	-
	509	6	503

The present values of future lease payments are analysed as:

	2017 £000	2016 £000
Current liabilities	215	289
Non-current liabilities	2	214
	217	503

Operating leases — lessee

The Group has entered into commercial leases on certain items of land and buildings. These leases have an average life of greater than five years. There are no restrictions placed on the Group by entering into these leases.

The total future value of minimum lease payments under non-cancellable operating leases for land and buildings are as follows:

	2017 £000	2016 £000
Not later than one year	2,860	1,765
Later than one year and not later than five years	5,667	4,122
Later than five years	4,021	2,825
	12,548	8,712

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

29 Retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost represents contributions payable by the Group and amounted to £1,506,000 (2016: £1,079,000). Contributions totalling £783,000 (2016: £306,200) were payable to the fund at the balance sheet date and are included in other payables.

30 Capital commitments

At 30 September 2017, the Group and Company had capital commitments as follows:

	Group 2017 £000	Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Contracted for but not provided within these financial statements	**9,339**	4,833	**-**	-

31 Share-based payment

Share options

The Group operates equity settled share option schemes for certain employees. Options are exercisable at a price equal to the nominal value of the parent Company's shares. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the employee leaves the Group before the options vest.

The share options under the scheme are as follows:

Year ended 30 September 2017:

	No. of options						
Year	As at 1 October 2016	Granted in 2017	Exercised in 2017	Forfeited in 2017	As at 30 September 2017	Option Price*	Exercise Period
2013	89,000	-	(89,000)	-	-	0.10p	August 2016 to July 2023
2013	1,113,000	-	(891,000)	-	222,000	0.10p	August 2016 to July 2023
2015	864,903	-	(11,144)	(78,723)	775,036	0.10p	March 2018 to February 2025
2015	119,396	-	-	(21,821)	97,575	0.10p	July 2018 to June 2025
2016	3,071,132	-	-	(86,025)	2,985,107	0.10p	March 2019 to February 2026
2017	-	463,702	-	-	463,702	0.10p	March 2020 to February 2027

* The option price is the nominal value of the parent Company's shares.

Of the total number of options outstanding at 30 September 2017, 222,000 (2016: 1,202,000) were exercisable.

Options exercised in 2017 resulted in 991,144 shares being issued at a weighted average price of 0.1p. The related weighted average share price at the time of exercise was 83.6p per share.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

31 Share-based payment (continued)

Year ended 30 September 2016:

	No. of options						
Year	As at 1 October 2015	Granted in 2016	Exercised in 2016	Forfeited in 2016	As at 30 September 2016	Option Price*	Exercise Period
2013	89,000	-	-	-	89,000	0.10p	August 2016 to July 2023
2013	1,183,000	-	(35,000)	(35,000)	1,113,000	0.10p	August 2016 to July 2023
2015	988,753	-	(15,742)	(108,108)	864,903	0.10p	March 2018 to February 2025
2015	140,433	-	-	(21,037)	119,396	0.10p	July 2018 to June 2025
2016	-	3,093,493	-	(22,361)	3,071,132	0.10p	March 2019 to February 2026

* The option price is the nominal value of the parent Company's shares

Options exercised in 2016 resulted in 50,742 shares being issued at a weighted average price of 0.1p. The related weighted average share price at the time of exercise was 59.5p per share.

Share options issued in August 2013

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

The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted. The expense recognised for these options during the year was £nil (2016: £7,000). This has been reflected in the income statement and included within operating costs.

Additional share options issued in August 2013

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 6 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

The expense recognised for these options during the year was £nil (2016: £93,000). This has been reflected in the income statement and included within operating costs.

Of the options issued in August 2013, 35,000 were exercised early in respect of good leavers.

Share options issued in March 2015 and July 2015

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 7 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

The expense recognised for these options during the year was £329,000 (2016: £344,000). This has been reflected in the income statement and included within operating costs.

Of the options issued in March 2016, 15,742 were exercised early in respect of a good leavers.

Share options issued in March 2016

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 8 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

31 Share-based payment (continued)

The expense recognised for these options during the year was £663,000 (2016: £305,000). This has been reflected in the income statement and included within operating costs.

Share options issued in March 2017

Share options outstanding at the year-end had a weighted average exercise price of 0.1p and a weighted average remaining contractual life of 9 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

The expense recognised for these options during the year was £110,000 (2016: £nil). This has been reflected in the income statement and included within operating costs.

Share options to be issued in 2018

During the year, the decision was made to replace an element of cash bonuses for the year with an award of share options to be granted after the year end. The final details of the award have not yet been determined, but a charge of £500,000 has been made in the income statement for the year as an estimate of element of the value of the award relating to the current year.

Share warrants

In January 2015, the Company issued warrants to acquire 259,312 ordinary shares at 112p per share as part consideration for the acquisition of the Improve International Limited business and its subsidiaries. The exercise of these warrants is subject to the extension of certain contracts and the warrants are exercisable at any point between the extension of these contracts and six months thereafter.

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

The total charge reflected in the consolidated income statement in relation to all of the above share based transactions, and included within operating costs was £1,602,000 (2016: £749,000). The share-based payment expense comprises:

	2017 £000	2016 £000
Equity-settled schemes	1,602	749
Total share based payment charge	1,602	749

The total charge reflected in the Company's income statement was £369,000 (2016: £149,000), all charged to operating costs in both years.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

32 Business Combinations

No business combinations occurred during the year. In the previous year the following business combinations occurred:

On 30 December 2015, Benchmark Holdings plc completed the acquisition of 100% of INVE Aquaculture Holding B.V. ("INVE"), a leading specialist manufacturer of primary stage technically advanced nutrition and health products for aquaculture, for a total consideration of $342 million (approximately £230.7 million).

The Directors identified a strong strategic rationale for the acquisition. INVE's leadership in speciality aquaculture nutrition market is complementary to Benchmark's position in genetics and health. The acquired business complements Benchmark's existing expertise and operations within aquaculture and the enlarged group will become a leading global provider of technology for sustainable food production, with a strong focus on the aquaculture sector, benefiting from immediate scale in advanced aquaculture nutrition and health products, enhanced sales, marketing and distribution network and the opportunity for cross selling and new product development. The acquisition created the Advanced Animal Nutrition Division.

In view of the size of the acquisition relative to the Group, the transaction was classified as a reverse takeover under the AIM rules. For accounting purposes, Benchmark Holdings plc was identified as the acquirer and the transaction was accounted for using the acquisition method. This was because Benchmark Holdings plc had obtained control over the operations of INVE as a result of the transaction.

Certain intangible assets were separately identified and were provisionally valued as shown in the table below. Related deferred tax was also provided. The goodwill arising on the acquisition represents the synergies available from combining the two businesses, and the skills and technical talent of the INVE workforce.

On 11 August 2016, the Group acquired control over aquaculture breeding programmes previously owned and operated by Centro de Investigación de la Acuicultura de Colombia Ceniacua through its wholly-owned subsidiary, Genética Spring S.A.S. ("Genética Spring") together with the related business, freehold land, buildings and assets, for a total consideration of $2.17m (£1.67m). The acquisition added a third species, shrimp, to Benchmark's aquaculture breeding business in salmon and tilapia, and strengthened Benchmark's position in the fast-growing shrimp industry.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

32 Business Combinations (continued)

Details of the fair value of the consideration paid and assets and liabilities assumed during the previous year are shown in the table below:

	INVE Aquaculture Holdings B.V. £000	Genética Spring £000	Total £000
Consideration			
Cost of investment	230,667	1,673	232,340
Satisfied by:			
Cash	197,440	709	198,149
Deferred consideration	-	964	964
Equity	33,227	-	33,227
Total consideration	**230,667**	**1,673**	**232,340**
Fair value of assets acquired			
Customer list	4,789	-	4,789
Patents and trademarks	208	-	208
Intellectual property	117,019	-	117,019
Contracts and Licences	25,562	-	25,562
Genetic Materials and Breeding Nuclei	-	601	601
Deferred tax on intangibles	(50,106)	-	(50,106)
Fixed assets	5,017	1,072	6,089
Investments	350	-	350
Inventories	16,686	-	16,686
Trade and other receivables	14,914	-	14,914
Cash and cash equivalents	6,647	-	6,647
Trade and other payables	(10,104)	-	(10,104)
Tax and social security	(2,373)	-	(2,373)
Loans and borrowings	(570)	-	(570)
Provisions	(291)	-	(291)
Total identifiable net assets	**127,748**	**1,673**	**129,421**
Goodwill	**102,919**	**-**	**102,919**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

32 Business Combinations (continued)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers quoted market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	Relief-from-royalty method and multi-period excess earnings method: The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.
Other assets and liabilities	Management consider the fair value of other assets and liabilities to be equivalent to the purchase price, which was supported by an independent valuation.

The fair value of the ordinary shares issued was based on the listed share price of the Company at 30 December 2015 of £0.86 per share.

The Group incurred acquisition related costs of £9,504,000 in respect of INVE Aquaculture B.V. and £135,000 in respect of Genética Spring.

During 2016 INVE contributed £54,870,000 to the Group's revenue and increased EBITDA by £15,729,000 for the period. The Genética Spring contributed £nil to the Group's revenue and decreased EBITDA by £61,000 for the period. The table below shows the Group's pro-forma revenue and EBITDA for 2016 if the acquisitions had taken place at the start of that period.

	2016 £000	INVE Aquaculture Holdings B.V. £000	Genética Spring £000	Total £000
Revenue	109,375	14,200	-	123,575
EBITDA	(3,863)	2,300	-	(1,563)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2017

33 Related party transactions

Transactions between the Company and its subsidiary undertakings (see note 17), which are related parties, amounted to £3,737,400 in the year (2016: £1,912,8000). These transactions related to intercompany recharges. Balances with subsidiary undertakings are shown in notes 20 and 21. Details of transactions between the Group and other related parties are disclosed below.

Included within trade and other payables due after more than one year are the following loans from related parties:

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Director	(60)	(60)	(60)	60
Total	(60)	(60)	(60)	60

The loan from Malcolm Pye, Chief Executive Officer, has no fixed repayment date.

Group entities entered into the following trading transactions and outstanding balances with related parties that are not members of the Group:

	Transaction values for the year ended 30 September		Balance outstanding as at 30 September	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Sales of good and services				
Salmar Genetics AS	974	-	-	-
Great Salt Lake Brine Shrimp Cooperative, Inc	195	294	103	72
Purchases				
Benchmark Holdings Limited Executive Pension scheme	72	72	-	20
Great Salt Lake Brine Shrimp Cooperative, Inc	15,819	11,440	3,344	4,400

The Company is controlled by the shareholders. There is no single controlling party.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
for the year ended 30 September 2017

34 Contingent liabilities

There is a full cross guarantee in respect of certain borrowings of other Group undertakings. Total such borrowings of other Group undertakings at 30 September 2017 were £nil (2016: £3,559,000).

35 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

Group	**2017 £000**	2016 £000
Cash at bank and in hand	18,779	38,140
Cash and cash equivalents	18,779	38,140
Company		
Cash at bank and in hand	1,776	27,480
Cash and cash equivalents	1,776	27,480

04

ADDITIONAL INFORMATION

"We believe our new land-based salmon production facility is the world's most advanced. It is the result of decades of combined know-how and experience. We are already seeing excellent growth rates and virtually no mortality. The future is pathogen-free egg production and this site enables us to meet this demand.

Stig Joar Krogli
SalmoBreed Salten Project Manager

GLOSSARY

3Es	Environment, Ethics & Economics — Benchmark's framework for sustainability
Adjusted EBITDA	EBITDA before exceptional and acquisition costs
AGM	Annual General Meeting
AHPND	Acute Hepatopancreatic Necrosis Disease — a shrimp disease — previously known as Early Mortality Syndrome
AIM	Alternative Investment Market
API	Active Pharmaceutical Ingredient
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CleanTreat®	Benchmark's purification system which removes any detectable traces of medicine from treatment water before it is discharged into the ocean
CPD	Continuing Professional Development
Defra	Department for Environment, Food and Rural Affairs
EBITDA	Earnings before interest, tax, depreciation and amortisation
Ectosan®	Benchmark's next generation sea lice treatment
EMI scheme	Enterprise Management Incentive scheme
EMS	Early Mortality Syndrome in shrimp, now known as AHPND
EU GMP	EU Good Manufacturing Practice
FAO	Food and Agriculture Organisation
FAWC	Farm Animal Welfare Committee
FCR	Feed Conversion Ratio
FY	Financial Year
Genomic Selection	Targeted breeding by selecting individuals based on their genome
GWE	Gutted Weight Equivalent
Histopathology	Diagnosis and study of disease
IFRS	International Financial Reporting Standards
Investing Activities	Investing Activities are those activities which have no associated income stream in the current period, but which are intended to provide the Group with income generating operations in future periods. Includes exceptional items, research and development expenditure, pre-operational expenses for new ventures and costs of acquiring new businesses
IP	Intellectual Property
IPO	Initial Public Offering
LTIP	Long-term Incentive Plan
M&A	Mergers & Acquisitions
Organic growth	Organic growth, as it applies to financial information, is the growth arising year on year in any part of the business eliminating the impact of the different ownership periods of any acquisitions made in either the current or prior year as appropriate
PD	Pancreas Disease
QCA Code	Quoted Companies Alliance Code — outlining best practice for quoted companies
qPCR	Quantitative polymerase chain reaction — a diagnostic tool
QTL	Quantitative Trait Loci — DNA containing/linked to genes that underlie a quantitative trait
R&D	Research & Development
SalmoBreed Salten	Benchmark's new land-based salmon egg and broodstock production facility currently under construction
Salmosan®	Benchmark's sea lice bath treatment
SIP	Share Incentive Plan
SPR	Specific Pathogen Resistant
Trading Activities	Trading Activities are those operations which generate earnings in the current period excluding Investing Activities

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Information regarding forward-looking statements

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TECHNOLOGY DRIVEN GROWTH

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