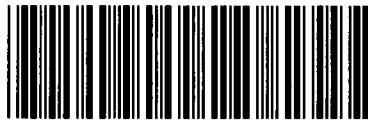


Company Registration No. SC456413 (Scotland)

AFIMILK HOLDINGS UK LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
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AFIMILK HOLDINGS UK LIMITED

COMPANY INFORMATION

Directors Yuval Sovinsky (Appointed 12 February 2016)

Company number SC456413

Registered office Suite 435
Baltic Chambers
50 Wellington Street
GLASGOW
G2 6HJ

Auditor Johnston Carmichael LLP
227 West George Street
GLASGOW
G2 2ND

AFIMILK HOLDINGS UK LIMITED

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AFIMILK HOLDINGS UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Fixed assets			
Intangible assets	2	259,113	-
Investments	3	1,799,800	1,799,800
		<u>2,058,913</u>	<u>1,799,800</u>
Current assets			
Debtors	4	37,223	7,120
Cash at bank and in hand		237	75,867
		<u>37,460</u>	<u>82,987</u>
Creditors: amounts falling due within one year	5	<u>(358,720)</u>	<u>(126,177)</u>
Net current liabilities		<u>(321,260)</u>	<u>(42,190)</u>
Total assets less current liabilities		<u>1,737,653</u>	<u>1,757,610</u>
Capital and reserves			
Called up share capital	7	22,322	20,443
Share premium account		3,547,732	3,547,732
Other reserves	8	1,798,100	1,798,100
Retained earnings	8	<u>(3,630,501)</u>	<u>(3,608,665)</u>
Shareholders' funds		<u>1,737,653</u>	<u>1,757,610</u>

The director of the company has elected not to include a copy of the statement of comprehensive income within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the Board of Directors and authorised for issue on 5/11/17

Signed on its behalf by:



Yuval Sovinsky
Director

Company Registration No. SC456413

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union.

Going concern

Afimilk Agricultural Cooperative Limited, the immediate parent company, has confirmed that, for at least twelve months from the date of signing the accounts, it will make available such funds as are needed by Afimilk Holdings UK Limited to meet its liabilities as they fall due.

In addition, Afimilk Agricultural Cooperative Limited will not seek repayment of any amounts currently due to Afimilk Agricultural Cooperative Limited if this would prevent Afimilk Holdings UK Limited from meeting its third party obligations as they fall due.

1.2 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their remaining estimated useful lives of five years.

1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.5 Government Grants

Short term grants towards revenue expenditure are released to the statement of comprehensive income when the relevant cost has been incurred and the grant has been claimed and received against that cost.

For projects of a long term nature with multiple deliverables and subject to independent audit, all grant receipts are deferred until all the deliverables have been met and the audit completed.

1.6 Share-based payments

The company has issued share options to certain directors and employees in the past, with all options having lapsed in 2016.

1.7 Impairment of intangible assets

At each year end date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.10 Other operating income

Other operating income represents management fees from Afimilk UK Limited. Management fees are recognised when the service has been provided.

1.11 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Amortised cost is defined as the amount on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1.12 Financial liabilities (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.13 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

1.14 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of intangible assets

At each reporting end date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Value in use is determined by discounting the future cash flows generated from the continuing use of the asset. The key assumptions are made by management reflecting past experience combined with their knowledge as to future performance and relevant external sources of information. They are:

- inflation rates;
- discount rate;
- royalty rates; and
- asset replacement profile.

1.15 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments – will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.
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Effective for accounting periods commencing on or after 1 January 2018.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

1.15 Adoption of new and revised standards and changes in accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers – is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services.

Effective for accounting periods commencing on or after 1 January 2018.

IFRS 16 IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to all leases and will require lessees to recognise a right-of-use asset and corresponding lease liability.

Effective for accounting periods commencing on or after 1 January 2019.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

2 Intangible assets

	Patents £
Cost	
At 1 January 2015 and 31 December 2015	-
Additions in the year	315,000
At 31 December 2016	<u>315,000</u>
Amortisation	
At 1 January 2015 and 31 December 2016	-
Charge for the year	55,887
At 31 December 2016	<u>55,887</u>
Carrying amount	
At 31 December 2016	<u>259,113</u>
At 31 December 2016	<u>-</u>

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Fixed asset investments

	Shares in group undertakings and participating interests £	Loans to group undertakings and participating interests £	Total £
Cost			
At 1 January 2015	1,799,800	2,220,248	4,020,048
Additions	-	1,155,000	1,155,000
At 31 December 2015	1,799,800	3,375,248	5,175,048
Additions	-	-	-
Disposals	-	-	-
At 31 December 2016	1,799,800	3,375,248	5,175,048
Provisions for diminution in value			
At 1 January 2015	-	-	-
Charge for the year	-	3,375,248	3,375,248
At 31 December 2015	-	3,375,248	3,375,248
Charge for the year	-	-	-
Eliminated on disposal	-	-	-
At 31 December 2016	-	3,375,248	3,375,248
Net book value			
At 31 December 2016	1,799,800	-	1,799,800
At 31 December 2015	1,799,800	-	1,799,800

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Afimilk UK Limited	Scotland	Ordinary	100.00

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

3 Fixed asset investments (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Principal activity	Capital and Profit/(loss) for reserves	the year
		2016	2016
		£	£
Afimilk UK Limited	Provision of animal monitoring devices to the farming industry	(4,822,478)	(1,335,687)

4 Debtors

	2016	2015
	£	£
Amounts owed by group undertakings	29,618	1,200
Other debtors	7,605	5,920
	<u>37,223</u>	<u>7,120</u>

The directors consider that the carrying amount of other debtors is approximately equal to their fair value.

No significant debtor balances are impaired at the reporting date.

5 Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	-	32,593
Amounts due to group undertaking	356,970	-
Other creditors	1,750	92,584
	<u>358,720</u>	<u>125,177</u>

6 Share-based payments

During 2015 48,100 options from the existing EMI Share Option schemes were surrendered. At 31 December 2015, 12,000 options remained in existence, held by one individual, under this scheme. These options can be exercised within ten years of their grant date of 21 March 2014.

During 2015, 187,838 options under a new EMI Share Option Scheme were issued to eleven employees. These options were exercised on 5 February 2016 (note 9).

During 2016, all remaining outstanding share options lapsed with the sale of 100% of the share capital to Afimilk Agricultural Cooperative Limited. There are no share option plans or outstanding share options as at 31 December 2016.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 Share capital	2016	2015
	£	£
Allotted, called up and fully paid		
2,232,200 (2015: 170,000) ordinary shares of 1p each	22,322	1,700
49,046 G1 shares of 1p each	-	490
34,223 G2 shares of 1p each	-	342
1,785,889 A preferred shares of 1p each	-	17,858
5,250 B preferred shares of 1p each	-	53
	<u>22,322</u>	<u>20,443</u>

On December 22, 2016, a written resolution was passed to approve the reclassification of the G1 shares, G2 shares and both the A and B preference shares to be classified as ordinary shares. On 5 February 2016, the shares and the company issued 187,792 ordinary shares on exercise of stock options for consideration of £1,879.

8 Retained earnings	£
Balance at 1 January 2015	(90,740)
Loss for the year	<u>(3,517,925)</u>
Balance at 31 December 2015	(3,608,665)
Loss for the year	<u>(21,836)</u>
Balance at 31 December 2016	<u>(3,630,501)</u>
Other reserves	
Capital redemption reserve	
Balance at 1 January 2015, 31 December 2015 & at 31 December 2016	<u>100</u>
Merger reserve	
Balance at 1 January 2015, 31 December 2015 & at 31 December 2016	<u>1,798,000</u>

9 Financial commitments

At 31 December 2015, the company was committed to making the following payments under a royalty agreement in the year to 31 December 2016:

	2015
	£
Operating leases which expire:	
In over five years	<u>95,000</u>

On acquisition by Afimilk Agricultural Cooperative Limited the operating lease was terminated and no further commitment exists at 31 December 2016.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

10 Control

On 12 February 2016, 100% of the company's share capital was purchased by Afimilk Agricultural Cooperative Limited and the ultimate controlling party of the group became Afimilk Assets Limited. Both controlling companies are incorporated in Israel.

11 Financial instruments – accounting classifications and fair value

Financial assets

Trade and other debtors and cash and cash equivalents are classified as financial assets not measured at fair value. Their carrying value is derived from level 3 inputs (note 3), based on unobservable market data.

Excluded from financial assets are prepayments as these assets fall outwith the scope of financial instruments due to the cash element having already been settled.

Financial liabilities

Trade and other creditors are classified as financial liabilities not measured at fair value and, like the financial assets above, have a carrying value derived from level 3 inputs.

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

12 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- capital management

Risk management framework

The company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversee how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The company does not require collateral in respect of other debtors. There are no trade debtors.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Financial risk management (continued)

Cash and cash equivalents

The company held cash and cash equivalents of £237 at 31 December 2016 (2015: £75,867). The cash and cash equivalents are held with Clydesdale Bank, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

Contractual cash flows				
31 December 2016	Carrying amount £	Total £	2 months or less £	2-12 months £
Non-derivative financial liabilities				
Amounts due to group undertaking	356,970	356,970	-	356,970
Other creditors	1,750	1,750	1,750	-
	<u>358,720</u>	<u>358,720</u>	<u>1,750</u>	<u>356,970</u>

Contractual cash flows				
31 December 2015	Carrying amount £	Total £	2 months or less £	2-12 months £
Non-derivative financial liabilities				
Trade creditors	32,593	32,593	32,593	-
Other creditors	92,584	92,584	92,584	-
	<u>125,177</u>	<u>125,177</u>	<u>125,177</u>	<u>-</u>

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the board of directors.

Currency risk and the company's exposure

The company is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currency of the company's trading subsidiary is sterling, but the subsidiary makes some purchases in Euros and US dollars. There are no balances in other currencies for the company.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

13 Capital risk management

The company is not subject to any externally imposed capital requirements.

For the purpose of the company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the company may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The company's policy is to maintain sufficient capital to allow for future investment in growth of the business.

14 Related party relationships and transactions

At 31 December 2016, the company owed £356,970 (2015: £Nil) to Afimilk Agricultural Cooperative Limited, its parent company.

At 31 December 2016, the company was owed £3,404,866 (2015: £3,375,248) by Afimilk UK Limited. The loan invested was provided for in the year ended 31 December 2015 (charge of £3,375,248), with a debtor of £29,618 owed as at 31 December 2016.

During the year, the company received management fees of £3,000 (2015: £12,000) from Afimilk UK Limited. At 31 December 2016, the company was owed £Nil (2015: £1,200) by Afimilk UK Limited.

During the year, Albion Ventures LLP, a significant shareholder prior to the acquisition by Afimilk Agricultural Cooperative Limited, charged the company monitoring and arrangement fees totalling £17,382 (2015: £27,520). At 31 December 2016, the company was due to pay £Nil (2015: £27,250) to Albion Ventures LLP.

Scottish Equity Partners LLP, a significant shareholder prior to the acquisition by Afimilk Agricultural Cooperative Limited, charged the company monitoring and arrangement fees totalling £Nil (2015: £27,416). At 31 December 2016, the company was due to pay £Nil (2015: £35,997) to Scottish Equity Partners LLP.

15 Key management compensation

The remuneration of the directors who are key management personnel is paid by the subsidiary company, Afimilk UK Limited and all disclosures have been included in the financial statements of Afimilk UK Limited.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

16 Reconciliations on adoption of IFRS

Reconciliation of equity

	At 1 January 2015			At 31 December 2015		
	Previous UK GAAP	Effect of transition	IFRS	Previous UK GAAP	Effect of transition	IFRS
	£	£	£	£	£	£
Fixed assets						
Investments	4,020,048	-	4,020,048	1,799,800	-	1,799,800
	<u>4,020,048</u>	<u>-</u>	<u>4,020,048</u>	<u>1,799,800</u>	<u>-</u>	<u>1,799,800</u>
Current assets						
Debtors	2,789	-	2,789	7,120	-	7,120
Cash at bank and in hand	63,138	-	63,138	75,867	-	75,867
	<u>65,927</u>	<u>-</u>	<u>65,927</u>	<u>82,987</u>	<u>-</u>	<u>82,987</u>
Creditors due within one year	(33,760)	-	(33,760)	(125,177)	-	(125,177)
Net current assets/liabilities	32,167	-	32,167	(42,190)	-	(42,190)
Total assets less current liabilities	<u>4,052,215</u>	<u>-</u>	<u>4,052,215</u>	<u>1,757,610</u>	<u>-</u>	<u>1,757,610</u>
Capital and reserves						
Called up share capital	9,497	-	9,497	20,443	-	20,443
Share premium account	2,335,358	-	2,335,358	3,547,732	-	3,547,732
Other reserves	1,798,100	-	1,798,100	1,798,100	-	1,798,100
Retained earnings	(90,740)	-	(90,740)	(3,608,665)	-	(3,608,665)
Shareholders' Funds	<u>4,052,215</u>	<u>-</u>	<u>4,052,215</u>	<u>1,757,610</u>	<u>-</u>	<u>1,757,610</u>

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006.

The auditor's report was qualified and the auditor reported as follows:

Basis for qualified opinion on financial statements

With respect to the carrying value of the company's investment in shares in group undertakings in the amount of £1,799,800 (2015: £1,799,800) the audit evidence available to us was limited because an impairment review has not been carried out by the company's director. As a result of this, we were unable to obtain sufficient appropriate audit evidence supporting the carrying value of the company's investment in shares in group undertakings.

Qualified opinion on financial statements

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

In respect solely of the limitation on our work relating to the company's investment in shares in group undertakings:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

The senior statutory auditor was Gavin Young.
The auditor was Johnston Carmichael LLP.