National Milk Records plc

Report and Financial Statements

31 March 2010

Directors and advisors

Directors
P Kirkham
A Warne
C Hughes
B Thomas
I Smith
T Lloyd
J L Marshall

Secretary
C Hughes

Auditors
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Chairman and Managing Directors' Statement

National Milk Records plc, the PLUS-quoted leading supplier of milk services, is pleased to announce its audited results for the year ended 31 March 2010.

Overview

- Increased revenues across all divisions confirming position as leading UK provider of dairy and livestock services
- Increased turnover of £15,896,000 (2008: £15,366,000) and profit before tax and FRS 17 interest of £504,000 (2009: £381,000)
- Defined growth strategy focussed on delivering essential new products to farmers
- Highly encouraging uptake of fertility monitor Silent Herdsman™ since launch in June 2010
- Effectively addressing industry concerns regarding mastitis and Johnes disease within the herd through the Company's milk recording facilities

NMR Managing Director Andy Warne said, "Once again, we are reporting a strong performance for the year. We continue to fulfil our growth strategy and deliver an increasingly significant service to farmers by providing high tech testing products to the agricultural market. Our management is centred on progression, and is focussed on both consolidating NMR's position as a leading provider of milk recording services in the UK and strengthening its position internationally, as highlighted by continued interest in our services from those operating within the Irish dairy industry.

"The dairy industry is evolving, and accordingly we are enhancing our portfolio of products to ensure that our offering remains relevant and integral to our customers. In line with this, the Company has acquired the rights to distribute fertility monitor, Silent Herdsman™, which has proven very popular as farmers look to increase the efficiency of their farms. We are excited about the prospects of the business and look forward to continuing our growth profile and delivering value."

Chairman's Statement

NMR has experienced another year of progression. Our products and technology continue to play a highly important role for farmers as they look to increase the efficiency of their farms in an ever evolving, quality driven and legislative sector. Demand for our services is therefore increasing, emphasised by our contracts in Ireland and our involvement in the Welsh Assembly's initiative to manage the implications of recent EU legislation stipulating that all sheep must be electronically tagged.

During the year all three divisions, being National Milk Records, National Milk Laboratories and National Livestock Records, (together, 'the Group') have performed well. The structure of the business is evolving to ensure growth for all our divisions.

National Milk Records

National Milk Records continues to provide management information regarding milk quality, yield and fertility to over 50% of UK dairy farmers and over 35 industry bodies. This is a strong, cash generative core business supported by dairy farmers, milk buyers and veterinary professionals due to the added value which our independent milk recording provides. This division remained profitable and has seen increased revenue during the year.

Chairman and Managing Directors' Statement

National Milk Records (continued)

UK dairy farmers are increasingly aware of the economic and animal welfare implications of infectious diseases such as mastitis and Johnes. Indicators of mastitis such as Somatic Cell Count continue to increase nationally and a recent survey by DEFRA showed the presence of Johnes on 35% of UK herds. National Milk Records' capacity to test for diseases has bolstered this division, adding further credibility to our services. The Company is a member of the cross industry body, Action Group on Johnes, facilitated by Dairy UK and is already working with all major milk buyers to identify infected herds and working with individual farmers and their vets on control strategies.

After the year end, National Milk Records signed a distribution agreement with Embedded Technology Solutions Ltd to distribute the Silent Herdsman™, an intelligent, electronic monitoring collar which enables dairy farmers to significantly improve the efficiency of reproduction within the herd by effectively detecting a cow's Oestrus events. National Milk Records has received an extensive amount of interest in this product not only from existing customers but also from others operating in the dairy industry. The Silent Herdsman™ solution provides farmers with an extremely competitive product which increases the profitability on their farms, and we look forward to growth in this new and complimentary area of NMR's business.

National Milk Laboratories ('NML')

NML has performed well, seeing increased revenues over the year due to the introduction of polymerase chain reaction ('PCR') testing, a technology which greatly enhances our testing abilities. NML analyses most of the UK's liquid milk for quality and disease before it is sold to consumers in the UK and Scotland by testing bulk milk samples in two quality accredited laboratories in Wolverhampton and Glasgow. NML acts for all of the major UK milk buyers, including major supermarkets, and its data is also delivered to vets, research and educational organisations, feed producers and equipment manufacturers.

NML's presence in Ireland has gained significant momentum over the year and the Board remains confident that the Irish dairy sector presents the Company with an exciting opportunity to advance our capabilities in this market.

National Livestock Records ('NLR')

NLR has built its presence in the red meat sector over the period as electronic tagging within the livestock industry increases on the back of EU legislation which states that all breeding sheep now have to be electronically tagged.

This has opened doors for NLR as leading sheep farmers look to work the legislation to their advantage to gain a greater understanding of their flock. As part of the Welsh Assembly's Technology, Agriculture and Greater Efficiencies Project, which is focussed on improving the financial returns for sheep farmers, NLR has been funded to develop a flock management database to assist Welsh sheep farmers. Our involvement continues, providing the Group with another revenue stream and adding significant weight to our position as leading providers of livestock services.

Expansion

Over the period, we introduced PCR testing to our laboratories which has provided a growth opportunity for both our milk recording and payment testing divisions. The implementation of this exciting technology should prove popular due to its ability to immediately detect specific mastitis causing bacteria, so that it can be treated in the most effective way. Mastitis within the herd is a big concern to our customers and our ability to address this increases our credibility to many within the industry.

Chairman and Managing Directors' Statement

Expansion (continued)

As well as enhancing our position within the UK, we are also developing our presence in other geographic areas. As countries such as China and India look to advance their in-country dairy sector, our role and expertise within the UK dairy industry has been recognised, creating further opportunity for NMR's knowledge and technology to be utilised in emerging industries. As announced in December 2009, Managing Director Andy Warne was invited by the Royal Veterinary College to speak at the Sino-British International Conference of Cattle Farming and Animal Disease Prevention and Control. This conference was convened to explore potential business opportunities between the UK and China, as the Chinese look to enhance their network for the innovation and commercialisation in the dairy and livestock sector. NMR's invitation to speak at the conference reiterates the importance of milk recording in creating an efficient dairy industry.

Pension

We take our commitments to our pensioners and deferred pensioners seriously and we believe that our business plan will generate sufficient cash to allow us to invest in the growth of our business whilst agreeing with the Trustee a phased payment plan to meet the deficit in the fund. This should allow us to substantially reduce the inherent risk within a five year period.

Financial

NMR's cash generative nature provides the Group with a strong financial position. The Group has performed excellently this year, with all three divisions increasing their revenues and I am pleased to report a net profit before tax and FRS 17 interest of £504,000 (2009: £381,000) on an increased turnover of £15,896,000 (2008: £15,366,000). The Group has cash of £297,000 (2008: £127,000) after paying £495,000 towards the pension deficit.

Silent Herdsman™ was launched post period end and therefore the figures from these sales are not included in the financials for the year ended 31 March 2010.

The Directors will not be recommending the payment of a dividend for this period.

Outlook

Looking ahead, we hope to maximise the Group's growth by continuing to pursue further opportunities internationally, particularly in Ireland – especially now that we have a solid footprint in the country – and by continuing to improve our current product offering. Concerns about disease and quality within the herd are high, and as farmers continue to increase the size of their herds, our services maintain their relevance.

The Group's influence within the livestock sector has been increasingly recognised by other countries looking to increase dairy products in their diet. I believe, going forward, that our capacity to develop data management systems and create technological solutions for farmers, will aid us in extending the geographic reach of our company.

Finally, I'd like to thank all NMR employees for their hard work over the year and I sincerely believe that we can look forward to the future with confidence.

Philip Kirkham
(Chairman)
25 August 2010

Corporate Governance

Board of Directors

The Board currently comprises two executive directors and five non-executive directors, three of whom are farmers. The roles of the Chairman, who is non-executive and elected on an annual basis by the Board, and the Managing Director, are separated. The Managing Director, supported by the executive Director, is responsible for the operating performance of the company.

A formal schedule of matters requiring Board approval is maintained, and covers such areas as future strategy, approval of budgets, financial results, board appointments and dividend policy. The Board normally meets on a monthly basis and additional meetings are called if required. It is considered that adequate information is provided to allow directors to discharge their duties and they may take independent advice at the company's expense. They seek to understand the views of shareholders about the company.

All directors are subject to retirement by rotation and their re-election is a matter for the shareholders.

Remuneration Committee

The Remuneration Committee comprises Mr Kirkham and Mrs Marshall, with Mr Smith as Chairman. Its task is to determine the remuneration and other benefits of the company's Chairman, Managing Director, and other executive directors and designated senior managers. Remuneration of the non-executive directors is determined by the Chairman and executive directors.

Audit Committee

The Audit Committee comprises Mr Thomas and Mrs Marshall, with Mr Smith as Chairman. Its principal role is to monitor the integrity of the financial statements of the group, reviewing significant reporting issues and judgements which they contain. It also monitors the major risks which face the group.

Nomination Committee

The Nomination Committee comprises Messrs Lloyd and Warne with Mr Kirkham as Chairman. Its remit is to review the size, skills and composition of the Board, and to carry out succession planning for it and the senior executive, identifying candidates where appropriate.

Board attendance of directors

Number of meetings in year ended 31 March 2010.

Attendance of directors:

P Kirkham	10	
A Warne	9	
J Marshall	10	
C Hughes	10	
B Thomas	9	
I Smith	9	
T Lloyd	10	
Average % attendance		95.7%

Directors' report

The directors present their report and financial statements for the year ended 31 March 2010.

Results and dividends

The group profit before tax for the year amounted to £230,000 (2009: £345,000). The directors do not recommend the payment of a dividend (2009: £nil). Earnings per ordinary share are disclosed in the profit and loss account.

Principal activity and review of the business

The group's principal activity during the year was the provision of management information, predominantly to the agricultural industry. A review of the business is contained in the Chairman's and Managing Director's statement.

Principal risks and uncertainties

There are a range of risks and uncertainties facing the company and the list below is not intended to be exhaustive. The focus is on those specific risks and uncertainties that the directors believe could have a significant impact on the group's performance, as analysed by its key performance indicators.

Market conditions
Levels of business activity will vary for each of the markets in which NMR operates, but ultimately this is dependent on factors such as economic cycles, government legislation, growth of the economy and environmental factors.

Competitive pressures
The group operates in competitive markets with differing characteristics. Market share could be affected by the emergence of new competitors or technological advances in products.

Customers
The group must maintain its ability to continue to provide an innovative service to the local customer base and develop in a profitable way in an increasingly price sensitive market. If the group fails to do this, customers may spend less with NMR.

Financial Key Performance Indicators

The directors monitor the group's progress against its strategic objectives and the financial performance of the group's operations on a regular basis. Details of the most significant key performance indicators (KPIs) used by the group are as follows:

Turnover (growth)
NMR views change in the market as an opportunity to grow, and to use its profits and ability to develop and produce innovative products, services and solutions that satisfy emerging customer needs. Growth comes from taking considered risks, based on the state of the industry, but also in inducing change in the industry in which NMR operates.

For the year ended 31 March 2010, turnover was £15,896,000 (2009: £15,366,000), this represents a 3.4% increase on the previous year. NMR has been focusing on stabilizing its traditional core business and developing new innovative products and services which should lead to turnover growth over the next few years.

Profitability
In order to be successful, NMR needs to achieve sufficient profit to finance growth, create value for the group's shareholders and provide the resource needed to achieve any of the group's other objectives.

For the year ended 31 March 2010, gross profit was £3,815,000. This was down 2.5% from the year ended 31 March 2009 (£3,941,000). However profit before tax, excluding the effects of FRS 17 interest, was £504,000 representing a 32.3% increase on the previous year (2009 - £381,000).

Directors' report

Market share

The group aims to extend market share by continually providing useful and significant products, services and solutions to markets it already serves and to expand into new areas that build on National Milk Records' competencies and customer interests. The group aims to be influential in the markets in which it operates.

Future developments

The directors will continue to focus on the core business of the company and its subsidiary undertakings, whilst looking to take advantage of new opportunities as they arise. Further details of expected future developments are provided in the Chairman and Managing Director's Statement.

Fixed assets

Details of the group's fixed assets are in note 10 of the financial statements. There is no significant anticipated difference between the current book value and the market value of the freehold property in its current usage.

Creditor's payment policy

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2010, the group had an average of 25 days (2009: 29 days) purchases outstanding in trade creditors.

Employee involvement

The group has a well established structure to communicate with employees at every level and to encourage their involvement regarding the group's performance and future activities.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors

The directors during the year were as follows:

P Kirkham
A Warne
C Hughes
B Thomas
I Smith
T Lloyd
J L Marshall

Directors' report

Directors' liabilities

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Financial risk management objectives and policies

The company holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

Major interest in shares

On 31 March 2010, the National Milk Records Trustee Company Limited controlled 364,900 ordinary shares of £0.10 each in the company. No other person has notified an interest in the ordinary shares of the company required to be disclosed in accordance with the Companies Act 2006.

Directors' qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint Monahans as the group's auditors will be put to the members at the Annual General Meeting.

By order of the Board

C Hughes
(Secretary)
25 August 2010

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report of the Directors 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 company and of the profit or loss of the company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report to the members of National Milk Records plc

We have audited the group and parent company financial statements (the "financial statements") of National Milk Records plc for the year ended 31 March 2010 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 24. The financial statements framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Practice).

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 auditors' 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page three, 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2010 and of the group's profit and cashflows for the year then ended;
- the group financial statements 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 matters prescribed by the Companies Act 2006

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

Independent auditors' report
to the members of National Milk Records plc (continued)

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 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.

David Black (Senior Statutory Auditor)
for and on behalf of Monahans
Statutory Auditors
38-42 Newport Street
Swindon
Wiltshire
SN1 3DR

Date: ....

Group profit and loss account
for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	15,896	15,366
Cost of sales		(12,081)	(11,452)
Gross profit		3,815	3,914
Administrative expenses		(3,267)	(3,415)
Operating profit	3	548	499
Interest payable and similar charges	6	(318)	(154)
Profit on ordinary activities before taxation		230	345
Tax on profit on ordinary activities	7	(121)	(110)
Profit for the year		109	235
Minority interest - equity		-	-
Profit for the financial year attributed to members of the parent company		109	235
Retained profit for the year		109	235
Earning per ordinary share (pence)			
- Basic	9	1.6	3.4
- Diluted	9	1.6	3.2

Continuing operations
None of the company's activities were acquired or discontinued during the current year or previous year.

Group statement of total recognised gains and losses
for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Profit for the financial year		109	235
Actuarial gain/(loss) recognised in the pension scheme	20	144	(2,241)
Deferred tax relating to pension liability		(40)	602
Total recognised gains and losses		212	(1,404)

Group balance sheet
at 31 March 2010

	Notes	2010 £'000	2009 As restated £'000
Fixed assets			
Tangible assets	10	4,178	4,653
		4,178	4,653
Goodwill	11	657	866
Investments	11	5	5
		662	871
		4,840	5,524
Current assets			
Stock	12	127	147
Debtors	13	1,345	1,474
Cash at bank and in hand		297	127
		1,769	1,748
Creditors: amounts falling due within one year	14	(2,280)	(2,464)
Net current liabilities		(511)	(716)
Total assets less current liabilities		4,329	4,808
Creditors: amounts falling due after more than one year	15	(779)	(1,145)
Provision for liabilities and charges	16	(258)	(219)
Defined benefit pension liability	20	(2,179)	(2,543)
Net assets		1,113	901
Capital and reserves			
Called up share capital	17	735	735
Capital reserve account	18	-	-
Profit and loss account	18	(718)	(1,197)
Revaluation reserve	18	1,096	1,286
Equity shareholders' funds		1,113	824
Minority interest		-	77
		1,113	901

Approved by the Board

C Hughes
Director
25 August 2010

Company balance sheet
at 31 March 2010

	Notes	2010 £'000	2009 As restated £'000
Fixed assets			
Tangible assets	10	2,920	3,223
		2,920	3,223
Investments	11	2,242	2,325
		5,162	5,548
Current assets			
Stock	12	25	29
Debtors	13	1,049	1,224
Cash at bank and in hand		117	355
		1,191	1,608
Creditors: amounts falling due within one year	14	(2,034)	(2,289)
Net current liabilities		(843)	(681)
Total assets less current liabilities		4,319	4,867
Creditors: amounts falling due after more than one year	15	(779)	(1,145)
Provision for liabilities and charges	16	(203)	(170)
Defined benefit pension liability	20	(2,179)	(2,543)
Net assets		1,159	1,009
Capital and reserves			
Called up share capital	17	735	735
Capital reserve account	18	-	-
Profit and loss account	18	(672)	(1,012)
Revaluation reserve	18	1,096	1,286
Equity shareholders' funds		1,159	1,009

Approved by the Board

C Hughes
Director
25 August 2010

Group statement of cash flows
for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Net cash flow from operating activities	19(a)	919	1,480
Returns on investment and servicing of finance	19(b)	(44)	(118)
Taxation	19(b)	(86)	(10)
Capital expenditure and financial investments	19(b)	(69)	(134)
Net cash inflow/(outflow) before financing		719	1,218
Financing	19(b)	(549)	(589)
Increase in cash		170	629

Reconciliation of net cash flow to movement in net debt

		2010 £'000	2009 £'000
Increase in cash	19(c)	170	629
Finance leases	19(c)	372	(17)
Movement in net debt		542	612
Net debt at 31 March at 2009		(1,547)	(2,159)
Net debt at 31 March at 2010		(1,005)	(1,547)

Notes to the financial statements
at 31 March 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

Basis of consolidation

The financial statements consolidate the financial statements of National Milk Records plc and all its subsidiary undertakings, drawn up to 31 March each year. They are prepared using uniform accounting policies.

Goodwill

Following the introduction of FRS 10, goodwill arising on consolidation, being the difference between the fair value of the consideration paid and the aggregate of the fair values of the separable net assets acquired, is capitalised and amortised over its useful economic life up to a maximum of 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Fixed assets

All fixed assets are recorded at cost or valuation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, evenly over its expected useful life, as follows:

Freehold buildings	-	2.5%
Leasehold buildings	-	20% - 33%
Computer equipment and machinery	-	10% - 33%
Vehicles	-	25%

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revaluation of properties

A full valuation of all freehold properties is carried out every five years and interim valuations are carried out as required. Surpluses arising from the professional valuations of properties are taken directly to the revaluation reserve.

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment.

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Notes to the financial statements
at 31 March 2010

1. Accounting policies (continued)

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The group operated both a defined benefit pension scheme and a defined contribution scheme. The assets of the schemes are held separately from those of the group. The group decided to move the defined benefit scheme to a defined contribution scheme during 2007. In order to avoid triggering a debt event within the scheme, the group has 2 active members both of whom are members of the Board.

Defined benefit pension scheme assets are measured using market value. Associated pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension costs are recognised on a systematic basis in order to match the costs of providing retirement benefits evenly over the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities is allocated over the remaining service lives of current employees. Contributions to the defined contribution schemes are expensed in the profit and loss account in the period in which they become payable.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Treasury policy

The group holds financial instruments for two principal purposes: to finance its working capital requirements and to manage the interest risks arising from its sources of finance. The group finances its operation by a mixture of short term overdrafts and finance leases. The group borrows exclusively in Sterling with the majority of its debt being at fixed rates of interest.

The main risk arising from the group's financial instruments are liquidity and interest rate risk. These risks, and the policies to manage them, are summarised below. These policies have remained unchanged this year. The group does not enter into speculative derivative contracts.

Notes to the financial statements
at 31 March 2010

1. Accounting policies (continued)

Interest rate risk

The group manages its interest rate risk primarily through the use of fixed rate finance leases, matched against the assets being acquired. It does, however, have a floating rate overdraft facility to manage day to day working capital requirements. Interest is expensed through the profit and loss account on an accruals basis.

Liquidity and refinancing risk

The group's objective is to produce continuity of funding at a reasonable cost. To do this it seeks to arrange committed funding that matches the assets or working capital it is designed to fund. Funding comes from a limited number of providers.

Prior year restatements

2009 Creditors: amounts falling due after one year has decreased by £384,000 and Creditors: amounts falling due within one year has increased by £384,000 in order to show the correct apportionment of finance lease liabilities between periods.

2. Turnover

Turnover is stated net of value added tax and trade discounts and represents amounts invoiced to third parties. Turnover is attributable to the supply of services to the agricultural market.

All turnover has arisen within the United Kingdom.

3. Operating profit

Operating profit is stated after charging/(crediting):

		2010	*2009*
		£'000	*£'000*
Auditors' remuneration	- audit services	31	40
	- non-audit tax services	4	18
Depreciation	- owned fixed assets	336	473
	- leased fixed assets	401	333
Amortisation		204	201
Profit on sale of fixed assets		(16)	(44)
Operating lease rentals	- leasehold property	196	180

Notes to the financial statements
at 31 March 2010

4. Directors' emoluments

	2010 £'000	2009 £'000
Fees	321	318
Other emoluments (including pension contributions)	22	36
	343	354

The amount in respect of the highest paid director is as follows:

	2010 £'000	2009 £'000
Fees	154	152
Other emoluments (including pension contributions)	18	14
	172	166

No options were exercised during the year.

2 directors are accruing retirement benefit under the defined benefit pension schemes in respect of qualifying services (2009: 2).

5. Staff Costs

	2010 £'000	2009 £'000
Wages and salaries	5,761	5,433
Social security costs	494	498
Other pension costs	118	115
	6,373	6,046

The average weekly number of employees during the year was as follows:

	2010	2009
Field staff	62	58
Administration staff	221	215
	283	273

Notes to the financial statements
at 31 March 2010

6. Interest payable and similar charges

	2010	*2009*
	£'000	*£'000*
Interest on loans and overdrafts	3	84
Interest on finance leases	41	34
Other finance costs (note 20)	274	36
	318	154

7. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2010	*2009*
	£'000	*£'000*
UK corporation tax:		
Current tax on income for the period	-	106
Adjustment in respect of prior periods	(19)	32
Total current tax	(19)	138
Deferred tax:		
Origination and reversal of timing differences (note 16)	39	71
Deferred tax on pension scheme	101	(99)
Tax on profit on ordinary activities	121	110

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are reconciled below:

	2010	*2009*
	£'000	*£'000*
Profit on ordinary activities before tax	230	345
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009: 28%)	64	97
Effects of:		
Adjustments in respect of prior years	(19)	-
Expenses not deductible for tax purposes (including goodwill)	56	94
Capital allowances in excess of depreciation	(19)	(56)
FRS17 adjustment	(101)	-
Losses carried forward	5	-
Other	(4)	3
Total current tax	(19)	138

Notes to the financial statements
at 31 March 2010

7. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The group has an unrecognised deferred tax asset of £684,000 (2009: £766,000) that relates mainly to trading losses in National Livestock Records Limited that can be set against taxable profits arising from the same trade within that company. The asset has not been recognised as it does not satisfy the recognition criteria for deferred tax assets under FRS 19.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for the year is £306,000 (2009: £386,000).

8. Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company is £47,000 (2009: loss of £4,970,000). No profit and loss account is presented for National Milk Records plc as permitted by Section 408 of the Companies Act 2006.

9. Earning per ordinary share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (before deducting interest on the convertible non-cumulative redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued in the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basis and diluted earnings per share computations:

	2010	*2009*
	£'000	*£'000*
Profit/(loss) for the year from continuing operations	109	235
Less minority interest	-	-
Profit/(loss) attributable to equity holders of the parent	109	235
	2010	*2009*
	000's	*000's*
Basic weighted average number of shares (excluding ESOP trust shares)	6,983	6,983
Dilutive potential ordinary shares - employee share options	-	250
Diluted weighted average number of shares	6,983	7,233

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

Notes to the financial statements
at 31 March 2010

10. Tangible fixed assets

	Land and buildings £'000	*Computer equipment and machinery £'000*	*Vehicles £'000*	*Total £'000*
Group				
Cost or valuation:				
At 31 March 2009	1,759	6,576	1,062	9,397
Additions	-	176	95	271
Disposals	-	-	(100)	(100)
At 31 March 2010	1,759	6,752	1,057	9,568
Depreciation:				
At 31 March 2009	147	3,983	614	4,744
Charge	60	460	217	737
Disposals	-	-	(91)	(91)
At 31 March 2010	207	4,443	740	5,390
Net book value				
At 31 March 2010	1,552	2,309	317	4,178
At 31 March 2009	1,612	2,593	448	4,653
Company				
Cost or valuation:				
At 31 March 2009	1,460	4,236	1,062	6,758
Additions	-	91	95	186
Disposals	-	-	(100)	(100)
At 31 March 2010	1,460	4,327	1,057	6,844
Depreciation:				
At 31 March 2009	92	2,830	613	3,535
Charge	33	229	218	480
Disposals	-	-	(91)	(91)
At 31 March 2010	125	3,059	740	3,923
Net book value				
At 31 March 2010	1,335	1,268	317	2,920
At 31 March 2009	1,368	1,406	449	3,223

Included within group land and buildings are leasehold improvements with a net book value of £217,000 (2009 - £244,000).

All the vehicles are held under finance leases.

Notes to the financial statements
at 31 March 2010

10. Tangible fixed assets (continued)

The net book value of capital equipment and machinery held under finance leases is £1,232,000 (2009: £1,334,000). The depreciation of these assets amounted to approximately £184,000 (2009: £333,000).

The freehold land and buildings were revalued at their open market value for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, in March 2007 by external Chartered Surveyors, Palmer Snell and Feather, Smailes & Scales.

The directors have reviewed the valuation and are not aware of any material change in value.

On the historical cost basis, freehold land and buildings would have been included as follows:

	£'000
Cost:	
At 31 March 2009	841
At 31 March 2010	841
Cumulative depreciation based on cost:	
At 31 March 2009	171
At 31 March 2010	209

11. Intangible assets and investments

Group	*Unlisted Investments £'000*	*Goodwill £'000*	*Total £'000*
Cost:			
At 31 March 2009	5	3,864	3,869
Amortisation:			
At 31 March 2009	-	3,003	3,003
Provided during the year	-	204	204
At 31 March 2010	-	3,207	3,207
Net book value:			
At 31 March 2010	5	657	662
At 31 March 2009	5	861	866

Notes to the financial statements
at 31 March 2010

11. Intangible assets and investments (continued)

Company

	Unlisted £'000	*Subsidiaries £'000*	*Total £'000*
At 31 March 2008	5	5,870	5,875
Increase in loans	-	71	71
Impairment	-	(3,621)	(3,621)
At 31 March 2009	5	2,320	2,325
Impairment	-	(83)	(83)
At 31 March 2010	5	2,237	2,242

Subsidiaries
Entities in which the company has control and consolidates:

Name	*Country of registration*	*Percentage of ordinary shares held*	*Activity*
Agrisoft Limited	England and Wales	100%	Dormant
National Livestock Records Limited	England and Wales	100%	Radio frequency identification systems and animal tagging
National Milk Laboratories Limited	Scotland	99.9%	Management information to the milk buying industry
Nordic Star Limited	England and Wales	100%	Dormant

National Milk Records plc owns approximately 1% of the share capital of Uniform Agri BV.

12. Stock

	Group		*Company*	
	2010 £'000	*2009 £'000*	*2010 £'000*	*2009 £'000*
Consumables	127	147	25	29
	127	147	25	29

Notes to the financial statements
at 31 March 2010

13. Debtors

	Group		Company	
	2010	*2009*	*2010*	*2009*
	£'000	*£'000*	*£'000*	*£'000*
Trade debtors	959	905	327	355
Amounts owed by group undertakings	-	-	374	348
Prepayments and other debtors	386	569	347	521
	1,345	1,474	1,049	1,224

14. Creditors: amounts falling due within one year

	Group		Company	
	2010	*2009*	*2010*	*2009*
		As restated		*As restated*
	£'000	*£'000*	*£'000*	*£'000*
Trade creditors	538	601	447	552
Corporation tax	2	108	2	62
Other taxes and social security costs	637	575	554	508
Finance leases	523	529	523	529
Accruals and deferred income	580	651	508	638
	2,280	2,464	2,034	2,289

Included in the group and company creditors figures above are outstanding pension contributions in respect of the defined contribution scheme of £1,646 (2009 - £18,401).

15. Creditors: amounts falling due after more than one year

	Group		Company	
	2010	*2009*	*2010*	*2009*
		As restated		*As restated*
	£'000	*£'000*	*£'000*	*£'000*
Finance leases	779	1,145	779	1,145
Obligations under finance leases:				
Within one year	523	529	523	529
In two to five years	779	1,145	779	1,145
	1,302	1,674	1,302	1,674

The finance lease creditor is secured on the groups vehicle fleet and the associated computer equipment and machinery held under finance lease.

Notes to the financial statements
at 31 March 2010

16. Provisions for liabilities and charges

Deferred tax

Group

	2010	*2009*
	£'000	*£'000*
Capital allowances in advance of depreciation	259	232
Other	(1)	(13)
	258	219

Opening balance at 31 March 2009	219
Movement taken to the profit and loss account (note 7)	39
Closing balance at 31 March 2010	258

Company

	2010	*2009*
	£'000	*£'000*
Capital allowances in advance of depreciation	203	181
Other	-	(11)
	203	170

Opening balance at 31 March 2009	170
Movement taken to the profit and loss account	33
Closing balance at 31 March 2010	203

17. Share capital

	2010	*2010*	*2009*	*2009*
	No.	*£'000*	*No.*	*£'000*
Allotted, called up and fully paid				
Ordinary shares at 10p each	7,348,329	735	7,348,329	735
Deferred shares of £1 each	90	-	90	-
	7,348,419	735	7,348,419	735

Notes to the financial statements
at 31 March 2010

18. Reconciliation of shareholders' funds and movements on reserves

Group

	Share capital £'000	*Capital reserves £'000*	*Profit and loss account £'000*	*Revaluation reserve £'000*	*Total £'000*
At 31 March 2008	735	3,098	(2,891)	1,286	2,228
Total recognised loss for the year	-	-	(1,404)	-	(1,404)
Transfer between reserves	-	(3,098)	3,098	-	-
At 31 March 2009	735	-	(1,197)	1,286	824
Total recognised gains for the year	-	-	212	-	212
Realised revaluation gains	-	-	190	(190)	-
Transfer of minority interest	-	-	77	-	77
At 31 March 2010	735	-	(718)	1,096	1,113

Within the profit and loss account, there is £3,098,000 of non distributable reserves.

Company

	Share capital £'000	*Capital reserves £'000*	*Profit and loss account £'000*	*Revaluation reserve £'000*	*Total £'000*
At 31 March 2008	735	3,098	860	1,286	5,979
Total recognised loss for the year	-	-	(4,970)	-	(4,970)
Transfer between reserves	-	(3,098)	3,098	-	-
At 31 March 2009	735	-	(1,012)	1,286	1,009
Realised revaluation gains	-	-	190	(190)	-
Total recognised gains for the year	-	-	150	-	150
At 31 March 2010	735	-	(672)	1,096	1,159

Within the profit and loss account, there is £3,098,000 of non distributable reserves.

ESOP Trust

The purchase of the shares owned by the Trust was funded by an interest free loan from National Milk Records plc. All expenses incurred by the Trust are settled directly by National Milk Records plc and charged in the financial statements as incurred. The trust currently holds 364,900 shares (2009: 364,900). At the year end there were no shares under option to employees (2009: 249,999).

The company adopted UITF Abstract 38 "Accounting for ESOP Trusts" in 2004/5. The UITF requires the cost of shares held by ESOPs to be shown as a deduction from equity shareholders funds, whereas they were previously shown as investments in the company balance sheet. The current market value of the shares held by the ESOP's Trust is approximately £108,000.

Notes to the financial statements
at 31 March 2010

19. Notes to the statement of cash flow

(a) Reconciliation of operating profit to net cash flow from operating activities

	2010 £'000	2009 £'000
Operating profit	548	499
Difference between pension charge and cash contribution	(631)	(146)
Depreciation and amortisation	941	1,007
Profit on sale of fixed assets	(16)	(44)
Decrease/(increase) in stock	20	(32)
Increase/(decrease) in creditors	128	(46)
Decrease/(increase) in debtors	(71)	242
Net cash flow from operating activities	919	1,480

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2010 £'000	2009 £'000
Return on investments and servicing of finance:		
Interest paid	(44)	(118)
	(44)	(118)
Taxation:		
Corporation tax paid	(86)	(10)
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(94)	(218)
Receipts from sales of tangible fixed assets	25	84
	(69)	(134)
Financing:		
Capital element of finance lease rental payments	(549)	(589)

(c) Analysis of changes in net funds

	At 1 April 2009 £'000	Cash flows £'000	Other changes £'000	At 31 March 2010 £'000
Cash at bank and in hand	127	170	-	297
Finance leases	(1,674)	549	(177)	(1,302)
	(1,547)	719	(177)	(1,005)

Notes to the financial statements
at 31 March 2010

20. Pensions

The group operates a defined benefit pension scheme and two defined contribution pension schemes.

Defined benefit scheme

All permanent staff were eligible for membership of The Milk Pension Fund. The Fund is of the defined benefits type, and is funded by contributions from employees and the participating employers. The principal employer of The Milk Pension Fund is Community Foods Group Limited. Together with National Milk Records plc participating employers include, amongst others, Genus Limited.

The latest actuarial valuation of the Fund was made by a qualified actuary as at 31 March 2009 using the projected unit method. Due to the adverse economic conditions at 31 March 2009, the actuarial valuation was updated by the actuary at 31 March 2010 to take into account changes in economic conditions since 31 March 2009 such as improvements in asset values, changes in market yields and inflation. The principal actuarial assumptions adopted for the valuations, over the long term, were:

	31.03.10	*31.03.09*
Price inflation	3.9% pa	3.2% pa
Salary increases	4.9% pa	4.2% pa
Discount rate of interest		
- Pre retirement	7.9% pa	8.2% pa
- Post retirement	5.8% pa	5.4% pa
Earnings growth		
- Past service	3.9% pa	3.2% pa
- Future service	3.9% pa	3.2% pa

The updated valuation at 31 March 2010 shows the market value of the Fund's assets amounted to £311.9 million. The actuarial value of the assets of the Fund was sufficient to cover 89.8% per cent of the value of the benefits that had accrued to members after allowing for assumed increases in earnings. The deficit in the Fund disclosed by the updated valuation (£35.3 million for the Fund as a whole) is being addressed by increased contributions from the participating employers.

With effect from 1 June 2007, the company closed the scheme to future accrual although two non executive directors remain as active members in order that the Group complies with the scheme rules.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2009 and updated by Barnett Waddingham to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2010 (using the projected unit method). Scheme assets are stated at their market value at 31 March 2010. Contributions paid during the year amounted to £710,000 (2009: £214,000). The estimated contributions for 2011 are expected to be £700,000.

Notes to the financial statements
at 31 March 2010

20. Pensions (continued)

The assets in the scheme and the expected rate of return for the subsequent year are:

	Expected long term rate of return 2010 %	*Market value 2010 £'000*	*Expected long term rate of return 2009 %*	*Market value 2009 £'000*
Market value of assets:				
Equities	9.2	13,862	9.2	8,175
Cash	4.0	-	4.0	87
Index linked gilts	4.3	3,405	4.1	9,265
Bonds	5.6	4,621	6.6	1,582
Property	5.6	730	-	-
Hedge funds	9.2	1,702	-	-
Total market value of assets at 31 March		24,320		19,109
Actuarial present value of liabilities		(27,346)		(22,641)
Scheme deficit at 31 March		(3,026)		(3,532)
Related deferred tax asset		847		989
Net pension liability		(2,179)		(2,543)

The major assumptions used on the FRS 17 valuation shown above are:

	2010 %	*2009* %
Rate of increase for pensions	3.6	3.4
Discount rate of scheme liabilities	5.7	6.7
Inflation	3.6	3.0

The expected return on plan assets is determined by considering the long-term returns and the balance between risk and reward on the various categories of investment assets held. Expected returns on equity and property investments reflect long-term rates of return experienced in the respective markets. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. The actual return on the funds assets, net of expenses, was £5,611,000 (2009 - £(2,859,000).

Analysis of amounts charged to operating profits:

	2010 £'000	*2009 £'000*
Employer's current service cost	74	73
Total operating charge	74	73

Notes to the financial statements
at 31 March 2010

20. Pensions (continued)

Analysis of the amounts charged to other finance costs (note 6)

	2010	*2009*
	£'000	*£'000*
Expected return on pension plan assets	(1,212)	(1,533)
Interest on pension liabilities	1,486	1,569
Net return	274	36

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2010	*2009*
	£'000	*£'000*
Actual return less expected return on pension plan assets	4,399	(4,392)
Experience gains arising on the plan liabilities	1,708	521
Changes in assumptions underlying the plan liabilities	(5,963)	1,630
Actuarial gain/(loss) recognised in the STRGL	144	(2,241)
Cumulative amount of actuarial losses	(2,097)	(2,241)

Movements in the fair value of schemes' assets were:

	2010	*2009*
	£'000	*£'000*
Opening fair value of scheme assets	19,109	22,840
Expected return on schemes' assets	1,212	1,533
Actuarial gains/(losses)	4,399	(4,392)
Benefits paid	(1,110)	(1,086)
Company contributions	710	214
Fair value of scheme assets at the end of the period	24,320	19,109

Movements in the present value of defined benefit obligations were:

	2010	*2009*
	£'000	*£'000*
Opening defined benefit obligation	22,641	24,236
Current service cost	74	73
Interest cost	1,486	1,569
Benefits paid	(1,110)	(1,086)
Actuarial losses/(gains) on defined benefit obligation	4,255	(2,151)
Defined benefit obligation at the end of the period	27,346	22,641

Notes to the financial statements
at 31 March 2010

20. Pensions (continued)

Reconciliation of deficit and movement in surplus during the year:

	2010 £'000	2009 £'000
Deficit in plan at the beginning of year	(3,532)	(1,396)
Movement in year:		
Employer's current service cost	(74)	(73)
Employer's contributions	710	214
Other finance costs	(274)	(36)
Actuarial gain/(loss)	144	(2,241)
Deficit in plan at end of year	(3,026)	(3,532)

Amounts recognised in the financial statements for the current and previous four periods are as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of schemes' assets	24,320	19,109	22,840	23,376	22,800
Present value of defined benefit obligations	(27,346)	(22,641)	(24,236)	(26,570)	(27,000)
Net liability recognised	(3,026)	(3,532)	(1,396)	(3,194)	(4,200)

History of experience gains and losses for the current and previous four periods are as follows:

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Actual return less expected return on plan assets:					
amount	4,399	(4,392)	(1,028)	(164)	(1,800)
percentage of plan assets	18%	23%	5%	1%	8%
Experience gains/(losses) on plan liabilities:					
amount	1,708	521	(314)	(426)	-
percentage of the present value of the plan liabilities	6%	2%	1%	2%	-

Under the existing multi employer arrangement, all employers are jointly and severally liable. There are a number of debt events within the trust deed, which if triggered by any employer would result in all the employers having to repay, on demand, the deficit of the scheme. At the date these financial statements were approved, the directors are not aware of any such debt events being triggered.

Should any employer not be in a position to meet its obligation, say through administration or liquidation, the liability is shared amongst the other employers in a proportion determined by the trustee.

Defined contribution schemes

During the year the group made employer's contributions to the two defined contribution schemes totalling £118,000 (2009 - £115,000).

Notes to the financial statements
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21. Contingent liabilities

The group has an overdraft facility of £450,000 which is secured by a fixed and floating charge on the assets of the group. The directors do not anticipate that any material liabilities will arise.

22. Operating lease commitments

At 31 March 2010 the annual commitments under non-cancellable operating leases in respect of land and buildings was as follows:

Group	*2010*	*2009*
	£'000	*£'000*
Operating leases which expire:		
- within one year	156	-
- within two to five years	10	150
- after five years	30	30
	196	180

Company	*2010*	*2009*
	£'000	*£'000*
Operating leases which expire:		
- within one year	151	-
- within two to five years	10	150
- after five years	-	-
	161	150

23. Financial instruments

Short term debtors and creditors
Short term debtors and creditors have been excluded where permitted by FRS 13.

Interest rate risk management

	2010	*2009*
	£'000	*£'000*
Financial liabilities:		
Fixed rate	(1,302)	(1,674)
	(1,302)	(1,674)
Financial assets:		
Floating rate	297	127
	297	127

Floating rate financial assets accrue interest based on short term bank rates. The weighted average fixed interest rate for financial liabilities during the year was 6.9% (2009: 6.9%.)

Notes to the financial statements
at 31 March 2010

23. Financial instruments (continued)

Liquidity risk management

The maturity profile of the group's financial (assets)/liabilities, excluding short term creditors such as trade creditors and accruals, is:

	2010 £'000	2009 £'000
Maturity:		
Less than one year	523	145
One to five years	779	1,502
	1,302	1,647

The group has a single overdraft facility. The amount unutilised is analysed below

	2010 £'000	2009 £'000
Undrawn facilities:		
Expiring in less than one year	450	450
	450	450

Fair value of financial (assets) and liabilities

	Book value 2010 £'000	Fair value 2010 £'000	Book value 2009 £'000	Fair value 2009 £'000
Finance lease liabilities	1,302	1,302	1,647	1,647
Cash at bank and in hand	(297)	(297)	(127)	(127)
	1,005	1,005	1,520	1,520

All financial instruments are negotiated at arms length market rates. With the relative stability in the Group's borrowing cost, the directors believe that the book value and the fair value of the Group's financial instruments are not materially different.

24. Related party transactions

Shareholders

The company provided £11,700,000 (2009: £11,195,000) of services to its shareholders. These services were provided to shareholders in the normal course of trade and at arm's length prices. At the year end there was £275,000 owed to the company in respect of these services (2009: £332,000). Three members of the Board are also customers of National Milk Records plc. All services are provided at arm's length and are not considered material to either the group or the individuals.