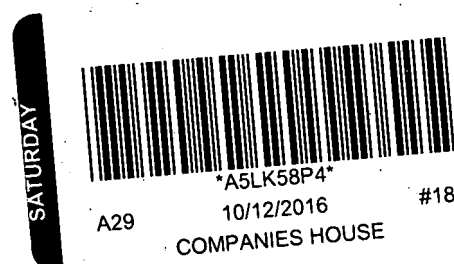


Company Registration No. 07246160 (England and Wales)

MERITAS DEVELOPMENTS LTD
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2016



MERITAS DEVELOPMENTS LTD

COMPANY INFORMATION

Directors	Mr N J Patrick Mrs L J Radnor Mr K N Cockwill Lord D T Y Curry of Kirkharle
Secretary	Brandish Consulting Limited
Company number	07246160
Registered office	Coopers Bridge Braziers Lane Winkfield Row Bracknell Berkshire RG42 6NS
Auditors	RSM UK Audit LLP Chartered Accountants Davidson House Forbury Square Reading Berkshire RG1 3EU

MERITAS DEVELOPMENTS LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present the strategic report and financial statements for the year ended 31 March 2016.

Fair review of the business

Meritas Developments Limited is the parent company of Cawood Scientific Limited, a business which trades in the analytical testing sector specialising in land-based materials and animal health and nutrition via three divisions. During the year the group has traded profitably. The principal performance indicators remain favourable and the future outlook for growth remains positive.

Principal risks and uncertainties

The business operates in the analytical testing sector focusing on land-based materials, animal nutrition products and serology testing. The current and expected future trend within these markets is for a continuing increase in testing as the demand for food production continues to rise, allied to the increased focus on monitoring standards maintained by regulatory authorities and consumer groups. Although financial risks are considered to be minimal at present, future interest rate, liquidity and foreign currency risks could arise and the Board will continue to monitor these risks in the new financial year.

Cash flow and credit risk

The group manages credit and cash flow risk by policies concerning credit offered to clients and regular monitoring of amounts outstanding for both time and credit limits. The group has no significant concentration of credit risk, with exposure spread over a large number of clients.

Financial risk

Arrangements for capital expenditure are managed in part through finance leases.

Interest rate risk

The company is principally exposed to interest rate risk on borrowings totalling £5.25m, which are subject to fixed and variable interest rates. The company continues to review its interest rate risk and the policies in place to manage the risk.

Key performance indicators

The business uses a number of measures to address performance. The key measures involve profitability, working capital and efficiency. The main measures are sales and gross margin %. These KPIs for the year ended 31 March 2016 are as follows:

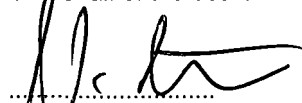
Sales	£10,845,635	(2015: £10,098,543)
Gross margin	80.5%	(2015: 79.8%)
Day sales outstanding	48	47

Future developments

The group anticipates further growth in sales and profits through the following areas:

- organic growth through offering wider services to existing clients and the attraction of new accounts;
- further development of new methods to improve efficiencies and develop new areas of business; and
- the acquisition of complementary businesses.

On behalf of the board



Mr N J Patrick

Director

21.7.16

MERITAS DEVELOPMENTS LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the company continued to be that of a parent company to its subsidiary undertakings.

The principal activity of the group continued to be that of an independent provider of analytical testing services for the land-based industries; operating through three separate divisions encompassing all aspects of agriculture, livestock and environmental materials.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr N J Patrick
Mrs L J Radnor
Mr K N Cockwill
Lord D T Y Curry of Kirkharle

Results and dividends

The results for the year are set out on page 5.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Political and charitable donations

There were no political or charitable donations in the period.

Auditor

The auditor, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), are deemed to be reappointed under section 487(2) of the Companies Act 2006.

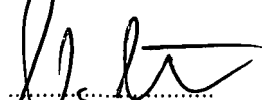
Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the group's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditors are aware of that information.

Strategic Report

The directors have chosen in accordance with section 414C(11) of the Companies Act 2006 to include in the Strategic Report matters otherwise required to be disclosed in the Directors' Report as the directors consider these are of strategic importance to the group.

On behalf of the board



Mr N J Patrick

Director

21.7.16

MERITAS DEVELOPMENTS LTD

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERITAS DEVELOPMENTS LTD

We have audited the group and parent company financial statements (the "financial statements") on pages 5 to 28. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RSM UK Audit LLP

Perry Linton FCA (Senior Statutory Auditor)

for and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

Davidson House

Forbury Square

Reading

Berkshire

RG1 3EU

22.7.16

MERITAS DEVELOPMENTS LTD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016


	Notes	2016 £	2015 £
Turnover	3	10,845,633	10,098,543
Cost of sales		(2,114,726)	(2,039,964)
Gross profit		8,730,907	8,058,579
Administrative expenses		(7,828,632)	(7,383,169)
Other operating expenses		(2,300)	3,440
Operating profit	4	899,975	678,850
Interest receivable and similar income	8	-	32
Interest payable and similar charges	9	(420,242)	(416,290)
Profit on ordinary activities before taxation		479,733	262,592
Taxation	10	(197,128)	(98,543)
Profit for the financial year	25	282,605	164,049
Total comprehensive income for the year		282,605	164,049

Total comprehensive income for the year is all attributable to the owners of the parent company.

MERITAS DEVELOPMENTS LTD**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Goodwill	11	3,671,532		4,319,028	
Tangible assets	12	2,467,620		2,395,822	
		<u>6,139,152</u>		<u>6,714,850</u>	
Current assets					
Stocks	15	244,807		197,972	
Debtors	16	2,220,073		2,061,244	
Cash at bank and in hand		1,125,569		436,892	
		<u>3,590,449</u>		<u>2,696,108</u>	
Creditors: falling due within one year	17	<u>(1,920,126)</u>		<u>(1,851,201)</u>	
Net current assets		1,670,323		844,907	
Total assets less current liabilities		<u>7,809,475</u>		<u>7,559,757</u>	
Creditors: amounts falling due after more than one year	18	(5,526,436)		(5,515,362)	
Provisions for liabilities		<u>(148,390)</u>		<u>(124,989)</u>	
Net assets		<u><u>2,134,649</u></u>		<u><u>1,919,406</u></u>	
Capital and reserves					
Called up share capital	24	2,446		2,331	
Share premium account		536,314		603,791	
Capital redemption reserve		58		-	
Profit and loss reserves	25	1,595,831		1,313,284	
		<u>2,134,649</u>		<u>1,919,406</u>	
Equity attributable to owners of the parent company		<u><u>2,134,649</u></u>		<u><u>1,919,406</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 21.7.16
and are signed on its behalf by:

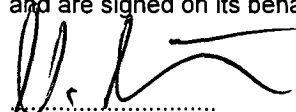


Mr N J Patrick
Director

MERITAS DEVELOPMENTS LTD**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	13	3,959,720		3,959,720	
Current assets					
Debtors	16	1,168,049		1,390,124	
Cash at bank and in hand		55,177		21,906	
		<u>1,223,226</u>		<u>1,412,030</u>	
Creditors: falling due within one year	17	<u>(252,647)</u>		<u>(485,429)</u>	
Net current assets			970,579		926,601
Total assets less current liabilities			<u>4,930,299</u>		<u>4,886,321</u>
Creditors: amounts falling due after more than one year	18		(5,150,000)		(5,202,816)
Net liabilities			<u>(219,701)</u>		<u>(316,495)</u>
Capital and reserves					
Called up share capital	24		2,446		2,331
Share premium account			536,314		603,791
Capital redemption reserve			58		-
Profit and loss reserves	25		<u>(758,519)</u>		<u>(922,617)</u>
Total equity			<u>(219,701)</u>		<u>(316,495)</u>

The financial statements were approved by the board of directors and authorised for issue on 21.7.16 and are signed on its behalf by:



Mr N J Patrick
Director

MERITAS DEVELOPMENTS LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2014		2,331	603,791	-	1,149,235	1,755,357
Period ended 31 March 2015:						
Profit and total comprehensive income for the year		-	-	-	164,049	164,049
Balance at 31 March 2015		2,331	603,791	-	1,313,284	1,919,406
Period ended 31 March 2016:						
Profit and total comprehensive income for the year		-	-	-	282,605	282,605
Issue of share capital	24	173	19,153	-	-	19,326
Redemption of shares	24	(58)	(86,630)	-	-	(86,688)
Transfers		-	-	58	(58)	-
Balance at 31 March 2016		2,446	536,314	58	1,595,831	2,134,649

MERITAS DEVELOPMENTS LTD

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 April 2014		2,331	603,791	-	(523,756)	82,366
Period ended 31 March 2015:						
Loss and total comprehensive income for the year		-	-	-	(398,861)	(398,861)
Balance at 31 March 2015		2,331	603,791	-	(922,617)	(316,495)
Period ended 31 March 2016:						
Profit and total comprehensive income for the year		-	-	-	164,156	164,156
Issue of share capital	24	173	19,153	-	-	19,326
Redemption of shares	24	(58)	(86,630)	-	-	(86,688)
Transfers		-	-	58	(58)	-
Balance at 31 March 2016		2,446	536,314	58	(758,519)	(219,701)

MERITAS DEVELOPMENTS LTD

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from operations	29	2,117,461		1,577,491	
Interest paid		(420,242)		(416,290)	
Income taxes paid		(74,461)		(161,317)	
Net cash inflow from operating activities		1,622,758		999,884	
Investing activities					
Purchase of intangible assets		-		(12,000)	
Purchase of tangible fixed assets		(594,826)		(514,192)	
Proceeds on disposal of tangible fixed assets		15,492		-	
Purchase of subsidiaries		-		(600,000)	
Proceeds on disposal of subsidiaries		-		300,000	
Interest received		-		32	
Net cash used in investing activities		(579,334)		(826,160)	
Financing activities					
Proceeds from issue of shares		19,326		-	
Purchase of own shares		(86,688)		-	
Repayment of borrowings		-		36,500	
Repayment of bank loans		(400,000)		(306,100)	
Payment of finance leases obligations		112,615		(219,018)	
Net cash used in financing activities		(354,747)		(488,618)	
Net increase/(decrease) in cash and cash equivalents		688,677		(314,894)	
Cash and cash equivalents at beginning of year		436,892		751,786	
Cash and cash equivalents at end of year		1,125,569		436,892	

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

Meritas Developments Ltd is a company limited by shares incorporated in England and Wales. The registered office is Coopers Bridge, Braziers Lane, Winkfield Row, Bracknell, Berkshire, RG42 6NS.

The group consists of Meritas Developments Ltd and all of its subsidiaries.

The company's and the group's principal activities are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest whole £1, unless otherwise indicated.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 31 March 2016 are the first financial statements of Meritas Developments Ltd and the group prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The group and company financial statements for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £164,156 (2015 - £398,861 loss).

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (Continued)

Basis of consolidation

The consolidated financial statements incorporate those of Meritas Developments Ltd and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 March 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Going concern

The company forms part of the Meritas Developments Limited group. The group meets its day to day working capital requirements through a revolving credit facility with its bankers.

The directors have prepared forecasts for the group for a period of 12 months from the date of approval of these financial statements. These forecasts take account of reasonable possible changes in trading performance in all areas of the business.

These forecasts and projections show that the group is expected to be able to operate within the level of its current facilities and in the view of the directors there is significant headroom under the committed facility to enable the group to trade.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (Continued)

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	10 years or life of lease whichever is shorter
Plant and machinery	8 years
Fixtures, fittings and equipment	3 years
Computer equipment	3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

In the separate accounts of the company interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making provisions for obsolete and slow moving items. Cost comprises of direct materials and, where applicable, those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its net realisable value is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

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. Bank overdrafts are shown within borrowings in current liabilities.

MERITAS DEVELOPMENTS LTD

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

1 Accounting policies (Continued)

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (Continued)

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The company grants share options (equity-settled share based payments) to certain employees. Under S35.10b FRS 102 equity-settled share based payments are not recorded in the financial statements.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies (Continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Research and development

All research expenditure and development expenditure that does not meet the conditions for capitalisation is expensed as incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the group'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 where the revision affects both current and future periods.

MERITAS DEVELOPMENTS LTD

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

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover analysed by class of business		
Analytical testing services	10,845,633	10,098,543

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	10,610,165	9,895,082
Europe	211,146	194,062
Rest of the World	24,322	9,399
	10,845,633	10,098,543

4 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	416	216
Research and development costs	52,537	69,611
Depreciation of owned tangible fixed assets	225,910	293,548
Depreciation of tangible fixed assets held under finance leases	297,118	176,028
Profit on disposal of tangible fixed assets	(15,492)	-
Amortisation of intangible assets	647,496	478,027
Cost of stocks recognised as an expense	1,300,264	1,175,888
Operating lease charges	228,276	208,340

MERITAS DEVELOPMENTS LTD

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

5 Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	3,000	3,000
Audit of the company's subsidiaries	21,500	20,300
	<u>24,500</u>	<u>23,300</u>
For other services		
Accountancy services	9,450	6,325
Taxation compliance services	6,450	6,875
All other non-audit services	5,750	-
	<u>21,650</u>	<u>13,200</u>

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Administration and management	46	48
Technical	117	122
	<u>163</u>	<u>170</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	4,124,865	3,904,170
Social security costs	345,809	337,447
Pension costs	149,636	136,648
	<u>4,620,310</u>	<u>4,378,265</u>

7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	283,487	312,342
Group pension contributions to defined contribution schemes	16,705	18,616
	<u>300,192</u>	<u>330,958</u>

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

7 Directors' remuneration (Continued)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 3).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	129,840	131,843
Group pension contributions to defined contribution schemes	10,800	10,800
	<u> </u>	<u> </u>

8 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	-	32
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	-	32
	<u> </u>	<u> </u>

9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	90,638	95,207
Interest on finance leases and hire purchase contracts	36,804	22,313
Interest on invoice finance arrangements	-	6,770
Interest on other loans	292,800	292,000
	<u> </u>	<u> </u>
	420,242	416,290
	<u> </u>	<u> </u>

10 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	173,727	74,461
Adjustments in respect of prior periods	-	(33,690)
	<u> </u>	<u> </u>
Total current tax	173,727	40,771
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	23,401	57,772
	<u> </u>	<u> </u>
Total tax charge	197,128	98,543
	<u> </u>	<u> </u>

MERITAS DEVELOPMENTS LTD

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

10 Taxation (Continued)

The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:

	2016 £	2015 £
Profit before taxation	479,733	262,592
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 21.00%)	95,947	55,144
Tax effect of expenses that are not deductible in determining taxable profit	1,148,452	11,414
Tax effect of income not taxable in determining taxable profit	(1,097,022)	-
Permanent capital allowances in excess of depreciation	66,239	(9,127)
Over provided in the year	-	(33,690)
Deferred tax adjustments in respect of prior years	(16,488)	57,772
Other differences	-	17,030
Tax expense for the year	197,128	98,543

11 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2015 and 31 March 2016	6,486,660
Amortisation and impairment	
At 1 April 2015	2,167,632
Amortisation charged for the year	647,496
At 31 March 2016	2,815,128
Carrying amount	
At 31 March 2016	3,671,532
At 31 March 2015	4,319,028

The company had no intangible fixed assets at 31 March 2016 or 31 March 2015.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

12 Tangible fixed assets

Group	Land and buildings leasehold £	Plant and machinery £	Fixtures, fittings and equipment £	Computer equipment £	Total £
Cost					
At 1 April 2015	150,812	4,168,845	827,914	145,694	5,293,265
Additions	-	594,826	-	-	594,826
Disposals	-	(26,305)	-	-	(26,305)
At 31 March 2016	150,812	4,737,366	827,914	145,694	5,861,786
Depreciation and impairment					
At 1 April 2015	111,010	2,283,941	502,492	-	2,897,443
Depreciation charged in the year	15,081	452,308	53,884	1,755	523,028
Eliminated in respect of disposals	-	(26,305)	-	-	(26,305)
At 31 March 2016	126,091	2,709,944	556,376	1,755	3,394,166
Carrying amount					
At 31 March 2016	24,721	2,027,422	271,538	143,939	2,467,620
At 31 March 2015	39,802	1,872,567	337,759	145,694	2,395,822

The company had no tangible fixed assets at 31 March 2016 or 31 March 2015.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £148,559 (2015: £88,014) for the year.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Plant and machinery	878,602	829,777	-	-

MERITAS DEVELOPMENTS LTD

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

13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	3,959,720	3,959,720

Movements in fixed asset investments Company

	Shares £
Cost or valuation	
At 1 April 2014 & 31 March 2015	3,959,720
Carrying amount	
At 31 March 2016	3,959,720
At 31 March 2015	3,959,720

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct Indirect
Cawood Scientific Limited	England and Wales Analytical testing	Ordinary	100.00
Sciante Analytical Services Limited	England and Wales Analytical testing of animal nutrition materials	Ordinary	100.00
Sci-Tech Laboratories Limited	England and Wales Analytical testing of animal health materials	Ordinary	100.00
Natural Resource Management Limited	England and Wales Analytical testing of land based materials	Ordinary	100.00

The aggregate capital and reserves and the profit for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Cawood Scientific Limited	872,813	3,481,555
Sciante Analytical Services Limited	-	30,500
Sci-Tech Laboratories Limited	-	100
Natural Resource Management Limited	-	100

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

15 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Consumables	244,807	197,972	-	-

16 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	1,988,968	1,827,037	-	-
Gross amounts due from contract customers	101,043	101,263	-	-
Amounts due from fellow group undertakings	-	-	1,168,049	1,384,476
Other debtors	1,899	5,648	-	5,648
Prepayments and accrued income	128,163	127,296	-	-
	2,220,073	2,061,244	1,168,049	1,390,124

17 Creditors: falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	20	100,000	400,000	100,000	400,000
Obligations under finance leases	21	218,772	170,047	-	-
Trade creditors		579,409	508,493	1,800	4,426
Corporation tax		173,727	74,461	-	-
Other taxation and social security		460,424	368,827	11,268	10,625
Other creditors		-	74	-	-
Accruals and deferred income		387,794	329,299	139,579	70,378
		1,920,126	1,851,201	252,647	485,429

18 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	20	1,500,000	1,552,816	1,500,000	1,552,816
Obligations under finance leases	21	376,436	312,546	-	-
Other borrowings	20	3,650,000	3,650,000	3,650,000	3,650,000
		5,526,436	5,515,362	5,150,000	5,202,816

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

19 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	1,990,867	1,827,037	1,168,049	1,384,476
Equity instruments measured at cost less impairment	-	-	3,959,720	3,959,720
Carrying amount of financial liabilities				
Measured at amortised cost	6,812,411	6,923,275	5,391,379	5,677,620

20 Borrowings

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	1,600,000	1,952,816	1,600,000	1,952,816
Other loans	3,650,000	3,650,000	3,650,000	3,650,000
	5,250,000	5,602,816	5,250,000	5,602,816
Payable within one year	100,000	400,000	100,000	400,000
Payable after one year	5,150,000	5,202,816	5,150,000	5,202,816

The group's banking facilities are secured by a debenture in favour of Natwest Bank plc over all assets of the group.

Bank loans relate to a revolving credit facility which reduces by £100,000 per quarter until it has reduced to £1.5m. Interest is payable at 2.75% above LIBOR.

Obligations under finance leases are secured upon the assets to which they relate.

Other loans due after one year include institutional loan notes of £3,650,000 redeemable in December 2016. These loan notes carry a coupon rate of 8% and are secured by a debenture and guarantee.

Institute loan holders have indicated they do not intend to call upon them in the next 12 months.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

21 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Less than one year	218,772	170,047	-	-
Between one and five years	376,436	312,546	-	-
	<u>595,208</u>	<u>482,593</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Group		
Accelerated capital allowances	153,049	130,070
Tax losses	(4,659)	(5,081)
	<u>148,390</u>	<u>124,989</u>

The company has no deferred tax assets or liabilities.

	Group 2016 £	Company 2016 £
Movements in the year:		
Liability at 1 April 2015	124,989	-
Charge to profit or loss	23,401	-
Liability at 31 March 2016	<u>148,390</u>	<u>-</u>

The deferred tax asset set out above is expected to reverse within the foreseeable future and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within the foreseeable future and relates to accelerated capital allowances that are expected to mature within the same period.

MERITAS DEVELOPMENTS LTD

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

23 Retirement benefit schemes

	2016	2015
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	149,636	136,648

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

At the balance sheet date amounts of £25,881 (2015 - £25,405) remained outstanding and are included in accruals.

24 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
92,308 A Ordinary shares of 1p each	923	923
407,692 B Ordinary shares of 0.1p each	408	408
94,231 C Ordinary shares of 1p each	942	1,000
5,769 D Ordinary shares of 3p each	173	-
	2,446	2,331

The A Ordinary shares and C Ordinary shares carry the same rights with equal dividends (provided all loan notes have been repaid), one vote per share and will share the first £1m in total distributed in the event of a sale of the company.

The D Ordinary shares have two voting rights per share. In other respects the D Ordinary shares rank equally with the A Ordinary shares and the C Ordinary shares.

The B Ordinary shares have no voting or dividend rights. They will however rank equally in a distribution or proceeds of a sale of the company with the A Ordinary, C Ordinary and D Ordinary shareholders after the first £1m and any dividends due to have been paid.

In January 2012, the shareholders of the company granted 7,690 share options at an exercise price of £1.07 per share. The options are only exercisable in the event of a sale of the business or in the event a listing of the company is proposed.

The duration of the options is 10 years from the date of the grant and if the option holder ceases to be employed by the company, any options which have not been exercised at the date of cessation shall lapse. No charge relating to these share options has been recognised within the financial statements as it is deemed to be negligible.

Following the death of one of the company's shareholders, the company agreed to purchase 5,769 C Ordinary shares of 1p each from the estate for consideration of £86,253. The purchase was completed on 15 May 2015 and the shares were immediately cancelled. The company incurred costs of £435 which were directly attributable to this transaction.

On 23 July 2015 the company issued 5,769 D Ordinary shares of 3p each for cash consideration of £19,326.

MERITAS DEVELOPMENTS LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

25 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Financial commitments, guarantees and contingent liabilities

The group has given an unlimited intercompany guarantee to Natwest Bank plc in connection with Meritas Development Limited group rolling credit facility. At the year end 31 March 2016 this amounted to £1.6m (2015: £2m).

27 Operating lease commitments

Lessee

The company has a policy of leasing various items of office equipment under operating lease agreements.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Within one year	171,565	333,906	-	-
Between two and five years	676,486	680,014	-	-
In over five years	645,462	813,528	-	-
	<u>1,493,513</u>	<u>1,827,448</u>	<u>-</u>	<u>-</u>

MERITAS DEVELOPMENTS LTD

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

28 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	329,692	367,882

No guarantees have been given or received.

During the year the group entered into the following transactions with related parties:

The company paid Hawkhill Consultancy Services Limited, a company of which Sir B Gill was a director £nil (2015: £2,083) for consultancy services, of which £nil (2015: £nil) remained outstanding at the period end.

This arrangement was conducted under normal commercial terms.

The group paid rent and outsourced testing of £176,744 (2015: £43,000) to Stockbridge Technology Centre Limited, a company which is wholly owned by STC Research Foundation in which Mr N Patrick is a trustee.

During the period the company paid £41,213 (2015: £22,131) to NVM Private Equity Limited for the services of Mr K Cockwill as a director, and for monitoring services, of which £nil (2015: £11,066) was outstanding at the period end.

During the period the company paid £95,613 (2015: £18,299) to Brandish Consulting Limited, the company secretary, of which £6,000 (2015: £7,299) was outstanding at the period end.

29 Cash generated from operations	2016 £	2015 £
Profit for the year after tax	282,605	164,049
Adjustments for:		
Taxation charged	197,128	98,543
Finance costs	420,242	416,290
Investment income	-	(32)
Gain on disposal of tangible fixed assets	(15,492)	-
Amortisation and impairment of intangible assets	647,496	478,027
Depreciation and impairment of tangible fixed assets	523,028	469,576
Borrowing costs written off	47,184	-
Movements in working capital:		
(Increase) in stocks	(46,835)	(42,146)
(Increase)/decrease in debtors	(158,445)	71,916
Increase/(decrease) in creditors	220,550	(78,732)
Cash generated from operations	2,117,461	1,577,491