Benchmark®

SHAPING A SUSTAINABLE FUTURE FOR AQUACULTURE

Benchmark Holdings plc
Annual Report 2019

We aim to be aquaculture's leading provider of solutions in genetics, health and specialist nutrition

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2019 HIGHLIGHTS

Challenging market conditions impacted financial performance and we responded with the commencement of restructuring of the Group.

Overview

Good progress was made towards the launch of the Group's next generation sea lice treatment (product candidate BMK08) which, together with its co-dependant technology CleanTreat®, has the potential to be transformational, addressing one of the industry's biggest challenges, with a highly efficacious solution with strong environmental and animal welfare credentials.

Results for the year were impacted by adverse conditions in the shrimp and sea bass/sea bream markets, which significantly affected Advanced Nutrition, the Company's largest division.

Restructuring of the Group commenced, accelerating the disposal and discontinuation of non-core activities which includes businesses in the Knowledge Services division and veterinary services in Animal Health. These activities are excluded from continuing operations in the FY19 results and going forward.

Operational Highlights

Animal Health (see page 40)

- Next generation sea lice treatment (BMK08) continued to show >99% efficacy in commercial scale trials with top salmon producers across multiple sites in Norway.
- The Group is preparing for commercial launch in Q1 of calendar year 2021, however regulatory timings are not within the Group's control.
- Winner of the AquaNor Innovation Award for CleanTreat®, Benchmark's breakthrough purification system which removes medicinal residues from bath treatments, including, but not limited to BMK08 (see page 42).
- Increased sales of Salmosan® as a result of high levels of sea lice, particularly in Chile; this is indicative of the potential for the Company's product candidate BMK08.

Genetics (see page 36)

- Opening of land-based salmon egg facility in Norway and ramp-up of production advancing according to plan, with positive customer feedback.
- Production of specific pathogen resistant (SPR) shrimp commenced in Florida ahead of commercial entry into the Asian markets. Entered into an agreement with two local partners in Thailand for local multiplication and distribution, with sales expected to commence in FY2020.
- Dissolution of JV with AquaChile. Recovery of original investment which will be reinvested in a wholly owned local salmon egg production facility in the world's second largest market.

Advanced Nutrition (see page 30)

- Increase in market share in health products and diets which demonstrated relative resilience in challenging market conditions.
- Increased capacity at production plant in Thailand to meet long-term demand for specialist diets.
- Received award for 'Best Contribution to Chinese Shrimp Industry in 40 years' (joint award) and for 'Most Trustable Brand of Shrimp Feed in China 2018'. Revenue from China grew 21% in the year.
- New product launches including vibrio inhibiting D-FENSE Artemia, and first shrimp nursery diet, which demonstrated strong performance relative to competition in customer trials.
- Patent enforcement actions successful, with a litigation win against Marine-Tech International and a settlement entered into with I&V Bio.

Financial Highlights

Revenue from continuing operations*

£127.3m

2019	£127.3m
2018	£131.6m

Gross margin from continuing operations*

52%

2019	52%
2018	52%

Adjusted EBITDA[1] from continuing operations*

£12.1m

2019	£12.1m (-37%)
2018	£19.1m

Total Adjusted EBITDA[1]
(continuing and discontinued operations)

£13.7m

2019	£13.7m
2018	£17.0m

Adjusted EBITDA margin from continuing operations*

9%

2019	9%
2018	14%

Operating Loss from continuing operations*

£(61.3)m

2019	£(61.3)m
2018	£(3.8)m

Total invested in R&D
(expensed and capitalised)

£20.5m

2019	£20.5m
2018	£19.2m

Capex

£12.5m

2019	£12.5m
2018	£25.1m

Total Loss after tax

£(83.1)m

2019	£(83.1)m
2018	£(4.4)m

Net Debt

£(87.1)m

2019	£(87.1)m
2018	£(55.7)m

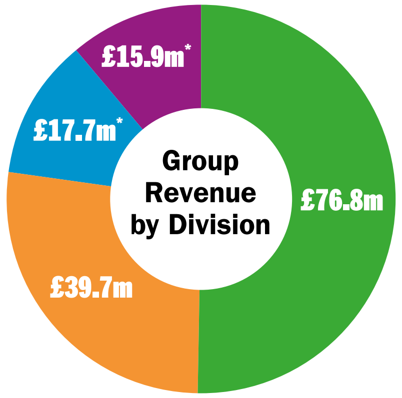
[1] See Note 37 and Glossary on page 190 for calculation and definition of adjusted measures.

* 2018 numbers have been restated to reflect the ongoing continuing business. Knowledge Services Division and the veterinary services business within the Animal Health Division have been moved to discontinued operations in line with IFRS 5.

01 STRATEGIC REPORT

BENCHMARK AT A GLANCE

DRIVING SUSTAINABILITY IN AQUACULTURE

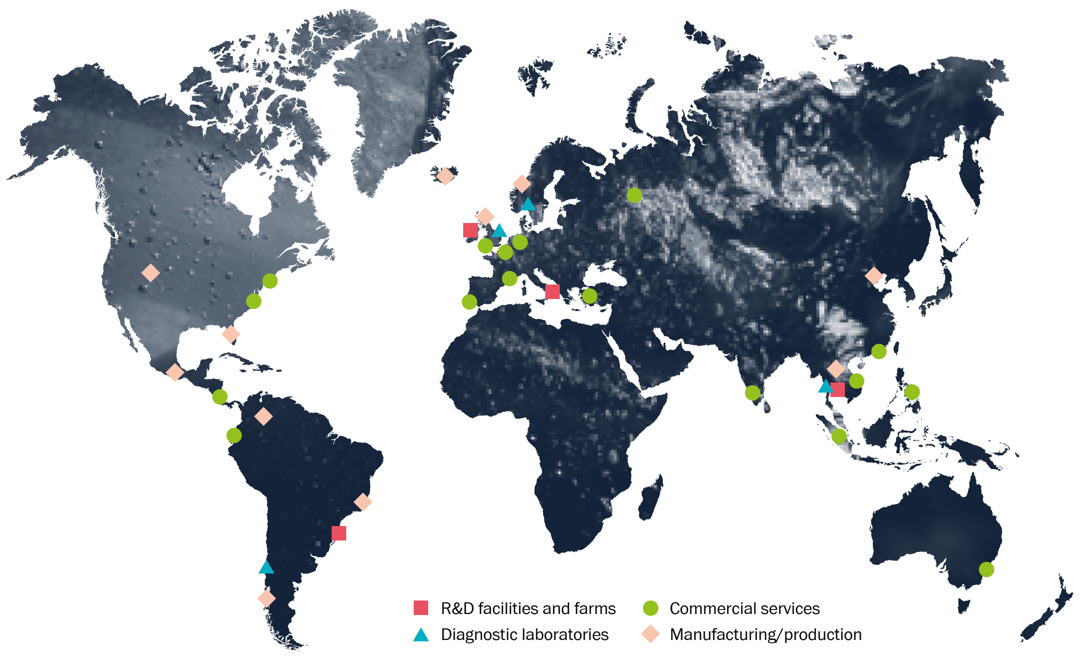


* Includes discontinued operations.

Our mission is to enable food producers to improve their sustainability and profitability.

We develop products and solutions in genetics, health and nutrition that improve performance, animal health and welfare, and reduce environmental impact across the production cycle. Our aim is to be aquaculture's leading supplier of solutions in genetics, health and specialist nutrition.

Benchmark is active in all the world's main aquaculture markets



OUR DIVISIONS

Advanced Nutrition

Revenue

£76.8m

Benchmark's Advanced Nutrition division produces and sells live feed (Artemia), specialist diets, and preventative health products such as probiotics. The division's portfolio of products help early stage shrimp and fish develop to their full potential by improving nutrition and increasing resilience to disease challenges.

Products are manufactured in Thailand and the USA and sold to customers directly and through a global network of distributors.

See page 30 for the Advanced Nutrition divisional review

Genetics

Revenue

£39.7m

Benchmark Genetics is one of the world's leading producers of salmon eggs. Benchmark's salmon eggs carry specialist genetic traits including resistance to some of the most prevalent diseases. We also produce broodstock and fry for shrimp and tilapia, which carry desirable genetic traits such as growth, quality and disease resistance.

Benchmark's breeding facilities are located in major aquaculture production markets including Norway, Chile, Iceland, Colombia and the USA.

See page 36 for the Genetics divisional review

Animal Health

Revenue

£17.7m*

Benchmark's Animal Health division manufactures and sells sea lice treatments and toll manufactures vaccines. The division's veterinary and diagnostic services are being discontinued.

The Group has a pipeline of products in development focused on addressing some of the industry's largest unmet needs, including a new sea lice treatment for salmon and a portfolio of preventative vaccines for sea bass/sea bream and salmon.

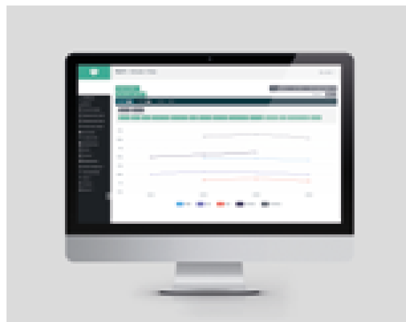
See page 40 for the Animal Health divisional review

Knowledge Services

Revenue

£15.9m*

Knowledge Services sells data solutions, consultancy and training services. The division also offers sponsored news platforms and industry events. The businesses in this division are being discontinued in line with Benchmark's strategic focus on aquaculture.



See page 44 for the Knowledge Services divisional review

* Includes discontinued operations.

CHAIRMAN STATEMENT

CHALLENGING MARKET CONDITIONS

> During the year the Company made good progress towards the launch of BMK08 which, together with its co-dependent technology CleanTreat®, has the potential to be transformational for the industry, delivering a solution with strong environmental and animal welfare credentials.
>
> **Peter George**
> Executive Chairman

Overview

I am disappointed to be reporting results that are below those expected at the beginning of the financial year, due largely to poor market conditions affecting our largest division, Advanced Nutrition.

Following the management changes announced in August, the Company has accelerated its programme of efficiencies including the disposal and exit from non-core businesses and the implementation of a cost saving plan.

Revenues for the year from continuing operations were down 3% at £127.3m (2018: £131.6m); and Adjusted EBITDA from continuing operations was £12.1m (2018: £19.1m). Total Adjusted EBITDA (including the results of discontinued operations)[1] was £13.7m (2018: £17.0m). After tax loss for the year from continuing operations was £73.3m (2018: profit of £0.5m) mainly driven by an impairment of intangible assets related to INVE of £44.8m as a result of a reduction in forecasts in Advanced Nutrition due to material change in market outlook.

During the year the Company made good progress towards the launch of its next generation sea lice treatment, product candidate BMK08, which, together with its co-dependent technology CleanTreat®, has the potential to be transformational for the industry, delivering a solution with strong environmental and animal welfare credentials. The Company is considering the optimal strategy to scale up CleanTreat® given its importance to product candidate BMK08 and its broader industry wide applications.

Challenging markets in Advanced Nutrition

2019 was a challenging year for Advanced Nutrition, our largest division, representing more than 50% of the Group's revenues. Our main customers in shrimp faced declining prices and negative margin development, leading to reduced production, and affecting demand for our products. Industry commentators remark that these were the lowest price levels in the shrimp industry in 30 years (inflation adjusted) resulting from overstocking after a record production in 2018. In Artemia, the division's main product, the situation was exacerbated by strong harvests and increased competition which resulted in price pressure.

The Mediterranean sea bass and sea bream markets were also affected by oversupply after a period of high stocking which affected prices, dropping to levels not seen since 2012. In Turkey, the largest producing country, this was exacerbated by the adverse economic environment, including high inflation and limited access to credit. Overall, producers reacted by contracting production reducing demand for our products.

As a result, revenues in Advanced Nutrition were down 10% to £76.8m (2018: £85.7m) and revenues from Artemia (in USD) were down by 23%. The division's specialist diets and health were more resilient to market conditions with sales down by c.5%. Margins in the division were lower than the previous year reflecting the fall in revenues.

Advanced Nutrition is a core business for the Company with leading positions in its markets and opportunities for growth. The Company increased its market share in health and specialist diets in the year and we continue to see an opportunity to expand into the grow-out segment with these products building a new sales channel. However, market conditions are expected to remain difficult during 2020 and as a consequence of the impact of weak markets on trading and constraints on cash investment, the carrying value of the intangible assets related to the acquisition of INVE has been impaired by £44.8m.

Good performance in Genetics and progress towards launch of disease resistant shrimp

Genetics, our second largest division, continued to perform well, delivering growth in revenues and Adjusted EBITDA. Genetics revenues of £39.7m were up 11%, ahead of the reported growth in the global salmon farming sector of 6%. Growth in revenues was driven by an increase in salmon egg sales, and pricing that reflects our continued innovation. Looking forward, the Company's increased capacity, following the opening of the new land-based facility in Norway, and its ongoing innovation programme to introduce new genetic traits, will support future growth.

During the year, we announced the dissolution of the Company's joint venture with AquaChile as a result of AquaChile's acquisition by AgroSuper. We continue to believe that Chile is a strategically important market for our business and our focus during the dissolution process was on recovering our original investment in the JV and on finding an alternative route to establish local production of salmon eggs, in line with our original objective. The dissolution of the JV was successfully completed in FY2019 and the balance of the consideration due was received post year end. The ownership of the Ensenada salmon egg hatchery facility to Benchmark will form the platform for the Group to establish local production. We will reinvest the amount repaid to convert the Ensenada hatchery facility into a full salmon egg production operation over the next 18 months.

The Company made progress towards the launch of its specific pathogen resistant (SPR) shrimp genetics business in Asia which represents a significant growth opportunity for the Company, leveraging its strong market position in shrimp. During the year, the Company commenced production of its SPR shrimp in Florida for export to Asian markets. In addition, the Company entered into an agreement with two partners in Thailand for local multiplication and distribution of our shrimp genetics products. The establishment of the agreement is in line with our strategy to use local partners to accelerate market entry while reducing capital commitments and mitigating risk. We see a very significant opportunity to introduce advanced genetics which improve performance and disease resistance in the shrimp sector, and our competitive genetics and market presence positions us strongly to succeed.

Animal Health

Progress towards launch of BMK08

I am pleased with the progress made towards the launch of BMK08 supported by our proprietary water purification system, CleanTreat®. During the year the Company conducted additional large-scale trials with new customers which continued to show high levels of efficacy and excellent animal welfare and environmental credentials. The Group is preparing for commercial launch in Q1 2021CY, however regulatory timings are not within the Group's control.

There is increasing recognition in the industry of the breakthrough nature of our sea lice treatment and increasing interest from customers as we approach commercial launch. Sea lice continues to represent the industry's most important biological challenge, resulting in production losses and reputational impact; the market for the treatment and prevention of sea lice is estimated to be £2–£3bn.

Innovation award for CleanTreat®

CleanTreat®, the Company's proprietary system that removes medicinal residues from treatment water, and which is integral to the delivery of BMK08, was awarded a prestigious industry innovation award at the world's largest aquaculture technology exhibition, AquaNor. CleanTreat® addresses one of the biggest concerns in the salmon industry regarding the environmental impact of bath treatments. CleanTreat® has broad potential applications in the aquaculture industry beyond sea lice with the potential to eliminate detectable medicinal residues across bath treatments. The Company is considering the optimal strategy to scale up CleanTreat® given its importance to product candidate BMK08 and its broader applications, including alternative funding strategies with support from its major shareholders.

BMK08 in combination with CleanTreat® is potentially transformative, addressing the urgent need for a highly efficacious treatment that protects the environment and animal welfare.

Streamlining of animal health pipeline and trial facilities

During the year the Company conducted a further review of the health pipeline, led by incoming CSO Alex Raeber, and made the decision to focus efforts on a smaller number of products. We stopped development in projects outside of our core species and in projects that have not passed the proof of concept stage. We also phased out some of our programmes. The Company's main opportunities continue to be product candidate BMK08, and the vaccine portfolios for sea bass/sea bream and salmon. The review extended to the Company's in-house trial facilities and led to the decision to restructure these. The positive impact from this effort will come through from FY2020 onwards.

The Company experienced longer timescales than anticipated in the development of its sea bass/sea bream vaccines, and in establishing the commercial trials of certain pipeline products, which had an impact on Group revenues and on the expected timing of commercial launch of certain products. In addition, it was established that fewer trials of BMK08 were required for its regulatory process than previously anticipated. The Company is adopting a more conservative approach to forecasting development timescales and revenues from new products. It is expected that the first vaccine for the sea bass/sea bream market will be launched in the first half of the calendar year 2020.

Strategy

The Board's annual strategic review with the leadership team took place in September, and focussed on a review of progress against the Company's strategy set out a year ago, including the launch of BMK08 and of SPR shrimp.

Our priorities for the next 12 months are to execute the programme of disposals and restructuring, to obtain regulatory approval and prepare for the commercial launch of BMK08 and CleanTreat®, and to execute our strategy in our core business areas of Genetics and Advanced Nutrition, including the launch of SPR shrimp in Genetics and the expansion of our health and diets segments in Advanced Nutrition.

Board and management changes

The year was marked by significant changes to the Company's senior management team; the Board believes it is the right time in the Company's development to appoint a new management team with the experience and focus to execute the next phase of Benchmark's strategy, deliver growth and accelerate the path to sustained profitability.

Septima Maguire joined the Company on 11 November 2019. Septima replaces Mark Plampin, who after nine years in the role of CFO, decided to step down to pursue other opportunities. Mark has been an integral part of the team that led the Group through its IPO on AIM and the acquisitive and organic growth that followed. Malcolm Pye announced his intention to step down as CEO, and he resigned from the Board post period-end on 4 December 2019. The recruitment of a CEO to succeed Malcolm Pye is underway.

I took over as Executive Chairman in August following Malcolm's decision to step down, and since then my priority has been to accelerate the programme of disposals, drive operational and cost efficiencies and bring a sharper focus on the product pipeline.

Liquidity and cash management

Liquidity and cash management continued to be a priority for the Company throughout the year. This is of critical importance while the Company continues to invest in R&D ahead of the launch of product candidate BMK08 and other pipeline products. At year end, the Company had net debt of £87.1m and liquidity[1] (undrawn facilities plus cash balances) of £28.2m, significantly above the covenant minimum of £10m.

A comprehensive programme to strengthen the Company's balance sheet has been undertaken by the new management, including the disposal of or exit from non-core businesses, a cost reduction/cost containment plan and enhanced working capital management. The timing and proceeds from these actions are fundamental for Benchmark to maintain sufficient liquidity to execute the Group's product development programme and to support its continuing operations.

The disposals primarily relate to businesses in the Knowledge Services division, including veterinary training, publishing, conferences and consultancy services, which are not core to our strategic focus on aquaculture genetics, health and advanced nutrition. The Company has appointed external advisers in order to accelerate the programme of disposals and expects these to conclude in 2020. Discussions with potential partners for the commercialisation of our companion animal products are ongoing.

Going concern

The Board has reviewed the Group's forecast for the period to September 2021 and concluded that, while there is material uncertainty surrounding the timing and value of proceeds from the disposal of discontinued operations and other trading sensitivities, the Group should be able to continue to operate as a going concern subject to successful completion of those disposals or by implementing mitigating actions that significantly reduce the investment and costs related to the product pipeline or by further finance being sought.

Summary and outlook

Weakness in the shrimp and sea bass/sea bream markets continues and while some recovery is expected they are unlikely to recover to 2018 levels in 2020. The outlook in the salmon market remains positive.

Overall, the Company expects to deliver underlying Adjusted EBITDA from continuing operations (before one-off other income) in line with this year in FY2020 and to maintain sufficient liquidity to execute its product development programme and support its continuing operations after taking account of the expected timing and the proceeds from the planned disposals and cost reductions.

The market has a growing need for solutions that improve the sustainability of food production in aquaculture. Benchmark's focus on delivering products and solutions that improve animal health and welfare, and that reduce environmental impact, positions it as a leader in improving sustainability standards in aquaculture.

[1] See Note 37 and Glossary on page 190 for definition and calculation of adjusted measures.

CSO STATEMENT

STRENGTHENED R&D AND STREAMLINED PIPELINE

In my first year at Benchmark, my focus has been to strengthen and integrate the Group's R&D functions and to streamline the pipeline of products in development.

Alex Raeber
Chief Scientific Officer

PRODUCTS IN PIPELINE

23

TOTAL PEAK PROJECTED SALES

>£240m

Alex Raeber joined Benchmark in October 2018 and has a strong track record in the animal health sector with 20 years' experience in global public companies as well as start-ups. He most recently was the Director of Global R&D AgriBusiness at NYSE-listed, Thermo Fisher Scientific.

In my first year at Benchmark, my focus has been to strengthen and integrate the Group's R&D functions and to streamline the pipeline of products in development. Our cross-group Innovation Leadership Team is now fully operational and focussed on driving customer-centric product innovation and delivering on our core pipeline opportunities.

The effort to streamline our pipeline will allow us to focus our resources and investment on a smaller number of priority opportunities to accelerate their path to market, and increase our probability of success. We conducted a detailed review of each of our pipeline products including performance against competing products, market potential, technical challenges, supply chain and regulatory path. I am pleased with the result and believe we now have a set of core opportunities with significant potential, realistic timelines and a talented, committed team to execute them.

During 2019 we have made good progress on a number of priority areas outlined below.

Extracting synergies

We are advancing our programme of synergies between divisions. By combining our three core disciplines of genetics, advanced nutrition and health, we have the potential to deliver superior solutions that improve profitability and sustainability for our customers. This year we have begun work on a 'seed and feed' model that is the combination of our Advanced Nutrition and Genetics technologies. Combining Benchmark's robust genetics with specialist nutrition will increase the animal's resilience and create a healthier animal and more value for our customers.

Robust protection and enforcement of our intellectual property rights

In order to protect our long-term competitive position, we continue our approach to secure robust intellectual property (IP) protection and enforcement in our core markets.

During the year, we have grown our IP portfolio and ensured alignment to core strategic opportunities. Benchmark's current portfolio consists of 28 patent families and 259 patents, with 40 new patent applications added in FY19. The portfolio is well balanced, with 44% of our patents granted and 56% at the application stage.

We actively monitor and respond to infringement of our IP in the market and this year successfully enforced two patent infringements in Asia. The IP related to our Artemia hatching and enrichment technology and demonstrates the robustness of our patents.

Optimisation of trial sites

Optimising our trial sites and developing a strategy for our clinical trials was an area of opportunity and a priority. Work in this area is ongoing. We have taken the decision to reorganise our in-house trial sites to improve utilisation and reduce our operational costs.

As part of this initiative, we have strengthened and realigned the management teams to support our core-product pipeline and make more efficient use of our resources.

Pipeline update

Monthly, cross-functional, R&D reporting has now been implemented across the Group. The leadership team is working closely with our commercial and operational leads to ensure accountability and efficiency in pipeline development and product launches. The team is also tasked with exploring disruptive technologies to ensure we maintain and grow our technology leadership.

Following our review of the pipeline, we now have 23 products in development (2018: 44 products), with peak projected sales estimated at >£240m. Two of our largest pipeline products are due to be launched in 2020 and early 2021 and we expect combined annual peak sales of £95m.

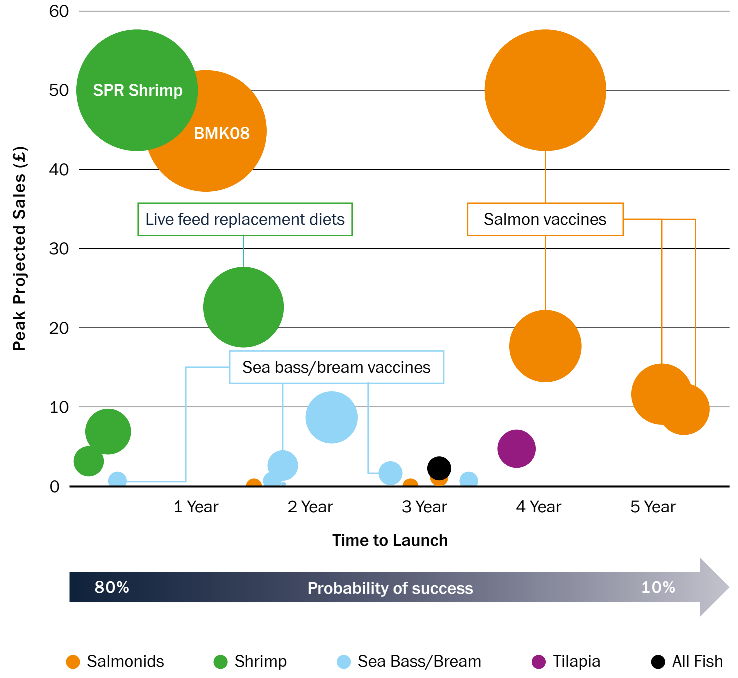
We are pursuing a commercial licensing deal for our three companion animal products.

Examples of our continued innovation

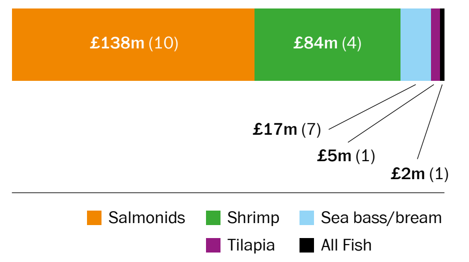
- Launched two new products in Advanced Nutrition
  - Vibrio inhibiting D-FENSE Artemia which provides protection and builds resilience against bacteria — first commercial sales delivered, and trials completed with several customers in each of the key markets
  - New shrimp nursery diet, demonstrating strong performance relative to competition in customer trials.
- Next generation sea lice treatment (BMK08) with CleanTreat® successfully completed two trials across multiple sites in Norway. Product efficacy and water purification trials were highly successful (+99% efficacy). The Group is preparing for commercial launch in Q1 of calendar year 2021, however regulatory timings are not within the Group's control.
- Continued successful performance pond trials of our SPR shrimp in three locations in Thailand under low and high salinity conditions.

Pipeline overview

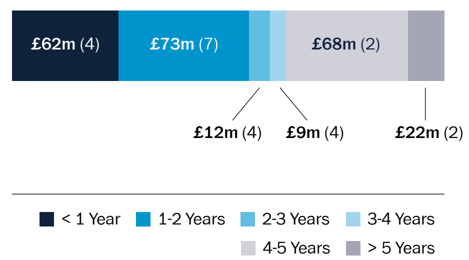
Peak sales and time to launch (average 3–6 years estimated period to achieve peak sales)



Peak sales and number of products by species



Peak sales and number of products by time to launch



BUSINESS MODEL

Benchmark has a broad portfolio of products and solutions to serve our customers in the global aquaculture industry. Our main products are salmon eggs, live feed (Artemia) and sea lice treatments.

Key assets

Insight

Our industry knowledge, strong customer relationships and team of experts in all key aquaculture regions provide us with deep insight into existing and emerging challenges for producers.

Innovation

We have a team of over 100 scientists and a network of relationships with scientific organisations which have enabled us to build a valuable portfolio of patents and a pipeline of innovative solutions to unmet needs.

Our people and culture

The founding vision for Benchmark was based on the need to build a global food chain that is more efficient, economical, ethical, environmentally friendly and fit for the future. This is part of our culture and our people are driven by the desire to make a difference.

State-of-the-art manufacturing

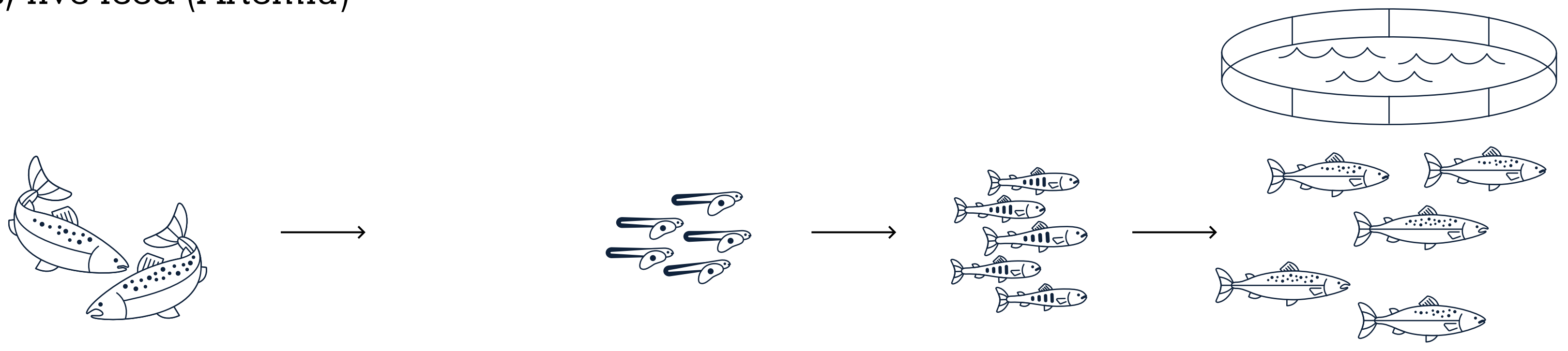
We operate modern, secure and scalable manufacturing facilities with capacity for growth.

Distribution

We have a unique distribution network in aquaculture which allows us to serve more than 1,500 customers in 70 countries.

Our technology

We develop genetics, nutrition and health solutions that help producers improve their sustainability and profitability.



Broodstock → Hatchery → Nursery → Grow-out

Genetics

Improved genetics are the best start for disease resistance.

- Broodstock: **Eggs, breeding (parent stock) animals for salmon, shrimp and tilapia**
- Hatchery: **Hatchery stage fish and shrimp**
- Broodstock: **Genetic improvement services to a broad range of industry players across 12 species**

Advanced Nutrition

Specialist feed promotes growth and immunity.

- Hatchery to Grow-out: **Probiotics**
- Broodstock: **Broodstock diets**
- Hatchery: **Hatchery diets**
- Nursery: **Nursery diets**
- Hatchery: **Enrichment diets**

Animal Health

New vaccines prevent disease and targeted treatments manage disease outbreaks.

- Broodstock to Grow-out: **Vaccines and medicines**
- Grow-out: **Sea lice treatment**
- Grow-out: **CleanTreat® water purification system**

Outputs

Employees

Our growth and continued success is down to the hard work, talent and dedication of every member of our team. Our people strategy ensures that we offer rewarding careers where employees are motivated and inspired to make a difference.

Customers

Investment in our products and services has a high return relative to the substantial costs resulting from major disease challenges.
Our offering drives consistency in supply and supports the long-term growth and sustainability of our customers' business — improving yield, quality and animal health and welfare.

Shareholders

We are securing the technology at the heart of the 'blue revolution' — driving shareholder value as the industry grows.

Environment

We care for our planet by operating our business responsibly and by developing sustainable solutions that tackle some of the key environmental challenges in our industry. For example, Benchmark's CleanTreat® water purification system removes medicines from sea lice bath treatment water, reducing the environmental impact of treatments. The development of modern probiotics and vaccines is reducing the need for antibiotics.

MARKET OVERVIEW

DEMAND FOR AQUACULTURE IS GROWING

Aquaculture plays an increasing role in meeting the global protein demand, which is expected to double by 2050.

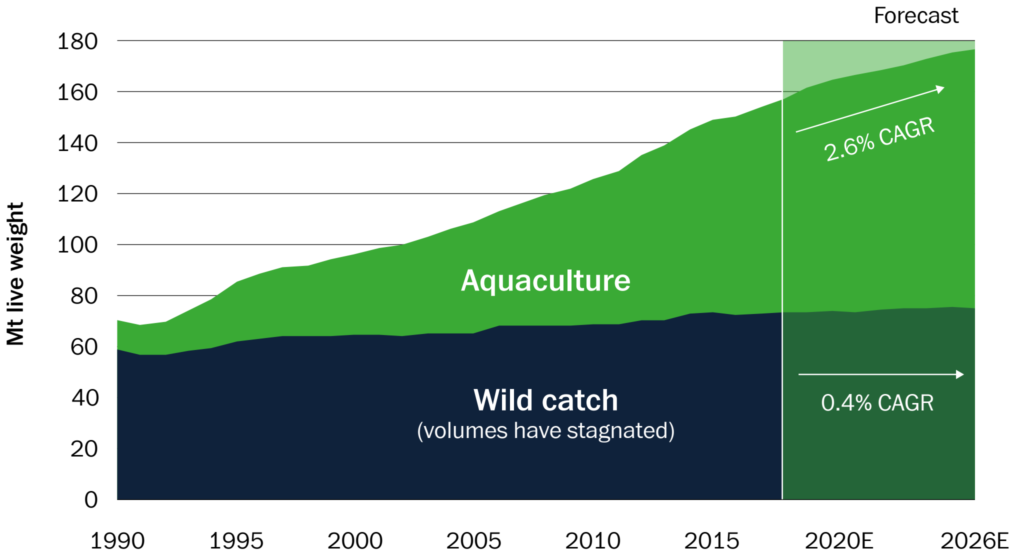
From 2010 to 2016 the industry increased in value by USD 100bn, reaching USD 232bn and is expected to continue to grow. Growth is mainly driven by crustacean and freshwater fish farming in developing economies, particularly in Asia, and by Atlantic salmon in the West[1].

Growth drivers in our markets

Benchmark delivers genetics, advanced nutrition and health products for aquaculture producers. Our products play an important role in enabling the sustainable growth of aquaculture by helping to address the main challenges facing the industry including disease, environmental impact and animal welfare.

Our markets benefit from the underlying growth of the aquaculture industry and the increasing demand for technologies that help producers address the main biological challenges and improve their profitability and sustainability.

World aquaculture and wild catch production



Source: United Nations, OECD-FAO Agricultural Outlook 2017-2026.

[1] Rabobank (2018) 100 Billion Dollar Baby: Aquaculture Keeps Growing.

Species at a glance

Salmon

Maturity level: high

Atlantic salmon has the highest level of industrialisation compared to any other aquaculture species.

Market size

In 2018, total harvest of Atlantic salmon worldwide was approximately 2.4m tonnes, representing a 5.6% increase compared to 2017[1]. The global market value of Atlantic salmon was estimated at EUR13.5bn in 2018[2].

Trends

- **Positive growth outlook:** growing demand in developed and developing regions, mostly outside EU
- **Land-based and recirculating aquaculture systems (RAS):** opening up new opportunities for future production of salmon
- **Increased focus on biosecurity and disease control:** identifying effective solutions, particularly to sea lice, will remain a core focus
- **Continued investment and innovation in infrastructure, marketing and value-added products** to stimulate demand
- **Growing consumer pressure on environmental impact and welfare**

Outlook

Growth expected to continue (estimated 3.5%–4.5% CAGR 2017–2028[3]), driven by demand growth, industry marketing efforts and continued innovation in value added products. Rising demand from emerging economies such as Brazil, China and Russia is expected to boost global demand to 3.7million tonnes by 2028, from 2.4 million tonnes now[4].

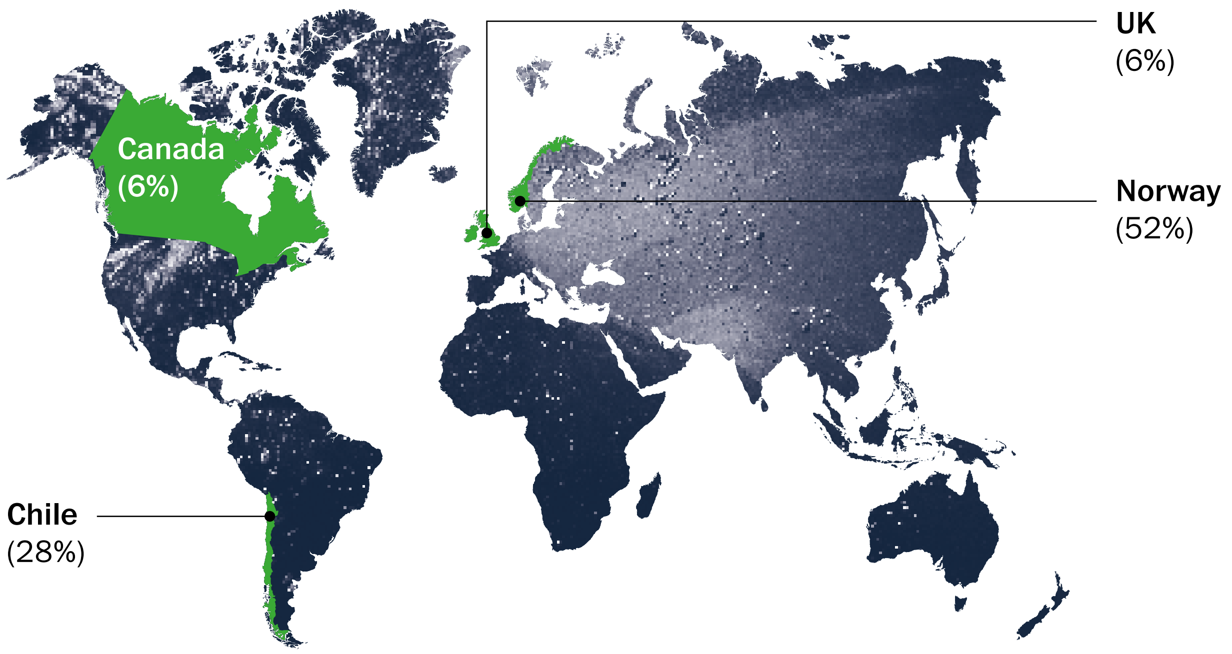
[1] Kontali (2019).

[2] Mowi Salmon Farming Handbook (2019).

[3] Rabobank (2018) The Growth Story of the Salmon Aquaculture Industry.

[4] Kepler Chevreux, Undercurrent News (2019) Aquaculture Frontiers.

Top producing countries (percentage of world production in tonnes[1])



Shrimp

Maturity level: low

Shrimp farming systems are very diverse in their management, size and ownership structure. Many farms in Southeast Asia, India and China are highly disaggregated, family-operated production units; alongside this there are significant industrial producers, some of which are intensifying and moving to indoor production systems with increased environmental control.

Market size

World shrimp production reached almost 4 million tonnes in 2018[1], worth an estimated USD 39 bn. Growth, however, has been impacted by disease with a CAGR 2.2% (2012–2017).

Trends

- **Difficult market conditions:** depressed shrimp prices caused by oversupply and overstocking following record harvests; impacting profitability
- **Demand potential:** opportunity for processors and retailers to work on value addition, innovation and demand creation, including through sustainability credentials — key to long-term growth and profitability
- **Disease:** production and productivity continue to be impacted by disease outbreaks
- **Growth in production in Ecuador, contraction in other key markets:** Ecuador has taken advantage of demand growth in China and is growing strongly; other major producing countries are expected to contract in 2019 due to oversupply and limited demand from US and European markets
- **Production methods evolving:** industrial production is intensifying; environmental management and use of probiotics and bioflocs has increased; and the availability and sophistication of data management tools is growing

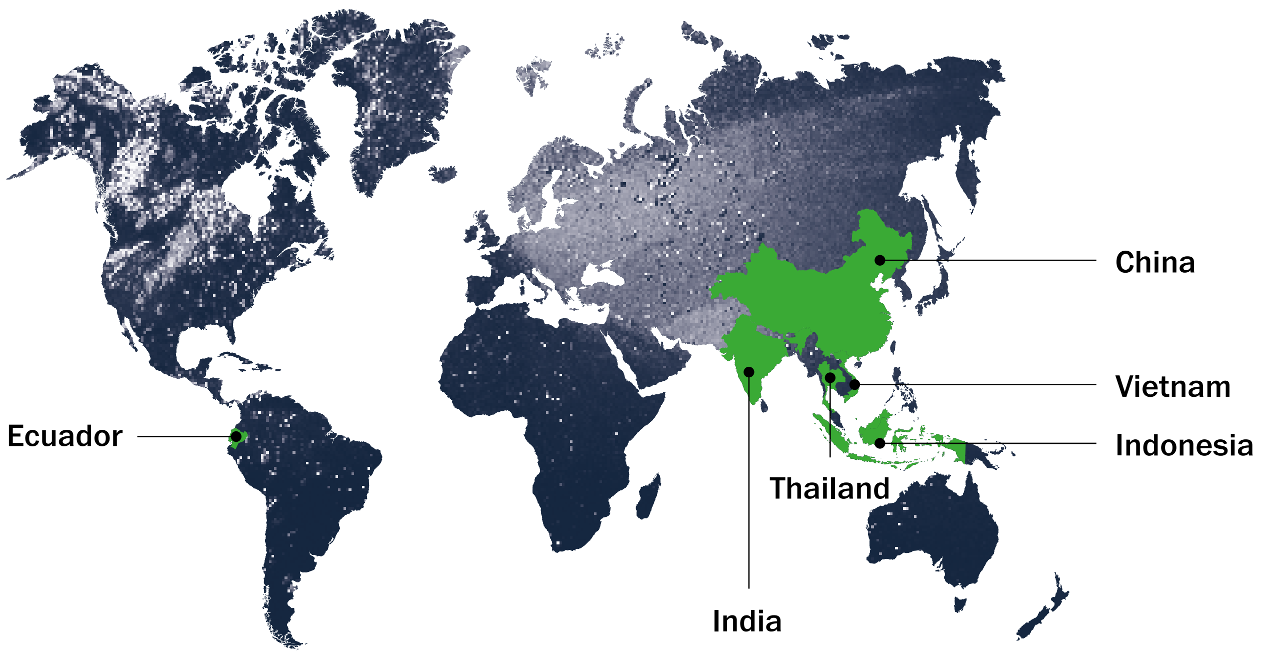
Outlook

Shrimp production is forecast to show some recovery, increasing 5% annually over the next two years. This growth varies between regions; with stronger growth expected in Latin America predicted CAGR of 6.5% (2018–2021). In particular Ecuador is expected to continue to grow ~11% CAGR (2015–2020). In Asia, most growth is expected to come from Vietnam and China ~4.6% and 3.9% from 2018 to 2021, respectively[2].

[1] Globefish (2019) http://www.fao.org/in-action/globefish/market-reports/resource-detail/en/c/1199292/

[2] Global Aquaculture Alliance (2019) GOAL 2019: Global shrimp production review https://www.aquaculturealliance.org/advocate/goal-2019-global-shrimp-production-review/

Top producing countries[2]



Sea bass/sea bream

Maturity level: medium

Production processes and standards are developing quickly in the sea bass and bream sectors, with more farms seeking certification scheme approvals, such as Aquaculture Stewardship Council (ASC) standards. Health management, biosecurity and vaccination awareness are also increasing. Industrialisation in relation to automation of processes or use of genetics in breeding is still behind the salmon industry.

Market size

Total production of sea bass and sea bream in 2018 (EU and Turkey) is estimated at 371,473 tonnes with a market value of €1.8bn[1].

Trends

- **Oversupply:** conditions in the Mediterranean farmed sea bass and sea bream market were affected by oversupply after a period of high stocking
- **Price drop:** prices for farmed sea bass and sea bream dropped significantly across the industry reaching levels not seen since 2012
- **Negative macroeconomic environment in Turkey, the largest market:** Turkey experienced slow growth, hyperinflation, currency devaluation and reduced access to credit, which exacerbated the impact from oversupply

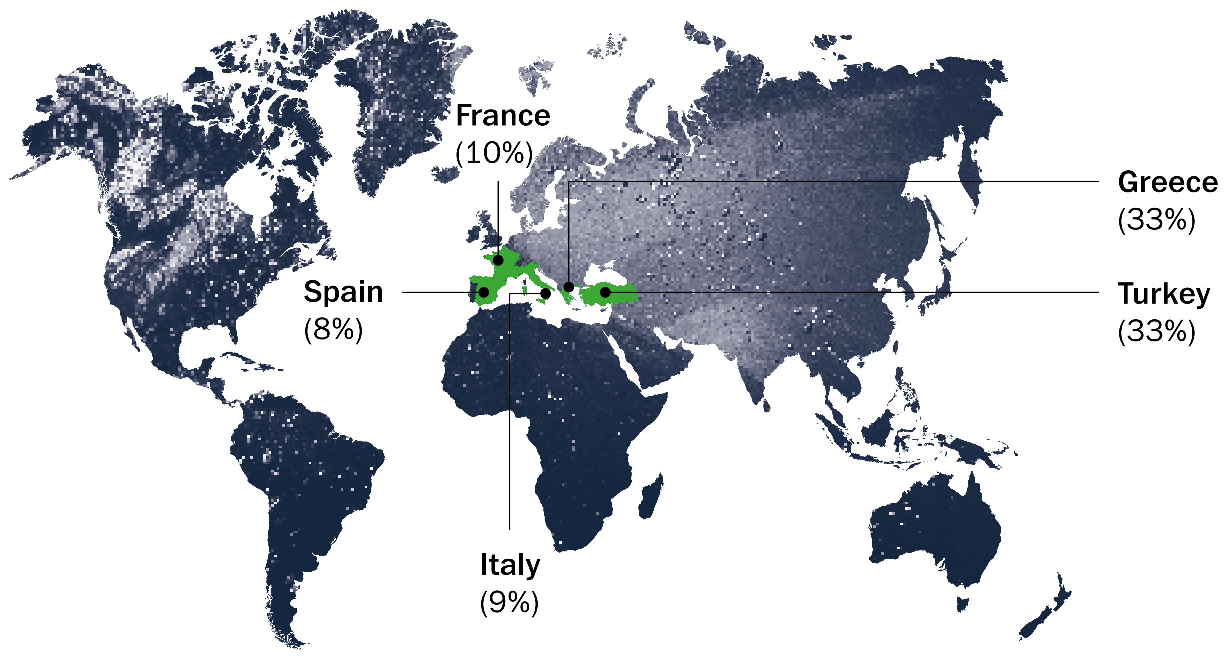
Outlook

The Mediterranean market remains weak with low or negative margins leading to a contraction in production. Whilst we do not expect a recovery in 2020, there is growth opportunity mid and long-term through opening of new consumer markets beyond the Mediterranean.

[1] APROMAR (2019).

[2] Management estimates (2019).

Top fry producing countries (2019)[2]



STRATEGY & PROGRESS

Our vision is to be the leading provider of solutions in genetics, health and specialist nutrition for the global aquaculture market.

We have market leading positions, a portfolio and pipeline of innovative products and a global commercial, production and distribution network that will help us achieve our goal.

In 2018 we developed a five-year organic growth strategy focused on delivering returns from the platform built since the Company's IPO through acquisitions and R&D investment.

Our annual strategy review in 2019 confirmed our medium and long-term goals, and identified the need to prioritise the execution of our programme of structural efficiencies to redeploy capital from non-core to strategic areas, to reduce our cost base and to manage our cash position through the period of investment until we achieve the first major launch from our Animal Health division pipeline.

Strategic pillars	2019 progress	2020 priorities
1 Implement structural efficiencies *We have developed a programme of structural efficiencies to redeploy capital to strategic areas and manage our cash resources*	• Appointed advisers for the disposal of the businesses in Knowledge Services, which are non-core • Streamlined and prioritised our Animal Health pipeline and investment • Implemented Group-wide cost reduction/containment plan.	• Conclude sale processes for non-core assets • Rationalise R&D facilities • Establish partnership agreement for companion animal products
2 Grow in established markets from existing capacity and through partnerships *We have invested in a platform that allows us to deliver organic growth and operational leverage without significant additional investment*	• Commercial opening of land-based salmon egg production facility in Norway • Decision to pursue independent strategy for salmon genetics in Chile following dissolution of joint venture with AquaChile. Assumed ownership of joint venture's hatchery facility as a platform to establish local production of salmon eggs	• Continue ramp-up of production at land-based salmon egg facility in Norway • Develop commercial capabilities in advanced nutrition to increase penetration of farm segment with probiotic range
3 Commercial delivery of pipeline products *A key priority for Benchmark is to commercialise its rich pipeline of products developed over the last 10 years*	• Next generation sea lice treatment (BMK08): Conducted two sets of successful trials across multiple farms in Norway; improved efficiency of CleanTreat® system, and progressed regulatory process in line with plan • Sea bass/sea bream vaccines — Progressed regulatory approval and manufacturing development towards launch of first vaccine in H1 calendar year 2020	• Obtain marketing authorisation in Norway for BMK08 • Achieve regulatory approval for first sea bass/sea bream vaccine in the Mediterranean market
4 Focussed investment in markets that leverage the Group's platform *By applying our technologies across species and geographies we will penetrate new attractive markets, realising synergy opportunities across the Group*	• Shrimp Genetics — Successful trials conducted in Vietnam, Thailand and China • Commenced production of broodstock in Florida and entered into an agreement with local partners for multiplication and distribution in Thailand	• Completion of shrimp multiplication centre building in Thailand • Launch of SPR shrimp in China and Thailand
5 Position Benchmark in areas of future growth *Through our technology platform and industry knowledge we are well-placed to establish an early position in areas of future growth*	• Tilapia — achieved genetics breakthrough to increase resistance to *Streptococcus iniae*, a major disease in tilapia	• Establish partnership to continue to develop the Company's tilapia genetics programme

Enablers of our strategy and examples of our outcomes

Innovation

Innovation is at the core of our strategy

Our goal is to continue to be a recognised technology leader through our breakthrough solutions and superior products.

- Winner of AquaNor Innovation Award for CleanTreat®, Benchmark's water purification system that removes medicines from treatment water.
- Cross-divisional Innovation Leadership Team established to leverage technology platform and expertise across the Group.
- Two new products launched in Advanced Nutrition.

Integration

Our Group is the result of significant acquisitions over the past five years which brought together technologies, commercial networks and talent

Continued integration across the Group will allow us to accelerate our commercial progress.

- Marketing — integrated marketing function across the Group benefitting from market knowledge, customer access and team skills and experience.
- Group-wide employee engagement — increased through surveys, town halls, focus groups and team-building initiatives.
- Sustainability — integrated Group wide sustainability effort launched.
- Developing product offering that combines technology areas, including advanced nutrition products and genetics.

People

Our people are key to delivering our strategy and we continue to invest in developing a team with the specialist skills and experience to execute our strategy

(see Being Well section on page 58 for more detail)

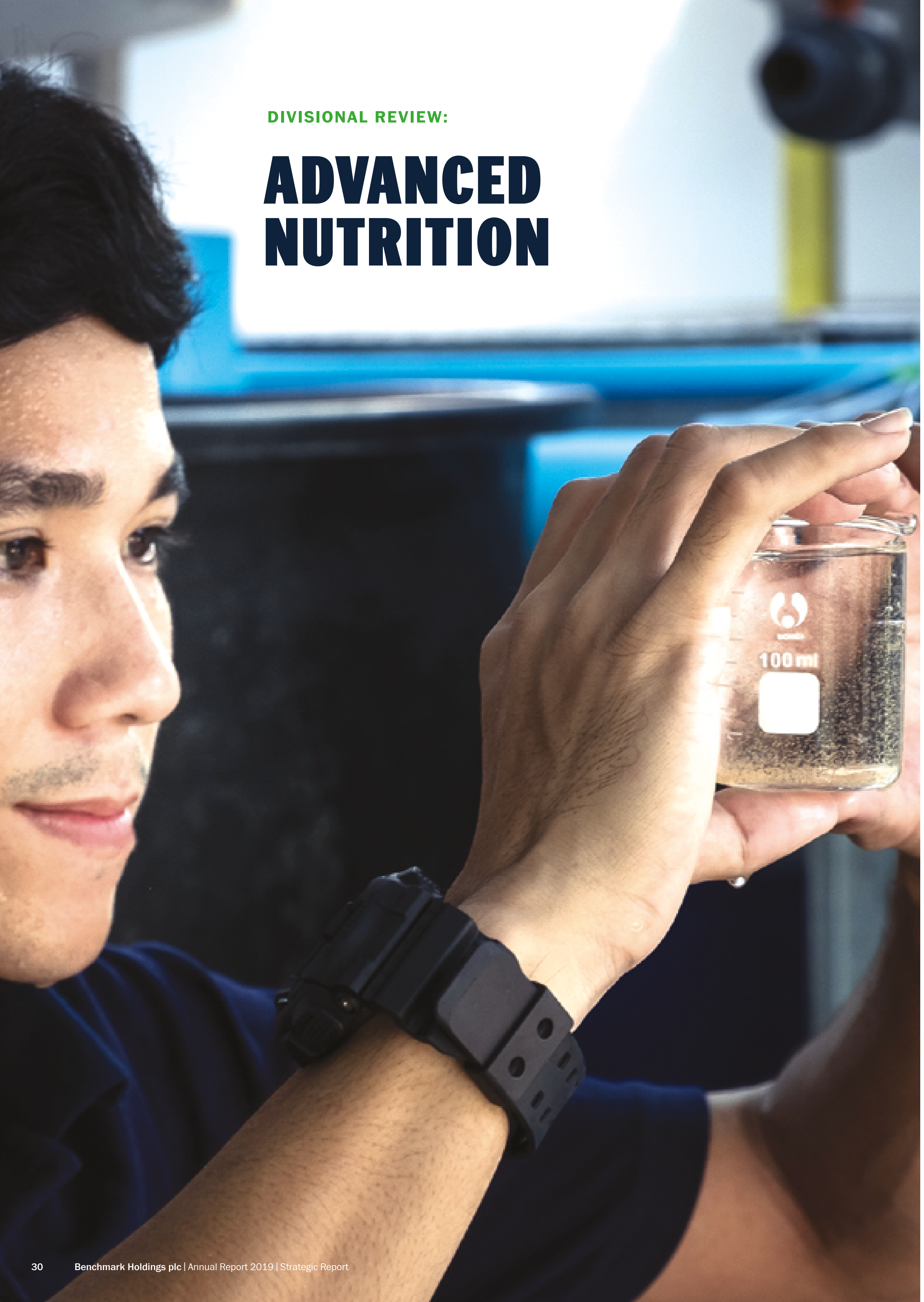
- A new employee survey was undertaken during the year with a high response rate of 82%, above industry average.
- The survey provided detailed insight into areas including understanding of the Company's purpose and strategy, wellbeing, reward, leadership and engagement. Benchmark as a Group scored above the industry norm on all factors.
- Results have been shared across the Group and teams from all parts of the business are involved in developing divisional and local action plans to address areas of improvement.

INVESTMENT CASE

High-growth Markets	Genetics, health and specialist nutrition are growing faster than the growing aquaculture industry.
Unique Model	Benchmark has a differentiated model bringing together genetics, animal health and advanced nutrition which, when combined, can generate synergies and contribute significantly to improve the sustainability and profitability for our customers.
Barriers to Competition	We are market leaders with strong customer relationships, leading brands, deep market insight and long-established genetic breeding programmes.
Scalable	Following a period of investment and being past capital expenditure, we have production capacity and a global distribution network to support organic growth.

DIVISIONAL REVIEW:

ADVANCED NUTRITION



In the context of challenging market conditions, we grew global market share in diets and health, and continued to invest in our innovations pipeline, delivering the launch of vibrio inhibiting Artemia D-FENSE, and a new nursery diet in our important growth segment, farm and nursery.

Athene Blakeman
Head of Advanced Nutrition

Strategic Progress

Challenging market conditions

- Shrimp prices fell to their lowest level in at least 30 years,[1] which, coupled with disease challenges, resulted in lower production across the industry. Most major shrimp producing countries experienced contraction in 2019 (including India, Vietnam, Indonesia, China and Thailand), with only Ecuador generating growth.[2]
- The Mediterranean sea bass/sea bream industry experienced similar conditions, with prices at their lowest level since 2012, and production falling 20% on 2018.[3]
- 2019 also saw increased price competition in the Artemia markets, which impacted sales volumes.
- The global shrimp market is expected grow at a CAGR of 3.5% from 2018 to 2021, with supply growth and stable prices.[4] Marine fish production volumes in the Mediterranean are expected to remain stable, with strong growth expectations for Asian sea bass.[5]

Market share growth in diets and health

- Growth in global market share was delivered in both diets and health. Increased price competition from CIS (Commonwealth of Independent States) Artemia resulted in a loss of Artemia market share in certain key markets.
- Patent enforcement actions were successful, with a litigation win against Marine-Tech International resulting in the (then) highest award of damages for patent infringement under Thai law, and a settlement entered into with I&V Bio.
- A second spray dryer was installed at our production plant in Thailand, to meet long-term demand growth for diets, and first commercial batches produced.
- At the China Shrimp Seeding Industry Annual Meeting and 7th China Shrimp Masters Annual Meeting, Benchmark Advanced Nutrition (INVE) received awards for 'Best Contribution to Chinese Shrimp Industry in 40 years' (joint award) and 'Most Trustable Brand of Shrimp Feed in China 2018'. China delivered revenue growth of 21% in FY19, against a backdrop of falling shrimp production.

Continued product innovation – new product launches in hatchery and nursery segments

- Vibrio inhibiting D-FENSE Artemia was launched, with first commercial sales delivered, and trials completed with several customers in each of the key markets.
- Launched new shrimp nursery diet, demonstrating strong performance relative to competition in customer trials.

Engaged workforce

- The Thai plant received award for sustainability, based on metrics relating to labour welfare and protection; Corporate Social Responsibility (CSR) activities; respect for employment rights and taxes; and employee development.
- Division achieved strong results in Benchmark's first independent Employee Engagement Survey, with metrics in all areas between 8 and 19% above the industry norm.

£76.8m
REVENUE

51%
OF GROUP REVENUE

[1] 'Real' prices. USDC/NMFS (2019).
[2] 12 months to June 2018 and 2019. (Rabobank).
[3] Management estimate.
[4] GOAL 2019 – Anderson; Rabobank.
[5] GOAL 2019 – Tveterås.

CUSTOMER CASE STUDY

Adopting New Technologies

Interview with
Nonglak 'Anne' Thaisin

Nonglak 'Anne' Thaisin, founder and CEO of Quality Farm, has been producing vannamei shrimp in Thailand for 27 years. Here she explains how adaptability and the development of new production systems as well as new feeds and health products is essential to maintaining sustainable production.

> There are countless health products in the market, for a wide range of prices and I choose them based on their value and returns. Some might appear expensive but are actually helping improve farm conditions, performance and profitability.

What have been your hardest challenges to overcome so far?

Shrimp farming is a never-ending learning path. Challenges such as disease and shrimp prices are a farmer's daily concern and they evolve and change frequently. We need to constantly monitor and analyse situations, think about solutions and quickly adapt to these evolving challenges.

Compared to when I first started, shrimp farming is getting more and more difficult, due to the increased frequency of new diseases and combination of diseases, such as AHPND (acute hepatopancreatic necrotic disease), EHP (Enterocytozoon hepatopanei), white faeces syndrome and SHIV (shrimp hemocyte iridescent virus), as well as challenges related to environmental pollution.

How important are diets in ensuring the consistency and quality of shrimp production?

The quality of the feed is extremely important and many factors affect the quality, such as the size of the feed particles, palatability and smell, stability in the water, the protein content and nutritional profiles. If the feed is correct it helps us reduce the feed conversion ratio (FCR) and thus maximise profitability and the consistency of a diet is vital too.

Good feed also helps keep our workers motivated, as they recognise particular brands for quality that brings them success in production. At the end of a production cycle it is the workers who request a particular brand for the next crop.

Why did you decide to start using Benchmark's Advanced Nutrition (INVE) products?

First of all, INVE (Benchmark) is a trustworthy company and known to be reliable. Since starting to work with them I have been producing shrimp successfully, and their products have helped me to prevent and solve the main production challenges, such as white faeces syndrome, EMS, environmental pollution and vibriosis. Being a distributor of aquaculture products, I have wanted to share my experience and recommend and encourage my customers to use INVE (Benchmark) products in order to be as successful as me.

Which ones do you use and why?

In terms of feeds I use the S-Pak range as well as Frippak Raceway, as I do not have a nursey at my farm but stock the post-larvae directly from the hatchery to the grow-out farm. This means the shrimp are small when first stocked into the grow-out ponds and would otherwise struggle to find feed due the strength of the currents from the paddle wheels as well as the size of my ponds. The S-Pak range is therefore very important at the early stages, as its high-quality protein content makes it very enticing as well as giving it good water stability. This product is very complete in terms of nutritional value but will also boost their health since it contains immune-enhancer (not provided in regular starter diets).

Frippak Raceway has very suitable pellet sizes for the early stages of shrimp culture. It has the most complete nutritional profile for good shrimp growth, particularly at the early stages when the growth rate is the highest.

How do you help to ensure the health of your shrimp and maintain suitable water quality in the pond?

First, analysis is done, based on visual observation compared to optimum health standards and our experience in shrimp production. This analysis is done on the feed tray, by observing shrimp behaviour, their colour, the content of the gut, their shape, the faeces and the leftover feed in the tray.

Additionally, we sample the water and the shrimp once or twice a week and these samples are then analysed in a lab. These tests check the water quality as well as the shrimps' biological condition and we screen for pathogens (such as bacteria, viruses and microsporidia), conduct intestinal checks and histopathology and check the water chemistry.

Once we have the analysis reports from both the lab and our on-site visual observations, we will take actions accordingly and fine-tune our production protocols if necessary. For example, if we see a rise in vibriosis count in the environment over time, we will use INVE's (Benchmark) Sanocare PUR to disinfect the water, in order to reduce the concentration of vibriosis in the environment. Six hours later we will apply Sanolife Pro W, INVE's (Benchmark) Bacillus-based probiotic, to populate the pond with beneficial bacteria in order to limit the growth of harmful bacteria.

How do you choose which products to be used in each pond?

There are countless health products in the market, for a wide range of prices and I choose them based on their value and returns. Some might appear expensive but are actually helping improve farm conditions, performance and profitability.

Another important point is their ease of use. For instance, Sanolife Pro W environmental probiotics are highly concentrated and do not require fermentation. As the product can be directly applied to the water there's no risk of cross-contamination, unlike those that require fermentation. When applying it in the pond we can be confident about what is going into the environment and get the results we can expect: control of harmful bacteria, a reduction of pH fluctuations and the creation of an optimum environment for the shrimp throughout the culture period.

How has optimising your feed and health strategies affected the performance of your shrimp ponds?

Optimising our feed management and health protocols have helped us achieve a consistent and sustainable level of production, which helps us manage our cash flow. It has also reduced the risks of challenges such as disease outbreaks and our shrimp now have a consistent growth rate.

In our farm area in Surat Thani, for example, white spot disease (WSSV) outbreaks are very common, but our farm has managed to avoid infections from WSSV by using smart disinfectants and probiotics to increase biosecurity. Besides WSSV, white faeces syndrome (WFS) has been adversely affecting the zoo-technical performance of the farms in the area for about two years. We have also seen this syndrome but only 10-15% of our shrimp are affected and we can still control production until the shrimp reach our target harvest size, which tends to be between 15-25g, depending on market demand. Other farms in the area have had to harvest prematurely when hit by WFS.

How would you like to see your own farm develop?

Shrimp farming relies on the surrounding environment. Using products that are not environmentally friendly and safe can reduce the sustainability of the whole shrimp industry. Our farm will therefore develop in an environmental friendly way to ensure the sustainability of the industry.

Our farm only uses registered products that are safe for the environment and our production methods have to be sustainable — for example, minimising the release of waste water and treating it before release. Worker safety must also be considered.

How do you think Benchmark's Advanced Nutriton can help you achieve your goals?

By continuing to supply top quality products that follow good standard manufacturing processes. Continuous development of such products and services to answer farmers' needs in a sustainable way will definitely help our shrimp business too.

How do you see the shrimp sector as a whole developing over the next decade?

Shrimp farming will become more difficult every year. Problems and challenges such as diseases, shrimp prices and regulations will affect production. Added to that, global competition is getting tougher, which also has an impact on the business.

The environment is deteriorating and water and soil are getting more and more polluted. Shrimp farming must therefore constantly evolve and new farming and production methods (such as indoor farms, nurseries and zero-water exchange systems) should be studied and evaluated to overcome future challenges.

Another key factor for the successful future of the shrimp industry is the ongoing genetics work. Improvements in disease resistance, growth rates and the adaptability of shrimp to changing environmental parameters are factors that will affect sustainable development of our industry.

DIVISIONAL REVIEW:

GENETICS

> To strengthen our position in international markets, this year we created the global brand Benchmark Genetics, merging our existing entities to create an international platform to support our strategy of delivering sustained genetic improvement to the aquaculture sector.

Jan-Emil Johannessen
Head of Benchmark Genetics

Strategic Progress

Growth in salmon market to meet demand

- Official opening of new land-based salmon egg production facility in Norway. Production is progressing to plan with the first delivery of 35million eggs in Norway during summer 2019 (for more information see page 38).
- Launch of Benchmark Genetics in Chile, the world's second largest salmon producing country. The business is now taking ownership of a local breeding facility to continue to build presence in the market, following the dissolution of the joint venture with AquaChile.
- Increased market share in Scotland due to demand for Benchmark's highly biosecure and genetically advanced eggs from its land-based facility in Iceland.
- Strengthened position in growing land-based farming. New products developed tailored to meet requirements for land-based producers. Land-based farming is a growing method of salmon production worldwide.

Progress towards commercialisation of Specific Pathogen Resistant (SPR) shrimp

- Successful trials in Vietnam, Thailand, China and Peru
  - Performance pond trials of our SPR shrimp in three locations in Thailand under low and high salinity conditions
  - Commenced commercial trials in more than 100 ponds in more than 20 farms in Vietnam
  - Continued trials in China in three different locations.
- Broodstock production commenced at Benchmark's newly established multiplication centre in Florida, USA.
- Entered into an agreement with local partners in Thailand to build multiplication centre for the Asian market. Local production enables Benchmark's SPR disease resistant shrimp to adapt to the local environment without stress from long transportation, improving animal welfare.
- Benchmark's SPR product range includes BMKProtect®, BMK Yield®, BMKLowSal® which are selected for improved resilience, growth, survivability, and to thrive in low salinity conditions.

Tilapia genetic breakthrough and positioning for future growth

- Discovery of a significant quantitative trait locus (QTL), a small section of DNA, linked to increased levels of resistance to *Streptococcus iniae*, one of the biggest challenges in tilapia production, the world's second most farmed fish.
- First company to be granted import license for tilapia genetic material into Colombia, the third largest tilapia producing country in Latin America and one of the main tilapia fresh filet exporters to the USA[1]. First shipment of Benchmark's genetic material took place in September. Import allows Colombian farmers to benefit from robust genetic material selected for key traits such as growth, survivability, yield and disease resistance.

£39.7m
REVENUE

26%
OF GROUP REVENUE

[1] FEDEACUA.

STRATEGY IN ACTION

New Land-based Salmon Egg Production Facility

Benchmark's new facility, SalmoBreed Salten, was officially opened in May 2019. The site is the most advanced land-based facility for the production of salmon eggs in the world, located in Sørfold in northern Norway.

SalmoBreed Salten has the capacity to produce 150 million eggs annually, which is the equivalent of approximately half a million tonnes of harvested salmon. The land-based site is designed to hold stock from egg to final mature broodfish.

Jan-Emil Johannessen, Head of Benchmark Genetics commented: "The opening of our new facility in Salten was a very important milestone for Benchmark, allowing us to capitalise on our leading market position in salmon genetics and the favourable long-term market trends in the industry.

Producing on land means that we are in complete control of the spawning season and thereby able to supply our customers with high-quality salmon eggs every week of the year produced in an environment with the highest standards of biosecurity."

> It's a fantastic site, producing fantastic quality eggs and it's a dream to work here — a view of the future, of what we can do.

Stig Joar Krogli
Salten General Manager

DIVISIONAL REVIEW:

ANIMAL HEALTH

> We have streamlined our pipeline this year to focus on our core opportunities where can have the biggest impact. Winning the prestigious innovation award for CleanTreat® is recognition of the ingenuity and hard work the team has put in to develop this ground-breaking system.

John Marshall
Head of Animal Health

Strategic Progress

Progress towards commercialisation of pipeline products

Next generation sea lice treatment (BMK08)

- BMK08 continued to show >99% efficacy in two sets of commercial trials across multiple farms in Norway conducted during the year with new customers.
- Preparing for commercial launch in Q1 calendar year 2021, however regulatory timings are not within the Group's control
- Increased efficiency to maximise the number of tonnes of fish treated per day, a key metric for our customers.

CleanTreat®

- Winner of Aquaculture the AquaNor Innovation Award for CleanTreat®, the Company's breakthrough purification system which removes medicinal residues from bath treatments including BMK08.
- Began trials to test additional molecules with the CleanTreat® system to widen market uptake.
- Further optimisation of CleanTreat® system resulting in a more robust and efficient system ahead of commercial launch.

Aqua vaccines

- Focus on sea bass/sea bream and salmon following prioritisation of pipeline.
- Submission of regulatory dossier for first sea bass/sea bream vaccine. Launch expected 1H 2020 CY.
- Transfer to GMP (Good Manufacturing Practice) manufacture of near to market multivalent sea bass/sea bream vaccines, with focus on field trials in 2020.

Companion animal products

- Ongoing discussions towards establishment of a commercialisation agreement.

Growth in established markets – Salmosan®

- Increased sales of Salmosan®, Benchmark's mature sea lice product, particularly in Chile following change to direct sales model and driven by high levels of sea lice in the year.
- Obtaining regulatory approval for a new protocol to extend shelf life of established product (post-period end).

£17.7m*

REVENUE

12%

OF GROUP REVENUE

* Includes discontinued operations.

STRATEGY IN ACTION

CleanTreat® by Benchmark

CleanTreat by Benchmark
WINNER
Nor-Fishing Foundation's Innovation Award 2019
NOR-FISHING

Benchmark is setting a new environmental standard in the use of medicinal bath treatments. Medicines that are released into the sea are one of the biggest concerns in the aquaculture industry and represent a barrier to future growth.

CleanTreat® — Benchmark's water purification system removes medicines from treatment water before being discharged back into the ocean. The system also filters and removes the organic material from the treatment water including sea lice, egg strings, fish scales and faecal matter, which is an essential development in combating parasitic resistance to medicines.

This new technology provides a significant step towards a future in which no chemicals are discharged into the sea.

Neil Robertson
Benchmark's Head of CleanTreat®

How has CleanTreat® advanced since it was first launched in 2017?

Since 2017, the CleanTreat® water purification system has been deployed in Norway to support trials of our next generation sea lice treatment (BMK08). During this time our teams have worked extensively to optimise the operational aspects of the system to meet the needs of our customers.

Since the first system has been in operation we have increased the capacity and through-put by more than four times. The current system has purified more than 400,000m^3 of treatment water during field trials in Norway — the equivalent to the amount of water that would be contained in 160 Olympic-size swimming pools.

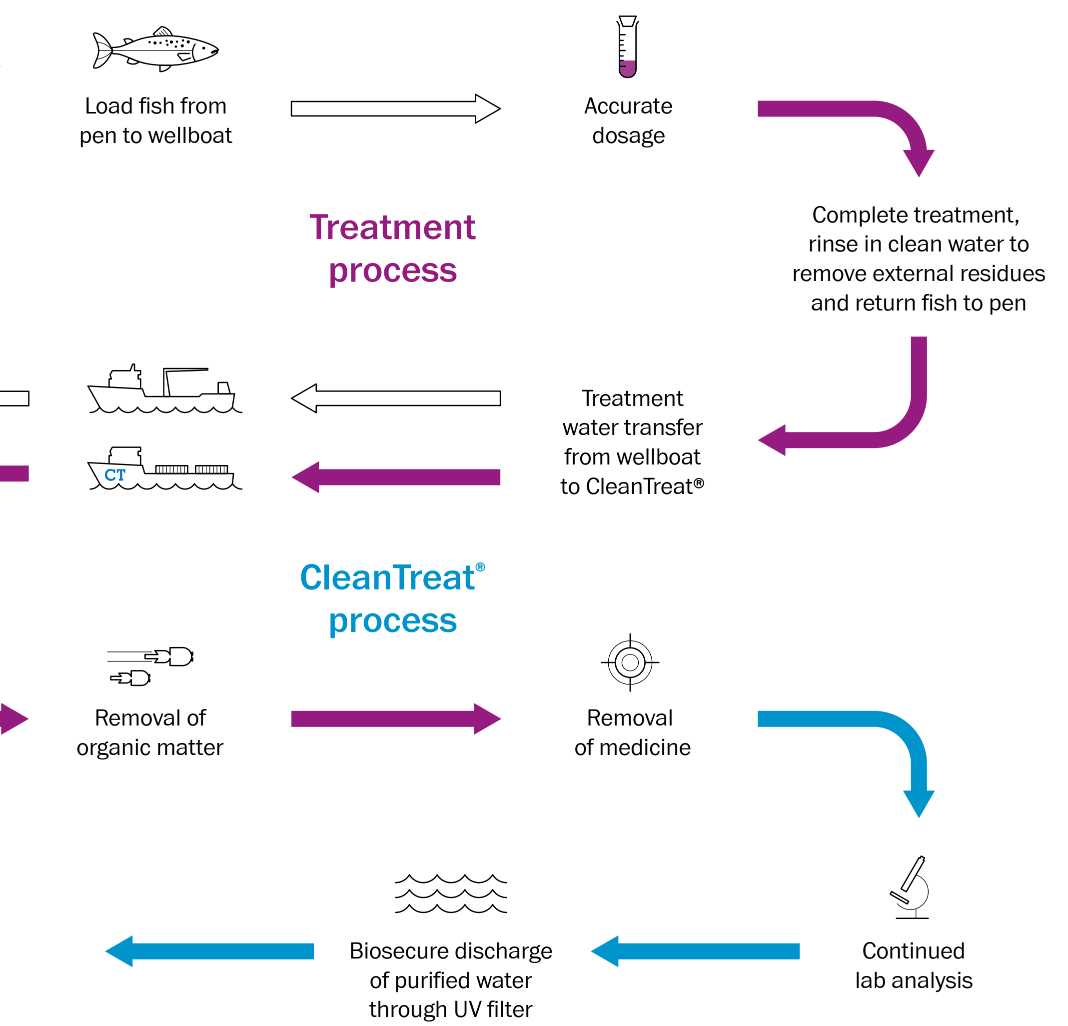
Our ongoing in-house research has demonstrated that CleanTreat® can be applied broadly in medicinal treatments across the industry. We are very excited by this development which can have a significant impact on the sustainability of the whole aquaculture industry.

What stage is CleanTreat® at in terms of market readiness?

CleanTreat® is already supporting commercial farms and as such is market ready. The current focus of the system is to support trials of BMK08 but we anticipate the system being used more widely in the medium term.

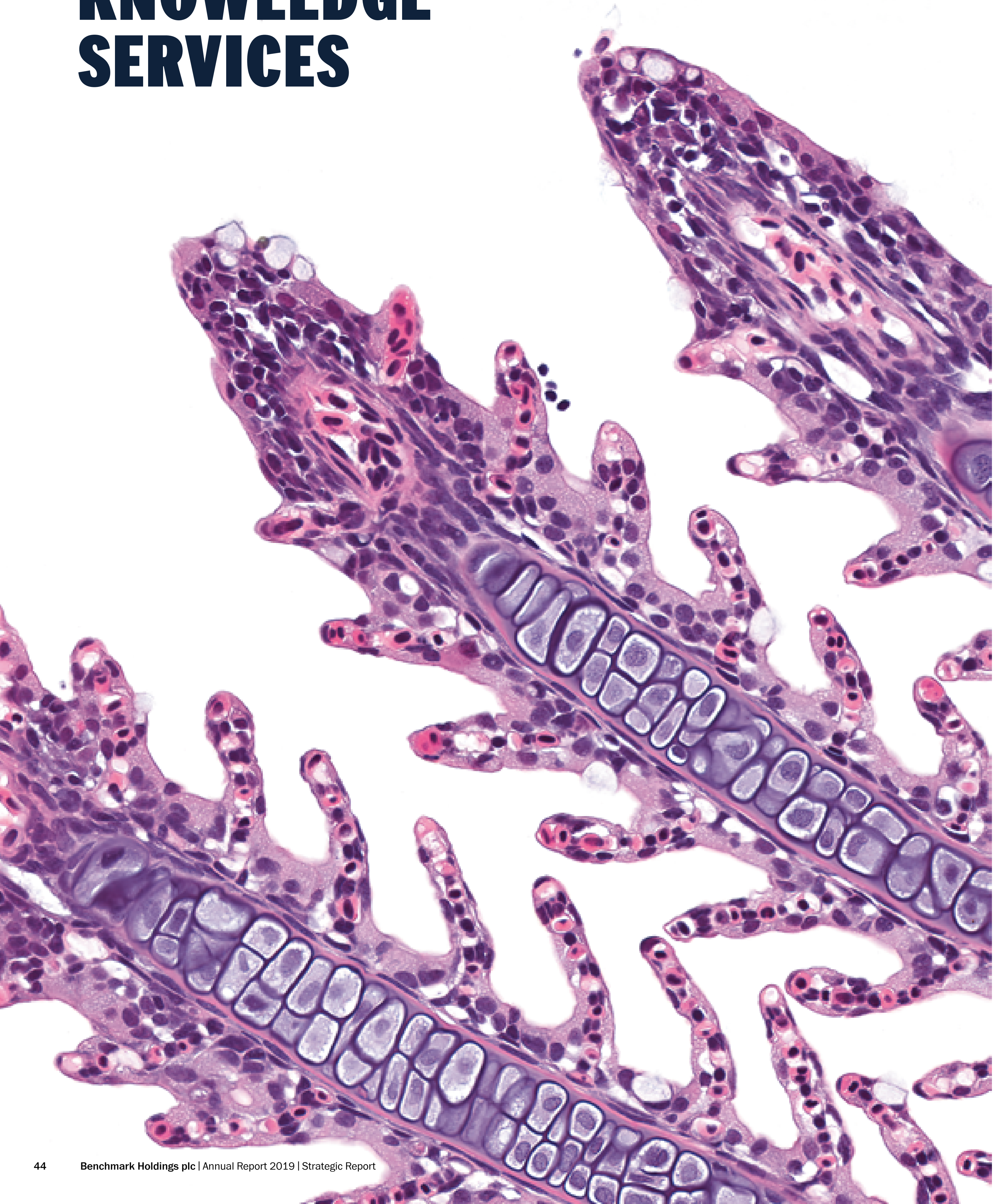
By supporting producers in delivering effective treatments with minimal environmental impact we are creating a new milestone in sustainable aquaculture.

CleanTreat® process diagram



DIVISIONAL REVIEW:

KNOWLEDGE SERVICES



We are rapidly progressing our programme of structural efficiencies and have appointed advisers for the disposal of our non-core businesses. We expect to conclude this process in 2020.

James Banfield
Head of Knowledge Services

Strategic Progress

Divestment of non-core assets

- The Company has accelerated its programme of disposals of the businesses in Knowledge Services, which are not core to the Company's strategic focus going forward.
- Disposal of the Old Pond trade publishing lists and closure of lumpfish production facilities in Aultbea and Shetland took place during the year.
- The Company has appointed advisers to commence active marketing and accelerate the disposals in remaining areas of the division.

Growth in established markets from existing capacity

Veterinary and consultancy

- Good growth in veterinary education across all markets.
- Sustainability consultancy grew in key markets with the introduction of antibiotics and disease tracking data platforms.
- Fish veterinary data platforms expanded usage across all salmon production markets.
- Fish veterinary consultancy and diagnostic services made strong progress in Norway, Scotland and Chile largely driven by successful development of diagnostic facilities in Oslo, and increased adoption of Health Portal data platform across the Norwegian salmon vet services industry.

Research and education

- Significant revenue growth in tilapia research and education in partnership with the approved Tilapia Welfare Project.

£15.9m*

REVENUE

11%

OF GROUP REVENUE

* Includes discontinued operations.

FINANCIAL REVIEW

FOCUS ON PROGRAMME OF DISPOSALS AND COST EFFICIENCIES

> The Group delivered solid growth in genetics although this was masked by a reduction in sales in nutrition caused by significant market challenges. We are very focussed on progressing our programme of disposals of non-core businesses. There are risks of a delay to timing or a shortfall in value of cash consideration against our expectations from these. The year-end liquidity of £28.2m together with the anticipated timing of and proceeds from the disposals of non-core businesses is expected to provide sufficient headroom to allow continued delivery of the refocussed aquaculture strategy.

Mark Plampin
Chief Financial Officer

[1] EBITDA is earnings before interest, tax, depreciation and amortisation and impairment — see income statement.

[2] Adjusted EBITDA which reflects underlying profitability, is EBITDA before exceptional and acquisition related items — see income statement.

[3] Adjusted Operating Profit is operating loss before exceptional items including acquisition related items and amortisation and impairment of intangible assets excluding development costs.

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

£m	2019	Restated 2018	Change %
Revenue from continuing operations	**127.3**	131.6	-3%
Gross profit from continuing operations	**66.0**	68.5	-4%
EBITDA[1] from continuing operations	**11.5**	17.8	-36%
Adjusted EBITDA[2] from continuing operations	**12.1**	19.1	-37%
Total Adjusted EBITDA[2] — incl. discontinued operations	**13.7**	17.0	-19%
Adjusted Operating Profit[3] from continuing operations	**3.6**	14.2	-75%
Operating loss from continuing operations	**(61.3)**	(3.8)	-
Loss before tax from continuing operations	**(73.3)**	(8.4)	-
Loss for the period from continuing operations	**(73.3)**	0.5	-
Loss for the period — total incl. discontinued operations	**(83.1)**	(4.4)	-
Basic earnings/(loss) per share (p)	**(15.03)**	(0.94)	-
Net debt[4]	**(87.1)**	(55.7)	-

Financial highlights

- Revenues from continuing operations of £127.3m were down 3% (2018: £131.6m), with growth in Genetics partially offsetting the drop in Advanced Nutrition due to headwinds in core shrimp and sea bass/sea bream markets
- Total revenues (including discontinued operations) were £148.7m, down 2% (2018: £151.5m). Using the same foreign exchange rates experienced in 2018 (constant currency[1]) revenue from continuing operations decreased by 3%
- Gross profit from continuing operations of £66.0m was down 4% (2018: £68.5m) resulting from reduced revenues
- Operating costs of continuing operations were £40.7m (2018: £37.0m), this increase reflects the operating costs of new production sites as they come onstream, increased costs related to currency transfers and a full year impact of increased management headcount to strengthen the Plc and Operations boards
- Expensed R&D of continuing operations £12.8m (2018: £12.0m) with the increase being focussed on protecting the market positions of the more mature Genetics and Advanced Nutrition divisions
- Adjusted EBITDA from continuing operations of £12.1m (2018: £19.1m) with the drop driven by lower sales in Advanced Nutrition and lower contribution from commercial scale field trials, offset by an increase in sales and margins in Genetics and one-off other income of £1.8m (2018: £1.0m)
- Total Adjusted EBITDA (including discontinued operations) of £13.7m (2018: £17.0m)
- Adjusted Operating Profit from continuing operations £3.6m (2018: £14.2m) reflects the lower trading performance as well as increased depreciation as the new production assets have come onstream
- Operating Loss from continuing operations £61.3m (2018: loss of £3.8m) impacted by impairments in the carrying value of intangible assets related to the INVE business driven by the change in market outlook
- Impairment of acquired intangibles in Advanced Nutrition of £44.8m as a result of a reduction in forecasts due to a material change in market outlook (impairing INVE) and impairment of tangible and intangible assets related to discontinued operations of £7.5m
- The loss for the period from discontinued operations of £9.8m (2018: £4.9m) has been impacted by depreciation, amortisation and impairments on intangible and tangible assets of £10.6m, a £7.4m increase over the previous year (2018: £3.2m) mainly as a result of impairment charges following the decision to exit these businesses
- Loss for the period of £83.1m (2018: loss of £4.4m) reflects the impairments as well as increased finance costs of £12.1m (2018: £4.6m) resulting from the refinancing completed during the year, the higher level of net debt and higher foreign exchange losses
- Total investment in R&D increased by 6% to £20.5m (2018: £19.2m) (16% of revenue from continuing operations (2018: 15%)) driven by products close to launch and additional investment in Genetics and Advanced Nutrition to maintain leadership in our core markets
- Capex on tangible assets of £12.5m down from £25.1m following completion of the new salmon egg production facility in Norway, returning to a normalised level which includes maintenance capex and planned investments to support growth
- Free cash flow[1] was an outflow of £23.9m (2018: outflow of £36.2m) with the reduction resulting from substantially lower capex partially offset by an increased outflow to net working capital principly due to growth in biological assets at new production facilities
- During the year the Company completed a refinancing via a new senior secured floating rate listed bond issue of NOK 850m (USD 95.0m equivalent) and a USD 15.0m revolving credit facility
- Net debt at the end of the year was £87.1m (2018: £55.7m) as a result of the total investment in R&D (particularly the next generation sea lice treatment), and an increase in working capital
- Year-end liquidity (undrawn facilities plus cash balances) £28.2m, well within the covenant threshold
- Programme of disposal of non-core businesses under way, the timing and proceeds from these actions are fundamental for Benchmark to maintain sufficient liquidity to execute the Group's product development programme and to support its continuing operations

Adjusted measures

We continue to use adjusted results as our primary measures of financial performance. We believe that these adjusted measures enable a better evaluation of our underlying performance. This is how the Board monitors the progress of the Group.

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"). The activities of the Group's equity accounted investees are closely aligned with the Group's principal activities, as these arrangements were set up to exploit opportunities from the IP held within the Group. As a result, to ensure that adjusted performance measures are more meaningful, the Group's share of the results of these entities is included within Adjusted EBITDA. We also report this adjusted measure after depreciation and amortisation of capitalised development costs ("Adjusted Operating Profit") as the Board consider this reflects the result after taking account of the utilisation of the recently expanded production capacity. Cash flow is monitored using a free cash flow measure, which is defined as net cash flows from operating activities less capital expenditure (net of disposals). Liquidity, being cash and undrawn facilities, is an important metric for management of the business as it gives a measure of the available liquid funds and is also a key financial covenant in the Group's main debt facilities.

	Revenue				Adjusted EBITDA			
	Actual currency			Constant Currency[1]	Actual currency			Constant Currency[1]
	2019 £000	2018 £000	Movement %	Movement %	2019 £000	2018 £000	Movement %	Movement %
Animal Health	17,742	16,153	10%	11%	(10,197)	(10,992)	7%	7%
Genetics	39,696	35,755	11%	17%	10,075	7,871	28%	44%
Advanced Nutrition	76,776	85,746	-10%	-15%	15,406	21,627	-29%	-33%
Knowledge Services	15,881	15,786	1%	1%	1,264	203	523%	521%
Other/intersegment	(1,356)	(1,973)	31%	31%	(2,823)	(1,691)	-67%	-67%
Total	**148,739**	**151,467**	**-2%**	**-3%**	**13,725**	**17,018**	**-19%**	**-17%**

The individual divisions Revenue and Adjusted EBITDA include inter-segment trade and within Animal Health discontinued operations.

[1] See Note 37 and Glossary on page 190 for calculation and definition of adjusted measures.

Revenue and Adjusted EBITDA

Group

The Advanced Nutrition division experienced very challenging market conditions in 2019 that led to a reduction in revenue, which was partially offset by growth in Genetics and as a result Group revenue from continuing operations decreased by 3% to £127.3m in the year (2018: £131.6m). The reduction in sales meant that Gross Profit from continuing operations decreased to £66.0m (2018: £68.5m) and Gross Margin remaining stead at 52% (2018: 52%) as prices remained relatively resilient albeit some price weakness was experienced in certain live feed products. In addition, there was a reduced contribution in Health from commercial scale field trials.

Total Group operating costs of continuing operations increased by 10% to £40.7m (2018: £37.0m). This increase reflects the operating costs of new production sites as they come on stream, increased costs related to currency transfers and a full year impact of increased management headcount to strengthen the Plc and Operations boards. Opex was reduced by other income of £1.8m (2018: £1.0m), mainly from R&D expenditure credits and proceeds from successful IP infringement cases. Expensed R&D of continuing operations increased to £12.8m (2018: £12.0m) with the increase being focussed on protecting the market positions of the more mature Genetics and Advanced Nutrition divisions as well as progressing the main pipeline opportunities in Animal Health.

Adjusted EBITDA from continuing operations decreased by 37% to £12.1m (2018: £19.1m) with the drop driven by lower sales in Advanced Nutrition and lower contribution from commercial scale field trials, offset by an increase in sales and margins in Genetics and one-off other income. Adjusted Operating Profit from continuing operations decreased to £3.6m (2018: £14.2m) due to the lower trading result combined with increased depreciation charges reflecting the contribution of the recently constructed production assets.

Total revenues (including discontinued operations) were £148.7m, down 2% (2018: £151.5m). Using the same foreign exchange rates experienced in 2018 (constant currency[1]) revenue from continuing operations decreased by 3%. Total Adjusted EBITDA (including discontinued operations) decreased by 19% to £13.7m (2018: £17.0m). Using constant currency total Adjusted EBITDA decreased by 17%.

Advanced Nutrition

Revenue of £76.8m down 10% (2018: £85.7m) as a result of weak markets and aggressive price competition from CIS Artemia producers after a strong harvest. By product our live feed products were the most affected with volumes and revenues (in USD) down 23%, whilst specialist diets and health showed relative resilience with revenues (in USD) down 5% and 4%, respectively.

Strategically we maintained our prices and our premium positioning, which reflect our technical superiority. The weak demand environment did result in the division absorbing some increases in cost of sales and, while operating costs were tightly controlled and benefitted from the profit on sale of a property and the proceeds of IP infringement settlements, Advanced Nutrition reported a reduced Adjusted EBITDA result of £15.4m (2018: £21.6m) with a margin of 20% (2018: 25%). The weaker market outlook has resulted in an impairment of £44.8m to the carrying values of goodwill in the INVE business.

Genetics

Good growth in revenue and Adjusted EBITDA driven by an increase in salmon egg volumes (+16%) and prices reflecting our continued innovation and launch of new traits. Revenues of £39.7m were up 11% (2018: £35.8m), ahead of growth in the sector. The Company's ongoing innovation together with its investment in quality, biosecurity and availability of supply through our new production facilities will support future growth. The dissolution of the joint venture with AquaChile is now complete including transfer of ownership of the Ensenada salmon egg hatchery which will form the platform to establish Chilean production. The valuation of biological assets increased by £8.3m (2018: £4.0m) driven by the growth in sales in the year, the strong order book at the year end and the increasing output potential of the new production sites. As the division's new shrimp genetics get closer to market launch the costs of development were capitalised for the first time, with £1.5m capitalised in the year. These factors supported growth in gross margins to 64% (2018: 58%). Operating costs increased in line with the increase in production capacity in salmon and shrimp. As a result, the division delivered strong Adjusted EBITDA growth to £10.1m (2018: £7.9m) with Adjusted EBITDA margin rising to 25% (2018: 22%).

Animal Health

Revenue of £17.7m up 10% (2018: £16.2m). Growth was driven by an increase in sales of Salmosan®, the Company's current sea lice treatment. This reflects the challenge of high sea lice levels, particularly in Chile. The Company continued to generate a contribution from commercial scale field trials of its next generation sea lice treatment (BMK08), although at a lower level than the prior year, as we approach commercial launch and the programme of trials in our main market reaches conclusion. Revenues from veterinary and diagnostics services also grew during the year.

Total R&D investment in the division was £11.2m (2018: £12.2m), of which £5.7m was expensed (2018: £5.6m). During the year the Company began a programme to reduce overall R&D spend while continuing to progress the main pipeline opportunities. This involved a streamlining of external R&D spend and a review of in-house trials facilities. The impact from this effort will come through from 2020 onwards.

Adjusted EBITDA loss narrowed for the division to £10.2m (2018: loss of £11.0m).

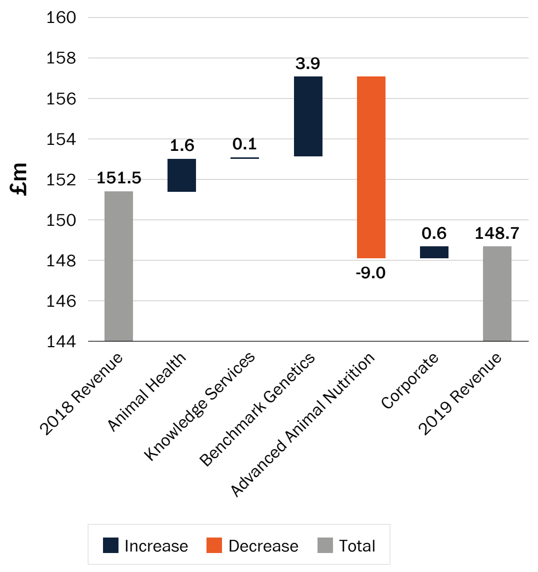
Knowledge Services

All operations of the division are included within discontinued. Revenue in this division in 2019 was £15.9m (2018: £15.8m) with associated Adjusted EBITDA of £1.3m (2018: £0.2m). Revenue was flat with a particularly strong performance in veterinary training offset by reduced sales in other businesses. Despite being broadly complementary to Benchmark's core activities, the Knowledge Services division is not integral to the Group's long-term strategy. Therefore, the disposal of the component businesses is part of the programme of structural efficiencies. The Company is in discussions with a number of interested parties and further announcements will be made in due course.

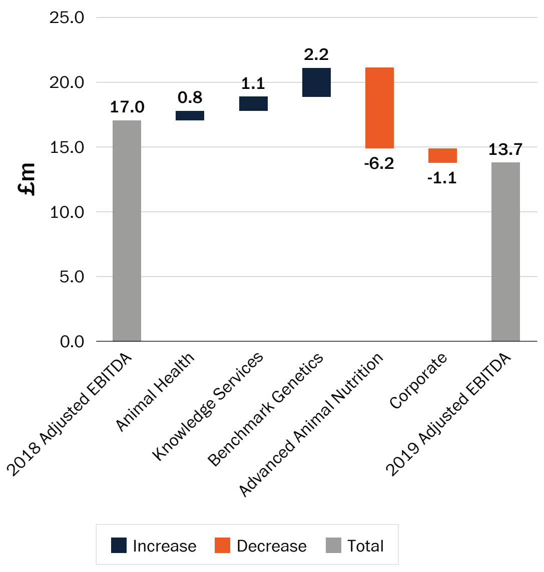
Group Revenue from Continuing Operations

Adjusted EBITDA from Continuing Operations

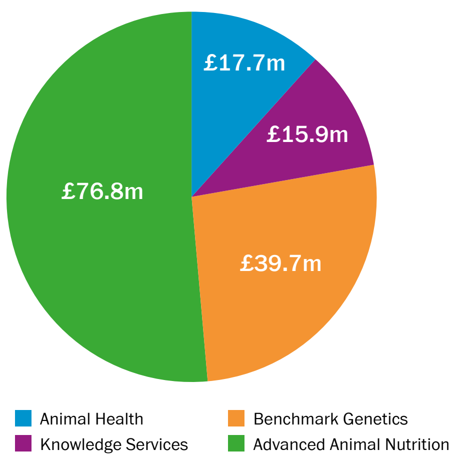
Total Group Revenue by Division (incl. Discontinued Operations)



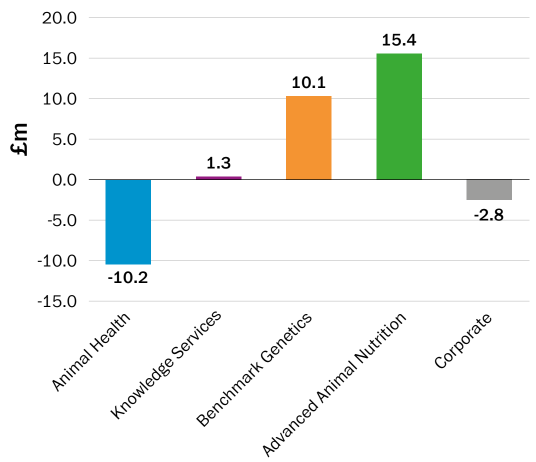
Total Adjusted EBITDA bridge by Division (incl. Discontinued Operations)



Total Group Revenue by Division (incl. Discontinued Operations)

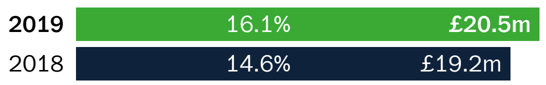


Total Adjusted EBITDA by Division (incl. Discontinued Operations)



Headcount 2019

Investment in R&D (including capitalised)



Exceptional items

Items that are material because of their nature 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. Exceptional expenses related to continuing operations of £0.6m (2018: £1.2m) derive from the changes in Group management. Exceptional expenses relating to discontinued operations of £0.7m (2018: £nil) include costs of closure of operations in the Knowledge Services division.

Depreciation, amortisation and impairments

Depreciation and impairments related to continuing operations of £8.5m (2018: £4.9m) with the increase principally arising from new production facilities coming on stream.

Amortisation and impairments related to continuing operations of £64.3m (2018: £16.8m) with the increase being due to impairments in the carrying value of goodwill related to the INVE business driven by the change in market outlook.

Net finance costs

During the year the Company completed a new senior secured floating rate bond issue of NOK 850m (USD 95.0m equivalent). The bond which matures in June 2023, will be listed on the Oslo market and has a coupon equivalent to the three months Norwegian Interbank Offered Rate + 5.25% p.a. with quarterly interest payments. This new bond issue was applied to refinance Benchmark's previous USD 90m revolving credit facility. In addition, a USD 15.0m revolving credit facility was provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%). The revolving credit facility incurs interest in the range of 3.0 to 3.5% over London Interbank Offered Rate. The Group's other ring-fenced facilities remained in place including facilities totalling NOK 291m related to the funding of the new salmon egg production facility in Norway. Interest on these other debt facilities ranges between 2.65% above Norwegian base rates and 5%.

The Group incurred net finance costs from continuing operations of £12.1m during the year (2018: £4.6m). Included within this was interest charged on the Group's interest-bearing debt facilities of £6.0m (2018: £2.4m) reflecting a higher level of net debt during the year and the higher coupon post refinancing. Further, a foreign exchange loss of £4.6m arose due to the movement in exchange rates and there was a charge of £1.7m (2018: £nil) relating to the fair value change in the cross currency hedge taken out during the year.

Statutory loss before tax

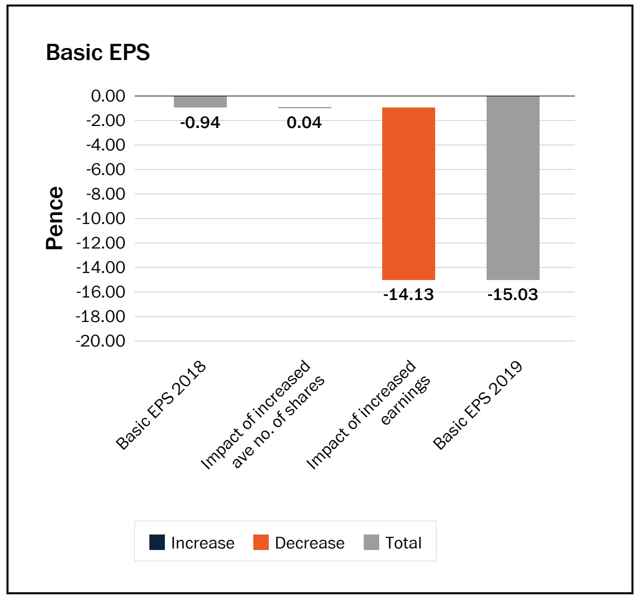
The loss before tax from continuing operations for the year at £73.3m is higher than the prior year (2018: loss of £8.4m) due to the impact of the reduced trading result; higher depreciation, amortisation, and in particular impairment charges; and the increase in finance costs and exceptional costs; all as outlined above.

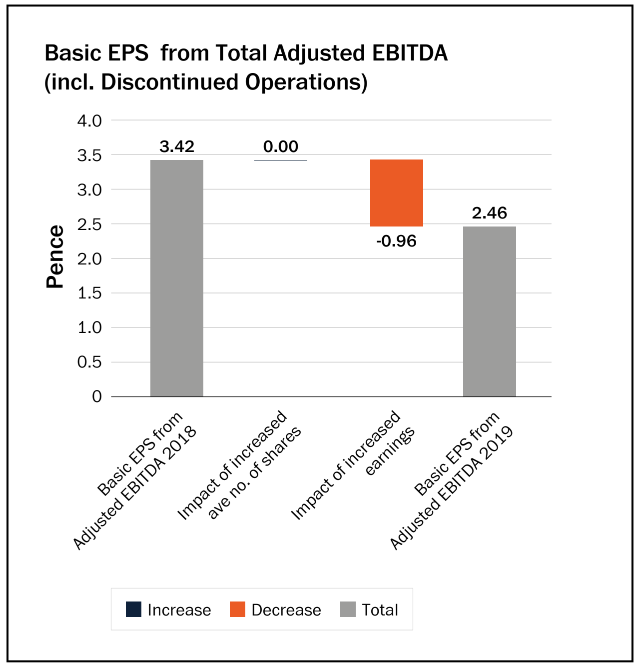
Taxation

There was a tax credit related to continuing operations in the period of £13,000 (2018: credit of £8.9m), mainly due to overseas tax charges in the Genetics division of £1.5m and in the Advanced Nutrition division of £2.6m, offset by deferred tax credits on intangible assets mainly arising on consolidation from acquisitions (the 2018 credit principally related to a reduction in the corporation tax rate in Belgium from 34% to 25%), recognition of a deferred tax asset on losses expected to be recovered.

Loss for the year

The loss for the year from continuing operations was £73.3m (2018: profit of £0.5m) and from discontinued operations the loss was £9.8m (2018: loss of £4.9m).





Earnings per share

Basic loss and diluted loss per share were both -15.03p (2018: loss per share -0.94p). The movement year on year is due to the reduced result for the year as noted above.

Dividends

No dividends have been paid or proposed in the year (2018: £nil) and the Board is not recommending a final dividend in respect of the year ended 30 September 2019.

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 2019, the carrying value of biological assets was £28.5m (2018: £20.4m). 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 as well as expansion of own production.

Intangibles

Capitalised R&D increased by £0.5m to £7.7m (2018: £7.2m). 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. Increased activities related to trials of and progress with the marketing authorisation application for BMK08 pushed capitalised development costs higher, together with the first time capitalisation of the new shrimp genetics. As Benchmark goes through a period of an increasing number of new products approaching launch this capitalisation will be an ongoing feature in the mid-term.

The dissolution of the genetics joint venture in Chile, and the consequent transfer of assets to Benchmark to part satisfy return of the original investment, led to an intangible addition representing the IP inherent within the breeding programme in Chile.

The impairment of intangible assets during the year of £47.6m principally relates to impairment of the goodwill from the acquisition of INVE where the change in market outlook has led to a reduction in value of the discounted cash flows for the Advanced Nutrition division.

Capital expenditure

Tangible fixed asset additions of £12.5m (2018: £25.1m) includes £1.0m cash investment in the final phase of the construction of the new salmon egg production facility in Norway, £4.1m initial investment in the new salmon egg production facility in Chile (transferred on dissolution of the previous JV) and £2.2m on improvements to salmon slaughter facilities in Iceland that are a vital part of the egg production process.

Cash flow

Net cash flow from operations was an outflow of £9.2m (2018: outflow of £3.7m) principally due to working capital increases: in Advanced Nutrition from purchase commitments with key live feed suppliers and in general the phasing of sales towards year end in general. In addition, the build of biological assets at new genetics production facilities resulted in an increased outflow in working capital of £8.6m (2018: outflow of £4.1m).

Total outflows to capex of £15.8m (2018: £32.7m) were substantially reduced because investment in the new salmon egg facility concluded at the beginning of the year.

Other cash flow items included the payment of the deferred consideration of £7.0m for the investment in the joint venture with AquaChile which was completed in 2018 and the initial consideration received on the subsequent dissolution of that joint venture in 2019 of £5.9m. The balance of the consideration for the dissolution of the joint venture of £6.9m was received post year end.

As a result of the above free cash flow was an outflow of £23.9m (2018: outflow of £36.2m). Net proceeds from increased borrowings of £21.4m were used to fund this outflow.

Cash at the period end stood at £16.1m (2018: £24.1m).

Liquidity and net debt

The Group's finance function is responsible for sourcing and structuring borrowing requirements.

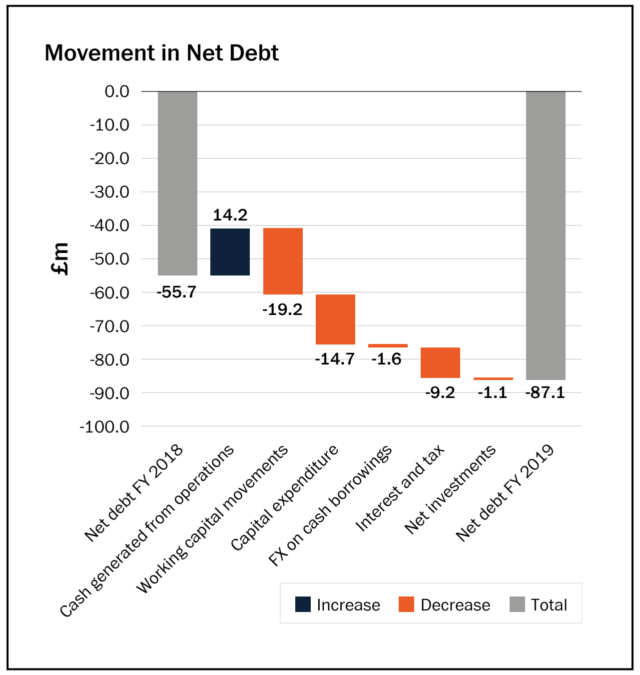
As detailed under net finance costs above, during the year the Company completed a refinancing including a new senior secured floating rate bond issue of NOK 850m (USD 95.0m equivalent) and a USD 15.0m revolving credit facility. The Group's other ring-fenced facilities remained in place including facilities totalling NOK 291m related to the funding of the new salmon egg production facility in Norway.

The Group had £103.2m in bank borrowings at the end of the year (2018: £79.7m). Reported debt includes £27.1m in relation to the funding of the Group's new salmon egg production facility in Norway. This is ring-fenced debt within SalmoBreed Salten without recourse to the rest of the Group. At the year end a maximum of £12.2m was available on the Group's super senior revolving credit facility, of this £nil had been drawn. Net debt increased to £87.1m during the year (2018: £55.7m) as investment in working capital expanded and available long-term capital was invested in R&D and production capacity.

There is an information undertaking within the terms of the NOK bond that requires the Company to publish quarterly financial statements within 60 days of the quarter end. The Company did not satisfy this requirement for the quarter to 30 September 2019 because the year end audit was not sufficiently complete for the publication of what would have effectively been deemed a Preliminary Announcement by reference to the UK Listing Rules. The NOK bond terms include permission for the Company to publish the quarterly financials within 20 business days of the end of the initial 60 day period.

The Company satisfied the requirements of the NOK bond terms by announcing its quarterly financials simultaneously with the announcement of its preliminary results for the year ended 30 September 2019 on 20 December 2019.

The facilities combined with the year end cash balance of £16.1m means the Group had total liquidity of £28.2m. This, in conjunction with the expected proceeds from the disposal of non-core businesses and the reduction in cash outflows resulting from closing certain non-core activities is expected by the Directors to provide the Group with sufficient liquidity to fund continuing growth and provide adequate headroom.



SUSTAINABILITY

Making solid progress in our sustainability journey

Following our renewed commitment last year to becoming a leader in corporate sustainability and putting this into action through the foundational work we undertook in 2018, we are pleased to report that we have made continuous progress throughout 2019.

We believe that by integrating our sustainability initiatives within our business and across the sectors we serve, we can create happier people, give animals a life worth living and contribute to a healthier planet.

Being a responsible business

As a global company, we are committed to doing our part in the global environment and the societal issues we have control over.

Programme area	Goal	Issues being addressed	What we have done this year
Being Well	**Care for our people and empowering them to reach their personal potential**	• Employment • T&Cs • Diversity • Career development • Health & safety • Living wage • Mental health	• Continued our employee focus groups, townhall meetings and employee webinars to facilitate dialogue and engagement around our Being Well programme. • This was supported by our first annual employee survey (People Insights) which provided us with baseline data from which to measure and track progress year on year. • Code of conduct completed. • Following publication of our 2017 UK Gender Pay Gap report, in 2018 we extended the scope and published our first International Gender Pay Gap report. • A programme of unconscious bias training was piloted in the UK. • Two cohorts progress through our Management Development Programme during the period. • Continued integration of H&S programme and Code of Conduct. • 40% reduction in the group's accident rate, with a notable 50% reduction across our farm sites. • Global health safety and well-being day held across all international sites (see case study on page 59). • Established and trained a network of mental health first aiders who are accessible to employees at every location. • Investment and support continued for our Employee Assistance Programme UK employees.
Industry Leadership	**Leading by example and engaging, supporting and developing initiatives that promote sustainability in the food chain**	• Benchmark's perception and stakeholder relationships • Key sustainability areas (e.g. antibiotic resistance, climate warming, declining fish feed) • Practical and validated measures to compare and monitor data	• Published our inaugural 'Benchmark Insights' thought leadership book. The first edition focussed on Technologies shaping the future of shrimp production. • Hosted an investor roundtable: Investing in a sustainable future for aquaculture attended by 40+ investors, brokers and analysts in London. • Included in sixth edition of '*1000 Companies to Inspire Britain*'. • Awarded Green Economy Mark by LSE. • CleanTreat® won the AquaNor Innovation Award, recognition for the innovative solution to reduce the environmental impact of chemical based bath treatments.
Environment	**Care for our planet whilst operating our business responsibly**	• Ocean acidification • Biodiversity • Quality of local environment • Stakeholder relationships • Clean energy • Practical and validated measures to compare and monitor data	• Purified 400,000m^3 of medicated sea lice treatment water via our CleanTreat® water purification system. • SalmoBreed Salten installed a small hydroelectric plant which will produce 15% of their energy requirements. • Thailand Advanced Nutrition production facility have installed a new effluent treatment plant with the capacity to meet future requirements. The plant will ensure that waste water leaving the plant is well within required quality limits.
Animal Health and Welfare	**Care for all our animals and those impacted by our products and services by providing what keeps them healthy and what they want**	• Injuries • Mortality • Behaviour • Mobility • Disease • Valid measures • Antibiotic use (criticals)	• Ongoing inventory and assessment of the implementation of Animal Welfare Outcome Measures across all Benchmark sites. • New target to ensure tailored, species specific training to all employees responsible for the health and welfare of animals under our care by 2022. • Continued implementation of 3Rs across all sites. • Sponsored Aquaculture Awards 2019 'Animal Welfare Category'. • Ongoing supply of genetic stock (salmon, shrimp, tilapia) with increased resistance to major disease challenges (IPN, sea lice, PD, ISA, CMS, AGD).
Communities	**Making a meaningful and positive impact on the communities in which we operate**		• As a group of engaged employees we removed over 6,000 pieces of plastic and litter from beaches, waterways, paths and parks in the UK, Belgium, Italy, the USA and Mexico via our Plogging Challenge (see case study on page 69). • Ongoing support for local community projects in Thailand, including donations of food, electronic devices and essential supplies, and knowledge sharing with local hospitals and schools. • Hosted a series of workshops in Colombia to educate students about a variety of environmental issues including pollution, water usage, tree conservation, regenerative farming techniques, ocean health and more.

Being Well

Caring for our people and empowering them to reach their personal potential.

The founding vision for Benchmark was to build a profitable, thriving and ethical company in which our employees feel inspired, valued and motivated to come to work. Our success depends on our people and those we affect, directly or indirectly and we are committed to conducting ourselves in an ethical manner and acting with integrity.

Improving communications

We have continued our employee focus groups, townhall meetings and webinars to help improve communication flow across all levels of the business. The Company recognises more work is needed to improve this. As such, a new Intranet will be launched in 2020, which will include built-in language translation across all of our major geographies, easy and reliable access via mobiles and tablets, and a more interactive, user-friendly and platform.

Benchmarking our progress

In collaboration with People Insights in May 2019, we carried out our first annual employee survey which provided us with baseline data from which to measure and track progress year on year. There was a high level of participation (82%) and expectations about management's response to feedback are high. Employee engagement level was also high at 84% and the drivers of engagement (the sense of purpose, quality, confidence in leadership responsiveness, development opportunities and having interesting work) are all strong. These trends were less positive at divisional and company level indicating clear areas where action and improvements are needed.

Employee Survey (829 Responses)

Survey response rate

82%

2 Points above average

Belief in action

63%

13 Points above average

Striving for equality, diversity and inclusion

We believe in transparency and strive to attract a diverse workforce and provide equal opportunities throughout the business. In 2018, we welcomed the introduction of mandatory gender pay gap reporting in the UK as a positive step for diversity, gender equality and increased transparency. We valued the conversations and momentum this brought and as a result we have widened our reach and reported figures globally.

Gender pay gap reporting provides us with visibility on:

- Where we need to take action
- Diversity and inclusion in the workplace
- Risk of equal pay claims and attrition

We are pleased to report that in comparison to the previous year we have reduced the mean gender pay gap by 10% and median by 5% in the UK. Our results for Europe and the Americas follow a similar trend in terms of having significantly more males than females in our two upper pay bands. In contrast, in Asia, where one of our biggest factories is located, there are predominately more men in lower paid roles and more women in senior positions. The calculated gender pay gap shows that our female employees earn more on average than male employees. We recognise that we still have work to do. We know that across the business proportionally we have fewer women in leadership roles, which, on average, attract higher pay rates and we are committed to creating a more evenly balanced gender workforce going forward.

Code of conduct

In order to set out a benchmark for our standards across all of our operations, we have produced a Code of Conduct to provide our employees with a guide and reference to support day-to-day decision making and provide clarity about how we do business.

Safety for all

Our message about health and safety at work is simple: every employee has the right to go home unharmed and every one of us is responsible for ensuring that we do. Our network of Health, Safety and Environmental representatives embedded through the business continue to work closely with Andy Baker, Group Health, Safety and Environment Manager, to monitor and improve health and safety across the Group. Every employee is required to sign up to our commitment to health and safety. This is supported and reinforced throughout the year via training and initiatives with a focus on effective corrective and preventative action. Additionally, safety representatives at every facility meet on a monthly conference call to review performance and drive best practices. The consequence has been a 40% reduction in the Group's accident rate with a notable achievement across our farm sites who throughout the year collectively reduced their accident rate by 50%.

Promoting positive mental health

A programme has been put in place to address mental health concerns in the workplace. As a first step, a group of employees have been trained by Mental Health First Aid (MHFA) England to become a Mental Health First Aider trainer with the aim to have at least one Mental Health First Aider at each of our sites. The first training course took place during September and involved employees from the UK, Belgium and Iceland. There are now 15 trained mental health first aiders who are available for any employee to contact. Moving forward, we intend to build on the first aid programme by providing managers with training in the recognition of symptoms and the implementation of appropriate workplace preventative measures.

40%

reduction in the Group's accident rate

GLOBAL HEALTH & SAFETY DAY

> It's a great opportunity to discuss health and safety, away from the day job and identify practices that can be improved or different ways of doing things. Benchmark has an open culture but it's important to keep these discussions up so that people at all levels of the business feel comfortable raising concerns. Everyone has a role to play in driving forward health & safety at Benchmark so that it is a truly safe place to work. We now have to put all the great ideas that were generated into practice!

Andy Baker
Group HSE Manager

Industry Leadership

Society increasingly looks to companies such as ours to help address the most pressing global issues. We believe in leading by example and engaging, supporting and developing initiatives that promote sustainability in the food chain.

Sharing best practice and insights

Wherever possible, we pay it forward by sharing our knowledge and expertise. This is why we have launched a new 'Benchmark Insights' thought leadership series designed to shine a spotlight on some of the biggest challenges and opportunities facing our industries as well as highlight solutions, new technologies and the people and companies driving progress. Our first edition focussed on the '*Technologies shaping the future of shrimp production*' and was launched at the World Shrimp Conference in Thailand (see case study page 62).

On the same day in London, we also hosted our first investor roundtable — *Investing in a Sustainable Future for Aquaculture* to explore the risks, challenges and opportunities facing aquaculture, the role of technology in addressing these challenges and the rise of sustainability as a business imperative. The two-hour session was chaired by Rob Fletcher, senior editor of The Fish Site. He was joined by panellists Lucy Holmes, Senior Program Manager (WWF), Jason Carter, Aquaculture Investment Manager (IDH), Faazi Adam, Research Manager (FAIRR Initiative), Mike Vielings, Founder/Managing Partner (AquaSpark) and Oistein Thorsen, Director, Benchmark. Over 45 investors, brokers and analysts attended the event.

Proud to be recognised

Our CleanTreat® water purification system won the prestigious 2019 AquaNor Innovation Award in recognition of its ability to reduce the potential environment impact of chemical-based bath treatments by removing medicines from treatment water before releasing purified water back into the sea. To date the system has purified more than 400,000m^3 of treatment water in Norway.

Benchmark was included for the sixth consecutive year in '*1000 Companies to Inspire Britain*' and was awarded the Green Economy Mark from LSE (London Stock Exchange) which recognises AIM and Main Market companies that derive 50% or more of their total annual revenues from products and services that contribute to the global green economy.

BENCHMARK INSIGHTS:

Technologies shaping the future of shrimp production

Image: The 'Benchmark Insights' Thought Leadership publication focusing on the shrimp industries challenges.

Opportunity

Shrimp production is one of the fastest growing protein sources, worth around USD 39 bn worldwide in 2017. Growth however is impacted by disease outbreaks which have been reported to result in losses of up to 40%, amounting to billions of dollars annually.

Solution

The first publication of 'Benchmark Insights' offered expert opinion from people embedded within the shrimp industry across multiple disciplines. The magazine was officially launched during the World Shrimp Conference in Bangkok, where we also hosted a roundtable to foster collaboration within the shrimp production value chain.

> In order to meet the needs of a rapidly growing population with increasingly limited resources, the shrimp farming industry needs to sustainably intensify. The biggest driver of improvements is genetic selection, which is rapidly improving growth rate, disease resistance, reproductive performance and other traits...

George Chamberlain
President of the Global Aquaculture Alliance

Environment

Care for our planet while operating our business responsibly.

In order for the aquaculture industry to meet the growing demand for protein, we must ensure we continue to reduce our environmental impact and ensure the sustainable future of the sector.

We take our leadership position seriously and are working with clients and partners to develop and deploy solutions to some of the industry's most pressing challenges including:

- Minimising the environmental impact of ours and our partners' operations
- Safeguarding biodiversity and the waters we operate in
- Minimising emissions of CO^2, phosphorus and nitrogen
- Increasing the efficiency and use of fresh water
- Applying technology to develop innovative and efficient solutions
- Collaborating with partners and industry stakeholders to share information and best practice when it comes to the environment.

Understanding our greenhouse gas emissions

Since January 2019, the business has been putting in place the foundations for establishing its scope 1 and 2 greenhouse gas emissions with the aim of establishing an emissions baseline during the 2020/21 fiscal year. Having established the necessary processes data collection was piloted by the largest facilities, primarily the production sites.

Helping the community and reducing landfill waste

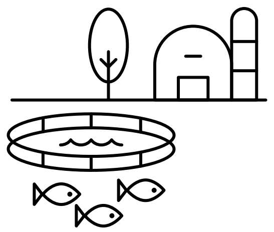
An examination of the waste streams at our production facility in Thailand identified that out of specification product was being sent to landfill. While these relatively small quantities of scrap product did not meet our quality standards, they were perfectly usable for local community applications. A project was established to divert the waste from landfill and donate it to local communities within 15km of the facility.

These agricultural communities use the feed in their public fishponds, enabling everyone in the village to share the benefits from the donated feed. The initiative began in June and over the period to the end of September a 40% reduction in waste to landfill was achieved.

40%

reduction in waste to landfill*

* Thailand production facility.



Animal Health and Welfare

Care for all our animals and those impacted by our products and services by providing what keeps them healthy and what they want.

The health and welfare of the animals under our care is integral to our strategy and a core component of driving sustainability in the food chain. Since our inception in 2000, our focus as a business has been on striking an equal balance between our economic, environmental and ethical responsibilities.

Benchmark believes that good animal welfare implies both physical fitness and a sense of well-being. Throughout the business we strive to ensure the highest level of welfare for every animal under our care and influence by providing what keeps them healthy and an environment that allows for their species-specific needs.

Measuring our progress

Animal welfare outcome measures are species-specific metrics that allow us to assess how an animal has experienced the environment in which it has lived. They cover the lifespan of the animal and include both physical and behavioural metrics including injuries, mortality, behaviour, mobility and disease as well as attributes associated with good quality of life. Data is collected both on-farm and at slaughter by directly observing the animal.

They are comprehensive yet simple to use and are therefore widely collected throughout industry using standard measuring procedures. This makes data collection practical and cost-effective and provides robust information about the welfare of animals throughout its life.

Antibiotic stewardship

700,000

estimated deaths globally each year due to drug resistant infections — a figure that could reach

10,000,000

by 2050 without any action[1]

[1] www.bma.org.uk/collective-voice/policy-and-research/ public-and-population-health/antimicrobial-resistance

Antimicrobials are essential to veterinary and human medicine to treat disease but each use of increases the risk of selection for resistant bacteria. This is why Benchmark supports the '3R's' framework of 'Replacing, Reducing and Refining' antibiotic use.

1. **Reduce:** the annual usage of antimicrobial agents in animal agriculture, per unit of livestock produced (mg/PCU), while preserving animal health and welfare.
2. **Replace:** the use of antimicrobials with sustainable solutions such as vaccination, biosecurity and improved husbandry practices.
3. **Refine:** the use of antimicrobial agents in animal agriculture, by ensuring the responsible and informed selection and administration of products to animals that have a clinical indication for treatment.

CASE STUDY

Setting a new benchmark for shrimp welfare

Eyestalk ablation, or removal of the eyestalk, is a common practice used worldwide since the 1970's to manipulate hormone synthesis and make shrimp egg production more efficient.

The practice raises significant welfare issues and eliminating this practice is high on the list of priorities for producers, consumers and retailers.

79%

of EU citizens want higher fish welfare[1]

Benchmark's Geneticists make a case for non-ablation

Geneticists at Benchmark undertook a study that commenced in 2008 and included commercial scale trials to support the case for non-ablation. This study allowed us to quantify the production parameters over a number of cycles. While non-ablation resulted in a reduction of up to 30% in production, this is offset by a higher survival during larval rearing in offspring of non-ablated stock. In addition, we have found that non-ablated females tend to have a longer life reducing the total number of breeders needed and requiring a lower female-to-male ratio.

This, together with the increased demand for high welfare products, will make a strong case to the industry.

Growing consumer demand for higher welfare products

The idea that the welfare of shrimp and prawns would one day receive similar recognition to other farmed species was once considered unlikely, but influential organisations like the FAIRR Foundation and the Business Benchmark for Farm Animal Welfare (BBFAW) are leaving no stone unturned in the drive for greater transparency and action on sustainability throughout the food chain — reviewing and ranking FTSE companies right through to upstream suppliers and producers. While the power-spending customers of tomorrow (millennials and generation X & Z) are seeking out products that give solid assurances across a range of sustainability factors, including animal welfare and are quick to reject brands that fall short on their sustainability pledges.

[1] ComRes (2018) EU citizens and leading fish stakeholders demand better welfare for fish.

Communities

Making a meaningful and positive impact on the communities in which we operate.

We believe business can be a force for good and aim to have a positive impact in the communities in which we work.

Image: Activities to support local communities in Thailand are carried out every month.

Bangkok, Thailand: school and community outreach

Throughout the year, our team continued to provide support to the local community — in particular schools and hospitals — through a variety of activities and initiatives including scholarships, provision of equipment and resources, planting trees, donating blood, training and more.

Phichit, Thailand: school and community outreach

A team of employees from our production facility in Thailand organised an event to support the local Wat Klang Wongmamee School and community.

One hundred and fourteen school children gathered for the event and the Benchmark team shared their knowledge on health, safety and the environment before presenting scholarships to eight of the students. The team also donated stationery and a selection of sports equipment to the school. The students then collected waste from around the premises and segregated it into relevant waste streams.

After lunch with the children and local residents, the Benchmark team joined forces with their contractor and members of the local community to repair the school roof and canteen walls with waste wood and paint also donated by our site in Thailand.

Image: Benchmark Advanced Nutrition employees at Wat Klang Wongmamee School.

Cartagena, Colombia: project Healthy School and Planet

During the year, our team in South America hosted a series of workshops at several institutions in the country to provide education about macro global environmental issues and to support students to care for their local environment. Workshops covered a variety of issues including pollution, water usage, tree conservation, regenerative farming techniques, ocean health and more.

Image: Meeting Oceanography, Biology, Engineering students from the University of Cartagena on World Water Day.

Global: 10-Week Plogging Challenge

Our business and the industries we serve depend on the health of the ocean, but pollution from plastic bottles, bags and packaging is a growing problem.

In April, Benchmark launched a 10-week Plogging Challenge open to all employees. Our oceans and waterways are awash with plastic bottles, bags and packaging. 'Plogging' combines two worthy pastimes — jogging and picking up litter — hence the term 'plog.'

As a Group we removed over 6,000 pieces of plastic and litter from beaches, waterways, paths and parks in the UK, Belgium, Italy, the USA and Mexico.

Image: Benchmark 'Plogging Challenge' beach clean in Italy.

RISK MANAGEMENT

Risk management framework

The Company's risk management framework and its implementation is led by the CFO, with the support of external consultants. The Board is ultimately responsible for oversight of the Company's risk management systems, with the Audit Committee acting as a reviewing committee. During the year, the Audit Committee received reports from the CFO regarding risk management, and from the Company's auditors regarding financial and management controls. No major issues were identified.

The Company operates its established risk management framework, which is illustrated in the diagram below.

IDENTIFICATION

Bottom-up risk review

Risks are identified in a **bottom-up process** involving local management, resulting in a risk register for each business.

PLC risk register

Risks capable of having an effect at Group level are identified and prioritised.

ASSESSMENT AND EVALUATION

Risk weighting

Risks are assessed to give a **gross risk weighting**, taking into account likelihood of occurrence and severity of impact, and a **net risk weighting**, which also takes into account existing mitigating factors and controls.

Risk exposure

The **risk exposure** (net risk weighting) is evaluated and it is determined whether the relevant risk is within the Company's risk appetite.

Risk appetite

The Company's **risk appetite**, which varies depending on the type of risk, is determined.

The **risk tolerance limit**, which allows for a level of deviation from risk appetite where warranted to achieve objectives, and **risk capacity**, which is the level of risk that the Group is able to handle, are also evaluated.

MITIGATION

Actions

Where risk exposure is outside risk appetite, **actions are agreed and implemented**, with **priority** given to risks capable of having an effect at Group level and risks outside risk tolerance.

MONITORING

Ongoing monitoring and review

There is a continual process of updating risk registers, incorporating newly acquired businesses into the process, reviewing risk appetite, and monitoring the implementation of mitigation strategies.

The framework follows a bottom-up approach, through which local management lead the identification; assessment and evaluation; mitigation; and ongoing monitoring of risk. This process is followed in the context of guidelines regarding risk appetite in specified areas which are assessed and approved by the Board. The cycle of identification, assessment and evaluation, mitigation and ongoing monitoring is operated with a view to completing a full risk management cycle in each part of the business at least once every 24 months. The framework is designed to make risk management an integrated part of the Group's day-to-day operations. Risks capable of having an effect at Group level are prioritised and reported on to the Board.

During FY19, the Group continued to update and evaluate the risks identified last year in its risk registers, as well as monitoring progress with mitigating actions and tracking progress with these.

Risk appetite

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

Benchmark operates in a highly regulated sector involving significant interaction with living organisms and therefore 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 that are beyond our influence but where possible, we do 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 our greatest asset and the Group encourages their long-term commitment allowing them to progress and achieve success. The Group recognises the value that can be leveraged through collaboration and cooperation within and between divisions and understands that failure to do this effectively is a threat to such value. This is a risk that the Group strives to avoid, and our management structure will continue to promote a collaborative way of working. The Group has substantial opportunity for organic growth and recognises the importance of its supply chain to delivering this. It seeks to minimise the risk of customer dissatisfaction by delivering quality products and services in the right place and at the right time. The Group has a measured approach to projects and acquisitions and will take an appropriate level of risk commensurate with the potential returns and availability of capital.

PRINCIPAL RISKS AND UNCERTAINTIES

Key risks and uncertainties

Throughout the year the Committee and the Board monitored responses to the principal risks identified and in particular performance in the Nutrition business against the downturn in global shrimp markets and the availability of sufficient funding to continue the development of the Company against its strategic goals. Management's responses were focussed and responsive in difficult circumstances and while the Committee was supportive of the actions taken, it does note that these issues continue to represent significant risks to the Company as we move into the 2020 financial year — as reported elsewhere in this report. The Company expects to improve its monitoring of risk by investing in its management and financial systems, in 2020, to provide greater efficiency in preparing its financial forecasts and flexibility to adjust these to changing risk scenarios.

The Company is increasingly seeking to distinguish between risks within its control, and risks outside its control, such as biological and climatic factors affecting the Group's and its customers' operations, which may require different strategies for mitigation.

Risks outside the Company's control

The nature of the Group's business and its customer base means that the Company is particularly vulnerable to biological and climatic factors and to the volatility of its end market (salmon, sea bass/sea bream and shrimp markets). These include in particular:

- **Advanced Nutrition** — Market fluctuations in shrimp production volumes and pricing, often influenced by disease, drive customer demand for advanced nutrition products. The geographic diversity of the division's customer base, offers some mitigation.
- **Genetics** — Disease within the Group's own operations and disease in the market resulting in border closures are the key risks affecting the division. The Group operates the highest levels of biosecurity; holds genetic stock at multiple sites; increasingly sources from its own land-based salmon breeding facilities; operates containment zones, which mitigates the risk of border closures affecting its ability to import; and has placed increased focus on insuring its biological stock.
- **Animal Health** — Sales of the Group's sea lice medicines are affected by the level of sea lice challenge in the environment, which is driven by sea temperatures and other biological factors. In addition, market and regulatory trends for tackling sea lice have an influence on customer demand for the Group's products.

The Group as a whole is also exposed to fluctuations in currency exchange rates. These impact sales volumes where products are priced by reference to US dollars but sold in local currencies; and impacts reported results when local results, assets and liabilities are converted to GBP for reporting purposes.

The Company has evaluated the potential impact of the UK's decision to leave the European Union and has identified a number of areas that could be affected. The scale of the impact depends on the nature of the exit process which remains uncertain but is not expected to be material in any event. Our primary focus is on addressing Brexit risk in our animal health supply chain because our R&D and manufacturing operations are based in the UK and products are/will largely be sold outside the UK. Work includes transferring UK registered marketing authorisations for products that are sold in the EU to an EU entity and duplication of product release testing for products that are transferred between the UK and the EU. There may be potential tariffs on UK cross-border supply of products and ongoing changes to the regulatory framework.

The Group has undertaken hard Brexit mitigation planning which includes EU-based laboratory testing facilities for batch testing and the transfer of product registrations to an EU domiciled legal entity within the Group. Other contingency planning includes arrangements for a possible requirement for stockpiling to avoid border delays.

Our current view on the potential changes that may result from Brexit is:

- The majority of the Group's operations are located outside of the UK and do not trade with the UK so will be unaffected
- In terms of manufacturing and product registration, Benchmark Animal Health is accustomed to trading with multiple countries and different rules and legislation
- Despite the possible additional administrative burden, our distribution and commercial model can adapt to changes in tariffs and duties
- Our business is naturally hedged and diversified, which helps in a period of economic uncertainty and exchange rate volatility
- We will monitor the impact on workforce and global mobility to maintain an effective system for resource planning.

The Board views the potential impact of Brexit as an integral part of the review of the principal risks and will continue to assess the potential impacts of Brexit as the process evolves.

Risks within the Company's control

In its Annual Report and Accounts 2018, the Company reported on the principal risks and uncertainties affecting the Group and actions taken to mitigate these risks. This report has been updated, with risks included, together with an update on mitigating actions.

We have included a cross reference to our strategic objectives:

1. Implement structural efficiencies
2. Grow in established markets from existing capacity and through partnerships;
3. Commercial delivery of pipeline products;
4. Focussed investment in markets that leverage group platform; and
5. Position Benchmark in areas of future growth.

These are described in more detail on page 26.

Strategic risks

Risk	Risk commentary	Risk mitigation and controls	Strategic objectives
Competition and loss of competitive advantage	• Falling behind competitors in the development and commercialisation of new, innovative products • Threat to market share and revenues	• Innovative development focus and strong pipeline of products • IP protection including patents • Strong customer relationships with key account structure	2, 3, 4, 5
Reliance on continued success of existing products	• The Group is currently exposed to risk by limited diversity of revenue streams • Risks associated with legal costs of protecting Group IP • Group products require the holding of certain licences, accreditations or regulatory approvals that could be withdrawn	• Increasing number of products launched from development pipeline is diversifying revenues • Strong Group legal team with dedicated IP expertise • Vigorous defence of own IP • High levels of staff competency and stringent processes related to regulatory affairs	2, 4, 5
Delivery of cross-Group synergies	• Risks associated with failure to fully realise operational synergies and cost benefits • Lower profitability and cash generation, and slower returns than anticipated • Risks of not delivering the synergy within the timeline set due to lower cash availability	• Establishment of Executive Management Team (incl. Division heads and Executives team) tracking progress of the Group strategy on weekly basis • Strategy Execution team assists with planning and managing key projects	2, 3, 4, 5
New product commercialisation	• Risk that pipeline products may be delayed or fail technically before launch • The Group's strategy has a significant focus on new products and a material failure to deliver would be damaging • The Group is reliant on the granting of licences for field trials, the timing and extent of which can be uncertain • Risk inheriting in timing and market penetration of new products	• Experienced CSO manages R&D teams across the Group • Experienced Group regulatory affairs team, commercial team and marketing director • Close dialogue with regulators	3, 5

Operational risks

Risk	Risk commentary	Risk mitigation and controls	Strategic objectives
Threats to the supply chain	• Benchmark is reliant on a small number of key raw materials for important products • The Group has R&D and production sites that are important to its current revenues and future success and that are leased • Commissioning of new facilities could be delayed leading to late product deliveries	• Dual supplies of raw materials where possible • Supplies secured with contractual arrangements • Seek long-term tenure of sites	2, 3
Health and well-being of employees	• Poor health or wellness impacts employees lives and reduces productivity • Some aquaculture activities have inherent operational risks	• Well-developed health and safety management regime in place across the Group • Senior level commitment to ESG sustainability programme Group-wide	-
Recruitment and retention of high-calibre people	• To maintain market leadership it is essential that the Group attracts and retains people with key skills	• Centralised People Team delivering people strategy • Formal succession planning process • Remuneration policy designed to encourage retention	3, 4
Loss of key IT system	• The Group IT systems facilitate daily work, collaboration and hold Group IP and trade secrets • Multiple risks of systems failure or cyber attack • Loss of access or key information would be disruptive to the Group	• Internal experienced IT team • Increasing integration of software platforms to improve security and reliability	-
Application of appropriate standards of governance	• As an international business, the Group is required to comply with law and regulation in several jurisdictions • There is risk of non-compliance leading to potential fines, penalties, loss of revenues and damage to reputation	• Experienced Group legal, finance, people, regulatory affairs, investor relations, health and safety and IT teams work closely with divisions • Training programme, whistleblowing policy, and informal routes by which concerns can be raised, are designed to identify and address potential non-compliance	-

Financial risks

Risk	Risk commentary	Risk mitigation and controls	Strategic objectives
Maintain liquidity and manage leverage	• Failure to identify and maintain sufficient liquidity headroom • Risk to funding of key growth strategies • Risk to deliver the structural efficiencies programme within the timeline set, which is fundamental to maintain sufficient liquidity	• Close control of cash flows with regular update of short and long-term projections • The refinanced facilities provide greater covenant flexibility and headroom • Group Treasury Manager oversees cash flow management • The deliverability of the structural efficiencies programme remain the focus of the Board and a strong team of advisers have been appointment to ensure the deliverability of this project	1
Growth in trading results in higher investment in working capital	• Top line growth through new products and markets can drive changing patterns of working capital • Growth in some markets presents increased risk of slow paying or bad debts	• Divisional management of pricing and credit terms • Close monitoring of investment in working capital by Operations and Plc boards • KPIs include working capital measures	-

The Strategic Report was approved by the Board on 19 December 2019 and signed on its behalf by

Peter George
Executive Chairman

02 GOVERNANCE

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.

During the year, the Company saw Mark Plampin announce his intention to step down as CFO by the end of 2019, with Septima Maguire being recruited to commence the role in December 2019. Septima's appointment reflects the Company's growth, and as the Company moves from R&D spend to profit generating will present a balance to the Board's skill mix.

Additionally, Malcolm Pye stepped down as CEO to allow the Company to appoint a new CEO to drive the next phase of Benchmark's growth and development. Malcolm formally stepped down on 30 November 2019 and resigned from the Board on 4 December 2019. Peter George stepped into the role of Executive Chairman as an interim measure prior to recruiting the new CEO.

During the course of FY19 the Company also appointed Kristian Eikre as a Non-Executive Director. Kristian Eikre has more than 13 years' experience as an investment professional and brings demonstrable commercial and industry expertise to the Board.

The Board has evolved to keep pace with the growth of the Company, and comprises a strong and balanced executive team, complimented by an experienced and diverse group of non-executive directors. Together they bring the depth of knowledge, scientific understanding and commercial experience across the Group's global and sectoral footprints, to enable Benchmark to execute its strategy and deliver success to its shareholders.

Peter George
Executive Chairman

Nomination Committee (Chair) until 19 August 2019 and member of the Remuneration Committee until 19 August 2019, and Disclosure Committee

Appointed: May 2018
Independent: Yes until 19 August 2019

Skills, competence and experience: Peter has a strong track record in growing successful international pharmaceutical and healthcare businesses. He is most renowned for his achievements as CEO of Clinigen Group plc, the FTSE AIM global pharmaceutical and services company, which he founded in 2010 and grew into close to a £1bn market cap company having acquired several businesses and expanded its international footprint. Prior to Clinigen, Peter held a number of senior roles in the pharmaceutical and healthcare sectors including CEO of Penn Pharmaceutical Services. He co-created Unilabs Clinical Trials International in 1997, which was successfully sold to Icon plc in 2000. Peter served as Chairman of Ergomed plc, the AIM-listed provider of clinical research, drug development and safety services internationally.

Other roles: Peter is Non-Executive Director of DRI Heathcare Fund. He is also an Entrepreneur in Residence at Oxford Science Innovations.

Mark Plampin
Chief Financial Officer

Member of the Disclosure Committee

Appointed: March 2010 and resigned in December 2019

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.

Septima Maguire
Chief Financial Officer designate

Appointed: December 2019

Independent: No

Skills, competence and experience: Septima joined Benchmark from Dechra Pharmaceuticals PLC, the international provider of specialist veterinary pharmaceuticals and products, where she spent four years. Having joined as Group Financial Controller she was Acting CFO between 2016 and 2017. She was most recently Corporate Development Director overseeing all aspects of acquisition activities, strategic projects, business development and investment initiatives playing a significant role in supporting Dechra during a period of high growth.

Alex Raeber
Chief Scientific Officer

Sustainability Committee

Appointed: October 2018

Independent: No

Skills, competence and experience: Alex has a strong track record in the animal health sector with 20 years' experience in global public companies as well as start-ups. He most recently was the Director of Global R&D, AgriBusiness at Thermo Fisher Scientific, the American multinational biotechnology product development company, listed on the NYSE. In this role he drove the agribusiness innovation and growth strategy, and was focussed on the execution of the agribusiness product commercialisation pipeline across a range of R&D and manufacturing sites globally. Prior to this, Alex led R&D divisions at biotechnology firms including Prionics AG and Cytos Proteome Therapeutics. Alex holds a PhD in Pharmacology from the University of Zurich and an MSc from the Swiss Federal Institute of Technology.

Susan Searle

Senior Independent Director

Remuneration Committee (Chair) — Nomination Committee (Interim Chair since 19 August 2019) and member of the Audit Committee

Appointed: December 2013

Independent: Yes

Skills, competence and experience: Susan has over 20 years' experience working in a variety of commercial, business development, manufacturing and operational roles including investing in growing technology businesses, acquisitions and the exploitation of new technologies. She co-founded Touchstone Innovations plc (acquired by IP Group plc), one of the world's leading technology venture investment businesses, and served as its CEO from 2002 to 2013.

She was the former Chair of Mercia Technologies PLC, a regional technology and biotech investor and holds an MA in Chemistry from Exeter College, Oxford.

Susan brings to Benchmark a wealth of experience having served on a variety of company boards.

Other roles: Senior Independent Director and Remuneration Chair Horizon Discovery Group plc; Non-Executive Director and Remuneration Chair QinetiQ Group plc and Chair of Schroder UK Public Private Trust plc.

Kevin Quinn

Non-Executive Director

Audit Committee (Chair) — member of the Remuneration Committee and Nomination Committees — Sustainability Committee (Chair) — Disclosure Committee

Appointed: November 2016

Independent: Yes

Skills, competence and experience: Kevin is a qualified Chartered Accountant with over 30 years of financial experience in international business and the biosciences industry, including with FTSE 100 companies. Kevin is the Chairman of Marlowe, a leading UK services business providing testing, inspection and maintenance of critical building systems. Previously, Kevin was CFO at Berendsen plc, the leading FTSE 250 European textile service business, until the takeover of Berendsen by Elis SA in September 2017. Kevin has also previously held senior finance positions within biosciences group Amersham plc and before that was a partner with PriceWaterhouse Coopers (Prague). Kevin holds a BA in French from University College, Durham.

Hugo Wahnish

Non-Executive Director

Audit Committee

Appointed: November 2017

Independent: Yes

Skills, competence and experience: Hugo has over 35 years' experience in the animal health and pharmaceuticals industry, initially, 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.

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 a Director of CageEye, the company known for its behavioural analysis and feeding control systems in aquaculture. He is also Chairman of Chilean salmon producer Nova Austral, and sits on the board of Mediterranean fish producer, Andromeda. Yngve also acts as a strategic adviser to investors in the aquaculture sector.

Kristian Eikre

Non-Executive Director

Appointed: March 2019

Independent: No

Skills, competence and experience: Kristian has more than 13 years' experience as an investment professional with a particular focus on the aquaculture, pharmaceuticals, energy and renewables sectors. Kristian is currently an Investment Professional and Co-Head of Ferd Capital, a division of Ferd AS, a Norwegian investment company holding 26% of the Company's issued share capital. Prior to that, he was a Partner at Herkules Capital, a leading private equity firm in Norway. Before this, he was a research analyst at First Securities, an investment banking firm. Kristian has held various board positions and is currently a board director of a number of companies including Fjord Line AS, a Scandinavian cruise and ferry operator.

Jennifer Haddouk

Company Secretary and Group Legal Counsel

Appointed: May 2019

Independent: No

Skills, competence and experience: Jennifer is a French-qualified Solicitor with over 10 years' experience. Jennifer previously worked in French law firm SCP de Poulpiquet & Co and more recently as an in-house legal counsel for KellyDeli, a European sushi retail company where she gained experience in the salmon industry, focusing on commercial agreements, corporate and competition law.

Since joining Benchmark, Jennifer has been advising and supporting Group companies to execute their strategies. Jennifer holds a MA in Law from the University of Nice and 'Diplome de Notaire'.

Board Committees

Audit Committee

- Kevin Quinn (Chair)
- Susan Searle
- Hugo Wahnish
- Secretary: Jennifer Haddouk

Remuneration Committee

- Susan Searle (Chair)
- Kevin Quinn
- Secretary: Jennifer Haddouk

Nomination Committee

- Peter George (Chair until 19 August 2019)
- Susan Searle (Interim Chair from 19 August 2019)
- Kevin Quinn
- Secretary: Jennifer Haddouk

Sustainability Committee

- Kevin Quinn (Chair)
- Alex Raeber
- Ivonne Cantu
- Doerte Laue
- Secretary: Jennifer Haddouk

Disclosure Committee

- Mark Plampin (Chair)
- Peter George
- Kevin Quinn

In urgent situations, in the absence of the permanent members of the Disclosure Committee, any two directors, one of which is Mark Plampin or Peter George, may exercise the powers of the Disclosure Committee.

LEADERSHIP

Governance framework

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

The Company complies with the UK Corporate Governance Code (the Code). An overview of the Company's compliance with the Code, and an explanation of those Code provisions it has not implemented, is set out in the Directors' Report on pages 102 to 107.

Board of Directors of Benchmark Holdings plc	
Executive Chairman	Peter George
Senior Independent Non-Executive Director	Susan Searle
Non-Executive Directors	Kevin Quinn Hugo Wahnish Yngve Myhre Kristian Eikre
Chief Scientific Officer	Alex Raeber
Chief Financial Officer	Mark Plampin
Company Secretary	Jennifer Haddouk

Audit Committee	**Nomination Committee**	**Remuneration Committee**	**Sustainability Committee**	**Disclosure Committee**
Kevin Quinn (C) Susan Searle Hugo Wahnish	Susan Searle (C) Peter George Kevin Quinn	Susan Searle (C) Kevin Quinn	Kevin Quinn (C) Alex Raeber Ivonne Cantu Doerte Laue Jennifer Haddouk	Mark Plampin (C) Peter George Kevin Quinn

Operations Board	
Executive Chairman	Peter George
Chief Scientific Officer	Alex Raeber
Chief Financial Officer	Mark Plampin
Interim managing director	Philippe Léger
Heads of Division Advanced Nutrition Genetics Animal Health Knowledge Services	 Athene Blakeman Jan-Emil Johannessen John Marshall James Banfield
Heads of cross-Group functions Marketing Director Group Legal Counsel Investor Relations Director Head of People	 Doerte Laue Jennifer Haddouk 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

During the year, the Group appointed a new Non-Executive Director, Kristian Eikre in March 2019. Kristian's profile is summarised on page 81 of this report. Kristian brings demonstrable commercial and industry expertise to the Board and his appointment recognises the importance of the Group's efforts to drive profitable growth across the organization.

Following the resignation of Mark Plampin as CFO, Septima Maguire will be appointed as our new CFO in December 2019. Septima's profile and experience is summarised on page 79 of this report. Septima has extensive strategic, investor and operational finance experience and proven expertise in driving improved business performance. Septima's appointment as CFO recognises the Group's focus on implementing structural and operational efficiencies and delivering on our five-year strategy to drive future growth and profitability.

Following Malcolm Pye's resignation on 19 August 2019, Peter George was appointed as Executive Chairman in the interim until a new CEO is appointed. Malcolm Pye was CEO until 30 November 2019.

Board of Directors of Benchmark Holdings plc

The Board is 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 safeguard 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 that 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.

Executive Management Team

In September, Peter George set up an Executive Management Team, to work alongside the Operations Board and focus on the strategy and vision, as well as delivering on commitments that had been made to the investors. The Executive Management Team is composed of the CSO, CFO, interim managing Director, each divisional head and Group Legal Counsel.

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, 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 eight scheduled Board meetings, one scheduled strategy day and 13 special Board meetings. Individual attendance at the scheduled Board meetings is set out below.

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

Attendance	Appointment	Number of scheduled Board meetings attended in FY19	Maximum possible scheduled meetings in FY19	% of scheduled meetings attended
Peter George Chair	May 2018	8	8	100%
Susan Searle Senior Independent Director	December 2013	8	8	100%
Kevin Quinn Non-Executive Director	November 2016	8	8	100%
Hugo Wahnish Non-Executive Director	November 2017	8	8	100%
Yngve Myhre Non-Executive Director	November 2017	8	8	100%
Kristian Eikre[1] Non-Executive Director	March 2019	4	4	100%
Malcolm Pye Chief Executive Officer	December 2013	8	8	100%
Alex Raeber Chief Scientific Officer	October 2018	7	8	87.5%
Mark Plampin Chief Financial Officer	December 2013	8	8	100%

[1] Kristian Eikre was appointed to the Board in March 2019.

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** of and reviews **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 FY19 these reports included the SalmoBreed Salten land-based salmon broodstock facility, improvement to slaughter facilities at our Icelandic salmon production sites and the lease and improvement to Curacalco facility, future production site for our Chilean Salmon breeding programme.

Review of **Deal Tracker**, updating on potential acquisitions/disposals, joint ventures and other exceptional transactions.

Review of the **CSO report**, with an overview of the Group products pipeline, their progression and timeline.

Consideration and approval of **Matters Reserved for the Board**.

Review of **Legal and Intellectual Property** report, regarding IP development and protection, transactions, key commercial arrangements and their terms, and disputes.

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 the Advanced Nutrition, Genetics, Animal Health and Knowledge Services** divisions, regarding their five-year strategic plans, market trends and opportunities, key growth areas and main risks.

Reviewed and approved the Group **budget** for FY19.

Reviewed and approved the Group new **refinancing**, including the issue of the NOK bond and entry into a new revolving credit facility.

Received regular updates on **key commercial licensing deal** for its non-core animal vaccines.

Received and discussed presentations from the **Head of the Animal Health division** regarding the Animal Health product pipeline, including overview of the portfolio, key products, budgets and prioritisation.

Received regular updates on the **structural efficiencies** programme and review of progress throughout the year.

Received bi-weekly updates on progress with the Group's **next generation sea lice treatment (BMK08) and CleanTreat® technology**, including the results of commercial field trials.

Received regular updates on the Group's progress with development of its **SPF/SPR shrimp breeding programme**, related investments, key target markets and moves towards full commercialisation.

Received updates on and discussed the Group's strategy in relation to **China**, and related agreements.

Reviewed **utilisation plans for Benchmark Vaccines' facilities**, including the new Braintree Biotechnology Building.

Received presentations on and discussed the Group's strategy in relation to its **aquaculture diagnostics business**, Fish Vet Group and approved the closure of certain sites.

Approved the **grant of share options** to employees under the Group's share schemes, which sees 57.7% of employees holding shares or options in the Company.

Approved the **Annual Report and Accounts** and **Interim Results**.

Received reports following **meetings with major shareholders** involving the Chairman of the Board, Senior Independent Director, and other Non-Executive Directors, throughout the year.

Governance and risk

Completed the appointment of a new **Non-Executive Director**, Kristian Eikre, who has commercial and international pharmaceutical and aquaculture expertise.

Appointment of Septima Maguire as **CFO**.

Received report from the Chair of the Audit Committee on the **FY18 audit process** and principal matters discussed with the auditors.

Received updates on **disputes and litigation**, including successful actions taken to protect the Group's IP.

Received updates on **key regulatory developments**, including the new proposed corporate governance framework.

s172 Companies Act 2006

As a Board we have always taken decisions for the long-term, and collectively and individually our aim is always to uphold the highest standards of conduct. Similarly, we understand that our business can only grow and prosper over the long-term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. This is reflected in our business principles, and our sustainability report sets out more detail on how we manage our relationships with them.

We ensure that the requirements of s172 Companies Act 2006 are met and the interests of our stakeholder groups are considered through a combination of the following:

- Standing agenda points and papers presented at each Board meeting: for example, the Chief Executive Officer presents a Health and Safety Report and an update on People matters at each meeting.
- A rolling agenda of matters to be considered by the Board through the year, which includes a two-day strategy review, which considers the purpose and strategy to be followed by the Group, supported by a budget for the following year and a medium term (five-year) financial plan; agenda items for the following year are set based on the decisions and next steps agreed at these meetings.
- Regularly scheduled Board presentations and reports: for example, investor report on a monthly basis and more detailed feedback twice a year from our brokers and corporate PR advisors; an update on People matters; a monthly report on health and safety and a presentation from the health and safety manager is made directly to the Board at least once a year.
- Formal consideration of any of these factors that are relevant to any major decisions taken by the Board through the year.
- Review of many of these topics through the risk management process and other standard Audit and Risk Committee and Remuneration Committee agenda items, as described later in this report.
- Regular engagement with our stakeholders.

EFFECTIVENESS
NOMINATION COMMITTEE REPORT

This year has seen some considerable change and re-organisation of the Board. Peter George became Executive Chairman in August 2019 having previously been Non-Executive Chairman. Peter has been instrumental in ensuring clarity and focus on the Group's core business activities together with key performance metrics and deliverables aligned to the Group strategic plan.

Early in the year a decision was taken to appoint Kristian Eikre as a Non-Executive Director. Kristian is an Investor Director at Ferd, who are a significant shareholder in Benchmark. Importantly he has extensive experience and knowledge of the global aquaculture sector together with experience of successful M&A and investment. Following Mark Plampin's decision to step down as CFO the Board determined that it would look for a CFO with experience of a larger global operating company in the sector. Septima Maguire joined in November 2019 and was appointed as CFO in December 2019.

Malcolm Pye resigned as CEO with effect from the end of November. During August to end November, Malcolm and the Operations Board reported directly into Peter George, as Executive Chairman. The search for a new CEO is well underway with an experienced search firm.

The composition of the Board will be reviewed by the Nominations Committee early in 2020 financial year. Peter George is expected to return to Non-Executive Chair as soon as the new CEO is appointed after which he will resume chairmanship of the Nominations Committee. Susan Searle is chairing the Committee on an interim basis.

The Nomination Committee is responsible for safeguarding the effectiveness of the Board. It regularly reviews the composition of the Board and is responsible for leading a rigorous and transparent process for the identification and appointment of new directors.

The current members of the Nomination Committee are:

- Susan Searle (interim Chair since 19 August 2019, member throughout the year and interim Chair from 26 Jan 2018 to 9 January 2019)
- Peter George (Chair from 9 January to 19 August 2019 and member throughout the period)
- Kevin Quinn (member throughout the period)

Only the members of the Nomination Committee have the right to attend meetings. The Head of People, Executive Directors, other Board members and advisers may be invited to contribute on specific agenda items. The Company Secretary acts as secretary to the Nomination Committee. The Nomination Committee updates the Board following its meetings, and invites contributions and views from the Board.

Attendance	Appointment	Number of scheduled Nomination Committee meetings attended in FY19	Maximum possible scheduled meetings in FY19	% of scheduled meetings attended
Susan Searle Chair	December 2013, member of Nomination Committee. August 2019, appointed interim Chair.	1	1	100%
Kevin Quinn	26 January 2018	1	1	100%
Peter George	May 2018, appointed Chair of the Nomination Committee on 9 January 2019 and remained in this position until 19 August 2019.	1	1	100%

In addition to the formal Nomination Committee meetings, several informal meetings and calls were held in the year between members of the Nomination Committee, at times with contributions from other members of the Board. These addressed the appointments of Kristian Eikre and Septima Maguire as Directors and Peter George as Executive Chairman, as well as the appointment of Susan Searle as interim Chair of Nomination Committee following Peter George's transition to Executive Chairman.

Responsibilities

The main responsibilities of the Nomination Committee are:

- To review the composition of the Board, having regard to 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 Board Committees.
- To consider succession for Board members and senior management.

The terms of reference for the Nomination Committee are regularly reviewed and the latest versions are available on the corporate governance section of the Company's website at benchmarkplc.com.

Actions undertaken during the year

At the start of the year, the Board finalised the appointment of Kristian Eikre. Kristian's appointment brings significant commercial and industry expertise to the Board.

Following Mark Plampin's resignation as Chief Financial Officer, the Nomination Committee engaged Russell Reynolds (formerly Zygos Partnership) to assist with the recruitment of Mark's replacement. Additionally, Russell Reynolds has been appointed to assist with the recruitment of a new Chief Executive Officer to replace Malcolm Pye following his resignation. Russell Reynolds are signatories to the Voluntary Code of Conduct for Executive Search Firms in Board Appointments, which is designed to enhance gender and wider diversity on boards. The Company set requirements relating to diversity in relation to the shortlist of candidates, and consulted with the wider Board throughout the recruitment process. In November 2019, the Board was pleased to welcome Septima Maguire who will be appointed as the new Chief Financial Officer of the Company in December 2019.

In addition, the Company saw changes in its management structure towards the end of FY19, including the establishment of an Executive Management Team which currently reports to the Executive Chairman and an interim Managing Director. The Nomination Committee continues to monitor and evaluate the performance and diversity of the Group's senior management team.

Actions for the coming year

Through FY20, the Nomination Committee will continue to monitor and receive reports on the implementation of the succession planning initiative within the Group. it will also continue to assess the size and composition of the Board to evaluate whether this is suitable for the Group's current stage of development, containing an appropriate balance of skills, knowledge, experience and skillsets.

Board composition

The Board comprises four Independent Non-Executive Directors, and three Executive Directors, including the Executive Chairman (interim), Chief Financial Officer and Chief Scientific Officer, and one non-independent Non-Executive Director.

The Nomination Committee keeps the size and composition of the Board under review, to ensure that it is suitable for the Group and supports delivery of the strategy.

Directors' roles and responsibilities

Biographical details for all members of the Board are found on pages 78 to 81 of this report.

There is ordinarily a clear separation between the roles of the Chairman and the Chief Executive Officer as set out in the table below. However, as a result of Malcolm Pye's resignation, Peter George has been appointed to act as Executive Chairman with effect until the appointment of a new Chief Executive Officer. During this transition period, the Board and the Nomination Committee will monitor this arrangement with a view to ensuring sufficient separation of responsibilities of the role usually undertaken by the Chairman and the Chief Executive amongst the Executive Chairman, the Chief Financial Officer, the Non-Executive Directors and the Company's Senior Management Team. Following the appointment of a new CEO the Company will revert to the separation described below.

Chairman	Chief Executive Officer
Lead the Board to ensure effective functioning in all aspects of its role. Promote an open culture of debate. Ensure that the membership of the Board is appropriate for the needs of the business. Oversee Board committees as they carry out their duties, including reporting to the Board. 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 CEO and Executive Directors. Ensure the Directors are up to date and receive suitable training and development.	Lead the development and delivery of strategy and budget, to enable the Group to meet the requirements of its shareholders. Oversee operation of the day-to-day business of the Group. Lead and oversee the executive management of the Group. Establish an environment which allows the recruitment, engagement, retention and development of the people needed to deliver the Group's strategy.

The Senior Independent Director, Susan Searle, provides a sounding board for the Chairman and serves as an intermediary for the other Directors when necessary. The Non-Executive Directors regularly meet, both formally and informally, without the Executive Directors present.

Induction, business awareness and development

The Chairman is responsible for ensuring that new Directors receive a comprehensive induction which includes:

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

The new director appointed during the year, Kristian Eikre, received a formal induction and exposure to senior management, including strategy day and informal dinners with the Operations Board. In keeping with costs savings initiatives across the Group, including reductions in travel expenditure, the Board travelled to fewer sites than usual in the year, with meetings held in London and in Oslo shortly after the opening of the Company brand new breeding facility centre based in Salten.

During the year, the Board held two strategy days with the Operations Board, which included presentations from and meetings with:

- The Head of the Advanced Nutrition, Genetics and Animal Health, on an update regarding the structural efficiencies programme and their five-year strategic plans, market trends and opportunities, key growth areas, and main risks.
- The CSO, who is responsible for R&D functions across the Group, regarding the portfolio analysis of pre-licence products.
- The Head of the Animal Health division regarding the Animal Health product pipeline.

Divisional heads attend board meetings as appropriate for discussions that are relevant to their areas of business or for major initiatives which they are leading on.

Independence of Directors

The Board considered each Non-Executive Director's independence on appointment, and concluded that they were independent except for Kristian Eikre. The Board reviews independence on an annual basis and has concluded that except as set out above, 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.

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

Name	Date of appointment	Term
Peter George[1] Chair	8 May 2018	1 year 7 months
Susan Searle Senior Independent Director	18 December 2013	6 years
Kevin Quinn Non-Executive Director	25 November 2016	3 years, 1 month
Hugo Wahnish Non-executive Director	6 November 2017	2 years, 1 month
Yngve Myhre Non-executive Director	6 November 2017	2 years, 1 month
Kristian Eikre Non-Executive Director (not independent)	14 March 2019	9 months

[1] Peter George was a Non-Executive Director until 19 August 2019, he is an Executive Director in the interim until appointment of the new Chief Executive Officer.

Conflicts of interest

Directors are obliged to seek authorisation from the Board before taking up any position that conflicts, or that 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.

ACCOUNTABILITY
AUDIT COMMITTEE REPORT

Key objective

The Audit Committee acts on behalf of, and reports to, the Board to ensure the integrity of the Group's financial reporting, evaluate its systems of risk management and internal control and oversees the relationship and performance of the external auditors.

Membership, meetings and attendance

The composition of the Audit Committee during the year was:

- Kevin Quinn (Chair)
- Susan Searle
- Hugo Wahnish

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 CFO and lead external Group 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 three times during the year with all members of the Committee in attendance at each.

Responsibilities

The main responsibilities of the Committee are:

- 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 2018/19, 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.

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. Detailed discussions were held with management concerning the matters outlined in the Basis of Preparation in Note 1 to the financial statements to which specific attention is drawn, with focus on the likely timing and value of proceeds to be realised from the programme of efficiencies including the disposal of and exit from non-core businesses and the implementation of a cost saving plan, on which the assessment is dependent. The Committee discussed the underlying trading of the Group, market trends and achievability of forecast performance up to September 2021, as well as taking regular updates on progress on the efficiencies programme with management. It also reviewed the availability of alternative actions should there be a significant delay in these proceeds being realised and was satisfied that taking the above matters in to account, the going concern basis of preparation continues to be appropriate for the Group but that these circumstances represent a material uncertainty that may cast significant doubt on the Group and the Company's ability to continue as a going concern and advised the Board accordingly.

Valuation of goodwill and intangible assets

The Committee considered the carrying value of the Group's businesses, including goodwill and intangible assets. Management performed an annual 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. On the basis of this it agreed that an impairment charge be made to Goodwill in the Advanced Animal Nutrition division, where difficult trading conditions, resulting from reduced production and oversupply of Artemia feeds in our markets, has substantially reduced the near-term outlook, and cash generation, for the business. In addition, it was considered that while the synergies expected to arise from the acquisition of the INVE business with other parts of Benchmark, are still targeted in the medium to long-term, these should not be taken into account in the assessment at this stage in the light of current resource priorities and funding needs of Benchmark as a whole.

Furthermore, consideration was given to the impact of the structural efficiencies programme on the carrying value of individual assets held within those non-core businesses to be disposed. The Committee agreed with the assumptions made, based upon the latest available information at the time of signing the Annual Report, and supported the conclusions reached on impairments made to the individual assets as relevant.

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 2019 and the audited results for the year to 30 September 2019 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. In conducting this review, focus was given to the disclosure included in the Basis of Preparation in Note 1 to the financial statements in relation to the Group's financial projections and the suitability of the going concern assumption.

Particular attention continues to be paid to the presentation of the results in the income statement that uses alternative profit measures as indicators of performance. The Board considers current treatment which retains reference to "Adjusted EBITDA" and "EBITDA" to remain appropriate. "EBITDA" is "earnings before interest, tax, depreciation and amortisation", and "Adjusted EBITDA" is "EBITDA before exceptional items and acquisition related expenditure". Reference has also been made in the Annual Report to a further alternative profit measure "Adjusted Operating Profit", which adjusts Adjusted EBITDA to include depreciation and amortisation of capitalised development costs to reflect their part in the underlying performance of the Group. No amortisation of capitalised development costs has yet been incurred as those products to which the assets relate have not yet been commercially launched. The Board regards these measures as 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.

Presentation of discontinued activities and assets held for resale

The accounting treatment and presentation of the results for the non-core businesses included within the structural efficiencies programme was reviewed and discussed with management. The accounting treatment is prescribed by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations which governs the criteria to be met for the results of individual parts of the Group to be treated as discontinued and for individual assets and liabilities to be treated as held for sale. This was discussed with management and the Committee agreed that these thresholds had been met and that, therefore, the appropriate accounting treatment had been adopted.

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 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 estimates and judgements applied by management in employing this policy.

Structural efficiencies

The Group is undertaking a structural efficiencies programme to exit from certain businesses no longer considered to be core to its strategy, the proceeds and savings from which are to be applied to funding the current investment phase in the Group's growth.

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.

During the year, the risk around cash management and liquidity has been considered, and a new treasury manager has been appointed in mitigation. Further detailed risk assessment work and a review of the risk register will be performed once the new CFO is in post.

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 72.

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. Further consideration to this is to be given once the new CFO is in post.

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, in line with best practice, is that audit partners are required to be rotated every fifth year.
- 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 2019 and information on the nature of the non-audit fees incurred is detailed in Note 6 accompanying the consolidated financial statements.

The Audit Committee monitors the effectiveness of the external audit. 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 performed 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 that 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.
- 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 there were no 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.
- 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 that 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.

REMUNERATION REPORT FOR YEAR ENDED 30 SEPTEMBER 2019

STATEMENT FROM SUSAN SEARLE, CHAIRMAN OF THE REMUNERATION COMMITTEE

Introduction

This has been another challenging year for the business as it has sought to focus on its three core divisions; extracting synergies, developing and trialling new products while at the same time dealing with the headwinds of the shrimp market and a general challenging global environment.

Last year I reported on the establishment of the operational board comprising a mixture of divisional and functional heads. This year there has seen considerable change in the leadership of the company with decisions being taken by both the CFO and CEO to step down as Executive Directors. We are pleased to have recruited Septima Maguire as CFO who was appointed on 20 December 2019 and the search for a new CEO is well underway. The operational board is functioning well and has stepped up in these circumstances. However, given the financial performance of the business and the leadership changes we have not implemented a new long-term incentive scheme for the start of the financial year 2020 as originally planned. It is important that the new incoming executive leadership are involved in the design of the incentive tools that they will need to lead the next phase of development of the business. We expect to carry out a review therefore in early 2020.

The Board is grateful to Peter George for stepping in as Executive Chair of the business on a temporary basis, supported by Philippe Léger who stepped down as head of nutrition earlier in the year. Peter George has more than doubled his time commitment to the business during this period.

Performance outcomes

During this year the business has faced a number of market and performance challenges that have impacted revenue growth and the rate of progress in some areas of the business. A depressed shrimp market has impacted revenues in our Advanced Nutrition division and the non-completion of commercial licensing deals for non-core animal vaccines has affected revenues within Animal Health.

However, there have been a number of areas where positive progress has been made, particularly with pre-licence pipeline products within the Animal Health division, despite experiencing fewer treatments than expected and delays in commencing trials in several territories. The team also made good progress with our companion animal products and held successful commercial field trials of SPR shrimp in Thailand, Vietnam and China. Our Genetics division has progressed particularly well with entry to the Chilean market, production for SPR shrimp commenced in Florida and we entered into an agreement with two local partners in Thailand which we expect to start local production from Q4 2020.

The Group preserved capital well during the period with successful refinancing through the utilisation of a NOK bond and has strengthened and improved the management of its product pipeline.

Overall, this year the Benchmark executive team has not met the expectations of the Board in many areas of operational performance and adjusted EBITDA, one of the key financial metrics for the business, has fallen significantly below target. Good progress was made with the roll out of our key account management system and across the business we continued to focus on further evolution of the culture, balancing the thought leadership and innovation approach with the need to be more commercially driven. The in-house training programme was strengthened and a mindfulness and well-being programme was launched and well received.

In light of the operational, strategic and financial performance during the year, the Remuneration Committee used its discretion and determined that no bonuses would be payable to the Executive Directors and the Operations Board.

The Remuneration Committee also agreed that cash bonuses would not be paid to employees across the business but an award of market value share options would be made instead. These awards will be made in January 2020, their purpose is retention and focus on increasing shareholder value and alignment. Awards will not vest for three years.

The Remuneration Committee seeks to abide by the UK Corporate Governance Code and the updated Code becomes effective with effect from the new financial year. We shall be reviewing our remuneration policy in the light of the Code in the course of the year commencing 1 October 2019

We shall as usual be submitting the Directors' Remuneration Report, on a voluntary basis, for shareholder approval. This is an indication of the fact that we welcome the views of our shareholders on remuneration which the Remuneration Committee believes is key to the success of Benchmark Holdings.

Susan Searle
Chairman of the Remuneration Committee
20 December 2019

ANNUAL REPORT ON REMUNERATION FOR 2019
AN OVERVIEW OF THE REMUNERATION COMMITTEE'S MEMBERSHIP AND WORK

The composition of the Remuneration Committee during the year was:

- Susan Searle (Chair)
- Kevin Quinn
- Peter George

The Committee is made up of two independent Non-Executive Directors and the Chairman with the Company Secretary acting as secretary and the Head of People attending committee meetings to provide advice on policies and practices. Since the Chairman became executive he has not served as a member of the Remuneration Committee to avoid any conflict of interest. At appropriate times, the Committee has invited the views of the Chief Executive, and more recently the Executive Chairman and seeks advice from independent remuneration consultants. No director or employee is present when his or her own remuneration or fees are discussed. The Committee continues to seek professional, independent advice from FIT Remuneration Consultants LLP.

Key objectives: The key objectives of the Remuneration Committee are to develop the Company's policy on executive remuneration and to determine the remuneration of the Executive Directors, Chairman of the Board and the Company's most 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 (including performance measures and targets) and to approve bonus payments for the Executive Directors and senior managers
- To approve the design of and oversee all awards under the Company's share incentive plans and to approve performance measures and targets
- To consider the Group's engagement with employees and overall workforce remuneration policies
- 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/investors/corporate-governance.

Actions undertaken during the year: During the year the Committee approved the terms for appointment of Septima Maguire and for Athene Blakeman who became divisional head of Advanced Nutrition.

The Committee also approved the award of share options to Directors and senior management. The Committee continued to benchmark specific positions.

Having established a policy of paying the living wage as described by the Living Wage Foundation to all employees in the UK we continue to work to ensure that similar base levels of pay are implemented in other jurisdictions. The Group again reported voluntarily on the gender pay gap (see page 58 for further details) and we continue to reduce the gap by encouraging and recruiting more women into senior roles.

A global review of benefits was begun during the year with input from FIT but put on hold as the business went through a process of reorganisation. 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.

Voting history

The Directors' Remuneration Report for the year ended 30 September 2018 was subject to an advisory vote (on a voluntary basis) at the Annual General Meeting held on 14 March 2019. The report was approved by 98.39% of shareholders.

Single total figure of remuneration for the financial year ended 30 September 2019 — Audited

The remuneration in respect of qualifying services of the Directors who served during the financial year ended 30 September 2019 is as set out below.

Executive Directors

	Salary	Bonus	Taxable benefits (a)	Payment in lieu of notice	Long-term incentive	Pension	Total 2019	Total 2018
Mark Plampin	260,170	0	1,887		-	24,075	**286,132**	445,720
Malcolm Pye	322,610	0	3,086	325,000	-	64,729	**715,425**	554,452
Alex Raeber	250,000	0	6,473		-	25,404	**281,877**	0

(a) Benefits provided for all Executive Directors are medical insurance coverage for the Directors and their families, and death in service benefits. Also includes any taxable mileage reimbursed above the HMRC rate.

Note: following the end of the financial year Malcolm Pye stepped down as CEO on 30 November 2019 and Mark Plampin will step down as CFO on 20 December 2019 and leave the business on 7 January 2020.

The Chairman and the Non-Executive Directors

	Fees (£) 2019	Fees (£) 2018
Kristian Eikre	0	0
Susan Searle	45,000	45,000
Kevin Quinn	45,000	45,000
Yngve Myhre	45,000	40,687
Hugo Wahnish	45,000	40,687
Peter George	120,000	48,307

Note: Peter George stepped in as Executive Chairman on 19 August 2019 and will return to his role as Chairman on the appointment of a new CEO.

Executive Directors' bonuses for the financial year ended 30 September 2019

The Remuneration Committee considered the performance of the Executive Directors against the delivery of long-term sustainable growth and their performance against KPIs set out below:

60% of the bonus was to be awarded against financial metrics:

1. Adjusted EBITDA — 35% potential
2. Free cash flow — 10% potential
3. Opex savings target — 5% potential
4. Revenue — 10% potential

The target range for financial measures was set on a sliding scale, with strong performance required to meet the threshold and superior outperformance required to reach the maximum end of the scale. The target range was set taking into account internal budgets, external market consensus (to the extent it exists) and a broader view of macroeconomic factors.

Non-financial operational and strategic metrics account for 40% of the bonus and included areas such as: strengthening commercial leadership and account management, pipeline development, thought leadership and brand recognition, utilisation of facilities and data management. By their nature, some of these measures required more qualitative assessments, but the Committee considered a range of information and data inputs when reviewing whether the objectives had been met. While intended to operate independently, the non-financial assessment was still underpinned by a threshold level of financial performance being required in order to ensure the affordability of the annual bonus plan.

The financial metrics were not achieved this year and therefore the Remuneration Committee exercised its judgement and determined not to award bonuses to the Executive Directors, even though some non-financial metrics were partly met. Elsewhere in the business it was felt there had been good qualitative progress made and considerable effort by staff to focus on efficiency and delivery therefore market value awards will be made thereby continuing to align the team with the shareholder experience. Additionally it is recognised that the business has divisions that may all be performing to different levels. Notably this year the Genetics division exceeded expectations.

Defined contribution pension scheme

All Executive Directors participate in defined contribution pension schemes. Malcolm Pye participates in the Benchmark Holdings Executive Pension Scheme and Mark Plampin participates in a self-invested personal pension (SIPP). Alex Raeber participates in a Swiss pension scheme.

In accordance with the policy set out on page 99, the Company contributes 10% of salary for each Executive Director. This is in line with the maximum contribution for all other employees in the UK.

LTIP awards

As is consistent with previous years, in January 2019 market value share options were issued to all three Executive Directors and on the date of grant the price was 58.5p. All options awards have a three-year vesting period, subject to continued service. Malcolm Pye was granted 555,100 options and Mark Plampin received 447,600 options. Alex Raeber was granted 400,000 options as consideration for share awards foregone in his previous employment.

In light of the formation of the Executive Team and significant change within the business, a review of long-term incentives will be undertaken in early 2020 to ensure alignment with business objectives and to provide appropriate reward to Executive Directors and senior management, for achieving long-term performance targets.

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 2019 except Peter George who has stepped in as Executive Chairman on 19 August 2019 and held various positions as described in his bio on page 78 (corporate governance).

STATEMENT OF IMPLEMENTATION OF OUR REMUNERATION POLICY IN 2020

Executive Directors' salaries

Salaries for the two Executive Directors in post from 1 December 2019 are detailed below.

	Salary (£) 2020	2019	% increase in salary 2019 to 2019 (a)
Alex Raeber	255,000	250,000	2
Septima Maguire	255,000	250,000	2

(a) In 2019, the average salary increase across the Group including senior management was 4.77%.

Note: Septima Maguire joined the business in November 2019 and will be appointed as CFO on 20 December 2019 on a salary of £250,000 (which is c.4% lower than her predecessor) with up to 100% bonus potential.

Bonus

The 2020 bonus will be implemented in line with the existing bonus scheme, with a maximum of 100% of salary. The metrics used will comprise 60% financial and 40% non-financial targets. The assessment against performance will be explained in next year's report. Peter George does not participate in any incentive scheme.

LTIP

Shortly after the publication of the annual results for 2019, Septima Maguire, the incoming CFO, will be granted 400,000 market value share options in part as consideration for compensation that she has forgone from her previous employer. As noted previously, in January 2020 we will be making an award of market value share options to the other members of the management team, including Executive Directors, which will vest after three years. We have moved to a flat allocation of share options to ensure a more equitable distribution across the 11 members of the Executive Management Team and Operations Board. Peter George will not participate in any incentive plan. Please note however, we will be reviewing our long-term incentive scheme in 2020.

The Remuneration Committee is of the view that market value share options provide genuine alignment between the participants and shareholders. Value is only attributable to these awards to the extent that the Company's share price increases and the participant remains employed until the end of the vesting period. They are also simple to administer and communicate to employees which is an important consideration in the context of our global business.

The fees of the Chairman and the Non-Executive Directors for the financial year ended 30 September 2019

The Chairman's fee

The Chairman's fee was set by the Remuneration Committee on appointment at £120,000 per year. From 19 August 2019 the Chairman stepped in as Executive Chairman and committed additional time to the business. An increased annual salary of £240,000 was agreed to reflect this change in role but at the same time the Executive Chairman agreed to use the additional remuneration to launch a new company charity scheme. He will receive no personal benefit from the increase in remuneration.

The Non-Executive Directors' fees

The Non-Executive Directors' fees are determined by the Chair and Executive Directors and are unchanged for 2020.

Kristian Eikre was appointed as a new Non-Executive Director on 20 February 2019.

ADDITIONAL INFORMATION ON DIRECTORS' INTERESTS — AUDITED

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 2019 are set out below.

	Share option scheme	Options held at 30 September 2018	Options exercised in year	Options granted in year	At 30 September 2019	Exercise price	Grant date	Date from which exercisable
Mark Plampin	CSOP II	124,585	-	-	124,585	0.1p	9 March 2015 and 6 March 2017	8 March 2018 and 5 March 2020
Mark Plampin	CSOP II	356,835	-	447,600	804,435	58.5p	25 January 2019	24 January 2022
Mark Plampin	CSOP I	43,165	-	-	43,165	69.5p	24 January 2018	23 January 2021
Malcolm Pye	CSOP II	456,835	-	555,100	1,011,935	58.5p	25 January 2019	24 January 2022
Malcolm Pye	CSOP I	43,165	-	-	43,165	69.5p	24 January 2018	23 January 2021
Alex Raeber	CSOP II	-	-	400,000	400,000	58.5p	25 January 2019	24 January 2022

Directors' interests in ordinary shares — Audited

At 30 September 2019, the interests of the Directors and their connected persons in ordinary shares was as follows.

	Interests in ordinary shares at 30 September 2019	% of Company's issued share capital at 30 September 2019	Interests in ordinary shares at 30 September 2018
Peter George	1,000,000	0.18%	0
Yngve Myhre	400,000	0.07%	0
Malcolm Pye	15,145,686	2.71%	15,145,686
Mark Plampin	536,686 (a)	0.10%	536,686
Susan Searle	98,125 (b)	0.02%	98,125
Kevin Quinn	60,929	0.01%	60,929
Hugo Wahnish	275,000	0.05%	275,000

(a) 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.

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

DIRECTORS' REMUNERATION POLICY

The Group's policy is broadly 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.
- 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.

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.

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.

The Executive Directors all participate in defined contribution pension schemes with the Company contributing 10% of the executive's salary. 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% 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.

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 2019, the average salary increase across the Group including senior management was 4.77% This percentage rise included adjustments made for additional responsibilities taken on by staff and promotions as the Group's activities expanded. Bonuses for all employees are determined on a discretionary basis, by reference to a combination of Group and individual performance. No cash bonuses will be paid for 2019.

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 2019, the Company issued 12,961,400 market value share options to 362 employees across the Group. Where we are unable to grant options a cash mirror scheme is operated to ensure consistent treatment of the teams globally.

Executive Directors' service contracts and remuneration on termination

The contracts of the Executive Directors in post during the year are 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. 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.

During the year a settlement agreement was reached with Malcolm Pye as a result of him stepping down as CEO on 30 November 2019. The agreement provided for payment in lieu of his contractual notice period and pension contributions for that period. The Remuneration Committee approved that existing share options shall be exercisable for a period of six months after he ceased to hold office. An existing Director's Loan for £60,000 was also repaid in December 2019.

Mark Plampin resigned on 9 July 2019 and worked his notice period to 7 January 2020. He will step down as CFO on 20 December 2019. The Remuneration Committee approved that a time pro-rated number of share options shall be exercisable for a period of six months after he ceases to hold office. A post-employment agreement was also approved for a three-month period from 8 January 2020 in order to enable additional advice, assistance and expertise to be called upon to ensure a smooth transition to the new CFO. Payment of £65,459 was approved which is equivalent to three months' salary.

The terms of appointment of the Chairman and the Non-Executive Directors

The Chairman and the Non-Executive Directors hold office under letters of appointment. Each appointment is for a term of three years but with additional periods of three years anticipated, except Kristian Eikre. No non-executive director may serve more than nine years in line with best practice. All directors are required to stand for re-election at least every three years, except for Kristian Eikre as explained below.

Kristian Eikre was appointed as a new Non-Executive Director on 14 March 2019 for an initial term of one year.

Either the Company or the Non-Executive Director may terminate the appointment on three months' notice (except Kristian Eikre on one month's 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 (on one month notice for Kristian Eikre), 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 and the Chairman are shown in the table below.

Name	Date of appointment	Length of service at date of Annual Report publication
Peter George	8 May 2018	1 year 7 months
Susan Searle	18 December 2013	6 years
Kevin Quinn	25 November 2016	3 years, 1 month
Hugo Wahnish	6 November 2017	2 years, 1 month
Yngve Myhre	6 November 2017	2 years, 1 month
Kristian Eikre	14 March 2019	9 months

Share dilution

The total number of ordinary shares issued and issuable in respect of options granted in any 10-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 in any 10-year rolling period.

In the financial year ended 30 September 2019 the Company allocated 12,961,400 market value share options (2.32% of issued share capital as at the date of grant) to staff including senior management and Executive Directors as mentioned on page 99.

Susan Searle
Chairman of the Remuneration Committee
20 December 2019

SHAREHOLDERS

Share capital and substantial shareholdings

The Company's issued share capital, together with details of movements during the year, are shown in Note 27 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 19 December 2019 the Company has been notified of the following substantial shareholdings under Rule 5 of the UKLA's Disclosure and Transparency Rules:

Significant shareholders	% of issued share capital
FERD AS	25.98
Kverva Finans AS	14.14
JNE Partners LLP	6.91
Lansdowne Partners	9.23
The Royal Bank of Scotland Group plc	5.80
Harwood Capital	4.13

Engagement with shareholders

The Board recognises that it is vital for the Company's success that the shareholders understand the strategy and the means by which it will be delivered. All Directors welcome regular and open engagement with shareholders.

A focus of the Company during the year was strengthening its engagement and communication with shareholders. The Company's Chairman, Peter George, proactively met with the Company's shareholders throughout the year, communicating the Company's strategy and addressing shareholders concerns. Feedback received from shareholders was communicated to the Board and the senior management team and was considered regularly at Board meetings and at the Company's annual strategy review. During the year, Kristian Eikre, Head of Ferd Capital at Ferd, the Company's largest shareholder, joined the Board as a Non-Executive Director. In addition, the Company's Investor Relations Director, Ivonne Cantu, has been working to improve the Company's engagement and communication with shareholders and prospective shareholders to ensure that these are clear and accurate.

Regular meetings were held during the year with the Company's institutional shareholders, involving both Executive and Non-Executive Directors (together and independently).

The Directors also attend the Annual General Meeting, at which formal and informal discussion is welcome.

The Chairman has primary responsibility for ensuring that major shareholders are able to engage with the Company and Board. The Chairman is also responsible for ensuring that the Board is aware of feedback from its shareholders and that these views are taken into account in the development of the Company's strategy. The Senior Independent Director is also available to shareholders, particularly where they have concerns that have not been resolved through other means, or for which other channels are inappropriate. Accordingly, shareholders are welcomed to contact the Chairman or 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 2019.

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 assesses its corporate governance arrangements and practice against the UK Corporate Governance Code 2016. A copy of the Code is available from the website of the Financial Reporting Council (FRC) at frc.org.uk. In accordance with the AIM Rules, we produce a statement setting out how Benchmark complies with the principles of the UK Corporate Governance Code, which is available on our website at benchmarkplc.com. The statements and table below set out how Benchmark complies with the Code, and where it elects to deviate from the Code.

The governance environment is evolving, including by means of the issue of a new UK Corporate Governance Code 2018. The 2018 Code will apply to the Company for its financial year which commenced on 1 October 2019, and therefore the Company will report on the new Code formally in next year's report. We are monitoring changes to the governance environment, including the new edition of the Code, to ensure that the Company continues to comply with the laws, regulations and rules applicable to it, and to operate structures and practices that deliver good corporate governance.

The Nomination Committee evaluates the performance of the Board as a whole and in doing so evaluates the performance of each of the Directors. During the year, the evaluation of the Board resulted in a number of changes. Due to the changes in composition of the board and its committees over the year, the Company has not carried out an annual appraisal of the Board in its current form during the FY19 year, but an appraisal process will commence shortly on the Board's now settled form.

The Nomination Committee and Board determined, having regard to the expertise of the then current Directors, that the Board would benefit from the appointment of Kristian Eikre as a Non-Executive Director. Kristian's appointment brings significant commercial and industry expertise to the Board.

Following Mark Plampin's resignation as CFO which will be formally effective on 20 December 2019, the Board will appoint Septima Maguire to step into the role. Septima has extensive strategic, investor and operational finance experience and proven expertise in driving improved business performance.

Additionally, Malcolm Pye resigned as CEO, the Board determined that Peter George became the Executive Chair as an interim measure prior to recruiting a new CEO.

Overview of compliance with principles of UK Corporate Governance Code 2016

The Board considers that it has complied with the Corporate Governance Code 2016 during the financial year covered by this Annual Report, except from the period from 19 August 2019, when Peter George transitioned from a Non-Executive to Executive Chairman role following Malcolm Pye 's resignation as CEO. Peter's executive position is only a temporary measure during the transition period until the appointment of a successor, and the Company has commenced an external search process for the new CEO.

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 83)
A.2 Clear division of responsibilities	There is a clear division of responsibilities between Chairman and CEO which is described this report. However, note that for the period from 19 August 2019 until the appointment of a new CEO to replace Malcolm Pye, Peter George has been appointed as an Executive Chairman in order to ensure a smooth transition period. (See page 86)
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 87)
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 83)
B. Effectiveness	
B.1 Composition of the Board	During the year we completed the appointment of Kristian Eikre, as a Non-Executive Director, whose experience brings significant commercial and industry expertise to the Board. Following the resignation of the CFO — Mark Plampin, we appointed a new CFO, Septima Maguire. Septima has extensive strategic, investor and operational finance experience and proven expertise in driving improved business performance. This year we also saw the resignation as CEO of Malcolm Pye, and began recruiting for his replacement. 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 follows 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 respect of the two appointments made to the Board in the year.
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 86 to 88)
B.4 Training and development	New Directors receive a comprehensive and formal induction programme that is tailored to their role and needs, and the Board receives updates regarding the business and regulatory developments. (See page 88)
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 page 87)
B.6 Board and Committee performance evaluations	The Nomination Committee reviews the skills, experience, independence and knowledge of the Directors as a whole to ensure the composition of the Board is suitable for the Company as it grows and diversifies. A total of two new appointments were made to the Board in FY19 to strengthen and broaden the range of skills, knowledge and experience represented. The Nomination Committee and the Board actively considers and discusses Board diversity, which remains a focus. As mentioned above, due to the changes in composition of the board and its committees over the year, the Company has not carried out an annual appraisal of the Board in its current form during the FY19 year, but an appraisal process will commence shortly on the Board's now settled form.
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 page 105). The Company has also proposed a resolution to be considered at its March 2020 AGM to effect an amendment to its Articles of Association which would require the annual re-election of all Directors, in line with the new requirements of the 2018 Code.
C. Accountability	
C.1 Financial and business reporting	The Board has reviewed this Annual Report and the results for the year to 30 September 2019 to ensure that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable. (See pages 89 and 107)
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. This report sets out the Company's risk framework and risk management activity. (See pages 70 to 75)
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 89 to 91)
D. Remuneration	
D.1 Executive Directors' remuneration	The policy for determining the remuneration of Executive Directors is set out in the Remuneration Report. No Director is involved in setting his / her own remuneration. (See pages 93 to 97)
D.2 Remuneration policy	The Company's remuneration policy is set out in the Remuneration Report. (See pages 93 to 100)
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 page 101)
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 page 105)

Overview of compliance with the new UK Corporate Governance Code 2018

We will report against the new requirements of the 2018 UK Corporate Governance Code in next year's Annual Report, to allow time to embed these new practices in our corporate governance framework and to monitor their operation and effectiveness. Nonetheless, here follows some of the more significant steps that the Board is taking:

- **Workforce engagement:** during the 2019 financial year, members of the Board visited various sites across the business, enabling them to meet directly with our employees and customers and experience the vision and progress of the Group. We are in the process of reviewing how the Board engages with its key stakeholders and workforce and considering how best to address workforce engagement in light of our Group structure and geographical spread. We will report more on this in next year's report.
- **Terms of reference for various committees:** We have reviewed the Board Committee's terms of reference, and amendments to the scope of such terms of reference are in the process of being considered for adoption to ensure ongoing compliance with the requirements of the new 2018 Code.
- **Culture:** The 2018 Code emphasises the importance of strengthening the voice of employees and other stakeholders in the board room and assessing and monitoring culture so that policy, practices and behaviour throughout the business are aligned with the Company's purpose, values and strategy. In light of this, our People team have rolled out various initiatives throughout the 2019 financial year, including piloting a mindfulness programme as part of the new 'Being Well' programme. In addition, our People team conducted an employee engagement survey for all Benchmark employees which looked to identify what is working well and what we could improve on. The results of this survey were circulated throughout the Company and were reported to the Board to consider.
- **Board composition:** The Board has proposed a resolution to effect a change to the Company's articles, requiring the annual re-election of all Directors by shareholders in line with the recommendations of the new Code.

Viability statement

The Board assesses the Group's going concern and viability based on its cash flows and business plans, combined with downside scenarios of the principal risks described on pages 72 to 75 and other financial and performance factors that could threaten the Group's plans, performance and financial position including the nature of the business and its investment and planning periods. The outcome of this analysis and the appropriateness of the period over which the Board decided to provide its viability statement are described below.

Assessing our prospects

In order to reach a conclusion on both the appropriateness of adopting the going concern basis of accounting in preparing the Annual Report and on our viability, the Board carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The key factors affecting the Group's prospects are set out in the strategy on page 26 being the ability to implement the programme of efficiencies including disposals of non-core businesses, continue to grow in established markets from existing capacity and through partnerships, commercial delivery of pipeline products, focussed investment in markets that leverage the Group platform and positioning the Group in areas of future growth.

This assessment considered the following:

- Benchmark's current strategic plan, financial position and the financing facilities available to the Group together with forecast compliance with the related covenants. As outlined in the Basis of Preparation in Note 1 to the financial statements, the Group was refinanced during the year with a new four-year senior secured floating rate listed bond issue of NOK850m completed and a new super senior revolving credit facility of USD 15m put in place. The key financial covenants within these facilities are minimum liquidity (cash plus undrawn facilities) of £10m and minimum equity ratio (the ratio of book equity to total assets) of 30%.
- The implementation of the Group's programme of efficiencies including disposals of non-core businesses. This is a key component of future liquidity and the proceeds from the disposal of non-core businesses is important to funding the ongoing investment in R&D and commercialising new products. The expected timing and value of proceeds to be achieved by the individual components of the plan are therefore key to the timing of the investment to be made. The Directors have considered possible delays in the timing, and reduction in the value of, these disposals. A significant delay of three months, or a reduction in the expected disposal proceeds below the low end of the valuation range in some of the larger business disposals could remove all available liquidity headroom. In this event, either further financing would have to be sought or certain areas of the Group's growth aspirations would need to be reassessed and investment adjusted accordingly. In that eventuality, the Directors believe that relationships with funders and the expected returns available on the growth areas in which investment is being made are sufficiently strong and attractive for the Group to be able to secure adequate additional funding should it be required.
- A number of assumptions in relation to trading performance across the Group including availability and timing of licences associated with sea lice treatment and other vaccine field trials and related marketing authorisations once these trials are completed, supply and pricing of key raw materials and the out-licensing of certain products in development. The Directors have considered reasonably possible downside sensitivity scenarios, including mitigating actions within their control should these occur around deferring and reducing non-essential capital and revenue expenditure, redeployment or curtailment of research and development spend in the relevant areas and working capital management. These forecast cash flows, considering the ability and intention of the Directors to implement mitigating actions should they need to, provide sufficient headroom in the forecast period.
- The potential impact of Brexit on the Group. The scale of the impact depends on the nature of the exit process which is uncertain. The Board views the potential impact of Brexit as an integral part of the review of the principal risks and the Group has undertaken hard Brexit mitigation planning. The Board continues to assess the potential impacts of Brexit as the process evolves.

Assessment period

In their assessment of the Group's viability, the Directors have determined that a five-year time horizon, to September 2024, is an appropriate period to adopt. This is the period focussed on by the Board during its strategic planning process. While the formal assessment period extends to September 2024, the Board considers that the Group's longer-term prospects are likely to be positive beyond this time horizon as a result of market growth, increasing market demand for its products and its strong competitive position derived from its technology platform and pipeline of products.

Going concern and viability statement

The Directors have concluded that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that it may therefore be unable to realise its assets and discharge its liabilities in the normal course of business.

However, subject to the successful disposal of the non-core businesses in the near term or, in the absence of this, to appropriate actions being taken to significantly reduce investment in and costs related to the product pipeline, or obtaining further finance, the Group should be able to continue in operation and meet its liabilities as they fall due for the foreseeable future and at least the period of 12 months from the date of signing these financial statements. Accordingly, the financial statements have been prepared on a going concern basis. Also, based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to September 2024.

Annual General Meeting

The next Annual General Meeting will be held at 12.00p.m. on 12 March 2020 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 made available to shareholders in due course.

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:

- Peter George
- Malcolm Pye (stepped down as CEO 30 November 2019)
- Mark Plampin (stepped down 20 December 2019)
- Alex Raeber
- Hugo Wahnish
- Kevin Quinn
- Susan Searle
- Yngve Myhre
- Kristian Eikre (appointed 14 March 2019)

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

At the Annual General Meeting held in March 2019, the appointments of Alex Raeber and Peter George as Directors of the Company were approved.

In accordance with Provision 18 of the UK Corporate Governance Code 2018, all Directors should be subject to annual re-election and this will be reflected in the resolutions of the Annual General Meeting to be held on 12 March 2020.

Kristian Eikre and Septima Maguire were appointed as Directors of the Company by the Board in March 2019 and December 2019 respectively. Malcolm Pye resigned as CEO on 30 November 2019.

Accordingly, at the Annual General Meeting to be held 12 March 2020, Kristian Eikre and Septima Maguire will be standing for election, and the remaining Directors will be 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 14 March 2019, shareholders authorised the Directors to allot relevant securities up to an aggregate nominal value of £371,670, representing approximately two third of the issued share capital and £185,835 of this authority was reserved only for 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 £27,875 (being 5% of issued share capital), and to further allot for cash equity securities having a nominal value not exceeding in aggregate £27,875 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 2019 AGM.

Authority for the Company to purchase its own shares

At the Company's 2019 Annual General Meeting, shareholders renewed the Company's authorities to make market purchases of up to 55,750,500 ordinary shares, representing approximatively 10% of the Company's issued share capital. These authorities were not used in the year. At the 2020 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% 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 days' 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 engagement

As the Group has grown, organically and through acquisition, with increasing geographical spread in order to access its markets, employee engagement has become more important and necessarily more structured.

The Company has continued its series of focus groups with the aim to establish how informed people are about our strategy and developments at Benchmark; assess staff buy-in to our philosophy and values; understand the extent to which employees feel informed and motivated by communications from different sources; capture ideas around new initiatives; identify training needs; give employees an opportunity to speak up and be heard; and promote employee engagement and collaboration.

The outcomes of the initial round of focus groups, including recommended initiatives, were presented to the Operations Board for discussion in January 2019.

A new employee engagement survey was undertaken during the year and provided detailed insight into a number of important areas related to purpose, enablement, autonomy, wellbeing, reward, leadership and engagement. There was an encouraging 82% response rate and results showed very good levels of engagement, with 84% classed as being positively engaged. The results have been cascaded and teams from all parts of the business are involved in developing divisional and local action plans to identify areas of improvement and to address the key issues raised.

The Group has a policy of encouraging share ownership and 57.7% 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 auditor 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.

Branches outside the UK

The Company has a branch in Switzerland for the purposes of engaging employees who are resident in Switzerland.

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.	134 to 138
Important events	Particulars of important events affecting the Company or its subsidiaries.	4, 11 to 13, 26
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.	11 to 13, 26, 27
Research and development	Details of research and development activities of the Company and its subsidiaries.	14 to 16, 30 to 43
Risk management	Details of the Company's risk management framework, activities in the year and principal risks and uncertainties.	70 to 75
Directors' remuneration and interests	Details of Directors' remuneration, interests in shares of the Company, share options and pension arrangements.	93 to 100
Principal activities and business review	Business review, details of 2019 results, key performance indicators, outlook for future years.	4 to 5, 8 to 53
Financial risk management	Objectives and policies for management of financial risk.	89 to 92
Share capital	Details of the issued share capital and movements during the year.	176

This report was approved by the Board on 19 December 2019 and signed on its behalf.

Jennifer Haddouk
Company Secretary
19 December 2019

DIRECTORS' RESPONSIBILITIES

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under 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 European Union (IFRSs as adopted by the EU) and applicable law and they 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 their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the 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.

The Directors have decided to prepare voluntarily a Directors' Remuneration Report in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 made under the Companies Act 2006, as if those requirements applied to the Company. The Directors have also decided to prepare voluntarily a Corporate Governance Statement as if the Company were required to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in relation to those matters.

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. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board

Peter George
Executive Chairman
19 December 2019

03
FINANCIAL STATEMENTS

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 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, 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 2019 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 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	£1,070,000 (2018: £1,100,000) 0.7% (2018: 0.7%) of revenue	
Coverage	81% (2018: 80%) of group revenue	
Key audit matters		**vs 2018**
Recurring risks	Going concern	▲
	The impact of uncertainties due to UK exiting the European Union on our audit	◀▶
	Valuation of group goodwill, intangibles and recoverability of parent company's investment in subsidiaries and group debtor balances	▲
	Valuation of biological assets	◀▶
New	Classification and measurement of discontinued operations and assets held for sale	▲

2. Material uncertainty relating to going concern

	The risk	Our response
Going concern We draw attention to note 1 to the financial statements which indicates that the Group's and the parent Company's ability to continue as a going concern is dependent on the Group's ability to meet its forecasts and remain within the overall bank and other debt facilities and be in compliance with covenants. The Group's and the Parent Company's ability to continue as a going concern is dependent on the timing of and value realised from the divestment of a number of smaller or non-core businesses within the Group to help fund ongoing investment and provide sufficient headroom in the forecast period should downside trading sensitivities occur. There are a number of uncertainties in relation to timing of proceeds from disposal of the smaller or non-core businesses, alongside other trading sensitivities. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.	**Disclosure quality:** There is little judgement involved in the directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of all the reasonably possible scenarios relating to the key uncertainties and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. The focus of our audit was that all of those reasonably possible scenarios have been adequately disclosed. Auditing standards require that to be reported as a key audit matter.	Our procedures included: • **Our sector experience:** With the assistance of our restructuring specialists we assessed and challenged the key assumptions in the prospective financial information prepared by directors by reference to our knowledge of the business and general market conditions and assessed the potential risk of management bias in preparing the cash flow projections. • **Funding assessment:** We obtained and inspected the financing agreements to ascertain the committed level of financing, its duration and related covenant requirements. • **Historical comparisons:** We compared the prior period's prospective financial information against the prior period's actual results and compared the current period's prospective financial information with the post-year end actual results to assess historical reliability of the forecasting. • **Sensitivity analysis:** We performed analysis of changes in key assumptions such as removing the expected disposal proceeds arising from the divestment of non-core businesses, removing income from sea lice treatment commercial sales which are dependent on receiving certain licences and removing the out licensing of certain products in development to understand the sensitivity of the cash flow forecasts in relation to available facility headroom and covenant compliance. • **Evaluating directors' intent:** We evaluated the intent of the directors and achievability of the actions being taken to realise value from the divestment of non-core businesses and the achievability of other actions they would take to improve the liquidity position should certain risks materialise • **Assessing transparency:** We assessed the completeness and accuracy of the matters covered in the going concern disclosure by comparing them to the outcome of our procedures detailed above.

We are required to report to you if the directors' going concern statement under the Listing Rules set out on page 105 is materially inconsistent with our audit knowledge. We have nothing to report in this respect.

3. Other key audit matters: including 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. Going concern is a significant key audit matter and is described in section 2 of our report. In arriving at our audit opinion above, the other key audit matters, were as follows:

	The risk	Our response
The impact of uncertainties due to UK exiting the European Union on our audit *Refer to page 72 (principle risks), page 105 (viability statement)*	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of group goodwill, intangibles and recoverability of parent company's investment in subsidiaries and group debtor balances, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see section 2). All of these depend on assessments of the future economic environment and the group and company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group and company's business and financial resources compared with our own understanding of the risks. We considered the directors' plan to take action to mitigate the risks; • **Sensitivity analysis:** When addressing the valuation of group goodwill, intangibles and recoverability of parent company's investment in subsidiaries and group debtor balances, going concern and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty; • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures over the valuation of group goodwill, intangibles and recoverability of parent company's investment in subsidiaries and group debtor balances, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.
Valuation/recoverability of group goodwill, intangibles and of parent's investment in subsidiaries/debt due from group entities Goodwill: £121,949,000 (2018: £152,439,000) Intangibles: £148,441,000 (2018: £162,042,000) Investments (parent company): £257,059,000 (2018: £264,472,000) Debt due from group entities (parent company): £179,575,000 (2018: £165,446,000) *Refer to page 89 (Audit Committee Report), pages 130 and 132 (accounting policy) and pages 154, 162 and 166 (financial disclosures).*	**Forecast based valuation:** The carrying value of goodwill, intangibles, investments and debt due from group entities, and the recoverability of parent company investments in subsidiaries 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. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of certain of the CGUs has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 15) disclose the sensitivity estimated by the Group.	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 in respect of the discount rate applied to forecasts, we compared the Group's assumptions in relation to key inputs such as projected growth and discount rates to externally derived data. We assessed the adequacy of adjustments made to the valuation as a result of our challenge; • **Sensitivity analysis:** Performing analysis of changes in key assumptions such as projected growth and discount rates to understand the sensitivity of the valuation to them; • **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 their ability to support the valuation of the related assets; • **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.

	The risk	Our response
Valuation of biological assets; Broodstock, eggs and fingerlings Broodstock, eggs and fingerlings: £27,892,000; (2018: £19,611,000) *Refer to page 90 (Audit Committee Report), pages 131 and 132 (accounting policy) and page 163 (financial disclosures).*	**Subjective valuation:** The group holds significant biological assets, held mainly at StofnFiskur in Iceland and SalmoBreed Salten in Norway. Under relevant account standards 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).	Our procedures were performed over the Group level fair value overlay performed on the Norwegian assets. We inspected the work of the Icelandic audit team to assess their procedures complied with the below. These procedures included: • **Data comparisons:** We assessed the group's valuation model for mathematical accuracy and internal consistency with board approved budgets and forecasts; • **Benchmarking assumptions:** We compared the group's assumptions in relation to key inputs such as selling price to externally derived data; • **Assessing transparency:** We considered the adequacy of the group's disclosures in respect of the valuation of biological assets; • **Alternative methods:** We considered an alternative valuation basis to that used by management to corroborate the reasonableness of the directors approach.
Classification and measurement of discontinued operations and assets held for sale Loss from discontinued operations: £9,705,000 (2018: £4,868,000 (restated)) Net assets and associated liabilities held for sale: £5,253,000 (2018: £nil) *Refer to page 90 (Audit Committee Report), pages 132 and 133 (accounting policy) and pages 147 and 166 (financial disclosures).*	**Judgement around classification and measurement:** The Group is currently going through a structural efficiencies program, with a view to realigning its strategic focus, and divesting from non-core businesses. There is a risk that the directors' plan for disposal does not meet the classification requirements of the relevant accounting standards, or the assets and liabilities associated with the disposal group are inappropriately assessed in relation to the criteria of IFRS 5.	Our procedures included: • **Challenging assumptions:** We assessed and challenged the directors' assumptions and judgements made behind the classification of disposal assets/disposals held for sale /to be abandoned against the relevant criteria within the accounting standard • **Evaluating the directors' intent:** We obtained an understanding of the planned disposals/assets to be abandoned, the timing of the decisions to divest/abandon and evidence of compliance with the requirements of the relevant accounting standards as at the year end • **Assessing measurement decisions:** We assessed management's measurement of assets classified as discontinued/held for sale, in the context of expected sales proceeds and marketed values, and realisation value where appropriate • **Assessing transparency:** We assessed the adequacy of disclosures made in respect of discontinued operations including assets held for sale.

4. 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 £1,070,000 (2018: £1,100,000), determined with reference to a benchmark of Group revenue, of which it represents 0.7% (2018: 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 £500,000 (2018: £800,000), determined with reference to a benchmark of company total assets, of which it represents 0.2% (2018: 0.2%).

We agreed to report to the audit committee any corrected or uncorrected identified misstatements exceeding £53,000 (2018: £55,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 71 (2018: 70) reporting components, we subjected 16 (2018: 16) to full scope audits for Group purposes and 1 (2018: 1) 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.

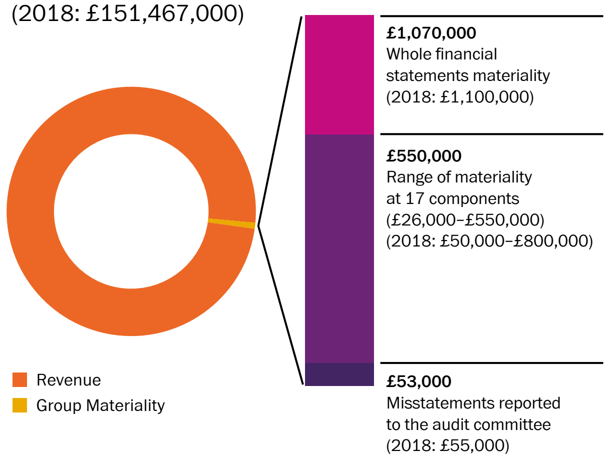
The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team also approved the component materialities ranging from £26,000 — £550,000 (2018: £50,000–£800,000) having regard to the mix of size and risk profile of the Group across the components. The work on 9 of the 17 (2018: 9 of the 17) components was performed by component auditors and the rest, including the audit of the parent company, by the Group team.

The Group team held calls with all 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.

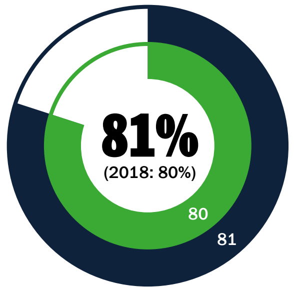
The Group team visited three component locations in Iceland, Norway, and Belgium to attend clearance meetings and held calls with all other full scope component auditors. During these, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team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

Revenue
£138,625,000
(2018: £151,467,000)

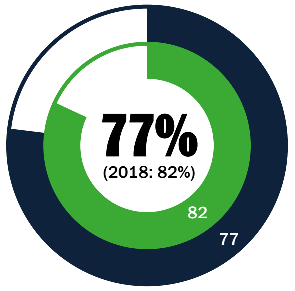
Group Materiality
£1,070,000 (2018: £1,100,000)



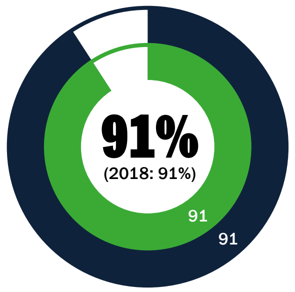
Group revenue



Group profit before tax



Group total assets



- Full scope for group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Full scope for group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Residual components

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.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- The directors' confirmation within page 72 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- The directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- The section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have nothing to report in these respects.

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 and the part of the Directors' Remuneration Report which we were engaged to audit 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 107, 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 and the terms of our engagement by the company. 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 the further matters we are required to state to them in accordance with the terms agreed with the company, 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.

Johnathan Pass
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

20 December 2019

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2019

	Notes	2019 £000	2018 Restated* £000
Continuing operations			
Revenue	4	**127,343**	131,643
Cost of sales		**(61,348)**	(63,150)
Gross profit		**65,995**	68,493
Research and development costs		**(12,830)**	(12,040)
Other operating costs		**(40,700)**	(37,012)
Share of profit of equity-accounted investees, net of tax		**(414)**	(362)
Adjusted EBITDA[2]		**12,051**	19,079
Exceptional – restructuring/acquisition related items	10	**(581)**	(1,239)
EBITDA[1]		**11,470**	17,840
Depreciation and impairment	12	**(8,466)**	(4,869)
Amortisation and impairment	12	**(64,254)**	(16,802)
Operating loss		**(61,250)**	(3,831)
Finance cost	9	**(12,422)**	(4,927)
Finance income	9	**368**	332
Loss before taxation		**(73,304)**	(8,426)
Tax on loss	11	**13**	8,906
(Loss)/profit from continuing operations		**(73,291)**	480
Discontinued operations			
Loss from discontinued operations, net of tax	12	**(9,789)**	(4,869)
		(83,080)	(4,389)
Loss for the year attributable to:			
– Owners of the parent		**(83,857)**	(5,009)
– Non-controlling interest		**777**	620
		(83,080)	(4,389)
Earnings per share			
Basic loss per share (pence)	13	**(15.03)**	(0.94)
Diluted loss per share (pence)	13	**(15.03)**	(0.94)
Earnings per share - continuing operations			
Basic loss per share (pence)	13	**(13.28)**	(0.03)
Diluted loss per share (pence)	13	**(13.28)**	(0.03)

	£000	£000
Adjusted EBITDA from continuing operations	**12,051**	19,079
Adjusted EBITDA from discontinued operations	**1,674**	(2,061)
Total Adjusted EBITDA	**13,725**	17,018

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

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

* 2018 numbers have been restated to reflect the ongoing continuing business. The Knowledge Services Division and the veterinary services business within the Animal Health Division have been moved to discontinued operations in line with IFRS 5

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2019

	2019 £000	2018 £000
Loss for the year	(83,080)	(4,389)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Foreign exchange translation differences	13,919	7,624
Cash flow hedges - changes in fair value	(3,549)	–
Cash flow hedges - reclassified to profit or loss	(17)	–
Total comprehensive income for the period	(72,727)	3,235
Total comprehensive income for the period attributable to:		
– Owners of the parent	(73,174)	2,546
– Non-controlling interest	447	689
	(72,727)	3,235
Total comprehensive income for the period attributable to owners of the parent:		
– Continuing operations	(63,188)	7,048
– Discontinued operations	(9,986)	(4,502)
	(73,174)	2,546

The accompanying notes form part of the financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 September 2019

	Notes	2019 £000	2018 £000
Assets			
Property, plant and equipment	14	88,900	99,527
Intangible assets	15	275,744	325,386
Equity-accounted investees	17	3,453	17,457
Other investments		25	29
Biological and agricultural assets	20	12,469	8,502
Trade and other receivables	21	–	4,145
Non-current assets		380,591	455,046
Inventories	19	22,609	20,483
Biological and agricultural assets	20	16,024	11,892
Trade and other receivables	21	52,136	41,337
Cash and cash equivalents	36	16,051	24,090
		106,820	97,802
Assets held for sale	22	15,970	–
Current assets		122,790	97,802
Total assets		503,381	552,848
Liabilities			
Trade and other payables	23	(35,235)	(45,680)
Loans and borrowings	24	(3,231)	(898)
Corporation tax liability		(2,703)	(2,629)
Provisions	25	(404)	(70)
		(41,573)	(49,277)
Liabilities directly associated with the assets held for sale	22	(10,634)	–
Current liabilities		(52,207)	(49,277)
Loans and borrowings	24	(99,961)	(78,868)
Other payables	23	(2,004)	(1,219)
Deferred tax	26	(38,743)	(41,637)
Non-current liabilities		(140,708)	(121,724)
Total liabilities		(192,915)	(171,001)
Net assets		310,466	381,847
Issued capital and reserves attributable to owners of the parent			
Share capital	27	559	557
Additional paid-in capital*	27	358,044	357,894
Capital redemption reserve	28	5	5
Retained earnings	28	(110,916)	(28,240)
Hedging Reserve	28	(3,566)	–
Foreign exchange reserve	28	60,202	45,953
Equity attributable to owners of the parent		304,328	376,169
Non-controlling interest	29	6,138	5,678
Total equity and reserves		310,466	381,847

* See note 28

The financial statements on pages 117 to 187 were approved and authorised for issue by the Board of Directors on 20 December 2019 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 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Property, plant and equipment	14	**161**	225
Investments	18	**257,059**	264,472
Total non-current assets		**257,220**	264,697
Current assets			
Trade and other receivables	21	**180,558**	166,273
Cash and cash equivalents	36	**840**	2,309
Total current assets		**181,398**	168,582
Total assets		**438,618**	433,279
Liabilities			
Current liabilities			
Trade and other payables	23	**(58,475)**	(39,522)
Total current liabilities		**(58,475)**	(39,522)
Non-current liabilities			
Loans and borrowings	24	**(75,924)**	(52,291)
Total non-current liabilities		**(75,924)**	(52,291)
Total liabilities		**(134,399)**	(91,813)
Net assets		**304,219**	341,466
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**559**	557
Additional paid-in capital*	27	**358,044**	357,894
Capital redemption reserve	28	**5**	5
Hedging Reserve	28	**(3,333)**	–
Retained earnings	28	**(51,056)**	(16,990)
Total equity and reserves		**304,219**	341,466

* See note 28

The financial statements on pages 117 to 187 were approved and authorised for issue by the Board of Directors on 20 December 2019 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 2019

	Share capital £000	Additional paid–in share capital* £000	Other reserves £000	Hedging reserve £000	Retained earnings £000	Total attributable to equity holders of parent £000	Non-controlling interest £000	Total equity £000
As at 1 October 2017	522	339,431	38,403	–	(24,742)	353,614	4,971	358,585
Comprehensive income for the period								
(Loss) for the period	–	–	–	–	(5,009)	(5,009)	620	(4,389)
Other comprehensive income	–	–	7,555	–	–	7,555	69	7,624
Total comprehensive income for the period	–	–	7,555	–	(5,009)	2,546	689	3,235
Contributions by and distributions to owners								
Share issue	35	18,463	–	–	–	18,498	–	18,498
Share based payment	–	–	–	–	1,511	1,511	–	1,511
Total contributions by and distributions to owners	35	18,463	–	–	1,511	20,009	–	20,009
Changes in ownership								
Acquisition of NCI without a change in control	–	–	–	–	–	–	18	18
Total changes in ownership interests	–	–	–	–	–	–	18	18
Total transactions with owners of the Company	35	18,463	–	–	1,511	20,009	18	20,027
As at 30 September 2018	557	357,894	45,958	–	(28,240)	376,169	5,678	381,847
Comprehensive income for the period								
(Loss) for the period	–	–	–	–	(83,857)	(83,857)	777	(83,080)
Other comprehensive income	–	–	14,249	(3,566)	–	10,683	(330)	10,353
Total comprehensive income for the period	**–**	**–**	**14,249**	**(3,566)**	**(83,857)**	**(73,174)**	**447**	**(72,727)**
Contributions by and distributions to owners								
Share issue	2	150	–	–	–	152	–	152
Share based payment	–	–	–	–	1,181	1,181	–	1,181
Total contributions by and distributions to owners	**2**	**150**	**–**	**–**	**1,181**	**1,333**	**–**	**1,333**
Changes in ownership								
Disposal of subsidiary with NCI	–	–	–	–	–	–	13	13
Total changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**13**
Total transactions with owners of the Company	**2**	**150**	**–**	**–**	**1,181**	**1,333**	**13**	**1,346**
As at 30 September 2019	**559**	**358,044**	**60,207**	**(3,566)**	**(110,916)**	**304,328**	**6,138**	**310,466**

* See note 28.

The accompanying notes form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

	Share capital £000	Share premium reserve £000	Capital redemption reserve £000	Hedging reserve £000	Retained earnings* £000	Total attributable to equity holders £000
At 1 October 2017	**522**	**339,431**	**5**	**–**	**(9,857)**	**330,101**
Comprehensive income for the year						
Loss for the year	–	–	–	–	(8,644)	(8,644)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(8,644)**	**(8,644)**
Contributions by and distributions to owners						
Share based payment	–	–	–	–	1,511	1,511
Share issue	35	18,463	–	–	–	18,498
Total contributions by and distributions to owners	**35**	**18,463**	**–**	**–**	**1,511**	**20,009**
At 30 September 2018	**557**	**357,894**	**5**	**–**	**(16,990)**	**341,466**
Comprehensive income for the year						
Loss for the year	–	–	–	–	(35,247)	(35,247)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(35,247)**	**(35,247)**
Contributions by and distributions to owners						
Share based payment	–	–	–	–	1,181	1,181
Other comprehensive income	–	–	–	(3,333)	–	(3,333)
Share issue	2	150	–	–	–	152
Total contributions by and distributions to owners	**2**	**150**	**–**	**(3,333)**	**1,181**	**(2,000)**
At 30 September 2019	**559**	**358,044**	**5**	**(3,333)**	**(51,056)**	**304,219**

* See note 28.

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

	Notes	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		**(83,080)**	(4,389)
Adjustments for:			
Depreciation and impairment of property, plant and equipment	12	**17,227**	6,841
Amortisation and impairment of intangible fixed assets	12	**66,087**	18,002
Loss on sale of property, plant and equipment		**(838)**	8
Finance income	9	**(368)**	(332)
Finance costs	9	**7,773**	2,432
Other adjustments for non-cash items		**68**	(1,931)
Share of profit of equity-accounted investees, net of tax		**414**	362
Foreign exchange losses		**5,620**	2,609
Share based payment expense	33	**1,181**	1,511
Tax credit	11	**111**	(9,270)
		14,195	15,843
Increase in trade and other receivables		**(12,516)**	(4,355)
Increase in inventories		**(2,273)**	(815)
Increase in biological and agricultural assets		**(8,593)**	(4,102)
Increase/(decrease) in trade and other payables		**3,968**	(4,026)
Increase/(decrease) in provisions		**261**	(388)
		(4,958)	2,157
Income taxes paid		**(4,253)**	(5,898)
Net cash flows used in operating activities		**(9,211)**	(3,741)
Investing activities			
Acquisition of subsidiaries, net of cash acquired		**(7)**	–
Purchase of investments		**(7,020)**	(6,356)
Receipts from disposal of investments		**5,942**	–
Purchases of property, plant and equipment		**(7,850)**	(25,072)
Purchase of intangibles		**(7,964)**	(7,581)
Proceeds from sale of fixed assets		**1,131**	233
Interest received		**447**	261
Net cash flows used in investing activities		**(15,321)**	(38,515)
Financing activities			
Proceeds of share issues		**2**	18,498
Proceeds from bank or other borrowings		**92,578**	41,206
Acquisition of NCI		**–**	(33)
Repayment of bank or other borrowings		**(71,224)**	(5,815)
Cash advances and loans made to other parties		**–**	(4,076)
Interest and finance charges paid		**(5,366)**	(2,442)
Payments to finance lease creditors		**(5)**	(218)
Net cash inflow from financing activities		**15,985**	47,120
Net (decrease)/increase in cash and cash equivalents		**(8,547)**	4,864
Cash and cash equivalents at beginning of year		**24,090**	18,779
Effect of movements in exchange rate		**508**	447
Cash and cash equivalents at end of year	36	**16,051**	24,090

The accompanying notes form part of the financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 30 September 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Loss for the year		(35,247)	(8,644)
Adjustments for:			
Depreciation of property, plant and equipment	14	115	130
Provision for impairment of investments		8,338	–
Loss on sale of property, plant and equipment		1	–
Finance income		(699)	(570)
Finance expense		8,433	3,892
Foreign exchange gains		4,351	1,714
Share based payment expense		255	208
Tax credit		–	(325)
		(14,453)	(3,595)
Decrease in trade and other receivables		11,640	6,583
Increase/(decrease) in trade and other payables		1,786	(675)
Net cash flows from operating activities		(1,027)	2,313
Investing activities			
Proceeds of transfer of investment in subsidiary	18	–	706
Loans to subsidiary undertakings		(17,182)	(33,595)
Investment in subsidiary undertakings		–	(33)
Purchases of property, plant and equipment		(51)	(68)
Interest received		549	12
Net cash used in investing activities		(16,684)	(32,978)
Financing activities			
Proceeds of share issue		2	18,498
Proceeds from bank borrowings		91,021	14,500
Repayment of bank borrowings		(70,265)	–
Interest paid		(4,701)	(1,800)
Net cash from financing activities		16,057	31,198
Net (decrease)/increase in cash and cash equivalents		(1,654)	533
Cash and cash equivalents at beginning of period		2,309	1,776
Effect of movements in exchange rate		185	–
Cash and cash equivalents at end of period	36	840	2,309

The accompanying notes form part of the financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 September 2019

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 Financial Review and the Audit Committee report.

Going concern

As at 30 September 2019 the Group had net assets of £310.5m (2018: £381.8m), including cash of £16.1m (2018: £24.1m) as set out in the consolidated balance sheet on page 119. The Group made a loss for the year of £83.1m (2018: £4.4m). As at 30 September 2019 the Company had net assets of £304.2m (2018: £341.5m), including cash of £0.8m (2018: £2.3m) as set out on the Company balance sheet on page 120. The Company made a loss for the year of £35.2m (2018: £8.6m).

The Group was refinanced during the year, and on 24 June 2019 a new four-year senior secured floating rate listed bond issue of NOK 850m was completed and a new three and a half year USD 15m revolving credit facility agreed. Details of the Group and Company borrowings are disclosed in note 24. As at 20 December total borrowings from the Group's facilities were £102.3m and the most recent month end cash reserves at the end of November were £19.8m.

The Directors have prepared base and sensitised cash flow forecasts for the Group covering the period to September 2021, including forecast compliance with the covenants specified in the new borrowings. Significant elements of the Group continue to be in a growth and investment phase, including the final stages of obtaining Marketing Authority approval for its latest sea lice treatment and the growth and expansion of its genetics business into inland salmon egg production and disease resistant shrimp genetics while riding out the headwinds in the shrimp market. The Directors have taken the decision to divest from a number of smaller or non-core businesses in the Group to help fund this ongoing investment and a structural efficiencies programme is well underway to that end. The business forecasts therefore include key assumptions on the timing and value of these business disposals and asset realisations, as well as other trading uncertainties common in businesses engaged in the aquaculture and research and development industries. The trading uncertainties include, the timing of the grant of full licences for the new sea lice treatment, the pace of recovery in global shrimp markets, achieving anticipated growth targets in core Advanced Nutrition and Genetics markets, the supply and pricing of key raw materials, and potential distribution partner agreements. However good progress has been made with all of the disposals subject to the non-core divestment programme, with several reaching the non-binding offer stage and offers received reflecting a high level of interest.

The Directors have considered reasonably possible downside sensitivity scenarios, including mitigating actions within their control, should these occur around deferring and reducing non-essential capital and revenue expenditure and working capital management. These forecast cash flows, considering the ability and intention of the directors to implement mitigating actions should they be required, provide sufficient headroom in the forecast period. However, should the reasonably possible downside sensitivities from trading occur, alongside a significant delay, or a reduction in the expected disposal proceeds below the low end of the valuation range in some of the larger business disposals, then this could remove all available headroom. In this event, either further financing would have to be sought or additional structural efficiency initiatives be identified and pursued. In the eventuality that further financing is required, the Directors believe that relationships with funders and the expected returns available on the growth areas within the Group in which ongoing investment is being made are sufficiently strong and attractive for the Group to be able to secure adequate additional funding should it be required.

Based on their assessment, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern and therefore to continue realising their assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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. The Group reports earnings before

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

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.

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 2019. 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 loss for the year for the Company was £35,247,000 (2018: £8,644,000).

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.

At 31 December 2018, the following Standards and Interpretations were in issue but not yet effective (and in some cases have not been adopted by the EU):

- IFRS 16: Leases
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture
- IFRIC 23: Uncertainty over income tax treatments
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Employee Benefits

The Directors do not expect that the adoption of the above Standards and Interpretations, with the exception of IFRS 16, will have a material impact on the Financial Statements of the Group in future periods. IFRS 16 is effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 will supersede the current lease guidance including IAS 17: "Leases" and related interpretations. It will require all leases to be recognised on the Balance Sheet. Currently, IAS 17 only requires arrangements categorised as finance leases to be recognised on the Balance Sheet, with other arrangements categorised as operating leases not recognised on the Balance Sheet but expensed through the Income Statement instead.

The impact of IFRS 16 on the Group will be to recognise a lease liability representing its obligation to make lease payments and a corresponding right-of-use asset representing its right to use the underlying asset in the Balance Sheet for leases currently classified as operating leases, except for short-term leases and leases of low value assets. The nature of expenses related to these leases will now change because the Group will recognise a depreciation charge for right of use assets and interest expense on lease liabilities.

IFRS 16 will be adopted for the year ending 30 September 2020 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 October 2019, with no restatement of comparative information. The right-of-use asset recognised on transition will be measured at an amount materially equal to the lease liability, which will be measured at the present value of the future lease payments discounted using the discount rate implicit in

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

the lease (or if that rate cannot be readily determined, the lessee's incremental borrowing rate).

At 30 September 2019, the Group had non-cancellable operating lease commitments of £11.8 million (note 30). A preliminary assessment has been undertaken involving all businesses. This entailed a review of all arrangements to identify those affected by IFRS 16. Future cash flow obligations have been collated for each identified lease and the associated lease liability has been assessed. For arrangements that meet the definition of a lease under IFRS 16, the Group will recognise a right-of-use asset and corresponding liability unless they qualify as low value or short-term leases as defined by IFRS 16. The right-of-use asset and lease liability to be recognised upon transition is expected to be in the range of £7.9 million to £8.8 million. The expected annual impact of IFRS 16 on the Income Statement in the year ended 30 September 2020 will be an increase to operating profit, expected to be in the range of £0.2 million to £0.3 million. This is expected to be more than offset by an increase in finance costs in the range of £0.3 million to £0.5 million.

For arrangements previously classified as finance leases, where the Group is a lessee, as the Group has already recognised an asset and a related finance lease liability for the lease arrangement, the Directors do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognised in the Group's Consolidated Financial Statements, at 30 September 2019.

New standards and interpretations applied for the first time

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

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 15 Revenue from Contracts with Customers

Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

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

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to certain foreign currency borrowings. The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserves as a separate component of equity.

IFRS 15 Revenue from Contracts with Customers, is effective for periods beginning on or after 1 January 2018 and so has been adopted with effect from 1 October 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. Following a detailed assessment and based on the nature of the Group's revenue streams, the adoption of the IFRS 15 using the cumulative effect method did not have a material impact on the Group revenue recognition or profit, consequently no adjustments were made.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

Within Benchmark Genetics, revenue from the sale of eggs is recognised upon despatch, which is when the control of the goods has transferred to the customer or distributor.

Within Benchmark Advanced Animal Nutrition, revenue of advanced nutrition and health products is recognised when the control of the goods has transferred to the customer or distributor, usually on despatch.

Within Benchmark Knowledge Services, revenue from the sale of agricultural produce is recognised when the control of the goods has transferred to the customer or distributor, 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. Revenue from the sales of books and publications is recognised when the control of the goods has transferred to the customer or distributor, usually on despatch.

Rendering of services

Services including sustainable food production consultancy, technical consultancy and assurance services are provided by Benchmark Knowledge Services, 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 Knowledge Services.

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

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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

Financial assets

The Group has measured all of its financial assets (trade receivables and Cash and cash equivalents) at amortised cost (in the previous year before the change in classifications under IFRS 9 these were classified as Loans and receivables).

Financial 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.

Previously impairment provisions were recognised when there was objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group would 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. Following the adoption of IFRS 9 for the current year this is now calculated using an expected credit loss model. There has been no material change in the impairment provision calculated compared to the previous method. 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.

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.

For Financial contracts which are designated as a fair value hedge, the ineffective portion of changes in the fair value of the derivative is recognised in the consolidated income statement.

Financial Liabilities fair value through hedging reserve

For financial contracts which are designated as a cash flow hedge, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

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.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

Where equity settled share options are awarded to employees of subsidiaries, in the company accounts a credit is made to equity which is equal to the expense that should be recognised in the relevant subsidiary's (and Group's) accounts and an equal increase in Investments in subsidiaries is made. The credit to equity in the parent will not be a realised profit and will not therefore be available for distribution.

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

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

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.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

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. These are categorised within level 3 of the fair value hierarchy set out in IFRS 13. 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 20.

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 equity-accounted investees

A joint venture is an entity over which the Group has joint control, under a contractual agreement. 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 joint ventures and associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in joint ventures and 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 joint venture or associate, less any impairment in the value of the investment. Losses of a joint venture or associate in excess of the Group's interest in that entity 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 joint venture or 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 joint venture or associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

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.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

1 Accounting policies (continued)

accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

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. The largest estimation relates to salmon broodstock valued at £18,649,000 (note 20).

Disposal group held for resale (note 22) – total of assets held for sale is £15,803,000.

Financial contracts (note 23) – total of financial contracts is £5,261,000.

Contingent consideration outstanding from past acquisitions valued at £895,000 (note 23).

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 16.

(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 16.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

2 Critical accounting estimates and judgements (continued)

Judgements

(a) 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 probable 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.

(b) Discontinued operations

Operations that are classified as held for sale or have been disposed of, are presented as discontinued operations in the consolidated income statement when the operations represent a major separate line of business or geographical area of operations, are part of a single coordinated disposal plan or represent a subsidiary acquired exclusively with a view to resale. The assessment on what is a major separate line of business is done on a case by case basis and depends on the size of the operations in terms of revenues, gross profit or total value of assets and liabilities compared to the total operations of the Group. For assets that are classified as held for sale, significant judgement is required as to whether the criteria under IFRS 5 have been met, the Group is committed to selling the asset or disposal group, active marketing has commenced and it is probable that the sale will be completed within 12 months.

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 and other receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Floating rate NOK Bond (FRN)
- Cross-currency swap (CCS)
- Contingent consideration

Following the issue of the FRN a cross-currency Swap was entered which fully matches the timing and tenor of the underlying FRN.

The CCS will be carried at its fair value on the balance sheet. The effective portion of changes in fair value of the CCS will be taken directly to Equity within the Hedging Reserve and recycled to profit or loss as the hedged FRN impacts the profit or loss. To the extent that any ineffectiveness results the ineffective portion of the gain or loss will be recognised in profit or loss within finance expense. To measure actual ineffectiveness the change in fair value of the hedged item is calculated using a hypothetical derivative method.

Further information is shown in Note 23.

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 revenue 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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

3 Financial instruments – Risk Management (continued)

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

Group

Financial assets

	2019 £000	2018 £000
Financial assets not measured at fair value		
Cash and cash equivalents (note 36)	16,051	24,090
Trade and other receivables (note 21)	37,637	30,944
Total financial assets	53,688	55,034

Financial liabilities

	2019 £000	2018 £000
Financial liabilities measured at amortised cost		
Trade and other payables (note 23)	29,970	38,819
Loans and borrowings (note 24)	103,192	79,766
	133,162	118,585
Financial liabilities at fair value through hedging reserve		
Financial contracts – hedging instrument (note 23)	3,565	–
	3,565	–
Financial liabilities at fair value through profit and loss		
Other payables – contingent consideration (note 23)	895	1,498
Financial contracts – hedging instrument (note 23)	1,696	–
Total financial liabilities	139,318	120,083

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

3 Financial instruments – Risk Management (continued)

Company

Financial assets

	2019 £000	2018 £000
Cash and cash equivalents (note 36)	840	2,309
Trade and other receivables (note 21)	179,575	165,446
Total financial assets	180,415	167,755

Financial liabilities

	2019 £000	2018 £000
Trade and other payables (note 23)	53,264	39,285
Loans and borrowings (note 24)	75,924	52,291
	129,188	91,576
Financial liabilities at fair value through Hedging Reserve		
Financial contracts – hedging instrument (note 23)	3,333	–
	3,333	–
Financial liabilities at fair value through profit and loss		
Other payables – contingent consideration (note 23)	–	85
Financial contracts – hedging instrument (note 23)	1,696	–
Total financial liabilities	134,217	91,661

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 21.

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 Sterling, US Dollar and Norwegian Krone denominated borrowings had been 100 basis points higher/lower with all other variables held constant, loss after tax for the year ended 30 September 2019 would be £925,000 higher/lower (2018: £687,000 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 2019

3 Financial instruments – Risk Management (continued)

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 30 September 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 30 September 2019. The Group intends to carry out an impact assessment on the effect of IBOR transition in the current year.

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.

Foreign exchange risk	£/$		£/€		£/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
2019 10% increase in rate	(128)	(21,019)	(420)	(2,161)	6,906	(3,295)	–	(4,430)	(616)	(1,982)
2019 10% reduction in rate	157	25,690	513	2,641	(8,441)	4,027	–	5,414	753	2,422
2018 10% increase in rate	3,085	(23,196)	(16)	(1,745)	166	(4,072)	–	(3,968)	–	(1,647)
2018 10% reduction in rate	(3,771)	28,351	19	2,133	(202)	4,977	–	4,850	–	2,014

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 2019

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 2019	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	25,074	3,787	–	895	1,109
Financial contracts – hedging instruments	69	207	274	4,711	–
Loans and borrowings	1,780	7,091	7,078	106,933	2,829
Total	26,923	11,085	7,352	112,539	3,938

As at September 2018	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	24,579	14,519	277	942	–
Loans and borrowings	1,114	3,027	5,108	61,334	18,503
Total	25,693	17,546	5,385	62,276	18,503

Company

As at September 2019	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	52,146	1,118	–	–	–
Financial contracts – hedging instruments	69	207	274	4,479	–
Loans and borrowings	1,317	3,922	5,225	87,479	60
Total	53,532	5,247	5,499	91,958	60

As at September 2018	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	38,995	375	–	–	–
Loans and borrowings	1,041	1,263	2,304	53,451	60
Total	40,036	1,638	2,304	53,451	60

Capital Management

The capital structure of the Group consists of debt, as analysed in Note 24, and equity attributable to the equity holders of the Parent Company, comprising share capital, share premium, merger reserve, capital redemption reserve, hedging 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 minimum liquidity, equity and borrowing ratios. 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 2019

4 Revenue

The Group's operations and main revenue streams are those described in note 1. The Group's revenue is derived from contracts with customers.

The nature and effect of initially applying IFRS 15 on the Group's interim financial statements are disclosed in note 1.

Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and by sales of goods and services. The table includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 8).

Sales of goods and provision of services

Year ended 30 September 2019	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000	Discontinued £000	Continuing £000
Sale of goods	10,582	36,270	76,707	1,168	–	–	124,727	1,802	122,925
Provision of services	6,582	3,285	–	13,978	167	–	24,012	19,594	4,418
Inter-segment sales	578	141	69	735	6,367	(7,890)	–	–	–
	17,742	39,696	76,776	15,881	6,534	(7,890)	148,739	21,396	127,343

Year ended 30 September 2018	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000	Discontinued £000	Continuing £000
Sale of goods	11,093	29,578	85,581	2,036	–	–	128,288	3,274	125,014
Provision of services	4,855	5,856	–	12,320	148	–	23,179	16,550	6,629
Inter-segment sales	205	321	165	1,430	5,129	(7,250)	–	–	–
	16,153	35,755	85,746	15,786	5,277	(7,250)	151,467	19,824	131,643

Primary geographical markets

Year ended 30 September 2019	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000	Discontinued £000	Continuing £000
Faroe Islands	126	8,248	2	–	–	–	8,376	–	8,376
Greece	20	114	7,214	4	–	–	7,352	3	7,349
Norway	2,656	19,074	466	8	–	–	22,204	1,548	20,656
India	–	–	12,798	–	–	–	12,798	–	12,798
UK	2,831	3,397	255	8,544	167	–	15,194	10,551	4,643
Singapore	17	–	9,062	–	–	–	9,079	17	9,062
Ecuador	–	–	9,555	–	–	–	9,555	–	9,555
Chile	5,392	1,969	33	–	–	–	7,394	1,619	5,775
Rest of Europe	3,024	4,943	3,946	4,733	–	–	16,646	5,685	10,961
Rest of World	3,098	1,810	33,376	1,857	–	–	40,141	1,973	38,168
Inter-segment sales	578	141	69	735	6,367	(7,890)	–	–	–
	17,742	39,696	76,776	15,881	6,534	(7,890)	148,739	21,396	127,343

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

4 Revenue (continued)

Year ended 30 September 2018	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000	Discontinued £000	Continuing £000
Faroe Islands	158	6,778	7	–	–	–	6,943	–	6,943
Greece	205	118	7,894	3	–	–	8,220	3	8,217
Norway	2,264	16,278	698	44	–	–	19,284	1,102	18,182
India	10	–	18,180	–	–	–	18,190	10	18,180
UK	2,940	2,732	238	8,684	148	–	14,742	10,620	4,122
Singapore	5	–	11,746	–	–	–	11,751	–	11,751
Ecuador	–	–	9,253	–	–	–	9,253	–	9,253
Chile	3,960	3,088	35	–	–	–	7,083	1,033	6,050
Rest of Europe	3,069	4,717	4,116	4,189	–	–	16,091	5,525	10,566
Rest of World	3,337	1,723	33,414	1,436	–	–	39,910	1,531	38,379
Inter-segment sales	205	321	165	1,430	5,129	(7,250)	–	–	–
	16,153	35,755	85,746	15,786	5,277	(7,250)	151,467	19,824	131,643

In 2019 no customer accounted for more than 10% of revenue. In 2018 one customer in Advanced Animal Nutrition accounted for greater than 10% of total revenue in the year with revenue of £18,892,000.

5 Expenses by nature

Continuing operations	2019 £000	2018 Restated £000
Changes in inventories of finished goods and work in progress	(2,957)	(2,856)
Changes in biological assets	(9,506)	(4,273)
Write-down of inventory to net realisable value	572	246
Raw materials and consumables used	57,571	57,809
Transportation expenses	2,854	3,194
Staff costs (see note 7)	37,735	32,444
Motor, travel and entertainment	4,494	3,818
Premises costs	9,420	8,962
Advertising and marketing	968	1,249
Professional fees	6,557	4,720
Losses on disposal of property, plant and equipment	(837)	(3)
Exceptional – restructuring/acquisition related items (see note 10)	581	1,239
Other research and development costs	3,925	4,801
Depreciation and impairment of PPE	8,466	4,869
Amortisation and impairment of intangible assets	64,254	16,802
Other costs	5,930	3,047
	190,027	136,068
Other income – included within operating costs	(1,848)	(956)
Total cost of sales, operating costs, depreciation, amortisation and impairment	188,179	135,112

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

5 Expenses by nature (continued)

Other income

	2019 £000	2018 £000
Research and development expenditure credit	958	364
Grant	105	170
IP Royalties and compensation	529	–
Freight	203	387
Other	53	35
	1,848	956

6 Auditor's remuneration

	2019 £000	2018 £000
Audit of these financial statements	120	105
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	469	381
Audit related assurance services	49	24
All other services	40	–
	678	510

7 Staff costs

Continuing operations	2019 £000	2018 £000
Staff costs (including Directors) comprise:		
Wages and salaries	30,753	27,003
Social security contributions and similar taxes	3,426	2,567
Defined contribution pension cost	2,550	1,453
Share-based payment expense (note 33)	1,006	1,421
	37,735	32,444

	2019 No.	2018 No.
The average monthly number of employees, including Directors, during the year was as follows:		
Production	777	713
Administration	164	151
Management	101	104
	1,042	968

This includes an average number of 208 (2018: 222) employees within discontinued operations.

7 Staff costs (continued)

Directors' remuneration

	Salary £000	Bonus £000	Taxable benefits £000	Payment in lieu of notice £000	Long-term incentive £000	Pension £000	Fees £000	2019 £000	2018 £000
Mark Plampin	260	–	2	–	–	24	–	286	446
Malcolm Pye	323	–	3	325	–	65	–	716	554
Alex Raeber	250	–	6	–	–	25	–	281	–
Alex Hambro	–	–	–	–	–	–	–	–	27
Susan Searle	–	–	–	–	–	–	45	45	45
Kevin Quinn	–	–	–	–	–	–	45	45	45
Peter George	–	–	–	–	–	–	120	120	48
Hugo Wahnish	–	–	–	–	–	–	45	45	41
Yngve Myhre	–	–	–	–	–	–	45	45	41
Kristian Eikre	–	–	–	–	–	–	–	–	–
Total	**833**	**–**	**11**	**325**	**–**	**114**	**300**	**1,583**	**1,247**

During the year a settlement agreement was reached with Malcolm Pye as a result of him stepping down as CEO. The agreement provided for payment in lieu of his contractual notice period (£325,000) and pension contributions (£32,000) for that period. The Remuneration Committee approved that existing share options will be retained whilst he remains an officer of the Group and shall be exercisable for a period of 6 months after he ceases to hold office.

Of the 2018 total of £1,247,000, £1,191,000 was emoluments and £68,000 related to pension and other post-employment benefit costs.

During the year retirement benefits were accruing to 3 Directors (2018: 2) in respect of defined contribution pension schemes. The cost of employer National Insurance contributions in relation to the Directors was £106,000 (2018: £128,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £65,000 (2018: £31,000).

In addition to the above, there was an accounting charge for share based payments in respect of the Directors for £95,000 (2018: £92,000). There was no exercise of options by the Directors during the year (2018: £nil).

Directors' interests under the Company's employee share plans

Director	Share option scheme	Options held at 30 September 2018	Options exercised in year	Options granted in year	Options held at 30 September 2019	Exercise price	Grant date	Date from which exercisable
Mark Plampin	CSOP II	67,647	–	–	67,647	0.1p	9 March 2015	8 March 2018
Mark Plampin	CSOP II	56,938	–	–	56,938	0.1p	6 March 2017	5 March 2020
Mark Plampin	CSOP I	43,165	–		43,165	69.5p	24 January 2018	23 January 2021
Mark Plampin	CSOP II	356,835	–		356,835	69.5p	24 January 2018	23 January 2021
Mark Plampin	CSOP II	–	–	447,600	447,600	58.5p	25 January 2019	24 January 2022
Malcom Pye	CSOP I	43,165	–		43,165	69.5p	24 January 2018	23 January 2021
Malcom Pye	CSOP II	456,385	–		456,835	69.5p	24 January 2018	23 January 2021
Malcom Pye	CSOP II	–	–	555,100	555,100	58.5p	25 January 2019	24 January 2022
Alex Raeber	CSOP II	–	–	400,000	400,000	58.5p	25 January 2019	24 January 2022

Further details of Directors' remuneration are provided in the Remuneration Report on pages 93 to 100.

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 2019

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;
- *Benchmark 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 Division* – manufactures and provides technically advanced nutrition and health products to the global aquaculture industry.

In addition to the above, reported as "all other segments" is the Knowledge Services division, this was created on 1 October 2017 by a combination of Sustainability Science Division and Technical Publishing Division, the results of which were not significant on an individual basis. The division provides sustainable food production consultancy, technical consultancy and assurance services and 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.

In order to reconcile the segmental analysis to the Consolidated Income Statement, Corporate and Inter-segment sales are also shown. Corporate represents revenues earned from recharging certain central costs to the operating divisions, together with unallocated central costs.

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 2019

	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000
Revenue	17,742	39,696	76,776	15,881	6,534	(7,890)	148,739
Cost of sales	(14,112)	(14,376)	(37,502)	(8,059)	(394)	1,515	(72,928)
Gross profit / (loss)	3,630	25,320	39,274	7,822	6,140	(6,375)	75,811
Research and development costs	(5,691)	(3,986)	(3,173)	–	–	–	(12,850)
Operating costs	(8,136)	(10,845)	(20,695)	(6,558)	(8,963)	6,375	(48,822)
Share of profit of equity-accounted investees, net of tax	–	(414)	–	–	–	–	(414)
Adjusted EBITDA	(10,197)	10,075	15,406	1,264	(2,823)	–	13,725
Exceptional – restructuring/ acquisition related items	–	(58)	–	(745)	(523)	–	(1,326)
EBITDA	(10,197)	10,017	15,406	519	(3,346)	–	12,399
Depreciation and impairment	(4,400)	(2,807)	(1,878)	(8,025)	(117)	–	(17,227)
Amortisation and impairment	(216)	(2,079)	(61,959)	(1,833)	–	–	(66,087)
Operating profit / (loss)	(14,813)	5,131	(48,431)	(9,339)	(3,463)	–	(70,915)
Finance cost							(12,422)
Finance income							368
Loss before tax							(82,969)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

8 Segment information (continued)

Year ended 30 September 2018

	Animal Health £000	Genetics £000	Advanced Animal Nutrition £000	All other segments £000	Corporate £000	Inter-segment sales £000	Total £000
Revenue	16,153	35,755	85,746	15,786	5,277	(7,250)	151,467
Cost of sales	(13,494)	(14,822)	(40,998)	(9,811)	(440)	2,118	(77,447)
Gross profit / (loss)	2,659	20,933	44,748	5,975	4,837	(5,132)	74,020
Research and development costs	(5,593)	(3,611)	(2,836)	–	–	–	(12,040)
Operating costs	(8,058)	(9,089)	(20,285)	(5,772)	(6,632)	5,236	(44,600)
Share of profit of equity-accounted investees, net of tax	–	(362)	–	–	–	–	(362)
Adjusted EBITDA	(10,992)	7,871	21,627	203	(1,795)	104	17,018
Exceptional – restructuring/ acquisition related items	–	(1,013)	–	–	(226)	–	(1,239)
EBITDA	(10,992)	6,858	21,627	203	(2,021)	104	15,779
Depreciation	(2,459)	(1,330)	(1,679)	(1,242)	(131)	–	(6,841)
Amortisation and impairment	(108)	(2,171)	(14,523)	(1,200)	–	–	(18,002)
Operating profit / (loss)	(13,559)	3,357	5,425	(2,239)	(2,152)	104	(9,064)
Finance cost							(4,927)
Finance income							332
Loss before tax							(13,659)

Reconciliation of segmental information to IFRS measures – Revenue and Loss before tax

Revenue	2019 £000	2018 £000
Total revenue per segmental information	148,739	151,467
Less: revenue from discontinued operations	(21,396)	(19,824)
Consolidated revenue	127,343	131,643

Loss before tax

	2019 £000	2018 £000
Loss before tax per segmental information	(82,969)	(13,659)
Less: loss before tax from discontinued operations	9,665	5,233
Consolidated loss before tax	(73,304)	(8,426)

Non-current assets by location of assets

	2019 £000	2018 £000
Belgium	201,418	247,979
UK	40,663	49,384
Rest of Europe	121,783	126,158
Rest of world	16,727	31,525
	380,591	455,046

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

9 Net finance costs

	2019 £000	2018 £000
Interest received on bank deposits	366	301
Dividend income	2	31
Finance income	368	332
Finance leases (interest portion)	(65)	(5)
Foreign exchange losses on financing activities	(1,594)	(1,054)
Foreign exchange losses on operating activities	(3,055)	(1,441)
Cash flow hedges – reclassified from OCI	17	–
Cash flow hedges – ineffective portion of changes in fair value	(1,696)	–
Interest expense on financial liabilities measured at amortised cost	(6,029)	(2,427)
Finance costs	(12,422)	(4,927)
Net finance costs recognised in profit or loss	(12,054)	(4,595)

10 Exceptional items – restructuring/acquisition related 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.

	2019 £000	2018 £000
Acquisition related items	(82)	1,239
Exceptional restructuring costs	663	–
Total exceptional items	581	1,239

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 ends on 31 December 2019) against the relevant sales volumes and revenue targets. As a result, £86,000 (2018: £206,000) has been released in the year.

Exceptional expenses include: £214,000 of legal fees and £391,000 of staff costs relating to the board's decision to make significant changes to management team and bring in new management and £58,000 of other items.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

11 Taxation

Amounts recognised in profit or loss

	2019 £000	2018 £000
Current tax expense		
Analysis of charge in period		
Current tax:		
Current income tax expense on profits for the period	4,258	6,144
Adjustment in respect of prior periods	76	(309)
Total current tax	4,334	5,835
Deferred tax expense		
Origination and reversal of temporary differences	(5,152)	(14,729)
Deferred tax movements in respect of prior periods	805	(12)
Total deferred tax credit (Note 26)	(4,347)	(14,741)
Total tax credit on continuing operations	(13)	(8,906)

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:

	2019 £000	2018 £000
Accounting loss before income tax	(73,304)	(8,426)
Expected tax credit based on the standard rate of UK corporation tax at the domestic rate of 19.0% (2018: 19.0%)	(13,928)	(1,601)
Income not taxable	(135)	(155)
Expenses not deductible for tax purposes	9,340	686
Amounts chargeable on controlled foreign companies	182	–
Deferred tax not recognised	6,090	4,788
Adjustment to tax charge in respect of prior periods	882	(321)
Effects of changes in tax rates	(684)	(11,126)
Different tax rates in overseas jurisdictions	(1,760)	(1,177)
Total tax credit on continuing operations	(13)	(8,906)

Adjustment to tax charge in respect of prior periods, includes £805,000 relating to deferred tax on Intangible Assets that should have recognised at 30 September 2018.

The above excludes a tax expense of £124,000 (2018: tax credit £364,000) from discontinued operations, this has been included in loss from discontinued operations, net of tax (note 12).

Changes in tax rates and factors affecting the future tax charge

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. Reductions in the corporation tax rate in Belgium were substantively enacted in the year. The main rate of corporation tax was reduced from 34% to 29.58% effective from 1 January 2018 and to 25% from 1 January 2020, this change is reflected in the "Effects of changes in tax rates" item in the current period in the above reconciliation.

Income not taxable includes a release of provision for deferred consideration.

There was no deferred tax recognised in other comprehensive income.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

12 Discontinued operations

In June 2019 the Group announced a programme of structural efficiencies which focused on the disposal and discontinuation of non-core activities. This programme primarily includes the businesses of Knowledge Services Division and the veterinary services business within Animal Health Division.

Consequently, these operations have been classified as discontinued and part of the disposal group is presented as held for sale (See note 22). The disposal group includes assets and liabilities within the Knowledge Services and Animal Health segments. The comparative consolidated statement of profit or loss and OCI has been represented to show the discontinued operations separately from continuing operations.

The disposals, together with the cost reduction/cost containment plan and enhanced working capital management will allow the Company to reallocate resources to priority revenue generating strategic projects and to maintain adequate headroom. The timing and proceeds from these actions are fundamental to maintain sufficient liquidity to execute the Group's product development programme and to support its Continuing Operations.

Significant progress to sell the disposal group has been made and sales are expected to complete within the first half of the financial year 2020.

Impairment losses relating to the disposal group

Impairment losses of £7,533,000 for write downs of discontinued operations to the lower of carrying amount and its fair value less costs to sell have been included in the "Depreciation and impairment" and "Amortisation and impairment" headings within discontinued operations. The impairment losses have been applied to reduce the carrying amount of Intangible assets and property, plant and equipment.

Results from discontinued operations

	2019 £000	2018 £000
Revenue	21,396	19,824
Cost of sales	(11,580)	(14,297)
Gross profit	9,816	5,527
Research and development costs	(20)	–
Other operating costs	(8,122)	(7,588)
Adjusted EBITDA	1,674	(2,061)
Exceptional – b restructuring/acquisition related items	(745)	–
EBITDA	929	(2,061)
Depreciation and impairment	(8,761)	(1,972)
Amortisation and impairment	(1,833)	(1,200)
Operating loss / Loss before taxation	(9,665)	(5,233)
Tax on loss	(124)	364
Loss from discontinued operations	(9,789)	(4,869)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

12 Discontinued operations (continued)

Exceptional items within discontinued operations

	2019 £000	2018 £000
Provisions for onerous leases	(349)	–
Salary costs	(99)	–
Cost of sales	(297)	–
Total exceptional recognised	(745)	–

Cash flows from discontinued operations

	2019 £000	2018 £000
Net cash flow from operating activities	2,269	3,545
Net cash flow from investing activities	(1,606)	(1,825)
Net cash flow from financing activities	–	(9)
Net cash flow from discontinued operations	663	1,711

Results from discontinued operations by segment

	Animal Health 2019 £000	Knowledge Services 2019 £000	Total Discontinued 2019 £000	Animal Health 2018 £000	Knowledge Services 2018 £000	Total Discontinued 2018 £000
Revenue	6,255	15,141	21,396	5,467	14,357	19,824
Adjusted EBITDA	288	1,386	1,674	(1,744)	(317)	(2,061)
Operating loss	(447)	(9,218)	(9,665)	(2,475)	(2,758)	(5,233)

Impact on the Group Consolidated Income Statement for the year ended 30 September 2019

	2019 Continuing £000	2019 Discontinuing £000	2019 Total £000
Revenue	127,343	21,396	148,739
Cost of sales	(61,348)	(11,580)	(72,928)
Gross profit	65,995	9,816	75,811
Research and development costs	(12,830)	(20)	(12,850)
Other operating costs	(40,700)	(8,122)	(48,822)
Share of profit of equity-accounted investees, net of tax	(414)	–	(414)
Adjusted EBITDA	12,051	1,674	13,725
Exceptional restructuring/acquisition related items	(581)	(745)	(1,326)
EBITDA	11,470	929	12,399
Depreciation and impairment	(8,466)	(8,761)	(17,227)
Amortisation and impairment	(64,254)	(1,833)	(66,087)
Operating loss	(61,250)	(9,665)	(70,915)
Net finance costs	(12,054)	–	(12,054)
Loss before taxation	(73,304)	(9,665)	(82,969)
Tax on loss	13	(124)	(111)
Loss after tax for the financial period	(73,291)	(9,789)	(83,080)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

12 Discontinued operations (continued)

Impact on the Group Consolidated Income Statement for the year ended 30 September 2018

	2018 Continuing £000	2018 Discontinuing £000	2018 Total £000
Revenue	131,643	19,824	151,467
Cost of sales	(63,150)	(14,297)	(77,447)
Gross profit	68,493	5,527	74,020
Research and development costs	(12,040)	–	(12,040)
Other operating costs	(37,012)	(7,588)	(44,600)
Share of profit of equity-accounted investees, net of tax	(362)	–	(362)
Adjusted EBITDA	19,079	(2,061)	17,018
Exceptional restructuring/acquisition related items	(1,239)	–	(1,239)
EBITDA	17,840	(2,061)	15,779
Depreciation and impairment	(4,869)	(1,972)	(6,841)
Amortisation and impairment	(16,802)	(1,200)	(18,002)
Operating loss	(3,831)	(5,233)	(9,064)
Net finance costs	(4,595)	–	(4,595)
Loss before taxation	(8,426)	(5,233)	(13,659)
Tax on loss	8,906	364	9,270
Loss after tax for the financial period	480	(4,869)	(4,389)

Depreciation and impairment of £17,227,000 (2018: £6,841,000) includes depreciation of £8,557,000 (2018: £6,841,000) and impairment of £8,097,000 (2018: £nil) in note 14 Property, Plant and Equipment and fair value adjustment of £573,000 (2018: £nil) in note 22 Assets and Liabilities Held For Sale.

Amortisation and impairment of £66,087,000 (2018: £18,002,000) includes amortisation of £18,246,000 (2018: £17,555,000) and impairment of £47,555,000 (2018: £447,000) in note 15 Intangible Assets fair value adjustment of £286,000 (2018: £nil) in note 22 Assets and Liabilities Held For Sale.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

13 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.

	2019			2018		
	Continuing	Discontinuing	Total	Continuing	Discontinuing	Total
Loss attributable to equity holders of the parent (£000)	(74,068)	(9,789)	(83,857)	(140)	(4,869)	(5,009)
Weighted average number of shares in issue (thousands)			557,851			531,651
Basic loss per share (pence)	(13.28)	(1.75)	(15.03)	(0.03)	(0.91)	(0.94)

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:

	2019			2018		
	Continuing	Discontinuing	Total	Continuing	Discontinuing	Total
Loss attributable to equity holders of the parent (£000)	(74,068)	(9,789)	(83,857)	(140)	(4,869)	(5,009)
Weighted average number of shares in issue (thousands)			557,851			531,651
Diluted loss per share (pence)	(13.28)	(1.75)	(15.03)	(0.03)	(0.91)	(0.94)

A total of 2,962,168 potential ordinary shares have not been included within the calculation of statutory diluted loss per share for the year (2018: 3,724,453) 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 2019

14 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 2017	32,956	27,152	4,281	25,591	247	1,227	91,454
Additions	1,678	17,705	874	3,593	–	1,222	25,072
Reclassification	(2,450)	–	(99)	2,610	–	(61)	–
Increase/(decrease) through transfers from assets in the course of construction	71	(5,060)	3,534	1,455	–	–	–
Exchange differences	196	573	10	475	–	117	1,371
Disposals	(23)	(10)	(63)	(636)	–	(224)	(956)
Balance at 30 September 2018	32,428	40,360	8,537	33,088	247	2,281	116,941
Balance at 1 October 2018	32,428	40,360	8,537	33,088	247	2,281	116,941
Additions	6,760	1,234	135	3,523	–	804	12,456
Increase/(decrease) through transfers from assets in the course of construction	37,083	(38,376)	2	1,282	–	9	–
Exchange differences	(237)	(1,768)	9	827	–	204	(965)
Reclassification to assets held for resale	(200)	–	(2,096)	(6,228)	(247)	(489)	(9,260)
Disposals	(461)	(146)	(19)	(1,013)	–	(190)	(1,829)
Disposals through sale of subsidiary	–	–	(102)	(67)	–	(9)	(178)
Balance at 30 September 2019	75,373	1,304	6,466	31,412	–	2,610	117,165
Accumulated Depreciation							
Balance at 1 October 2017	2,414	–	1,211	6,388	244	352	10,609
Depreciation charge for the year	1,269	–	843	4,410	2	317	6,841
Reclassification	–	–	(5)	25	–	(20)	–
Exchange differences	193	–	34	359	–	93	679
Disposals	(21)	–	(94)	(515)	–	(85)	(715)
Balance at 30 September 2018	3,855	–	1,989	10,667	246	657	17,414
Balance at 1 October 2018	3,855	–	1,989	10,667	246	657	17,414
Depreciation charge for the year	2,372	–	972	4,726	1	486	8,557
Impairment charge for the year	–	295	3,079	4,714	–	9	8,097
Reclassification to assets held for resale	(61)	–	(1,083)	(3,853)	(247)	(241)	(5,485)
Exchange differences	302	–	52	730	–	214	1,298
Disposals	(425)	–	–	(921)	–	(191)	(1,537)
Disposals through sale of subsidiary	–	–	(24)	(49)	–	(6)	(79)
Balance at 30 September 2019	6,043	295	4,985	16,014	–	928	28,265
Net book value							
At 30 September 2019	69,330	1,009	1,481	15,398	–	1,682	88,900
At 30 September 2018	28,573	40,360	6,548	22,421	1	1,624	99,527
At 1 October 2017	30,542	27,152	3,070	19,203	3	875	80,845

Following the decision to proceed with the structural efficiencies plan, the carrying value of Property, plant and equipment assets in the relevant businesses has been reviewed for recoverability. A resulting impairment charge of £8,097,000 has been made against the carrying value of the various assets.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

14 Property, plant and equipment (continued)

Security over the assets is disclosed within note 24.

The above includes the following in respect of plant and machinery held under finance leases (note 30):

	2019 £000	2018 £000
Cost	292	42
Accumulated depreciation	(14)	(23)
Net book value	**278**	19

Company

	Office equipment and fixtures £000
Cost	
Balance at 1 October 2017	503
Additions	68
Balance at 1 October 2018	571
Additions	51
Disposals	(2)
Balance at 30 September 2019	620
Accumulated Depreciation	
Balance at 1 October 2017	216
Depreciation charge for the year	130
Balance at 1 October 2018	346
Depreciation charge for the year	115
Disposals	(2)
Balance at 30 September 2019	459
Net book value	
At 30 September 2019	161
At 30 September 2018	225
At 1 October 2017	287

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

15 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 2017	597	149,941	811	134,638	6,784	9,510	34,664	26,245	3,531	366,721
Additions – on acquisition	–	51	–	–	–	–	–	–	–	51
Additions – externally acquired	86	–	30	118	–	–	–	–	139	373
Additions – internally developed	–	–	–	–	–	–	–	–	7,178	7,178
Disposals	–	(447)	–	–	–	–	–	–	–	(447)
Exchange differences	2	3,171	6	3,679	149	20	1,018	(59)	57	8,043
Balance at 30 September 2018	685	152,716	847	138,435	6,933	9,530	35,682	26,186	10,905	381,919
Balance at 1 October 2018	685	152,716	847	138,435	6,933	9,530	35,682	26,186	10,905	381,919
Additions – on acquisition	–	–	–	319	–	–	–	–	–	319
Additions – externally acquired	118	–	62	1,799	–	–	38	–	–	2,017
Additions – internally developed	–	–	–	–	–	–	–	–	7,673	7,673
Disposals through sale of subsidiary	–	(84)	–	–	–	–	–	–	–	(84)
Reclassification to assets held for resale	(689)	(4,657)	(465)	(1,691)	(1,484)	(2,431)	–	–	–	(11,417)
Exchange differences	(2)	5,414	(2)	7,942	323	(284)	1,357	(1,327)	128	13,549
Balance at 30 September 2019	112	153,389	442	146,804	5,772	6,815	37,077	24,859	18,706	393,976
Accumulated amortisation and impairment										
Balance at 1 October 2017	531	276	631	22,902	1,028	5,506	4,899	1,811	–	37,584
Amortisation charge for the period	21	–	158	12,631	403	1,399	2,161	782	–	17,555
Impairment	–	447	–	–	–	–	–	–	–	447
Disposals	–	(447)	–	–	–	–	–	–	–	(447)
Exchange differences	–	1	11	1,037	17	35	294	(1)	–	1,394
Balance at 30 September 2018	552	277	800	36,570	1,448	6,940	7,354	2,592	–	56,533
Balance at 1 October 2018	552	277	800	36,570	1,448	6,940	7,354	2,592	–	56,533
Amortisation charge for the period	40	–	(235)	13,884	608	1,389	1,874	686	–	18,246
Impairment	–	45,346	–	2,209	–	–	–	–	–	47,555
Disposals	–	–	–	–	–	–	–	–	–	–
Reclassification to assets held for resale	(584)	(816)	(445)	(645)	(1,264)	(2,298)	–	–	–	(6,052)
Exchange differences	–	–	(28)	2,562	42	(196)	(305)	(125)	–	1,950
Balance at 30 September 2019	8	44,807	92	54,580	834	5,835	8,923	3,153	–	118,232
Net book value										
At 30 September 2019	104	108,582	350	92,224	4,938	980	28,154	21,706	18,706	275,744
At 30 September 2018	133	152,439	47	101,865	5,485	2,590	28,328	23,594	10,905	325,386
At 1 October 2017	66	149,665	180	111,736	5,756	4,004	29,765	24,434	3,531	329,137

For impairment of goodwill see note 16.

Following the decision to proceed with the structural efficiencies plan, the carrying value of intangible fixed assets in the relevant businesses has been reviewed for recoverability. A resulting impairment charge of £2,495,000 has been made against the carrying value of Intellectual Property assets, this includes £2,209,000 within a relevant business in the Advanced Animal Nutrition segment that has not been classified as a discontinued operation.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

16 Impairment testing of goodwill and other intangible assets

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 2019 £000	Genetics 2019 £000	Advanced Animal Nutrition 2019 £000	Knowledge Services 2019 £000	Total 2019 £000
Benchmark Vaccines Limited	432	–	–	–	432
Benchmark Genetics AS (previously Salmobreed AS)	–	7,065	–	–	7,065
Stofnfiskur HF	–	13,146	–	–	13,146
Akvaforsk Genetic Center*	–	8,691	–	–	8,691
INVE Aquaculture Group	–	–	79,248	–	79,248
	432	28,902	79,248	–	108,582

*Includes goodwill arising from the joint acquisition of Akvaforsk Genetics Center AS (which was transferred into Benchmark Genetics Norway) in the year and Benchmark Genetics USA (formerly Akvaforsk Genetics Center Inc.)

	Animal Health 2018 £000	Genetics 2018 £000	Advanced Animal Nutrition 2018 £000	Knowledge Services 2018 £000	Total 2018 £000
FVG Limited	288	–	–	–	288
Benchmark Vaccines Limited	432	–	–	–	432
Atlantic Veterinary Services Limited	167	–	–	–	167
Salmobreed AS	–	7,435	–	–	7,435
Stofnfiskur HF	–	13,874	–	–	13,874
Akvaforsk Genetic Center*	–	9,194	–	–	9,194
INVE Aquaculture Group	–	–	117,117	–	117,117
FAI do Brasil Criacao Animal Ltda	–	–	–	96	96
FAI Aquaculture Limited	–	–	–	450	450
5M Enterprises Limited	–	–	–	379	379
Improve International Limited	–	–	–	2,995	2,995
Improve International GmbH	–	–	–	12	12
	887	30,503	117,117	3,932	152,439

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

16 Impairment testing of goodwill and other intangible assets (continued)

The recoverable amounts of the above CGUs, with the exception of the Knowledge Services, the operations of which are discontinued, have been determined from value in use calculations. These calculations used board approved cash flow projections from five-year business plans based on actual operating results and current forecasts. These forecasts were then extrapolated into perpetuity taking account of specific terminal 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. Specific assumptions used are as follows.

Animal Health

The pre-tax cashflows from the five-year projections were discounted using a pre-tax discount rate of 13.1% (2018: 12.4%). An assumed CAGR of revenue of 49% (2018: 77%) in the five-year plan (2018: three-year plan) reflects the importance of the launch and commercialisation of the division's new sea lice treatment in the forecast period. A long-term growth rate of 2.5% (2018: 2.5%) has been used to extrapolate the terminal year cashflow into perpetuity.

The valuation of the Animal Health cash generating unit indicates sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment in related goodwill. However, should the division's new sea lice treatment not be successfully launched and commercialised, then impairment of the goodwill and other intangible assets could be possible.

Genetics

The pre-tax cashflows from the five-year projections were discounted using a pre-tax discount rate of 12.1% (2018: 11.2%). CAGR of revenue of 15% (2018: 18%) is implied by the five-year plan (2018: three-year plan), and a long-term growth rate of 2.5% (2018: 2.5%) has been used to extrapolate the terminal year cashflow into perpetuity.

Sensitivity testing of the recoverable amount to reasonably possible changes in key assumptions has been performed. All other assumptions being unchanged, an increase in the pre-tax discount rate to 15.2% would reduce the headroom on the Genetics CGU to nil. Should the discount rate increase further than this, then an impairment of the goodwill would be likely.

Advanced Animal Nutrition

The continued aggressive shrimp market conditions being experienced during the year and the expectation of a slower longer-term recovery in that market led to a reduction in the recoverable value of the CGU. The pre-tax cashflows from the five-year projections were discounted using a pre-tax discount rate of 11.5% (2018: 11.2%). CAGR of revenue of 12% (2018: 9%) is implied by the five-year plan, with the rate reflecting a particularly low year in FY19 and the recovery back to previous year's levels as well as growth from new products. Long term growth rate of 3.5% (2018: 4.0%) has been used to extrapolate the terminal year cashflow into perpetuity.

Following this review, the value in use calculation for the CGU showed £242m and a resulting impairment charge of £44.8m was made to the carrying value of the goodwill.

The value in use assessment is sensitive to changes in the key assumptions used. Sensitivity analysis was performed and a reasonably likely downside scenario reflecting a slower recovery of the shrimp market and a reduced growth rate in the five-year plan for new products. This reasonably likely downside scenario includes a 5% reduction in FY20 revenue and CAGR of revenue of 10% used in FY20 to FY24. This would likely cause further impairment of £13.2m.

Knowledge Services

Following the decision to pursue the Structural Efficiencies programme, the Knowledge Services CGU is discontinuing. The goodwill for 5M Enterprises Limited, Improve International Limited, Improve International GmbH have been transferred into Assets Held for Sale. The goodwill for FAI do Brasil Criacao Animal Ltda and FAI Aquaculture Limited no longer has any value and has been fully impaired.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

17 Equity-accounted investees

	2019 £000	2018 £000
Interest in joint venture	1,947	16,192
Interest in associate	1,506	1,265
	3,453	17,457

Joint ventures

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 for the year ended 30 September 2019, 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.

	2019 £000	2018 £000
Percentage ownership interest	50%	50%
Non-current assets	3,458	3,895
Current assets	1,673	2,150
Non-current liabilities	(381)	(420)
Current liabilities	(311)	(1,199)
Net assets (100%)	4,439	4,426
Group's share of net assets (50%)	2,220	2,213
Elimination of unrealised profit	(273)	(336)
Carrying amount of interest in joint venture	1,947	1,877
Revenue	3,069	2,104
Cost of sales and operating costs	(2,771)	(2,463)
Finance costs	(9)	–
Taxation	(57)	73
Profit and total comprehensive income (100%)	232	(286)
Group's share of total comprehensive income (50%)	116	(143)

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

During the prior year the Group invested in Benchmark Genetics Chile SpA (BGCSPA). BGCSPA was a joint venture in which the Group had joint control although only a 49% interest. The other partner in the joint venture was AquaChile.

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

Under the terms of the dissolution of the JV, the Group had returned to it the original USD 16.25m investment in the JV. Payment was made in two instalments, USD 7.5m payment in June 2019 and the balance of USD 8.75m in October 2019. The Group also had returned to it the IP licence held by the JV. Additionally, as settlement of the USD 5.4 million working capital loan that the Group had advanced to the JV, ownership of the Ensenada facility and Benchmark genetic material held by the JV was transferred to the Group.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

17 Equity-accounted investees (continued)

The Ensenada facility is a highly bio-secure hatchery situated in the "Los Lagos" region in Chile, with good access to spring water required for the production of high-quality eyed eggs suitable for the Chilean industry. The Ensenada facility is being adapted to be suitable for maturation of broodstock, spawning and fertilisation of eggs, and it is expected that the first eggs from the new facility will be available in H1 2021.

During the period of ownership of the JV, the JV reported the following loss and total comprehensive income:

	2019 £000	2018 £000
Percentage ownership interest	0%	49%
Non-current assets	–	53,847
Current assets	–	5,855
Non-current liabilities	–	(22,657)
Current liabilities	–	(4,075)
Net assets (100%)	–	32,970
Group's share of net assets (49%)	–	16,155
Elimination of unrealised profit	–	(1,840)
Carrying amount of interest in joint venture	–	14,315
Revenue	3,030	1,806
Cost of sales and operating costs	(3,784)	(1,801)
Finance costs	(786)	(404)
Taxation	434	116
Loss and total comprehensive income (100%)	(1,106)	(283)
Group's share of total comprehensive income (49%)	(542)	(139)

The company is registered in Chile and the registered address is Cardonal S/N, Lote B- Barrio Industrial, Puerto Montt, Chile.

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.

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

18 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						
Allan Environmental Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
Dust Collective Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	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 Indirect	£1 ordinary	100%	
Videntis AS	Malmøyveien 34B, 0198 Oslo, Norway	Norway	Indirect	NOK 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 2019

18 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
5M Enterprises Inc	CBoT, 141 West Jackson Boulevard, Chicago, IL 60604–2900	USA	Direct	ordinary shares	100%	
5M Enterprises Limited	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	£1 ordinary	100%	
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	100%	
European School of Veterinary Post-Graduate Studies Ltd (ESVPS)	Benchmark House, Smithy Wood, Sheffield, S35 1QN	United Kingdom	Indirect	N/A	100%	b
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%	
Benchmark Genetics Division						
Benchmark Do Brasil Cultivo De Especies Aquaticas LTDA	Rua Doutor Ribamar Lobo, 451, Coco, Fortaleza, CEI	Brazil	Indirect	ordinary	80%	a/c
Akvaforsk Genetic Center Spring Mexico, SA de CV (dormant)	Caguama 3023, Zapopan, Loma Bonita, Jaalisco 45086	Mexico	Indirect	ordinary	80%	a
Benchmark Genetics USA Inc	25508 SW 169th Ave, Miami Florida 33031	USA	Indirect	ordinary	80%	a/c
Benchmark Chile SpA	Gertrudis Echeñique, No 30, 22 floor, Las Condes, Santiago	Chile	Indirect	shares	100%	
Benchmark Genetics Limited	Benchmark House, 8 Smithy Wood Drive, Sheffield, S35 1QN	United Kingdom	Direct	£1 ordinary	100%	
Benchmark Genetics Colombia SAS	Calle 32, 8a–33 Office 215	Colombia	Indirect	ordinary	100%	c
Benchmark Genetics Norway AS	Sandviksboder 3A,5035 Bergen	Norway	Indirect	ordinary	100%	c
Icecod A Islandi EHF	Staðarberg 2–4, 221 Hafnarfjörður	Iceland	Indirect	ordinary	88.84%	
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%	
Stofnfiskur Chile Limitada (dormant)	Urmeneta 581, Of. 42, Puerto Montt, Reg. X	Chile	Indirect	ordinary	89.48%	
Stofnfiskur HF.	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	89.48%	
Stofngen EHF (dormant)	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	62.62%	
Sudourlax EHF (dormant)	Stadarberg 2-4, Hafnarfjordur	Iceland	Indirect	ordinary	89.48%	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

18 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
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%	
Benchmark Holding Europe 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 2019

18 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
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	8Fl–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	Ruko Prominence Blok 38E No.7 Jl. Jalur Sutera Boulevard Panunggangan Timur Pinang 15143 Kota Tangerang Banten	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	Room 605–607, Building #10, Binhai Information Security Industrial Park, No.399 Huixiang Road, Tanggu Ocean Science and Technology Park, Binhai High-Tech Zone, 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.

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

18 Subsidiary undertakings (continued)

	Investments in subsidiary companies £000
Cost or valuation	
Balance at 1 October 2017	264,691
Additions	1,337
Transfer of shares to subsidiary	(706)
Balance at 1 October 2018	265,322
Additions	925
Balance at 30 September 2019	266,247
Provisions	
Balance at 1 October 2017	(850)
Provision against investment in subsidiary company	–
Balance at 1 October 2018	(850)
Provision against investment in subsidiary company	(8,338)
Balance at 30 September 2019	(9,188)
Net book value	
At 30 September 2019	257,059
At 30 September 2018	264,472
At 1 October 2017	263,841

During 2019 £925,000 (2018: £1,304,000) 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.

During 2018 an investment of £706,000 was transferred to a subsidiary company, FVG Limited at book value.

Management have performed an impairment review of the investments in subsidiaries at the period end taking into account both net assets of the subsidiaries and value in use calculations using assumptions consistent with those disclosed in note 16. As a consequence of the ongoing disposal programme this resulted in a provision of £8,338,000 being made against the carrying value of investments held by the Company. The carrying value of the company's investment in Benchmark Holding Europe B.V.(previously INVE Aquaculture Holding B.V.) is sensitive to changes in assumptions in the Advanced Animal Nutrition ("AAN") value in use model. The reasonably possible downside sensitivity scenario disclosed in relation to AAN in note 16 would lead to an additional investment impairment of £4.0m.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

19 Inventories

Group	2019 £000	2018 £000
Raw materials	5,271	5,467
Work in progress	2,323	2,058
Finished goods and goods for resale	15,015	12,958
Total inventories at the lower of cost and net realisable value	22,609	20,483

During 2019, £58,143,000 (2018: £58,055,000) was recognised as an expense in continuing operations for inventories carried at net realisable value. This is recognised in cost of sales. For discontinued operations £1,440,000 was recognised as an expense (2018: £1,917,000). The cost of inventories recognised as an expense includes £572,000 (2018: £246,000) in respect of write-downs of inventory to net realisable value.

The Company did not have any inventories at the year-end (2018: £nil).

20 Biological assets

Group	2019 £000	2018 £000
Organic sheep	58	123
Organic beef	43	150
Organic hens	23	26
Frozen Milt	477	484
Broodstock, eggs and fingerlings	27,892	19,611
Total biological assets	28,493	20,394
Less: non current broodstock	(12,469)	(8,502)
Total current biological assets	16,024	11,892

Livestock

The Group operates a commercial and research farming and technology transfer business, and at 30 September 2019 held 484 (2018: 2,192) head of sheep, 108 (2018: 299) head of cattle, and 10,256 (2018: 11,088) hens. In addition, livestock valued at £241,000 and comprising 1,366 head of sheep and 197 head of cattle have been reclassified as Assets held for sale. The Group had farming sales of £281,000 in the year ended 30 September 2019 (2018: £443,000), of which £238,000(2018: £349,000) relate to discontinued activities.

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 2019 was £477,000 (2018: £484,000). The decrease in value of £7,000 relates to net usage during the year.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

20 Biological assets (continued)

Broodstock, eggs and fingerlings

	Salmon Broodstock £000	Salmon eggs £000	Salmon fingerlings £000	Lumpfish eggs and fingerlings £000	Tilapia and Shrimp £000	Total £000
Biological assets 1 October 2018	11,724	5,772	265	1,585	265	19,611
Increase due to production / purchase	25,463	721	399	4,050	43	30,676
Due to physical changes	(20,165)	21,334	–	–	(53)	1,116
Foreign exchange movements	(521)	(331)	(26)	(58)	(4)	(940)
Reduction due to sales / discarding of stock	–	(20,110)	(355)	(4,357)	(119)	(24,941)
Fair value adjustments	1,416	667	–	287	–	2,370
Biological assets 30 September 2019	**17,917**	**8,053**	**283**	**1,507**	**132**	**27,892**
Broodstock, eggs and fingerlings – non current	**12,469**	**–**	**–**	**–**	**–**	**12,469**
Broodstock, eggs and fingerlings – current	**5,448**	**8,053**	**283**	**1,507**	**132**	**15,423**
	17,917	**8,053**	**283**	**1,507**	**132**	**27,892**

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

IAS 41 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 IFRS 13 and is categorised into level 3 in the fair value hierarchy as the inputs include unobservable inputs in the valuation of broodstock, eggs and fingerlings for which there are no published market data available.

The calculation of the estimated fair value of salmon broodstock is primarily based upon its main harvest output being salmon eggs, which are priced upon our current seasonally adjusted selling prices for salmon eggs. These prices are reduced for harvesting costs, freight costs, incubation costs and market capacity to arrive at the net value of broodstock. The valuation also reflects the internally generated data to arrive at the biomass. This includes the weight of the broodstock, the yield that each kilogram of fish will produce and mortality rates. The fish take four years to reach maturity, and 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 £268,000. A 10% increase/decrease in the biomass of salmon broodstock and the quantity of salmon eggs valued would increase/decrease the fair value of those biological assets by £1,792,000 and £805,000 respectively.

Total quantities held at 30 September were:

	2019	2018
Salmon broodstock and fingerlings	**805 tonnes**	612 tonnes
Lumpfish fingerlings	**3.2m units**	3.4m units
Salmon eggs	**66.3m units**	51.0m units

The Company did not hold any biological assets at the year-end (2018: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

21 Trade and other receivables

Group	2019 £000	2018 £000
Trade receivables	**41,085**	34,253
Less: provision for impairment of trade receivables	**(3,448)**	(3,309)
Trade receivables – net	**37,637**	30,944
Total financial assets other than cash and cash equivalents measured at amortised cost	**37,637**	30,944
Prepayments	**2,842**	4,829
Other receivables	**11,657**	9,709
Total trade and other receivables	**52,136**	45,482
Less: non-current portion: other receivables	**–**	(4,145)
Current portion	**52,136**	41,337

The non-current portion of other receivables in 2018 relates to a loan made to a joint venture, Benchmark Genetics Chile SPA. Following the termination of the joint venture this balance is no longer due (see note 17).

The fair values of trade and other receivables measured at amortised cost are not materially different to their carrying values. As at 30 September 2019 trade receivables of £6,523,000 (2018: £5,775,000) were past due but not impaired. They relate to customers with no default history. The ageing analysis of these receivables is as follows:

	2019 £000	2018 £000
Up to 3 months overdue	**4,778**	4,279
3 to 6 months overdue	**1,313**	1,206
6 to 12 months overdue	**432**	290
	6,523	5,775

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

	2019 £000	2018 £000
At 1 October	**3,309**	3,210
Provided during the year	**668**	618
Receivable written off during the year as uncollectable	**(541)**	(519)
Foreign exchange movements	**96**	–
Transferred to Assets held for sale	**(84)**	–
At 30 September	**3,448**	3,309

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 2019

21 Trade and other receivables (continued)

Company	2019 £000	2018 £000
Receivables from related parties	174,915	158,034
Loan provided to subsidiary company	4,660	7,412
Total financial assets other than cash and cash equivalents measured at amortised cost	179,575	165,446
Prepayments	530	448
Other receivables	453	379
Total trade and other receivables	180,558	166,273
Less: non-current portion	–	–
Current portion	180,558	166,273

The balance of receivables from related parties include a provision for impairment of £21,089,000 (2018: £9,283,000). A provision of £11,806,000 (2018: £2,683,000) was made during the year following a review of the individual subsidiaries' net assets.

22 Assets and liabilities held for sale

As stated in note 12, during the year, management committed to a plan to sell or close certain businesses. Where for the businesses concerned, the applicable criteria for inclusion as held for sale have been met the assets and liabilities of these businesses have been presented as held for sale.

Assets held for sale	Transferred to held for sale £000	Fair Value Adjustment £000	Total assets transferred £000
Property, plant and equipment	3,775	(573)	3,202
Intangible assets	5,365	(286)	5,079
Deferred tax asset	302	–	302
Inventories	577	–	577
Biological and agricultural assets	242	–	242
Trade and other receivables	6,568	–	6,568
Total Assets held for sale	16,829	(859)	15,970

Labilities directly associated with the assets held for sale	£000
Trade and other payables	(10,413)
Corporation tax liability	(34)
Deferred tax liability	(172)
Provisions	(15)
Total liabilities directly associated with the assets held for sale	(10,634)

No cash or loans and borrowings have been transferred to held for sale.

Measurement of fair values

Fair value hierarchy – The fair value measurement for the disposal group has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs – A market approach valuation technique was applied in measuring the fair value of the assets and liabilities held for sale as adjusted for intercompany and cash balances.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

23 Trade and other payables

Group	2019 £000	2018 £000
Trade payables	17,132	17,141
Other payables	4,583	11,294
Accruals	8,255	10,384
Financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	29,970	38,819
Other payables – contingent consideration	895	1,498
Financial contracts – hedging instrument	1,696	–
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through profit or loss	2,591	1,498
Financial contracts – hedging instrument	3,565	–
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through hedging reserve	3,565	–
Other payables – tax and social security payments	747	2,094
Deferred income	366	4,488
Total trade and other payables	37,239	46,899
Less: non-current portion of other payables (including contingent consideration)	(2,004)	(1,219)
Current portion	35,235	45,680

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

Contingent consideration

	Contingent consideration £000
Balance at 30 September 2018	1,498
Transferred to other payables measured at amortised cost	(425)
Net change in fair value (unrealised)	(178)
Balance at 30 September 2019	895

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. As disclosed in note 10, there has been a release of £86,000 (2018: £206,000) of the amount provided. 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. A balance of £472,000 that was in contingent consideration relating to Genetica Spring S.A.S. has been transferred to Other payables measured at amortised cost as the relevant milestones had been achieved and the consideration, due in December 2019, was no longer contingent.

Of the Financial contracts £5,029,000 relates to a cross-currency swap (CCS) which was entered to fully match the timing and tenor of the underlying new senior secured floating rate listed bond issue of NOK 850m. The first part of the CCS exchanged NOK 637.5m from NOK to GBP and has been designated as a cash flow hedge and any changes in the effective portion of changes in its fair value will be taken directly to Equity within the Hedging Reserve and recycled to profit or loss as the bond impacts the profit or loss. The second part exchanged NOK 212.5m from NOK to USD. This element has not been designated as a cash flow hedge and is posted to profit or loss as a fair value hedge.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

23 Trade and other payables (continued)

Included within Other Payables in 2018 is £6,716,000 relating to deferred consideration for the acquisition of the Group's 49% share of investment in the joint venture Benchmark Genetics Chile SPA, this was paid during the year.

Company	2019 £000	2018 £000
Trade payables	666	384
Payables to related parties	50,457	37,098
Accruals	2,140	1,803
Financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	53,263	39,285
Other payables – contingent consideration	–	85
Financial contracts – hedging instrument	1,696	–
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through profit or loss	1,696	85
Financial contract – hedging instrument	3,333	–
Financial liabilities, excluding loans and borrowings, classified as financial liabilities at fair value through hedging reserve	3,333	–
Other payables – tax and social security payments	183	152
Total trade and other payables	58,475	39,522

None of the above trade and other payables are non-current.

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

24 Loans and borrowings

Group

	2019 £000	2018 £000
Non-current		
2023 850m NOK Loan notes	75,864	–
Bank borrowings	23,576	78,808
Other loans	60	60
Finance lease creditor (note 30)	461	–
	99,961	78,868
Current		
Bank borrowings	3,102	894
Finance lease creditor (note 30)	129	4
	3,231	898
Total loans and borrowings	103,192	79,766

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 entered into facilities consisting of a five-year revolving credit facility (expiring on 11 December 2020) of up to USD 70m secured on the assets of the parent company, UK subsidiary companies and certain overseas subsidiary companies. On 7 January 2019, the accordion facility within the Group's existing bank facility was activated raising the total facility from USD 70m to USD 90m. Liabilities under this facility were settled on 24 June 2019.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

24 Loans and borrowings (continued)

On 21 June 2019, the Group successfully completed a new senior secured floating rate listed bond issue of NOK 850m. The bond which matures in June 2023, has a coupon of three months NIBOR + 5.25% p.a. with quarterly interest payments, and will be listed on the Oslo Stock Exchange. The bond issue refinanced Benchmark's previous USD 90m credit facility. DNB Markets acted as Sole Bookrunner for the bond issue.

A USD 15m RCF has been provided by DNB Bank ASA (50%) and HSBC UK Bank PLC (50%). This was undrawn at 30 September 2019.

SalmoBreed Salten AS had the following loans (which are ringfenced debt without recourse to the remainder of the Group) at 30 September 2019:

- NOK 208.8m term loan provided by Nordea Bank Norge Abp. The loan is a five-year term loan ending November 2023 at an interest rate of 2.65% above 3-month NIBOR
- NOK 20.0m working capital facility provided by Nordea Bank Norge Abp (of which NOK 15.0m had been drawn at 30 September 2019)
- NOK 53.9m term loan provided by Innovasjon Norge. The loan is a twelve-and-a-half-year term loan ending March 2031 at an interest rate of 4.2% above Norges Bank base rate
- NOK 19.75m loan provided by Salten Aqua ASA (the minority shareholder). The loan attracts interest at 2.5% above 3-month NIBOR and is repayable in a minimum of 5 years, but not before the Nordea term loan.

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

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

	2019 £000	2018 £000
Sterling	60	13,918
US Dollar	–	38,564
Norwegian Krone	102,542	27,282
Thai Baht	590	2
	103,192	79,766

Company

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

	2019 £000	2018 £000
Non-current		
2023 850m NOK Loan notes	75,864	–
Bank borrowings	–	52,231
Other loans	60	60
Total loans and borrowings	75,924	52,291

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:

	2019 £000	2018 £000
Sterling	60	13,916
Norwegian Krone	75,864	–
US Dollar	–	38,375
	75,924	52,291

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

24 Loans and borrowings (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group

Year ended 30 September 2019	Liabilities Loans and borrowings £000	Equity Share capital/ additional paid-in capital £000	Total £000
Balance at 1 October 2018	**79,766**	**358,451**	
Changes from financing cash flows			
Proceeds of share issues	–	2	2
Proceeds from bank or other borrowings	92,578	–	92,578
Repayment of bank or other borrowings	(71,224)	–	(71,224)
Interest and finance charges paid	(5,366)	–	(5,366)
Payments to finance lease creditors	(5)	–	(5)
Total changes from financing cash flows	**15,983**	**2**	**15,985**
The effect of changes in foreign exchange rates	**271**	**–**	
Other changes – liability-related			
Interest expense	4,939	–	
Capitalised borrowing fees	1,234	–	
New finance leases	572		
Interest accrual movement	427		
Total liability-related other changes	**7,172**	**–**	
Total equity-related other changes	**–**	**150**	
Balance at 30 September 2019	**103,192**	**358,603**	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

24 Loans and borrowings (continued)

Year ended 30 September 2018	Liabilities Loans and borrowings £000	Trade and other receivables non-current £000	Equity Share capital/ additional paid-in capital £000	Non-controlling interest £000	Total £000
Balance at 1 October 2017	42,687	–	339,953	4,971	
Changes from financing cash flows					
Proceeds of share issues	–	–	18,498	–	18,498
Proceeds from bank or other borrowings	41,206	–	–	–	41,206
Acquisition of NCI	–	–	–	(33)	(33)
Repayment of bank or other borrowings	(5,815)	–	–	–	(5,815)
Cash advances and loans made to other parties	–	(4,076)	–	–	(4,076)
Interest and finance charges paid	(2,442)	–	–	–	(2,442)
Payments to finance lease creditors	(218)	–	–	–	(218)
Total changes from financing cash flows	**32,731**	**(4,076)**	**18,498**	**(33)**	**47,120**
The effect of changes in foreign exchange rates	**1,869**	**(69)**	**–**	**–**	
Other changes – liability-related					
Interest expense	**2,193**	**–**	**–**	**–**	
Capitalised borrowing fees	**286**	**–**	**–**	**–**	
Total liability-related other changes	**2,479**	**–**	**–**	**–**	
Total equity-related other changes	**–**	**–**	**–**	**740**	
Balance at 30 September 2018	**79,766**	**(4,145)**	**358,451**	**5,678**	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

24 Loans and borrowings (continued)

Company

Year ended 30 September 2019	Liabilities Loans and borrowings £000	Equity Share capital/ additional paid–in capital £000	Total £000
Balance at 1 October 2018	**52,291**	**358,451**	
Changes from financing cash flows			
Proceeds of share issues	–	2	2
Proceeds from bank or other borrowings	91,021	–	91,021
Repayment of bank borrowings	(70,265)	–	(70,265)
Interest and finance charges paid	(4,701)	–	(4,701)
Total changes from financing cash flows	**16,055**	**2**	**16,057**
The effect of changes in foreign exchange rates	**1,643**	**–**	
Other changes – liability-related			
Interest expense	3,927	–	
Capitalised borrowing fees	1,234	–	
Interest accrual movement	774	–	
Total liability-related other changes	**5,935**	**–**	
Total equity-related other changes	**–**	**150**	
Balance at 30 September 2019	**75,924**	**358,603**	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

24 Loans and borrowings (continued)

Year ended 30 September 2018	Liabilities Loans and borrowings £000	Equity Share capital/ additional paid–in capital £000	Total £000
Balance at 1 October 2017	36,451	339,953	
Changes from financing cash flows			
Proceeds of share issues	–	18,498	18,498
Proceeds from bank or other borrowings	**14,500**	**–**	**14,500**
Interest and finance charges paid	**(1,800)**	**–**	(1,800)
Total changes from financing cash flows	**12,700**	**18,498**	**31,198**
The effect of changes in foreign exchange rates	**1,054**	**–**	
Other changes – liability-related			
Interest expense	1,800	–	
Capitalised borrowing fees	**286**	**–**	
Total liability-related other changes	**2,086**	**–**	
Balance at 30 September 2018	**52,291**	**358,451**	

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

25 Provisions

	Legal fees provision £000	Repairs provision £000	Other provisions £000	Total £000
At 1 October 2017	200	70	180	450
Charged to profit or loss	(3)	–	–	(3)
Provision reversed during the year		–	(187)	(187)
Foreign exchange movement	–	–	7	7
Utilised in year	(197)	–	–	(197)
At 1 October 2018	–	70	–	70
Charged to profit or loss	–	–	349	349
Transferred to Liabilities directly associated with the assets held for sale	–	(15)	–	(15)
At 30 September 2019	**–**	**55**	**349**	**404**
Current	–	55	349	404
Non-current	–	–	–	–
At 30 September 2019	**–**	**55**	**349**	**404**
Current	–	70	–	70
Non-current	–	–	–	–
At 30 September 2018	**–**	**70**	**–**	**70**

Legal fees provision

The legal fees provision related 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. The provision was utilised during the prior year.

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 (2018: £15,000). This has been transferred to Liabilities directly associated with the assets held for sale. Additionally, Benchmark Vaccines Limited has a repairs provision of £55,000 (2018: £55,000) in respect of its Braintree premises.

Other provisions

During the year provisions of £349,000 have been made relating to onerous leases of FAI Aquaculture Limited (£107,000) following the closure of a site in Shetland Isles and of FAI do Brasil Criação Animal LTDA (£242,000) following a decision before the year end to close the business.

In the prior year provisions of a £187,000 were released as no longer required to total £nil in relation to potential rebates to customers/distributors based on targeted volumes, price fluctuations and potential stock returns under right of return clauses.

No provisions were held by the Company at the year-end (2018: £nil).

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

26 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 net deferred tax account is as shown below:

Group	2019 £000	2018 £000
At 1 October	(41,637)	(56,359)
Recognised in income statement		
Tax credit on continuing activities (note 11)	4,347	14,741
Tax credit on discontinued activities	76	261
Total Tax credit	4,423	15,002
Exchange differences	(1,399)	(280)
Transferred to liabilities directly associated with assets held for sale	(130)	–
		–
At 30 September	(38,743)	(41,637)

The Company did not have a deferred tax balance at the year-end (2018: £nil).

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 £19,743,000 (2018: £13,332,000) in respect of losses amounting to £94,550,000 (2018: £46,540,000) and temporary differences of £6,743,000 (2018: £1,839,000), 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.

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 2019 £000	Liability 2019 £000	Net 2019 £000	(Charged)/ credited to profit or loss 2019 £000	(Charged)/ credited to equity 2019 £000
Accelerated capital allowances	–	(39,233)	(39,233)	2,626	–
Biological assets	–	(2,348)	(2,348)	(754)	–
Other temporary and deductible differences	166	–	166	140	–
Available losses	2,650	–	2,650	2,313	–
Fair value of share options	22	–	22	22	–
Net tax assets / (liabilities)	2,838	(41,581)	(38,743)	4,347	–

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

26 Deferred tax (continued)

Group	Asset 2018 £000	Liability 2018 £000	Net 2018 £000	(Charged)/ credited to profit or loss 2018 £000	(Charged)/ credited to equity 2018 £000
Accelerated capital allowances	–	(40,406)	(40,406)	17,961	–
Biological assets	–	(1,594)	(1,594)	(586)	–
Other temporary and deductible differences	26	–	26	(49)	–
Available losses	337	–	337	(2,585)	–
Fair value of share options	–	–	–	–	–
Net tax assets / (liabilities)	363	(42,000)	(41,637)	14,741	–

The Company did not have any deferred tax in the profit or loss or balance sheet at the year-end (2018: £nil).

27 Share capital and additional paid-in capital

Allotted, called up and fully paid	Number	Share Capital £000	Share Premium £000
Ordinary shares of 0.1 penny each			
Balance at 30 September 2017	522,365,034	522	339,431
Exercise of share options	290,302	–	–
Shares placed to fund investment in Joint Venture	34,545,455	35	18,463
Balance at 30 September 2018	**557,200,791**	**557**	**357,894**
Exercise of share options	1,293,948	1	–
Shares issued as consideration for the acquisition of Videntis SA	246,700	1	150
Balance at 30 September 2019	**558,741,439**	**559**	**358,044**

During the year ended 30 September 2018, the Company issued a total of 290,302 shares of 0.1p each to certain employees of the Group relating to share options granted in 2013, 2015 and 2016.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

27 Share capital and additional paid-in capital (continued)

On 25 June 2018, the Company issued 34,545,455 shares of 0.1p each at a price of 55p per share to fund the investment in the Joint Venture Benchmark Genetics Chile SPA. Non-recurring costs of £0.5m were incurred in relation to the share placing and this has been charged to the share premium account.

During the year ended 30 September 2019, the Company issued a total of 1,293,948 shares of 0.1p each to certain employees of the Group relating to share options granted in 2015 and 2016.

On 2 October 2018, the Company issued 246,700 shares of 0.1p each at a price of 60.8p per share as part consideration for the acquisition of Videntis AS

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 24,866,271 (2018: 14,549,686) 0.1p ordinary shares in the Company. Exercise prices and movements in the share options are disclosed in note 33.

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.

28 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.
Hedging reserve	Comprises the effective portion of the cumulative net change in fair value of hedging instruments used in cash flow hedges pending subsequent recognition on profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non–financial liability.
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 33 for further details of these plans.

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.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

29 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 2019	Stofnfiskur HF. £000	Salmobreed Salten AS £000	Other individually immaterial subsidiaries £000	Total £000
NCI percentage	10%	25%		
Non-current assets	21,577	40,933		
Current assets	16,051	7,068		
Non-current liabilities	(2,768)	(25,275)		
Current liabilities	(8,792)	(9,160)		
Net assets	26,068	13,566		
Net assets attributable to NCI	2,742	3,396	–	6,138
	–	–		
Revenue	21,901	2,680		
Profit	7,553	(412)		
OCI	(940)	(739)		
Total comprehensive income	6,613	(1,151)		
Profit allocated to NCI	795	(103)	85	777
OCI allocated to NCI	(99)	(185)	(46)	(330)
	–	–		
Cash flows from operating activities	7,586	(4,135)		
Cash flows used in investment activities	(3,783)	(1,521)		
Cash flows (used in)/from financing activities (dividends to NCI: £nil)	(2,654)	339		
Net increase in cash and cash equivalents	1,149	(5,317)		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

29 Non-controlling interest (continued)

Year ended 30 September 2018	Stofnfiskur HF. £000	Salmobreed Salten AS £000	Other individually immaterial subsidiaries £000	Total £000
NCI percentage	10%	25%		
Non-current assets	19,257	43,104		
Current assets	13,633	7,734		
Non-current liabilities	(2,133)	(26,388)		
Current liabilities	(11,177)	(9,402)		
Net assets	19,580	15,048		
Net assets attributable to NCI	2,050	3,767	(139)	5,678
Revenue	21,208	136		
Profit	5,112	995		
OCI	533	70		
Total comprehensive income	5,645	1,065		
Profit allocated to NCI	535	249	(164)	620
OCI allocated to NCI	56	18	(5)	69
Cash flows from operating activities	1,794	(2,118)		
Cash flows used in investment activities	(1,417)	(17,992)		
Cash flows (used in)/from financing activities (dividends to NCI: £nil)	(1,273)	24,716		
Net increase in cash and cash equivalents	(896)	4,606		

30 Leases

Finance leases

The Group leases plant and machinery with a carrying value of £278,000 (2018: £19,000). 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 2019 £000	Interest 2019 £000	Present value 2019 £000
Not later than one year	155	26	129
Later than one year and not later than five years	500	39	461
Later than five years	–	–	–
	655	65	590

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

30 Leases (continued)

	Minimum lease payments 2018 £000	Interest 2018 £000	Present value 2018 £000
Not later than one year	5	1	4
Later than one year and not later than five years	–	–	–
Later than five years	–	–	–
	5	1	4

The present values of future lease payments are analysed as:

	2019 £000	2018 £000
Current liabilities	129	4
Non-current liabilities	461	–
	590	4

Operating leases – lessee

The Group has entered into commercial leases on certain items of property, plant and equipment. 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 property, plant and equipment are as follows:

	2019 £000	2018 £000
Not later than one year	3,114	2,388
Later than one year and not later than five years	5,148	4,604
Later than five years	3,492	4,286
	11,754	11,278

31 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 £2,862,000 (2018: £1,796,000). Contributions totalling £1,268,000 (2018: £883,000) were payable to the fund at the balance sheet date and are included in other payables.

32 Capital commitments

At 30 September 2019, the Group and Company had capital commitments as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Contracted for but not provided within these financial statements	822	736	–	–

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

33 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 2019:

	No. of options						
Year	As at 1 October 2018	Granted in 2019	Exercised in 2019	Forfeited in 2019	As at 30 September 2019	Option Price*	Exercise Period
2013	222,000	–	–	–	222,000	0.10p	August 2016 to July 2023
2015	505,600	–	(136,239)	(3,573)	365,788	0.10p	March 2018 to February 2025
2015	81,315	–	(13,173)	(4,002)	64,140	0.10p	July 2018 to June 2025
2016	2,915,538	–	(1,144,536)	(18,784)	1,752,218	0.10p	March 2019 to February 2026
2017	438,734	–	–	(20,967)	417,767	0.10p	March 2020 to February 2027
2018	10,386,769	–	–	(725,411)	9,661,358	69.5p	January 2021 to January 2028
2019	–	12,961,400	–	(578,400)	12,383,000	58.5p	January 2022 to January 2029

* The option price is the nominal value of the parent Company's shares for options issued except for the options issued in 2018 and 2019 for which the option price is the market price of the share on the date the options were granted.

Of the total number of options outstanding at 30 September 2019, 2,404,146 (2018: 808,915) were exercisable.

Options exercised in 2019 resulted in 1,293,948 shares being issued at a weighted average price of 0.1p. The related weighted average share price at the time of exercise was 49.3p per share.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

33 Share-based payment (continued)

Year ended 30 September 2018:

	No. of options						
Year	As at 1 October 2017	Granted in 2018	Exercised in 2018	Forfeited in 2018	As at 30 September 2018	Option Price*	Exercise Period
2013	222,000	–	–	–	222,000	0.10p	August 2016 to July 2023
2015	775,036	–	(268,042)	(1,394)	505,600	0.10p	March 2018 to February 2025
2015	97,575	–	(16,260)	–	81,315	0.10p	July 2018 to June 2025
2016	2,985,107	–	(6,000)	(63,569)	2,915,538	0.10p	March 2019 to February 2026
2017	463,702	–	–	(24,968)	438,734	0.10p	March 2020 to February 2027
2018	–	10,711,851	–	(325,082)	10,386,769	69.5p	January 2021 to January 2028

* The option price is the nominal value of the parent Company's shares except for the options issued in 2018 for which the option price is the market price of the share on the date the options were granted.

Options exercised in 2018 resulted in 290,302 shares being issued at a weighted average price of 0.1p. The related weighted average share price at the time of exercise was 58.1p 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 4 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 (2017: £nil).

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 5 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 (2018: £246,000). This has been reflected in the income statement and included within operating costs.

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 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 £252,000 (2018: £617,000). 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 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 £147,000 (2018: £165,000). This has been reflected in the income statement and included within operating costs.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

33 Share-based payment (continued)

Share options issued in January 2018

In 2017 a decision was made to replace an element of cash bonuses for the year with an award of share options to be granted after the year end this resulted in share options being issued in January 2018. Share options outstanding at the year-end had a weighted average exercise price of 69.5p and a weighted average remaining contractual life of 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.

The expense recognised for these options during the year was £414,000 (2018: £483,000). This has been reflected in the income statement and included within operating costs.

Share options issued in January 2019

Share options outstanding at the year-end had a weighted average exercise price of 58.5p and a weighted average remaining contractual life of 9 years. The fair value of the equity settled share options granted is estimated at the date of grant using the Black Scholes Merton model taking into account the terms and conditions on which the options were granted.

The expense recognised for these options during the year was £367,000 (2018: £nil). This has been reflected in the income statement and included within operating costs.

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 continuing operating costs was £1,006,000 (2018: £1,421,000) and within discontinuing operating costs was £175,000 (2018: £90,000). The share-based payment expense comprises:

	2019 £000	2018 £000
Equity-settled schemes	1,181	1,511
Total share-based payment charge	1,181	1,511

The total charge reflected in the Company's income statement was £243,000 (2018: £312,000), all charged to operating costs in both years.

34 Related party transactions

Transactions between the Company and its subsidiary undertakings (see note 18), which are related parties, amounted to £5,878,800 in the year (2018: £3,737,400). These transactions related to intercompany recharges. Balances with subsidiary undertakings are shown in notes 21 and 23. 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 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Director	(60)	(60)	(60)	(60)
Total	(60)	(60)	(60)	(60)

The loan from Malcolm Pye, Chief Executive Officer, was repaid in December 2019.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

34 Related party transactions (continued)

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	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Sales of good and services				
Salmar Genetics AS[1]	**118**	162	**–**	–
Benchmark Genetics Chile S.A.[1]	**1,667**	692	**–**	–
Great Salt Lake Brine Shrimp Cooperative, Inc[2]	**268**	343	**17**	18
Andromeda S.A.[3]	**155**	332	**30**	–
Purchases				
Benchmark Holdings Limited Executive Pension scheme[4]	**54**	90	**–**	22
Great Salt Lake Brine Shrimp Cooperative, Inc[2]	**23,338**	21,035	**6,335**	2,313

[1] Joint venture [2] Associate [3] A Director is a director of the parent undertaking of Andromeda S.A. [4] Pension scheme of a director

In 2018 there was a contribution of Intellectual Property of £3.78m to Benchmark Genetics Chile S.A. as part of the acquisition during that year (note 17) has not been included in the value of sales above.

Remuneration for Key management personnel is included within note 7.

The Company is controlled by the shareholders. There is no single controlling party.

35 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 2019 were £nil (2018: £nil).

36 Notes supporting statement of cash flows

Cash and cash equivalents for purposes of the statement of cash flows comprises:

Group	**2019 £000**	2018 £000
Cash at bank and in hand	**16,051**	24,090
Cash and cash equivalents	**16,051**	24,090
Company		
Cash at bank and in hand	**840**	2,309
Cash and cash equivalents	**840**	2,309

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

37 Alternative profit measures and other metrics

Alternative Profit Measures

Management has presented the performance measures Adjusted EBITDA, Adjusted Operating Profit and Adjusted Profit Before Tax because it monitors performance at a consolidated level and believes that these measures are relevant to an understanding of the Group's financial performance.

Adjusted EBITDA which reflects underlying profitability, is earnings before interest, tax, depreciation, amortisation, impairment, exceptional items and acquisition related expenditure and is shown on the Income Statement.

Adjusted Operating Profit is operating loss before exceptional items including acquisition related items and amortisation of intangible assets excluding development costs as reconciled below.

Adjusted Profit Before Tax is earnings before tax, amortisation and impairment of acquired intangibles, exceptional items and acquisition related expenditure as reconciled below. These measures are not defined performance measure in IFRS. The Group's definition of these measures may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of Adjusted Operating Profit to Operating Loss

Continuing operations	**2019 £000**	2018 Restated £000
Revenue	**127,343**	131,643
Cost of sales	**(61,348)**	(63,150)
Gross profit	**65,995**	68,493
Research and development costs	**(12,830)**	(12,040)
Other operating costs	**(40,700)**	(37,012)
Depreciation and impairment	**(8,466)**	(4,869)
Amortisation of capitalised development costs	**–**	–
Share of profit of equity accounted investees net of tax	**(414)**	(362)
Adjusted Operating Profit	**3,585**	14,210
Exceptional – restructuring/acquisition related items	**(581)**	(1,239)
Amortisation and impairment of intangible assets excluding development costs	**(64,254)**	(16,802)
Operating loss	**(61,250)**	(3,831)

Reconciliation of Adjusted Profit Before Tax to Adjusted Operating Profit

Continuing operations	**2019 £000**	2018 Restated £000
Loss before taxation	**(73,304)**	(8,426)
Exceptional – restructuring/acquisition related items	**581**	1,239
Amortisation and impairment of intangible assets excluding development costs	**64,254**	16,802
Adjusted Profit Before Tax	**(8,469)**	9,615

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

37 Alternative profit measures and other metrics (continued)

Other metrics

Total R&D Investment	2019 £000	2018 £000
Research and development costs		
– Continuing operations	12,830	12,040
– Discontinued operations	20	–
	12,850	12,040
Internal capitalised development costs (note 15)	7,673	7,178
Total R&D investment	20,523	19,218

Liquidity

Following the refinancing in June 2019 (see note 24) a key financial covenant is a minimum liquidity of £10m as cash plus undrawn facilities

	2019 £000
Cash and cash equivalents	16,051
Undrawn bank facility	12,195
Liquidity	28,246

The RCF facility (note 24) at 30 September 2019 is USD 15m, none of which had been drawn.

Free cash flow

Management monitors cash using a free cash flow measure which is defined as net cash flow used by or generated from operating activities less the net investment capex (including capitalised development costs).

	2019 £000	2018 £000
Net cash flows used in operating activities	(9,211)	(3,741)
Purchases of property, plant and equipment	(7,850)	(25,072)
Purchase of intangibles	(7,964)	(7,581)
Proceeds from sale of fixed assets	1,131	233
Free cash flow	(23,894)	(36,161)

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

for the year ended 30 September 2019

38 Net debt

Net debt is cash and cash equivalents less loans and borrowings.

	2019 £000	2018 £000
Cash and cash equivalents	16,051	24,090
Loans and borrowings – current	(3,231)	(898)
Loans and borrowings – non-current	(99,961)	(78,868)
	(87,141)	(55,676)

04 ADDITIONAL INFORMATION

GLOSSARY

3Es	Environment, Ethics & Economics — Benchmark's framework for sustainability
AAN	Benchmark's Advanced Animal Nutrition division
Adjusted EBITDA	EBITDA before exceptional and acquisition costs
Adjusted Operating Profit	Adjusted Operating Profit is operating loss before exceptional items including acquisition related items and amortisation and impairment of intangible assets excluding development costs
AGD	Ameobic gill disease, a gill disorder found in marine fish, but primarily salmon
AGM	Annual General Meeting
AHD	Benchmark's Animal Health division
AHPND	Acute Hepatopancreatic Necrosis Disease — a shrimp disease — previously known as Early Mortality Syndrome
AIM	Alternative Investment Market
BMK08	Benchmark's next generation sea lice treatment
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CMS	Cardiomyopathy syndrome, a severe cardiac disease affecting Atlantic salmon
CSO	Chief Scientific Officer
CGU	Cash Generating Unit
CleanTreat®	Benchmark's water purification system removes medicines from from treatment water before being discharged into the ocean
Constant currency	2019 figures in GBP converted using average foreign exchange rates prevalent in 2018
CPD	Continuing Professional Development
EBITDA	Earnings before interest, tax, depreciation and amortisation
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
Free cash flow	Net cash flow used by or generated from operating activities less the net investment capex (including capitalised development costs)
Fry (shrimp production)	Fry refers to shrimp larvae
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
ISA	Infectious salmon anemia, a viral disease of Atlantic salmon
IP	Intellectual Property
IPO	Initial Public Offering
IPN	Infectious Pancreatic Necrosis, an infectious viral disease that affects numerous species of fish
Liquidity	Undrawn bank facilities plus cash and cash equivalents
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
RAS	Recirculating aquaculture system
R&D	Research & Development
SalmoBreed Salten	Benchmark's new land-based salmon egg and broodstock production facility in Norway
Salmosan®	Benchmark's sea lice bath treatment
Sea lice	Parasite in salmon farming causing significant economic loss and welfare issues
SIP	Share Incentive Plan
SPR	Specific Pathogen Resistant
Total Adjusted EBITDA	Adjusted EBITDA for continuing and discontinued operations
Total investment in R&D	R&D expensed costs plus capitalised development costs
Trading Activities	Trading Activities are those operations which generate earnings in the current period excluding Investing Activities
Vibrio	Water-borne bacterium

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Information regarding forward-looking statements

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