NMR
Information Partnerships

NATIONAL MILK RECORDS PLC

Annual Report and Consolidated Financial Statements

31 March 2016

Contents

Directors and Professional Advisers

DIRECTORS

Mr A J Warne	*(Executive)*
Mr T Lloyd	*(Non-Executive)*
Mr P Kirkham	*(Non-Executive)*
Mr M Butcher	*(Non-Executive)*
Mr B E C Bartlett	*(Executive)*
Mr J H Davies	*(Executive)*
Mr N A Kirby	*(Executive)*

SECRETARY

Mr C G Nuttall

REGISTERED OFFICE

Fox Talbot House
Unit 4 Greenways Business Park
Bellinger Close
Chippenham
Wiltshire
SN15 1BN

REGISTERED NUMBER

03331929

AUDITOR

Deloitte LLP
Bristol

BANKERS

Lloyds Bank
PO Box 340
2nd Floor
234 High Street
Exeter
Devon
EX4 3ZB

SOLICITORS

Gowlings (UK) LLP
15th Floor
125 Old Broad Street
London
EC2N 1AR

Chairman's Report

National Milk Records Plc (NMR), the ISDX quoted leading supplier of dairy and livestock services, is pleased to announce its audited results for the year ended 31 March 2016.

Chairman's Statement

During the period 1 April 2015 to 31 March 2016 the overall UK and Irish dairy markets were extremely challenging for our dairy farming and processor customers. We have seen these trading conditions before and we expect the cycle to reverse. Despite the market conditions NMR revenue grew to £20,613,000 (2015: £20,159,000) although market related loses in our development business affected operating profit, which before adjustments to the pension scheme deficit, was £1,104,000 (2015: £1,915,000).

Considering the market conditions the NMR Group has continued to perform well and is positioning itself to capture value as the market conditions reverse. The challenging market conditions do create some opportunities as the market consolidates and farmers seek better value services.

From our Interim Statement issued on 12 November 2015, shareholders will have been aware of the challenging trading at Inimex caused by market conditions. The six month period from 1 October 2015 to 31 March 2016 has been seen turnover increase to £721,000 from the previous six months of £373,000. There is some seasonality in this improved performance; however we have impaired the total Inimex goodwill (restated as a result of our transition to FRS 102 – see note 30) and reassessed the probability of Inimex meeting its revenue targets over the deferred contingent consideration period and have released the provision booked at acquisition.

Our cash position remains strong at £2,405,000 at 31 March 2016 (2015: £1,974,000). During the year the group paid corporation tax of £438,000 and Recovery Plan Pension payments of £733,000. NMR has also continued to invest in new services such as GENE TRACKER. The NMR Group is uniquely positioned to capture value from the continued focus on national disease control programmes such as Bovine Viral Diarrhoea (BVD) and Johne's as well as growing pressure to reduce the prophylactic use of antibiotics. National Milk Laboratories (NML) has continued the development of a number of exciting new product lines such as fatty acid profiling. NMR Group will continue to invest in the coming years particularly in a planned upgrade of our laboratory equipment and IT systems.

The decision taken by the Milk Pension Fund Trustee to use CPI (Consumer Prices Index) rather than RPI (Retail Prices Index) to calculate pension increases has previously been announced to the market and improved the pension scheme deficit by £5,158,000. This decision has a positive effect on our balance sheet and has contributed to reducing the overall pension deficit by £6,200,000 to £3,500,000 (2015: £9,700,000). The recalculation of the net defined benefit liability of £5,158,000 is reported in the consolidated profit and loss account, and this one off event is shown separately to provide clarity in our reporting to shareholders. The final settlement of the tri-annual pension scheme valuation as at 31 March 2015 was not confirmed by the original deadline of 30 June 2016. The deficit in the Milk Pension Fund remains significant and NMR will continue to pay deficit recovery payments based on a 10 year recovery plan. I am pleased to see the effect of the CPI adoption as well as dividend payments from subsidiary business means that both the consolidated and company balance sheets now show positive reserves.

I would like to thank our staff for their hard work during the year and our shareholders for their continued support.

P. Kirkham

Philip Kirkham
Chairman

13 July 2016

Strategic Report

To the members of National Milk Records Plc

Cautionary Statement

This Strategic Report has been prepared to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to National Milk Records Plc and its subsidiary undertakings when viewed as a whole.

The business model

The principal activity of the Group in the year remains the provision of management information to dairy farmers via National Milk Records (NMR) and the provision of milk payment testing services to milk buyers via National Milk Laboratories (NML).

The milk recording services provided by NMR are the cornerstone of most progressive dairy farming enterprises. NMR has achieved organic growth by launching new services to existing customers such as Johne's testing which is being bolstered by the launch of the National Action Group on Johne's (www.actionjohnesuk.org). The advent of the national control programme for Bovine Viral Diarrhoea (BVD) in England follows the introduction of similar schemes in Scotland and Northern Ireland and creates opportunities for NMR to introduce similar services in England. There are also still growth opportunities in core milk recording services themselves. NMR still has a relatively lower market share in Scotland and Northern Ireland as well as specific areas in England where competitor presence is strong. The focus on antibiotic resistance in the human population is putting pressure on antibiotic use in all food chains. In the dairy sector this translates to pressure on antibiotic use during the dry period of dairy cows. In turn this leads to demands for greater record keeping in herds that have previously not recorded its milk.

NML is the sole provider of payment testing services for GB dairy processors with longstanding and well established relationships with all the principal milk processors. During the year the business achieved growth by meeting the demand for a 'step change' in test volumes for one of its key clients, Arla Foods. Going forward the business is working on the development of added value services for its payment testing clients by integrating more closely with milk purchaser Information Technology (IT) systems. This will further strengthen client relationships and provide new revenue opportunities. Alongside the development of its payment testing service, NML is progressing to develop disease testing capacity and technology (particularly Johne's and BVD). NML also has innovative projects such as investigating the screening for adulterants in milk and services that will help determine the suitability of raw milk for different end uses. Analysing individual cow milk samples to determine energy status is another area of development that has the scope to add significant value to the information that can be gained from the milk sample.

Inimex Genetics acts principally as a reseller and agent of genetic products in the UK and mainland Europe. Inimex trades in the UK under the Bullsemen.com brand. The dairy genetics sector has many synergies with the core milk recording business of NMR as reflected in the common business model in other global markets in which the milk recording businesses and genetics businesses are within the same overall group. In the short term the plan is to run Inimex as a standalone business to ensure the core competence of Bullsemen.com (encompassed by the strapline "Great Bulls at Fair Prices") is not lost. In the medium term we intend to explore how the key values of both Inimex and NMR can be combined to launch new and innovative services for UK dairy farmers.

iML is a joint venture in The Republic of Ireland which replicates NML's payment testing services in a market of comparable size to that of the UK. iML is cash positive and profitable. No dividend has been made from iML to NMR as the business is investing in its business to take advantage of significant growth opportunities for iML within its current financial resources.

Our ear tag identification business which operates under the Nordic Star brand is reported in NLR along with revenues from animal traceability database services. The

Nordic Star brand continues to grow particularly in the tissue tag sector for BVD testing. As yet no new significant projects have come from the resource deployed in the animal traceability database services sector.

Future developments and market conditions

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. The directors believe development of the current business model can produce capital efficient growth. In the short term the cyclical nature of price received by our dairy farmer customers means that cash flow in the farming business is extremely tight and in our planning we anticipate this adverse market environment will not ease during the 2016 calendar year.

In the medium term the Board believes overall market dynamics in the UK and Irish dairy sectors are favourable which will increase demand for its products. Global demand for dairy products is expected to regain momentum driven principally by new consumer demand from developing markets such as China. This global consumer demand for dairy products is expected to help support the milk price in the UK which adds value to the services provided by the NMR Group. This value is further supported by an increased awareness of food provenance in the UK following the horse meat scandal, a reawakening of the health benefits of dairy products and increasing concerns over the use of antibiotics in the human food supply chain.

The NMR Group continues to build strategic relationships with food retailers, food suppliers and agricultural bodies to strengthen its value proposition within the food chain. The consolidation process in the UK dairy sector by which fewer dairy farmers tend to have larger, more professionally managed herds creates demand for NMR's management information services. This same consolidation process also creates an opportunity for NMR to broaden its product range as other suppliers find that a third party distribution channel is more efficient.

Key performance indicators

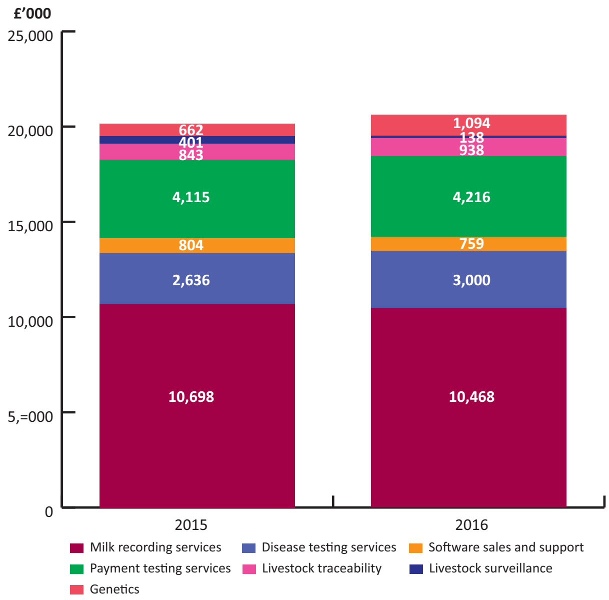
The directors monitor the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Details of the most significant key performance indicators (KPIs) used by the Group are as follows:

Turnover

NMR views change in the market as an opportunity to grow and to use its profits 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.

In 2016 the growth in turnover was predominately in additional testing services such as BVD and Johnes as well as 12 months Inimex revenue.

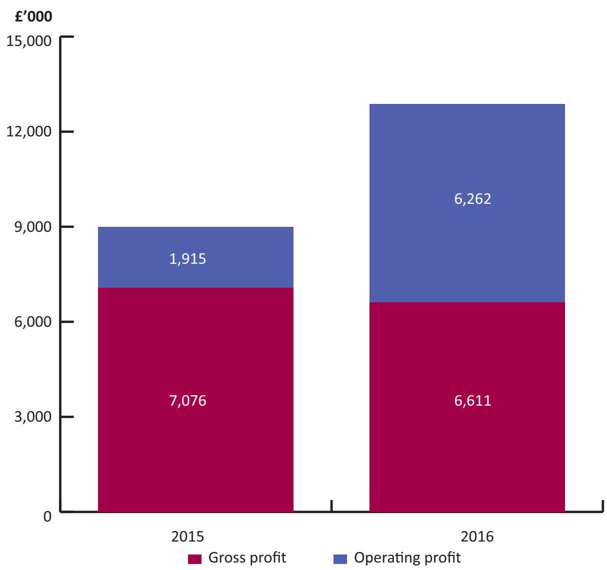
An analysis of the Group's turnover by class of business is set out below.



Profitability

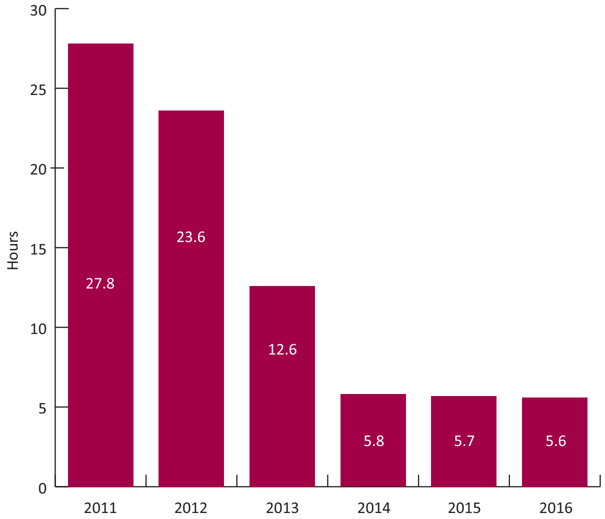
In order to be successful, the Group needs to achieve sufficient profit to finance growth, create value for the Group's shareholders and provide the resource needed to achieve any of the Group's other objectives.

In 2016 the reduction in operating and gross profit is largely as a result of market driven loses within the Inimex business and the challenging conditions in the dairy market leading to limited price increases for recording services in NMR. There have also been increase legal costs associated with the tri annual pension scheme valuation.



Laboratory processing time

NMR seeks to differentiate its products by improving service levels. An example of improving service is that during the year ended 31 March 2016 the average laboratory processing time for milk recording samples arriving in the laboratory was just 5.6 hours.



Principal risks and uncertainties

The Group operates a risk management system that evaluates and prioritises risks and uncertainties. This is principally a function of the Board of Directors led by the Executive team.

There is a range of risks and uncertainties facing the Group. The list below is not intended to be exhaustive and focuses 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 and competitive pressures

The Group operates in a number of different markets that are influenced by economic cycles, the health of the agricultural market, changes in government legislation and environmental factors. These can all lead to changes in profitability of our customers and demand patterns for our products and services. The UK dairy sector is protected to some extent from the commodity nature of global markets by a proportion of retail liquid milk contracts which are typically based on a cost plus pricing model. However cash flow is extremely tight across all sectors in the UK and Irish dairy sectors due largely to higher supply and reduced demand. Global demand increases incrementally in low single figures based on population growth although national government buying patterns such as in China can skew the year to year numbers. The recovery in global prices is expected to be led by reduced supply and some signs of this are already evident. However this recovery is not expected to gain traction until 2017.

Through an experienced management team, board oversight and commitment to developing products that are focused on customers' requirements, the Group aims to address the risks of the consolidating market. A joint venture business model is preferred after careful selection of appropriate partners to reduce the risk associated with entering the Irish dairy market.

Future developments in revenue will largely be based on integration and exploitation of current business areas. Integrated services based on genomics, heat detection and genetics services are offered in other global dairy markets and NMR has the opportunity to replicate their success in the UK. Organic growth in each of business areas provides opportunities for capital efficient development. The current poor market conditions are expected to begin to reverse during the April 2016 to March 2017 financial year although the trend of consolidation of UK dairy herds with few herds with more cows will continue.

Finance

The Group is exposed, along with others, to the risk of failure of a third party member of the Milk Pension Fund under its joint and several terms as well as exposure to costs that result from external factors impacting the size of the pension deficit (e.g. mortality rates, investment values). This area is actively managed at Board level with appropriate external advice and the agreement of actuarial valuations and deficit reduction plans with the pension trustees.

The final settlement of the tri annual pension scheme valuation at 31 March 2015 process will not be confirmed by the original deadline of 30 June 2016. The deficit in the Milk Pension Fund remains significant and NMR will continue to pay deficit recovery payments based on a 10 year recovery plan

The Group's activities expose it to foreign currency exchange risks due to the use of European and American suppliers and its joint ventures based in Ireland and The Netherlands.

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. The Group finances its operations by a mixture of short term overdrafts and finance leases. It 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.

The Group's principal financial assets are bank balances, trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Other risks

The risk of failure to attract or retain skills and experience within the Executive and Management teams is managed by external consultation on Executive and Senior Management pay levels led by the Remuneration Committee that also monitors senior management performance.

Business continuity plans are in place for IT systems and all key locations to address the risks associated with loss of capability in these areas.

Approval

This report was approved by the Board of Directors on 13 July 2016 and signed on its behalf by:

Mr A J Warne
Director

The directors present their report with the financial statements of the Company and the Group for the year ended 31 March 2016.

Corporate and social responsibility

Gender split of employees and approach to human rights issues

	Total as at 31 March 2016	Female as at 31 March 2016	Male as at 31 March 2016
Directors	**7**	**0**	**7**
	(2015: 7)	(2015: 0)	(2015: 7)
Senior Managers	**5**	**1**	**4**
	(2015: 5)	(2015: 1)	(2015: 4)
Organisation	**268**	**140**	**128**
	(2015: 285)	(2015: 151)	(2015: 134)
Total	**280**	**141**	**139**
	(2015: 297)	(2015: 152)	(2015: 145)

As a service company the Group employs a relatively high number of staff in relation to our turnover. The Group's staff are a key resource which it values. The effectiveness of our day to day management of this key asset is an important strategy for the business. The Group's staff policies are formulated and kept up to date by the Group's Human Resources Manager, authorised by the Board and communicated to all employees via the Staff Handbook which is available in hard copy and online. The Group undertakes extensive monitoring of the implementation of all its policies, most notably via our appraisal system, and has not been made aware of any incident in which the Group's activities have resulted in any abuse of human rights.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company. This is achieved through formal and informal meetings, Company bulletins and the distribution of the annual financial statements to all employees. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception on 30 April 2004. It is open to all employees and includes provision for matching and free shares provided by the Company. In addition, all employees are able to receive either commission payments or an annual bonus related to the overall profitability of the Group.

Going concern

The Group's business activities together with the factors likely to affect its future development, cash flows, liquidity, performance and position are set out in the Strategic report. The Group meets its day-to-day working capital requirements through £2,405,000 of cash at bank (2015: £1,974,000) and an overdraft facility of £700,000 which is renewable on an annual basis in October.

The pension scheme deficit of £3,500,000 (2015: £9,700,000) is a significant cash flow commitment to the group. A recovery plan was agreed in relation to the Milk Pension Fund which confirms the future pension contributions to March 2017. The final settlement of the tri-annual pension scheme valuation at 31 March 2015 process will not be confirmed by the original deadline of 30 June 2016.

The Group's forecasts and projections, which allow for reasonable possible changes in trading performance, show that the Group has adequate headroom against the committed overdraft facility across the forecast period. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

The Company is listed on the ISDX Growth Market and is not required to comply with the provisions set out in the UK Combined Code.

Board of Directors

The Board currently comprises four executive directors and three non-executive directors, two 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 Company Secretary, 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 at 31 March 2016 comprised P Kirkham, T Lloyd and M Butcher with T Lloyd as Chairman. Its task is to determine the remuneration and other benefits of the Company's Chairman, Managing Director, other executive directors and designated senior managers. Remuneration of the non-executive directors is determined by the Chairman and Managing Director.

Audit Committee

The Audit Committee at 31 March 2016 comprised T Lloyd, P Kirkham and M Butcher with M Butcher 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.

Nomination Committee

The Nomination Committee at 31 March 2016 comprises T Lloyd, M Butcher, A Warne and P Kirkham, with P 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 executives, identifying candidates where appropriate.

Board attendance of directors

Number of meetings in year ended 31 March 2016: 9 (2015: 9).

The attendance of directors, who served throughout the year and subsequently to the date of this report were as follows:

Mr A J Warne	89%
Mr T Lloyd	100%
Mr P Kirkham	100%
Mr N A Kirby	78%
Mr M Butcher	100%
Mr B E C Bartlett	100%
Mr J H Davies	100%

Substantial Shareholdings

Schedule of Shareholders at 31 March 2016 and 30 June 2016 with shareholdings of greater than 3%:

	31 March 2016		*30 June 2016*	
	Shares	***%***	*Shares*	*%*
HSBC Global Custody Nominee (UK) Ltd	**2,173,104**	**28.88**	—	—
Roy Nominees	**—**	**—**	2,173,104	28.88
Hargreaves Lansdown Nominees Ltd	**459,401**	**6.09**	537,101	7.12
TD Direct Investing Nominees (Europe) Ltd	**398,993**	**5.29**	448,993	5.95
National Milk Recorders Trustee Company Ltd	**364,800**	**4.84**	279,800	3.71
Equiniti Share Plan Trustees Limited	**290,955**	**3.86**	291,164	3.86
Mr Martin Conder	**250,000**	**3.32**	250,000	3.32

Dividends

The directors do not recommend the payment of a dividend in relation to the year ended 31 March 2016 (2015: £nil). Earnings per ordinary share are disclosed on page 13.

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.

Political donations

No political donations were made in the current or prior year.

Brexit

Britain's historic vote on 23 June 2016 to leave the European Union means that Britain must now decide when to trigger Article 50 of the Lisbon Treaty and trigger a statutory 2 year period of negotiations with Brussels on the terms of exit. 40 years of EU regulations and directives have to be unravelled and new terms of trade negotiated. Single Farm Payments paid to UK farmers have been said by Brexit campaigners to be safe until 2020, however there will be inevitable uncertainty in the coming months. The NMR Board will constantly review the situation both in the dairy sector and wider economic environment to ensure we take the correct decisions based on the best information available.

Directors' Report (continued)

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:

Mr A J Warne
Director

13 July 2016

Directors’ Responsibilities Statement

The directors are responsible for preparing the Annual 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), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and group and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 and group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s and group’s transactions and disclose with reasonable accuracy at any time the financial position of the company and group 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 group 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company’s performance, business model and strategy.

This responsibility statement was approved by the board of directors on 13 July 2016 and is signed on its behalf by:

Mr A J Warne
Director

Independent Auditor's Report to the Members of National Milk Records PLC

We have audited the financial statements of National Milk Records plc for the year ended 31 March 2016 which comprise the consolidated Profit and Loss account, the consolidated Statement of Comprehensive Income, the consolidated and Company balance sheet, the consolidated and Company Statement of Changes in Equity, the consolidated Cash Flow Statement and the related notes 1 to 30. 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 FRS 102 "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 explained more fully in the Directors' Responsibilities Statement, 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 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 group's and the parent 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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'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 matters 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.

Delyth Jones

Delyth Jones (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

13 July 2016

Consolidated Profit and Loss Account
Year ended 31 March 2016

	Note	*2016* *£'000*	*2015* *£'000*
TURNOVER			
Group and share of joint ventures – existing operations		**21,402**	20,218
Acquisitions		**—**	662
		21,402	20,880
Less: share of joint ventures' group turnover		**(789)**	(721)
	2	**20,613**	20,159
Cost of sales		**(14,002)**	(13,083)
Gross profit		**6,611**	7,076
Administrative expenses		**(5,507)**	(5,161)
Remeasurement of net defined benefit liability		**5,158**	—
OPERATING PROFIT			
Existing operations		**6,262**	1,759
Acquisitions		**—**	156
	5	**6,262**	1,915
Share of operating profit in joint ventures	13	**55**	117
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME		**6,317**	2,032
Net finance (cost)/income	6	**(295)**	383
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**6,022**	2,415
Tax on profit on ordinary activities	7	**(1,185)**	(588)
PROFIT FOR THE FINANCIAL YEAR		**4,837**	1,827
Earnings per share expressed in pence per share (note 9)			
Basic		**67.48**	25.61
Diluted		**65.03**	24.67

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Consolidated Statement of Comprehensive Income
Year ended 31 March 2016

	Note	**2016 £'000**	2015 £'000
PROFIT FOR THE FINANCIAL YEAR		**4,837**	1,827
Actuarial gains/(loss) on pension scheme	23	**800**	(1,800)
Movement on deferred tax relating to pension scheme		**(160)**	360
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21	**5,477**	387

Consolidated Balance Sheet
At 31 March 2016

		2016		2015	
	Note	**£'000**	**£'000**	*£'000*	*£'000*
FIXED ASSETS					
Intangible assets	11		**772**		1,882
Tangible assets	12		**2,295**		2,599
Investments	13		**488**		433
			3,555		4,914
CURRENT ASSETS					
Stock	14	**408**		497	
Debtors – due within one year	15	**2,625**		2,142	
Debtors – due after one year	15	**700**		1,940	
Cash at bank and in hand		**2,405**		1,974	
		6,138		6,553	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	**(3,537)**		(3,942)	
NET CURRENT ASSETS			**2,601**		2,611
TOTAL ASSETS LESS CURRENT LIABILITIES			**6,156**		7,525
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		**(388)**		(957)
POST EMPLOYMENT BENEFITS	23		**(3,500)**		(9,700)
PROVISIONS FOR LIABILITIES	19		**(220)**		(309)
NET ASSETS/(LIABILITIES)			**2,048**		(3,441)
CAPITAL AND RESERVES					
Called up share capital	20		**754**		752
Share premium	21		**76**		66
Share option reserve	21		**22**		22
Profit and loss account	21		**1,196**		(4,281)
SHAREHOLDERS' FUNDS/(DEFICIT)	22		**2,048**		(3,441)

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 13 July 2016.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Company Balance Sheet
At 31 March 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
FIXED ASSETS					
Tangible assets	12		1,653		1,825
Investments	13		4,952		5,534
			6,605		7,359
CURRENT ASSETS					
Stock	14	53		83	
Debtors – falling due within one year	15	1,370		990	
Debtors – due after one year	15	700		1,940	
Cash at bank and in hand		941		1,151	
		3,064		4,164	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(2,509)		(5,382)	
NET CURRENT ASSETS/(LIABILITIES)			555		(1,218)
TOTAL ASSETS LESS CURRENT LIABILITIES			7,160		6,141
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17		(388)		(957)
POST EMPLOYMENT BENEFITS	23		(3,500)		(9,700)
PROVISIONS FOR LIABILITIES	19		(205)		(281)
NET ASSETS/(LIABILITIES)			3,067		(4,797)
CAPITAL AND RESERVES					
Called up share capital	20		754		752
Share premium	21		76		66
Share option reserve	21		22		22
Profit and loss account	21		2,215		(5,637)
SHAREHOLDERS' FUNDS/(DEFICIT)	22		3,067		(4,797)

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 13 July 2016.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Consolidated Statement of Changes in Equity
For the year ended 31 March 2016

	Called-up share capital £'000	*Share premium account £'000*	*Share option reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2014 – as previously stated	742	25	22	(4,014)	(3,879)
Changes on transition to FRS102	—	—	—	(654)	(654)
At 1 April 2014	742	25	22	(4,668)	(3,879)
Issue of shares	10	41	—	—	51
Total comprehensive income for the financial year	—	—	—	387	387
At 31 March 2015	752	66	22	(4,281)	(3,441)
Issue of shares	2	10	—	—	12
Total comprehensive income for the financial year	—	—	—	5,477	5,477
At 31 March 2016	**754**	**76**	**22**	**1,196**	**2,048**

Company Statement of Changes in Equity
For the year ended 31 March 2016

	Called-up share capital £'000	*Share premium account £'000*	*Share option reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2014 – as previously stated	742	25	22	(4,721)	(3,932)
Changes on transition to FRS102	—	—	—	(636)	(636)
At 1 April 2014	742	25	22	(5,357)	(4,568)
Issue of shares	10	41	—	—	51
Total comprehensive loss for the financial year	—	—	—	(280)	(280)
At 31 March 2015	752	66	22	(5,637)	(4,797)
Issue of shares	2	10	—	—	12
Total comprehensive income for the financial year	—	—	—	7,852	7,866
At 31 March 2016	**754**	**76**	**22**	**2,215**	**3,081**

Consolidated Statement of Cash Flows
Year ended 31 March 2016

	Note	*2016* £'000	*2016* £'000	*2015* £'000	*2015* £'000
Cash flows from operating activities					
Operating profit			**6,262**		1,915
Adjustments for:					
Amortisation of intangible assets		**289**		208	
Impairment of goodwill		**240**		—	
Depreciation of tangible assets		**659**		979	
Profits on disposal of tangible assets		**(29)**		(41)	
Increase in trade and other debtors		**(483)**		(294)	
Decrease/(increase) in stocks		**89**		(253)	
Decrease/(increase) in creditors		**(112)**		929	
Difference between pension credit and cash paid		**(5,700)**		(1,040)	
Cash from operations			**(5,047)**		488
Income taxes paid			**(438)**		(347)
Net cash generated from operating activities			**777**		2,056
Cash flows from investing activities					
Proceeds from sale of tangible assets			**118**		41
Purchases of tangible assets			**(270)**		(137)
Acquisition of subsidiary			**—**		(1,471)
Interest received			**5**		231
Net cash used in investing activities			**(147)**		(1,336)
Cash flows from financing activities					
Share capital issued			**12**		51
Repayment of finance lease obligations			**(211)**		(239)
Net cash used in financing activities			**(199)**		(188)
Net increase in cash and cash equivalents			**431**		531
Cash and cash equivalents at beginning of year			**1,974**		1,443
Cash and cash equivalents at end of year			**2,405**		1,974

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

National Milk Records Plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the group's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For information, see note 30.

The functional currency of the Group and Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group and Company operates. Foreign operations are included in accordance with the policies set out below.

National Milk Records Plc meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. The exemptions taken are from the presentation of a cash flow statement, company financial instruments and key management personnel disclosures.

Basis of consolidation

The financial statements consolidate the financial statements of National Milk Records Plc and all of its subsidiary undertakings, together with the Group's share of interests in joint ventures made up to 31 March each year. Joint ventures are accounted for using the equity method. Business combinations are accounted for under the purchase method. Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group balances, transactions, income and expenses are eliminated on consolidation. In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

Going concern

Despite the defined benefit pension scheme liability included in the Group's balance sheet, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Directors' Report.

Turnover

Turnover is stated net of value added tax and trade discounts. Turnover is attributable to the supply of services to the agricultural market. All turnover is derived from ordinary activities and has arisen within the United Kingdom. Turnover from the joint venture originates from other EU countries. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Intangible assets –customer lists

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date which is deemed cost. The intangible assets are subsequently measured as cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method to administrative expenses. Customer lists are amortised over their useful economic lives of 5 years.

1. ACCOUNTING POLICIES (continued)

Intangible assets – goodwill

Goodwill arising on acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis to administrative expenses over its useful economic life of 5 years. Provision is made for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings	2.5%
Leasehold buildings	20% – 33%
Computer equipment and machinery	10% – 33%
Motor 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. Land is not depreciated.

Grant income

Grant income is not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Stock

Stock is stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised on the profit and loss account as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets (other than goodwill) of the CGU on a pro-rata basis and then to any goodwill allocated to that CGU.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet 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 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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The results of the overseas joint ventures are translated at the average annual exchange rate for turnover and profits. The balance sheets of overseas joint ventures are translated at year end exchange rates. The resulting exchange differences are dealt with through reserves.

Hire purchase and leasing commitments

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Fixed asset investments

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

Financial liabilities and equity

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.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off as incurred, except where the directors are satisfied as to the technical, commercial and financial viability of the individual projects.

1. ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Pension costs

The Group operates a defined contribution scheme for current pension arrangements and has a legacy defined benefit scheme. The defined benefit scheme was closed to significant contributions during 2007 and fully closed to future contribution in 2013.

The Group recognises a defined net benefit pension asset or liability in the statement of financial position as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan. Changes in the net defined benefit asset or liability arising from employee service are recognised in profit or loss as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in profit or loss in the period in which they occur.

Net interest is determined by multiplying the net defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in profit or loss.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits 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 in the balance sheet.

Share options

The Company issues equity-settled share options to certain employees. Equity-settled share options are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a. The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.

b. The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.

c. The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).

d. There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

e. Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.

f. Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are critical judgments, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Group Accounts.

Provisions against receivables

Using information available at the balance sheet date, the Directors make judgments based on experience regarding the level of provision required to account for potentially uncollectible receivables.

Employee benefit obligations

National Milk Records Plc (the "Company") is a participating employer of a funded defined benefit pension plan, the Milk Pension Fund (the "Fund"). The Fund is a multi-employer scheme and the disclosures in these notes are in respect of the benefits payable from the Fund that are attributable to the Company.

The level of benefits provided by the Fund depends on a member's length of service and their salary at their date of leaving the Fund. The Fund closed to future accrual on 30 June 2013.

The last completed funding valuation of the Fund was carried out by a qualified actuary as at 31 March 2012 and contributions of £858,000 are expected to be paid by the Company to the Fund during the year ending on 31 March 2017.

In performing these actuarial valuations, significant actuarial assumptions and judgments have been made to determine the defined benefit obligation, in particular with regard to discount rate, inflation and mortality. These are disclosed in note 23. There is also significant future uncertainty in Government tax rates, the deferred tax rate used to calculate the deferred tax asset on the pension scheme deficit is the current tax rate of 20%.

1. ACCOUNTING POLICIES (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year, are discussed below.

Key sources of estimation uncertainty – impairment of intangible assets

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the business acquisition the purchase of which generated goodwill. The key estimates made in the value in use calculation are those regarding the cost of capital, sales and operating profit growth rates. The Directors estimate cost of capital rates. The Group performs goodwill impairment reviews by forecasting cash flows based upon the following year's budget and a projection of cash flows based upon from new sales channels and organic growth over a further period of three years. Assumptions regarding sales and operating profit growth are considered to be the key area of estimation in the impairment review process, the impact of the directors review of both deferred consideration and goodwill are disclosed in Note 10.

2. TURNOVER

An analysis of the Group's turnover by class of business is set out below.

	2016 £'000	*2015 £'000*
Milk recording services	**10,468**	10,698
Disease testing services	**3,000**	2,636
Software sales and support	**759**	804
Payment testing services	**4,216**	4,115
Livestock traceability	**938**	843
Livestock surveillance	**138**	401
Genetics	**1,094**	662
	20,613	20,159

The comparative 2015 turnover for Genetics represents the Inimex Genetics Limited position for the 6 month period post acquisition.

3. STAFF COSTS

The average monthly number of employees in the Group (including executive directors) was:

	2016 Number	*2015 Number*
Field staff	**65**	65
Administration staff	**244**	241
	309	306

3. STAFF COSTS (continued)

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	**6,981**	6,921
Social security costs	**590**	588
Other pension costs	**247**	224
	7,818	7,733

The average monthly number of employees in the Company (including executive directors) was:

	2016 Number	2015 Number
Field staff	**65**	65
Administration staff	**121**	127
	186	192

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	**4,684**	4,715
Social security costs	**392**	387
Other pension costs	**185**	170
	5,261	5,275

The company has 3 administration staff (2015: 6) whose salary costs are charged to National Livestock Records Limited. The charge in the year to 31 March 2016 was £91,000 (2015: £107,000) and is included in the above disclosure.

4. DIRECTORS' REMUNERATION

	2016 £'000	2015 £'000
Directors' remuneration	**533**	417
Directors' pension contributions to money purchase schemes	**28**	17

The number of directors to whom retirement benefits were accruing was as follows:

	2016 Number	2015 Number
Money purchase schemes	**7**	5

4. DIRECTORS' REMUNERATION (continued)

Information regarding the highest paid director is as follows:

	2016 £'000	*2015 £'000*
Director's remuneration	**186**	191
Director's pension contributions to money purchase schemes	**7**	7

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2016 £'000	*2015 £'000*
Salaries and other short term benefits	**854**	797
Pension contributions to money purchase schemes	**41**	36

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2016 £'000	*2015 £'000*
Depreciation – owned assets	**426**	696
Depreciation – leased assets	**233**	283
Profit on disposal of fixed assets	**(29)**	(41)
Amortisation of goodwill	**289**	208
Impairment of goodwill	**240**	—
Grant income received	**(56)**	(96)
Operating lease rentals – other	**146**	28
Foreign exchange losses	**32**	21
Cost of stock recognised as an expense	**3,365**	2,699

Included within administrative expenses is expenditure on research and development projects in both the year to 31 March 2016 and 31 March 2015.

	2016 £'000	*2015 £'000*
Fees payable to the Company's auditor:		
for the audit of the Company's annual accounts	**5**	5
for the audit of the Company's subsidiaries and consolidation	**50**	44
Total audit fees	**55**	49
Tax services	**11**	8
Corporate finance services	**—**	41
Total non-audit fees	**11**	49

5. OPERATING PROFIT (continued)

The disclosures on the prior page are for the Group. The Company is not required, in its individual financial statements, to disclose separately information about fees for non-audit services provided to the Company because the consolidated financial statements are required to disclose such fees on a consolidated basis.

6. NET FINANCE (COST)/INCOME

	2016 £'000	*2015 £'000*
Interest receivable and similar income	**53**	231
Net (cost)/return on pension scheme (note 23)	**(300)**	200
Investment (expense)/income	**(247)**	431
Finance lease interest	**(48)**	(48)
Interest payable and similar charges	**(48)**	(48)
Net finance (cost)/income	**(295)**	383

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

The tax charge comprises:

	2016 £'000	*2015 £'000*
Current tax on profit on ordinary activities		
UK corporation tax	**219**	357
Adjustments in respect of prior years	**(75)**	19
Total current tax	**144**	376
Deferred tax		
Origination and reversal of timing differences	**(39)**	22
Deferred tax on pension scheme	**1,080**	200
Deferred tax on pension scheme – change in tax rate	**—**	(10)
Total deferred tax	**1,041**	212
Total tax on profit on ordinary activities	**1,185**	588

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	*2015 £'000*
Group profit on ordinary activities before tax	**6,022**	2,415
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 21%)	**1,204**	507
Effects of:		
Expenses not deductible for tax purposes	**—**	2
Depreciation in excess of capital allowances	**1**	58
Non-trading profits	**94**	12
Adjustments in respect of prior years	**(75)**	19
Origination and reversal of timing differences	**(39)**	(10)
Total tax charge for year	**1,185**	588

Further reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 31 March 2016 have been calculated using these rates.

8. PROFIT ATTRIBUTABLE TO THE COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account and statement of comprehensive income of the parent Company is not separately presented as part of these financial statements. The parent Company's profit for the financial year was £7,212,000 (2015: £1,160,000). Total recognised gains in the parent Company for the financial year was £7,852,000 after recognising gains of £640,000 in relation to actuarial gains on the defined benefit pension scheme net of associated deferred tax.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

The shares held by the Employee Share Option Plan are deducted from total shares in arriving at the weighted average number of ordinary shares used in the earnings per share calculation.

9. EARNINGS PER SHARE (continued)

Reconciliations are set out below.

	Earnings £'000	*2016 Weighted average number of shares*	*Earnings per share pence*
Basic EPS			
Earnings attributable to ordinary shareholders	**4,837**	**7,167,803**	**67.48**
Effect of dilutive securities			
Options	**—**	**270,000**	**—**
Diluted EPS			
Adjusted earnings	**4,837**	**7,437,803**	**65.03**

	Earnings £'000	*2015 Weighted average number of shares*	*Earnings per share pence*
Basic EPS			
Earnings attributable to ordinary shareholders	1,827	7,134,903	25.61
Effect of dilutive securities			
Options	—	270,000	—
Diluted EPS			
Adjusted earnings	1,827	7,404,903	24.67

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.

10. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 1 October 2014, the Company acquired 100% of the share capital of Inimex Genetics Limited for consideration of £3,115,000. The fair value of the total consideration was £3,115,000, comprising cash of £2,533,000 and deferred contingent consideration of up to £582,000 determined with reference to profits over a four year period. In accordance with section 615 of the Companies Act 2006, the Company has recorded the cost of the investment at the fair value of the consideration.

During the year ended 31 March 2016, the deferred contingent consideration recognised in the prior year of £582,000 has been reassessed in light of the probability of Inimex meeting its profit targets over the deferred contingent consideration period. The provision has been released, reducing the value of the investment in the company balance sheet and value of goodwill in the consolidated balance sheet. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book Value £'000	*Revaluation £'000*	*Fair Value to Group £'000*
Fixed assets			
Investments	6	103	109
Intangibles	—	1,150	1,150
Tangible	49	—	49
Current Assets			
Stocks	190	—	190
Debtors	501	—	501
Cash	711	—	711
Total assets	1,457	1,253	2,710
Creditors			
Trade creditors	242	—	242
Accruals	113	—	113
Taxation	180	—	180
Total liabilities	535	—	535
Net assets	922	1,253	2,175
Goodwill			358
			2,533
Satisfied by			
Cash			2,533

11. INTANGIBLE ASSETS

Group

	Customer lists £'000	Goodwill £'000	Total £'000
Cost			
At 31 March 2015 – as previously stated	—	5,954	5,594
FRS102 restatement	1,150	(1,150)	—
At 1 April 2015 (as restated)	1,150	4,804	5,954
Amendment to cost	—	(582)	(582)
At 31 March 2016	**1,150**	**4,222**	**5,372**
Depreciation			
At 31 March 2015 – as previously stated	—	4,072	4,072
FRS102 restatement	159	(159)	—
At 1 April 2015	159	3,913	4,072
Charge for the year	219	69	288
Impairment	—	240	240
At 31 March 2016	**378**	**4,222**	**4,580**
Net book value			
At 31 March 2016	**772**	**—**	**772**
At 31 March 2015	991	891	1,882

During the year an impairment was recognised on goodwill triggered by losses in the acquired Inimex Genetics Limited business. The impairment recognised was the difference between the carrying value and the forecast cash inflows generated by the acquired business over the life of the goodwill and intangibles recognised on acquisition.

Notes to the Financial Statements (continued)

12. TANGIBLE FIXED ASSETS

Group

	Land and buildings £'000	*Computer equipment and machinery £'000*	*Motor vehicles £'000*	*Total £'000*
Cost				
At 1 April 2015	1,556	4,394	1,257	7,207
Additions	—	270	199	469
Disposals	—	(92)	(220)	(312)
At 31 March 2016	**1,556**	**4,572**	**1,236**	**7,364**
Depreciation				
At 1 April 2015	357	3,412	839	4,608
Charge for the year	87	339	233	659
Disposals	—	(6)	(192)	(198)
At 31 March 2016	**444**	**3,745**	**880**	**5,069**
Net book value				
At 31 March 2016	**1,112**	**827**	**356**	**2,295**
At 31 March 2015	1,199	982	418	2,599

Included within land and buildings are leasehold improvements with a net book value of £nil (2015: £26,000) and land of £250,000 (2015: £250,000). All motor vehicles are held under finance leases.

Company

	Land and buildings £'000	*Computer equipment and machinery £'000*	*Motor vehicles £'000*	*Total £'000*
Cost				
At 1 April 2015	1,289	1,123	1,149	3,561
Additions	—	81	199	280
Disposals	—	(74)	(220)	(294)
At 31 March 2016	**1,289**	**1,130**	**1,128**	**3,547**
Depreciation				
At 1 April 2015	170	835	731	1,736
Charge for the year	60	60	233	353
Disposals	—	—	(195)	(195)
At 31 March 2016	**230**	**895**	**769**	**1,894**
Net book value				
At 31 March 2016	**1,059**	**235**	**359**	**1,653**
At 31 March 2015	1,119	288	418	1,825

All motor vehicles are held under finance lease.

Notes to the Financial Statements (continued)

13. FIXED ASSET INVESTMENTS

Group

	Interest in joint ventures £'000	*Unlisted investments £'000*	*Total £'000*
Cost and net book value			
At 1 April 2015	428	5	433
Share of post-tax results	55	—	55
At 31 March 2016	**483**	**5**	**488**

Company

	Subsidiary undertakings £'000	*Joint venture £'000*	*Unlisted investments £'000*	*Total £'000*
Cost				
At 1 April 2015	9,056	177	5	9,238
Amendment to cost	(582)	—	—	(582)
At 31 March 2016	**8,474**	**177**	**5**	**8,656**
Provision for impairment				
At 1 April 2015 and 31 March 2016	**3,704**	**—**	**—**	**3,704**
Net book value				
At 31 March 2016	**4,770**	**177**	**5**	**4,952**
At 31 March 2015	5,352	177	5	5,534

Subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Holding	Activity
National Livestock Records Limited	England and Wales	100% ordinary	Services to the red meat industry
National Milk Laboratories Limited	Scotland	100% ordinary	Management information to the milk buying industry
Nordic Star Limited	England and Wales	100% ordinary	Dormant
Inimex Genetics Limited	England and Wales	100% ordinary	Purchase and sale of bull semen

All subsidiary undertakings are held directly by National Milk Records Plc, except for Nordic Star Limited which is held through National Livestock Records Limited.

13. FIXED ASSET INVESTMENTS (continued)

Joint ventures

The Company has a participating interest in the following undertakings, and the Group recognises them on an equity accounting basis.

Name	Country of incorporation	Holding	Activity
Independent Milk Laboratories Limited	Ireland	50% ordinary	Management information to the milk buying industry
Genimex Holding BV	The Netherlands	50% ordinary	Bull semen provision

Independent Milk Laboratories Limited and Genimex Holding BV prepare their accounts to 31 December. Their most recent financial statements cover the year ended 31 December 2015.

14. STOCKS

	Group 2016 £'000	*Group 2015 £'000*	***Company 2016 £'000***	*Company 2015 £'000*
Consumables	**185**	181	**—**	—
Genetics stock	**158**	226	**—**	—
Stock for resale	**65**	90	**53**	83
	408	497	**53**	83

There is no material difference between the balance sheet value of stocks and their replacement cost.

15. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £'000	*Group 2015 £'000*	***Company 2016 £'000***	*Company 2015 £'000*
Trade debtors	**2,303**	1,682	**651**	640
Amounts due from Group undertakings	**—**	—	**482**	—
Amounts due from joint venture (note 26)	**6**	46	**6**	—
Other debtors	**3**	36	**—**	—
Prepayments and accrued income	**313**	378	**231**	350
	2,625	2,142	**1,370**	990

DEBTORS – AMOUNTS FALLING DUE AFTER ONE YEAR

Deferred tax asset relating to pension liability	**700**	1,940	**700**	1,940
	3,325	4,082	**1,935**	2,930

16. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2016 £'000	*Group 2015 £'000*	**Company 2016 £'000**	*Company 2015 £'000*
Obligations under finance leases (note 18)	**254**	204	**254**	204
Trade creditors	**980**	1,153	**681**	845
Amounts owed to Group undertakings	**—**	—	**134**	2,907
Amounts owed to joint venture (note 26)	**62**	31	**62**	—
Corporation tax	**185**	479	**26**	12
Other taxation and social security	**935**	863	**649**	646
Accruals and deferred income	**1,086**	1,212	**703**	768
Other creditors	**35**	—	**—**	—
	3,537	3,942	**2,509**	5,382

17. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2016 £'000	*Group 2015 £'000*	**Company 2016 £'000**	*Company 2015 £'000*
Obligations under finance leases (note 18)	**388**	475	**388**	475
Accruals and deferred income	**—**	482	**—**	482
	388	957	**388**	957

18. OBLIGATIONS UNDER FINANCE LEASES

	Group 2016 £'000	*Group 2015 £'000*	**Company 2016 £'000**	*Company 2015 £'000*
Net obligations are repayable as follows:				
Within one year	**254**	204	**254**	204
Between one and two years	**205**	204	**205**	204
Between two and five years	**183**	271	**183**	271
	642	679	**642**	679

The finance lease liabilities are secured on the corresponding motor vehicles.

19. PROVISIONS FOR LIABILITIES

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Deferred tax – accelerated capital allowances	195	234	178	206

Group

	Deferred taxation £'000	Product warranties £'000	Total £'000
At 1 April 2015	234	75	309
Credit to the profit and loss account	(39)	(50)	(89)
At 31 March 2016	195	25	220

Company

	Deferred taxation £'000	Product warranties £'000	Total £'000
At 1 April 2015	206	75	281
Credit to the profit and loss account	(26)	(50)	(76)
At 31 March 2016	178	25	205

The provision for product warranties related to expected warranty claims on products sold in the last three years.

20. CALLED-UP SHARE CAPITAL

	2016 £'000	2015 £'000
Allotted, called-up and fully paid		
7,540,472 (2015: 7,523,329) Ordinary Shares of £0.10 each	754	752
90 (2015: 90) Deferred Shares of £1 each	—	—
	754	752

On 15 September 2015, the company issued 17,143 Ordinary Shares of £0.10 each at a price of £0.68 per share, giving rise to share premium of £10,000.

21. OTHER RESERVES

Group

	Profit and loss account £'000	Share option reserve £'000	Share Premium £'000
At 1 April 2015	(4,281)	22	66
Total comprehensive income for the year	5,477	—	10
At 31 March 2016	**1,196**	**22**	**76**

Company

	Profit and loss account £'000	Share option reserve £'000	Share Premium £'000
At 1 April 2015	(5,637)	22	66
Total comprehensive income for the year	7,852	—	10
At 31 March 2016	**2,215**	**22**	**76**

Following a capital reduction in 2004, consent of the trustees of the Milk Pension Fund is required prior to declaration of a dividend.

The profit and loss account represents accumulated total comprehensive income.

The share option reserve represents accumulated charges for equity-settled share options.

The share premium account represents amounts received for share capital in excess of par value.

22. LEASING COMMITMENTS

The Group and Company had the following minimum future commitments under non-cancellable operating leases:

	Group 2016 £'000	*Group 2015 £'000*	**Company 2016 £'000**	*Company 2015 £'000*
Within one year	**128**	146	**98**	116
Between one and five years	**379**	442	**259**	322
In more than five years	**19**	84	**—**	35
	526	672	**357**	473

23. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit scheme

National Milk Records Plc (the "Company") is a participating employer of a funded defined benefit pension plan, the Milk Pension Fund (the "Fund"). The Fund is a multi-employer scheme and the disclosures below are in respect of the benefits payable from the Fund that are attributable to the Company and therefore the Group being 10% of the Fund.

The level of benefits provided by the Fund depends on a member's length of service and their salary at their date of leaving the Fund. The Fund closed to future accrual on 30 June 2013.

The last completed funding valuation of the Fund was carried out by a qualified actuary as at 31 March 2012 and contributions of £858,000 are expected to be paid, in line with the agreed recovery plan, by the Company to the Fund during the year ending on 31 March 2017.

The funding valuation as at 31 March 2015 is still underway.

See note 23 for contingent liability disclosures in respect of the pension fund.

The initial results of the latest funding valuation at 31 March 2015 have been adjusted to the balance sheet date taking account of experience over the period since 31 March 2015, changes in market conditions and differences in the financial and demographic assumptions. The present value of the defined benefit obligation was measured using the Projected Unit Credit Method.

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

Main financial assumptions

	31 March 2016 % pa	*31 March 2015 % pa*
RPI Inflation	**3.00**	3.00
CPI Inflation	**2.00**	2.00
Increases in deferment on non-GMPs	**2.00**	3.00
Pension increases in payment	**2.00**	3.00
Discount rate for Fund liabilities	**3.45**	3.20

Main demographic assumptions

	31 March 2016	*31 March 2015*
Mortality	100% of the S1NA 'all lives' birth year tables with improvements in line with the CMI Core 2011 projections and a long-term rate of improvement of 1.25% pa	
Life expectancy for male currently aged 65	**22.5 years (age 87.5)**	22.5 years (age 87.5)
Life expectancy for female currently aged 65	**25.1 years (age 90.1)**	25.0 years (age 90.0)
Life expectancy at 65 for male currently aged 45	**24.4 years (age 89.4)**	24.3 years (age 89.3)
Life expectancy at 65 for female currently aged 45	**27.0 years (age 92.0)**	27.0 years (age 92.0)
Cash commutation	90% of saving from members taking tax-free cash at retirement at terms 10% cheaper than the Fund Trustee's technical provisions basis	

23. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Fund asset

	31 March 2016 *%*	*31 March 2015* *%*
Equities	**32%**	33%
Diversified Growth Funds	**18%**	18%
Corporate Bonds	**26%**	25%
Property	**16%**	13%
Liability	**8%**	8%
Cash & Other Investments	**0%**	3%
Total	**100%**	100%

None of the Fund assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

Reconciliation of funded status to balance sheet

	31 March 2016 *£'000*	*31 March 2015* *£'000*
Fair value of assets	**38,600**	40,500
Present value of funded defined benefit liability	**(42,100)**	(50,200)
Liability recognised on the balance sheet	**(3,500)**	(9,700)

Amounts recognised in profit and loss

	Year ending *31 March 2016* *£'000*	*Year ending* *31 March 2015* *£'000*
Operating cost:		
Administration expenses	**200**	100
Past service credit	**(5,158)**	nil
Financing cost:		
Interest on net defined benefit obligation	**300**	(200)
Pension (credit)/expense recognised in profit and loss	**(4,658)**	(100)

Amounts recognised in Other Comprehensive Income

	Year ending *31 March 2016* *£'000*	*Year ending* *31 March 2015* *£'000*
Asset (losses)/gains arising during the year	**(1,600)**	13,700
Liability gains/(losses) arising during the year	**2,400**	(15,500)
Total amount recognised in other comprehensive income	**800**	(1,800)

23. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 March 2016 £'000	*Year ending 31 March 2015 £'000*
Opening defined benefit obligation (DBO)	**50,200**	35,200
Interest expense on defined benefit obligation	**1,600**	1,500
Actuarial (gains)/losses on fund liabilities arising from changes in financial assumptions/experience	**(2,400)**	5,500
Net benefits paid out	**(1,900)**	(1,800)
Past service cost (inc. curtailments)	**(5,200)**	nil
Settlements	**(200)**	(200)
Closing defined benefit obligation	**42,100**	50,200

Changes to the fair value of Fund assets during the year

	Year ending 31 March 2016 £'000	*Year ending 31 March 2015 £'000*
Opening fair value of fund assets	**40,500**	27,000
Interest income on fund assets	**1,300**	1,200
Gain on Fund assets due to change in recognition methodology	**nil**	9,900
Other (loss)/gain on fund assets	**(1,600)**	3,800
Contributions by the employer	**700**	700
Net benefits paid out	**(1,900)**	(1,800)
Administration costs incurred	**(200)**	(100)
Settlements	**(200)**	(200)
Closing fair value of fund Assets	**38,600**	40,500

Actual return on Fund assets

	Year ending 31 March 2016 £'000	*Year ending 31 March 2015 £'000*
Interest income on Fund assets	**1,300**	1,200
(Loss)/gain on Fund assets	**(1,600)**	3,800
Actual return on Fund assets	**(300)**	5,000

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £247,000 (2015: £224,000).

24. CONTINGENT LIABILITIES

The Group has an overdraft facility of £700,000 which is secured by a fixed and floating charge over the assets of the Group. The overdraft was not used at 31 March 2016. The directors do not anticipate that any material liabilities will arise.

The retirement benefit obligations referred to in note 23 relate to the Milk Pension Fund. NMR, together with other participating employers, is joint and severally liable for the scheme's obligations. As a result of this, in a scenario where a contributor to the fund defaults on its payments, NMR has a contingent liability for the scheme's obligations that it has not recognised on its balance sheet.

25. CAPITAL COMMITMENTS

	Group 2016 £'000	*Group 2015 £'000*
Contracted but not provided for	**51**	87

26. RELATED PARTY TRANSACTIONS

Shareholders and directors

The Group provided services to some of its shareholders however due to their insignificant shareholdings they are not considered to be related parties. Two of the directors are also customers of National Milk Records Plc. Services provided to these directors during the year totalled £14,260 (2015: £14,284). The outstanding balances due from these directors at 31 March 2016 was £306 (2015: £nil). In addition, the group via Inimex Genetics Limited occupy premises owned by Iniprops Limited, owned by one NMR Director and one Inimex Director. The annual rent paid during the year was £35,000 (2015 (6 months): £17,500). The outstanding balance due to Iniprops Limited at 31 March 2016 was £nil (2015: £nil).

Key management personnel

Remuneration of key management personnel is disclosed in note 4.

Independent Milk Laboratories Limited

During the year the Group traded with Independent Milk Laboratories Limited (IML). This entity is a Joint Venture investment held by National Milk Records Plc and an entity outside the group. At the year end the following balances arising from sales and purchases of goods and services existed with IML:

	2016 £'000	*2015 £'000*
Aged debtors	**9**	46
Aged creditors	**62**	31

During the year the Group traded with IML as follows:

	2016 £'000	*2015 £'000*
Sales to IML	**3**	19
Purchase from IML	**173**	212

26. RELATED PARTY TRANSACTIONS (continued)

Genimex Holding BV

During the year the Group traded with Genimex Holding BV ("Genimex"). This entity is a Joint Venture investment held by National Milk Records Plc and an entity outside the group.

	2016	*2015*
	£'000	*£'000*
Aged debtors	**135**	—

During the year the Group traded with Genimex as follows:

	2016	*2015*
	£'000	*£'000*
Sales to Genimex	**—**	13
Consultancy Fees to Genimex	**48**	351
Overhead Recharges	**217**	611

Milk Pension Fund

See disclosures in note 23.

27. SHARE BASED PAYMENT TRANSACTIONS

The Company Share Option Plan (CSOP) was introduced in August 2010. Under the scheme, the directors can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under the option at the date of grant. The contractual life of the options is ten years, and options granted under the scheme will become exercisable on the third anniversary of the date of grant, subject to continuous employment.

Options were valued using the Black-Scholes option pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	12 August 2010
Share price at grant date	28.00p
Exercise price	28.00p
Number of (ex) employees	4
Shares under option	270,000
Vesting period	3
Expected volatility	20%
Option life (years)	10
Expected life (years)	5
Risk free interest rate	5.0%
Fair value per option	8.16p

The expected volatility is based on historical volatility. The expected life is the average expected period to exercise. The risk free rate of return is the yield on a zero-coupon UK government bond of a term consistent with the assumed option life.

All options granted remain outstanding at 31 March 2016; however all have vested and are currently exercisable. The options outstanding at 31 March 2016 have a remaining contractual life of 4.25 years and an exercise price of 28.00p. The weighted average fair value of options granted as at 31 March 2016 was 8.16p. The share price and option exercise price above equate to the weighted average exercise and share price for the period.

The Group recognised a total expense of £nil (2015: £nil) in relation to equity-settled share-based payments.

Notes to the Financial Statements (continued)

28. 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 recognised in the financial statements as incurred. The Trust currently holds 364,800 shares (2015: 364,800). At the balance sheet date there were 270,000 shares under option to (ex) employees (2015: 270,000).

29. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The directors consider that the Group has no single ultimate parent company nor a controlling party.

30. EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. These included recognition of an accrual for holiday pay due to employees as at the balance sheet date and an adjustment of £580,000 to the valuation of the defined benefit pension scheme liability as a result of calculating the return on assets using the discount rate as applied to liabilities as opposed to the expected return on assets as allowed under FRS17.

Reconciliation of equity

	Group		*Company*	
	At 1 April 2014 £'000	***At 31 March 2015 £'000***	***At 1 April 2014 £'000***	***At 31 March 2015 £'000***
Shareholders' deficit reported under previous UKGAAP	(3,225)	(3,372)	(3,932)	(4,748)
Adjustments to shareholders' deficit on transition to FRS 102				
Holiday pay accrual	(74)	(69)	(56)	(49)
Defined benefit pension scheme	(580)	—	(580)	—
Shareholders' deficit reported under FRS 102	(3,879)	(3,441)	(4,568)	(4,797)

Reconciliation of profit or loss for the year ended 31 March 2015

	Group £'000	***Company £'000***
Profit for the financial year under previous UK GAAP	1,722	1,053
Holiday pay accrual	5	7
Defined benefit pension scheme	100	100
Profit for the financial year under FRS 102	1,827	1,160

Note 11 details the FRS102 transition adjustments to intangible assets following reclassification from goodwill.

31. FINANCIAL INSTRUMENTS

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

Group

	2016 **£'000**	*2015* *£'000*
Financial assets – *Measured at undiscounted amount receivable*		
Trade and other debtors (see note 15)	**2,619**	2,096
Amounts due from joint ventures (see note 15)	**6**	36
	2,625	2,142
Financial liabilities – *Measured at amortised cost*		
Obligations under finance leases (see notes 16 and 17)	**642**	679
Measured at undiscounted amount receivable		
Trade and other creditors (see notes 16 and 17)	**3,221**	4,189
Amounts due from joint ventures (see note 20)	**62**	31
	3,925	4,899

Company

	2016 **£'000**	*2015* *£'000*
Financial assets – *Measured at undiscounted amount receivable*		
Trade and other debtors (see note 15)	**882**	990
Amounts due from other group companies (see note 15)	**482**	—
Amounts due from joint ventures (see note 15)	**6**	—
	1,370	990
Financial liabilities – Measured at amortised cost		
Obligations under finance leases (see notes 16 and 17)	**642**	679
Measured at undiscounted amount receivable		
Trade and other creditors (see notes 16 and 17)	**2,059**	2,753
Amounts due from other group companies (see note 16)	**134**	2,907
Amounts due from joint ventures (see note 20)	**62**	—
	2,897	6,339

Printed by **Rubicon** Corporate Print
26654-01