Waikato Innovation Growth Limited
New Zealand Food Innovation (Waikato) limited
NZFIW D2 Limited and

11% ownership in Melody Dairies Limited Partnership

11% ownership in Melody Dairies GP Limited

Statement of Intent

01st March 2023

1. Introduction

This statement is presented by the Directors of NZFIW in accordance with s.64 (1) of the Local Government Act 2002 and sets out the Board's intentions for the Companies for the year ending 30th June 2023 and estimates for the years ending 30th June 2024 and 2025. It covers Waikato Innovation Growth Limited (WIG), New Zealand Food innovation (Waikato) Limited (NZFIW) and NZFIW D2 Limited (D2) collectively called the NZFIW Group in this report. NZFIW D2 Limited owns 11% in both Melody Dairies Limited Partnership (MDLP) and Melody Dairies GP Limited (MDGPL).

2. Corporate Intent

The core purpose of NZFIW Group is to promote and enable innovation in the food industry, both in the Waikato region and nationally. This purpose is recorded in its Constitution as follows:

i. providing facilities on an open access basis in which food processing companies and those entering new markets can develop new or improved food and food ingredient products;

ii. providing on an open access basis a small-scale production plant capable of producing samples for market development which is to be self-sustaining in the medium to long term;

iii. participating in and promoting a national network of similarly focussed food innovation organisations as a shareholder in a food innovation network;

iv. providing an independent and secure facility to ensure that the intellectual property and know-how of the Company and its customers are protected;

v. providing a centre of learning for food technology, catering primarily to the pastoral product value chain, in co-operation with tertiary education institutions; and

vi. providing one of several tangible centres and organisations throughout New Zealand around which networks of food processors and exporters, food equipment manufacturers and other partners can develop.

3. Achievements to date

- The spray dryer was successfully commissioned in July 2012 with Dairy Goat Co-operative the initial cornerstone customer. This allowed Dairy Goat Co-operative to grow and defer investment of $68 million in its 2nd dryer.
- A further $3 million investment by Callaghan Innovation allowed $5.7 million of extra equipment and buildings which equipped the factory to manufacture powdered infant formula. It allows specialty ingredients such as vitamins, minerals, and oils to be 'wet blended' with milk or potentially other liquid ingredients prior to being spray

dried to powder in the facility. The upgrade has enabled a significant increase in goat and sheep fresh milk production.

- In November 2017, Hamilton City Council and Callaghan approved NZFIW to promote a privately funded second spray dryer, which NZFIW would have a minority 10% holding through a $1.67m investment.
- On 1 December 2017, HCC and Callaghan injected a further capital of $4m (cash) into NZFIW through the sale of WIPL property. This money was used to retire debt. Shareholding of NZFIW between HCC and Callaghan remains at a ratio of 70:30.
- NZFIW created a 100% owned subsidiary NZFIW D2 Limited (D2) in September 2018 solely for the purpose of investing $1.67m for a 11% ownership in a second spray dryer: Melody Dairies Limited Partnership.
- In December 2018 NZFIW signed a management agreement with Melody Dairies LP to manage 100% of the operations of the LP.
- NZFIW has proven itself as a growth enabler, contributing to the New Zealand economy through facilities which enable growing companies to scale-up, and being a facilitator in product and market development. In the 2020/21 season $30m of exports were achieved as a result of manufacture in the Food Waikato Plant. Since its inception we estimate total exports manufactured by Food Waikato to be $330m up to June 2021. We also estimate the total capital expenditure in the form of farms, genetics etc, in the Waikato region, to be $220 million.
- NZFIW has helped to establish the sheep milk industry in its role as manufacturing partner. The following volumes have been processed:
    - 2015/16 66 MT
    - 2016/17 105 MT
    - 2017/18 156 MT
    - 2018/19 261 MT
    - 2019/20 277 MT
    - 2020/21 191MT FIW / 333MT Melody
    - 2021/22 1082.9 MT FIW / 1730.5 MT Melody
    - 2022/23 (forecast) 992.1 MT FIW / 2635.6 MT Melody
- Despite a 3 month delay due to Covid-19, the construction of the Melody Partnership Dairy plant was completed in June 2020 on budget at $54m.
- Commercial production from Melody Dairies spray dryer commenced in September 2020 after MPI verification.
- Melody Dairies contribute $1.1m per annum to NZFIW in the form of management fees, as well as sharing the costs of labour on the plants.

4. Current Status

The 2022/23 season has been more mixed year, starting strongly but experiencing a drop off in milk supply from the new year for. Some of its customers have moved their production to the Melody dryer, we have not had any intended milk from DNIL and the inclement weather conditions have impacted on production. In particular with Goat, the price pressures coming from a general over supply has dampened demand, and therefore growth.

NZFIW CEO Tony Giles, has stepped down from the role, effective 31st Jan 2023 and been replaced by Gary Stannard. Gary has extensive experience with process provider GEA developing and managing the portfolio for GEA Powder Handling systems included a number of significant acquisitions and integrations.

The NZFIW Board undertook a strategic review in the first half of 2022. The review focused on re-assessing the Company's core purpose and vision, and re-setting the direction and objectives for the business for the next 5 years. This is a timely review given the current stage of the business cycle, and business model of the Company.

The NZFIW Board strategic review took place in a co-ordinated manner with its two shareholders – Hamilton City Council and Callaghan Innovation. In its Letter of Expectation, HCC has indicated its "intention to review its investment in WIGL (specifically NZ Food)" and that they "anticipate working with the Board and Callaghan to conduct this review during the 2022 calendar year".

The outcome of the reviews undertaken by both parties landed at the same outcome, that is the sale of the FIW business, assets and shares on a commercial basis to interested commercial interests.

The process is now underway and is being managed by Deloitte with input from Tompkins Wake as required. An overall committee has been established for regular up date and guidance made up of Deloitte, HCC, FIW senior management.

5. Nature and Scope of Activities to be Undertaken

Food Waikato will continue its toll processing dairy activities, as well as managing Melody Dairies spray dryer while holding about $3.5m as a 11% minority shareholder in a Melody Dairies Limited Partnership. It should be noted that DNIL (a partner in MDLP) has become a defaulted partner in 2021 and Partners are in the process of acquiring DNIL's shares in the partnership. The NZFIW Board has elected not to purchase additional shares as a result of DNIL's default.

NZFIW will aim to maintain its financial self-sustainability. In order to achieve a Net Profit breakeven position, NZFIW needs to utilise the dryer for around 240-250 days per year. To achieve a neutral cash position, dryer utilisation needs to be about 190-200 days. Despite its stated objectives of assisting companies with growth, product & market development, and innovation opportunities, NZFIW needs volume throughput to achieve financial sustainability. Consequently, the over-riding objective is to achieve 240-250 days of production per year on the plant, even if the individual customer future uptake cannot be specified at this time.

6. Key Objectives

The key objectives for the financial years ending June 2023 to 2025:

New Zealand Food Innovation Waikato Limited

2022-2023

1. 186 days of product development and small-scale commercial powder production on the FIW spray dryer thereby enabling exports of >$35 million.
2. Management of the Melody spray dryer to support the growth of the Melody partners; attracting other customers to the Melody dryer; undertaking support services (e.g., audits) to support the partners. 183 days production forecasted.
3. Develop new customers for the business, and assist customers with the development of new valued added milk products.
4. The Board will complete and execute a Strategic review in conjunction with its shareholders. Subject to HCC's agreement, the Constitution and Shareholder Agreement will be updated.
5. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2023-2024

1. 200 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >$40 million to the regional economy.
2. Continued management and support of the Melody spray-dryer to support the Melody partners business aspirations. 200 days production estimated.
3. Strategic optimisation of FIW and Melody dryers to benefit both dryers and their customers.
4. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2024-2025

1. 200 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >$40 million to the regional economy.
2. Continued management and support of the Melody spray-dryer. 200 days production estimated.
    3. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

2025-2026

1. 210 days of product development and small-scale commercial powder production on the FIW spray dryer contributing >$42 million to the regional economy.
2. Continued management and support of the Melody spray-dryer. 220 days production estimated

3. It has been deemed by the board of directors that the shareholders will not be required to provide finance in order for New Zealand Food Innovation Waikato Limited to meet its operating, investing and financing obligations, the company will fund its activities via the overdraft facility.

7. Key Performance Targets ($,000)

Key Performance Indicators	2024	2025	2026
NZFIW EBITDA	**505**	414	654
NZFIW Cash from Operating activities	44	59	96
Net Profit after tax	(1,043)	(1,195)	(1,023)
Shareholders' fund/Total Asset	47.6%	43.5%	39.9%

8. Capital Expenditure ($,000)

8. Capital Expenditure	2024	2025	2026
Food Waikato	(400)	(400)	(400)

9. Financial Forecasts ($000)

NZFIW Ltd - Income Statements

All in $000's	2024	2025	2026
NZFIW income	6,912	7,325	8,126
Income from Melody	1,205	1,254	1,305
Total income NZFIW group	8,118	8,578	9,431
Expenses			
Direct expenses	4,522	4,797	5,298
Overheads excluding depr'n & interest	3,091	3,367	3,478
Total Expenses excluding depr'n & interest	7,612	8,164	8,777
EBITDA	505	414	654
Depreciation	1,144	1,200	1,256
Interest	404	410	421
Depreciation & interest	1,548	1,609	1,677
Net profit before taxation	(1,043)	(1,195)	(1,023)

New Zealand Food Innovation (Waikato) Limited
Financial Positions

New Zealand Food Innovation (Waikato) Limited Financial Position			
All in $000's	2024	2025	2026
Current Assets			
Accounts receivable	446	470	576
Bank accounts			
Inventory	58	58	58
Other current assets	140	140	140
Total Current Assets	644	668	774
Non - Current Assets			
Buildings	2,411	2,109	1,792
Plant and equipment	13,950	13,485	12,979
Other non - current assets	4,417	4,429	4,443
Total Non - Current Assets	20,778	20,023	19,214
Total Assets	21,422	20,691	19,989
Current liabilities			
Accounts payable	297	301	389
Bank overdraft	108	428	833
Other current liabilities	393	402	409
Total Current Liabilities	798	1,131	1,631
Non - Current Liabilities			
Bank loans	5,350	5,650	5,650
Deferred grant income	1,650	1,471	1,292
Other non - current liabilities	3,427	3,435	3,435
Total Non - Current Liabilities	10,426	10,556	10,377
Total Liabilities	11,224	11,687	12,008
Net Assets	10,198	9,004	7,981
Equity			
Paid up capital	7,333	7,333	7,333
Revaluation reserve	5,393	5,393	5,393
Retained earnings	(1,485)	(2,528)	(3,723)
Current year profit/(loss)	(1,043)	(1,195)	(1,023)
Total Equity	10,198	9,004	7,981

10. Information to be provided to Shareholders

The company will deliver the following Reports or Statements to the Shareholder:

- Unaudited Half Year Report within two months of the end of the first half of the financial year (28 February); commenting on the operations and results for the six months.
- Statement of Intent
    - By 1 March of each year a Draft Statement of Intent for the consideration of the shareholders
    - Final Statement of Intent to the shareholders by 30 June.
- Financial Statements
    - Draft financial statements by 31 July.
    - Audited Annual Accounts by 30 September.

11. Governance

Board of Directors

NZFIW Board, whose members except Mr Stefan Korn (appointed by Callaghan Innovation) are also members of Waikato Innovation Growth Limited and NZFIW D2 Limited. The board is a skill-based board that must govern in the best interests of the company.

The Directors of the NZFIW Board are:

- **Barry Harris - Chair.** Being the former Chief Executive Officer of the Hamilton City Council, Barry has had many years of Chief Executive roles in regional local bodies including Environment Waikato and the Greater Wellington Regional Council. He was also the Group Director of Fonterra Milk Supply. Barry over the years has served and is serving in numerous varied Governance roles, with a mix of commercial, industry good and research organisations including WEL Networks, Niwa and Ospri.
- **Stefan Korn** has launched and developed numerous successful business ventures, many of which are now operating in Australia, the US and Europe. In his prior role as CEO of Creative HQ, Stefan led a team that launched accelerators for start-ups, government and corporates, including innovation initiatives such as the Korero Matauranga (NZ's Education Summits), and international innovation training programmes. Stefan has a PhD in Neural Networks/Artificial Intelligence and an MBA in International Business. He has also authored a range of books on early-stage venture development as well as parenting for dads. In 2010 Stefan was recognised as a New Zealander of the Year by North & South Magazine for innovation in parenting education.
- **Peter Hobman.** Peter has had a life-long career in Food & Health related R & D, Sales and Marketing of specialised dairy products and in senior management, including wide-ranging company governance experience in NZ, Australia, and Japan, particularly in the dairy industries. Peter holds a Bachelor of Technology (Biotech) (Hons) degree from Massey University. He is a Fellow of the New Zealand Institute of Food Science and Technology, an author of numerous publications and inventor of patents.
- **Dave Stanley.** Dave has been Chair and/or Director of several companies. As CEO of Dairy Goat Co-operative for 21 years, and subsequently MD of DGC’s European subsidiary for 2 years, he has extensive experience in the manufacture and marketing of infant formula.
- **Janie Elrick.** Janie has had extensive experience at senior management level with several large corporations including Synlait, Livestock Improvement Corporation Ltd, Zespri and NZ Dairy Group/Fonterra. Qualified as a Chartered Accountant, Janie is also a member of the Institute of Directors NZ and a director of several organisations.

12. Health and Safety

a. The NZFIW Group is committed to providing and maintaining a safe and healthy working environment for its employees, visitors, contractors, and others. This commitment is achieved by board governance, management leadership, the provision of appropriate resources to administer its legislative responsibilities, and to pursue best practice in health and safety management.
b. Every member of the NZFIW group has a responsibility for health and safety which is appropriate to their role and designation, and to promote the health and safety of themselves and others involved in or affected by Food Innovation Waikato activities.
c. NZFIW undertakes to be compliant with all food safety legislations. NZFIW has a certified RMP with MPI under the Animal Products Act and its regulations.

13. Financial Disclosure

1. REPORTING ENTITY

a. New Zealand Food Innovation (Waikato) Limited (NZFIW) is a company domiciled and incorporated in New Zealand under the Companies Act 1993, and a Council-Controlled Organisation under the Local Government Act 2002 with effect from the 9th October 2013. The Company's parent entity is Waikato Innovation Growth Limited, and the ultimate parent entity is Hamilton City Council.
b. NZFIW D2 Limited is wholly owned by New Zealand Food Innovation (Waikato) Limited. It is a Council-Controlled Organisation under the Local Government Act 2002 with effect from 20th Sep 2018.

2. BASIS OF PREPARATION

a. Statement of Compliance

The financial statements for the Company have been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 1993 and the Local Government Act 2002.

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The Company qualifies for NZ IFRS (RDR) as it does not have public accountability and it is not a large for-profit public-sector entity. The Company has elected to apply NZ IFRS (RDR) and has applied disclosure concessions. The Company early adopted the Reduced Disclosure regime framework for the financial year ended 30 June 2015.

b. Basis of Measurement

The financial statements have been prepared on an historical basis except for property, plant and equipment which is measured to fair value.

c. Functional and Presentational currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000).

d. Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS RDR requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e. Change in Accounting Policies

Nil

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently to all periods presented in these financial statements.

a. Accounting for Associates

An associate is an investee, not being a subsidiary or joint venture arrangement, over which the group has the capacity to exercise significant influence through participation in the financial and operating policy decisions of the investee.

Associates are recognised using the equity method which recognises the Group's share of the associate's net surplus or deficit in the profit or loss and its share of other comprehensive income.

Under IFRS 11 the investment in D2 (by NZFIW) will be recognised as a joint venture. IFRS 11 states that “A joint venture shall recognise its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with NZ IAS 28 Investments in Associates and Joint Ventures

b. Revenue

i. Revenue is measured at the fair value of the consideration received or receivable.
ii. Revenue is reduced for estimated customer returns, rebates or similar allowances.
iii. Revenue comprises the amounts received and receivable for goods and services supplied to customers in the ordinary course of business.
iv. Interest income is accounted for on an accrual basis.

v. Grants received are recognised in the Statement of Comprehensive Income when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

vi. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the Statement of Financial Position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

vii. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

c. Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions.

d. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other finance costs are recognised in profit or loss in the period in which they are incurred.

e. Cash and Cash Equivalents

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

f. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

g. Trade and Other Receivables

Trade and other receivables are stated initially at fair value then at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified. Trade and Other Receivables are classed as 'Trade and other receivables' financial instruments.

h. Property, Plant & Equipment

Property, plant & equipment is measured at fair value less subsequent depreciation. Computer and office equipment is recognised at cost price less depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to allocate the cost or revalued amounts over the estimated useful lives, as follows:

Buildings	25 years
Plant & Equipment	20 years
Computer & Office Equipment	3-5 years

The assets' residual values, depreciation method and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

i. Revaluation

Property, plant & equipment is revalued regularly and at least every three years to ensure that its carrying amount does not differ materially from fair value.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

Property, plant and equipment revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the profit or loss. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the profit or loss will be recognised first in the profit or loss up to the amount previously expensed, and then recognised in other comprehensive income.

j. Work in progress

Work in progress is valued at cost.

k. Intangible Assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Trademarks 10 years

l. Trade and Other Payables

Trade and other payables are stated at cost.

m. Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST receivable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

n. Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

o. Short-term Employee Benefits

Short-term (settled within 12 months) employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

p. Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

q. Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible and 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). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

r. Dividend Policy

In view of the risks associated with the business and future market development need, the Directors propose to recommend that no dividend be paid for the next three years and that the dividend payment decisions for subsequent years are determined annually at the annual general meeting each year.

s. Compensation from local authority. No compensation has been sought from any local authority by any director.

t. The Directors have deemed the commercial value of the business is the same as the carry values expressed in the accounts.