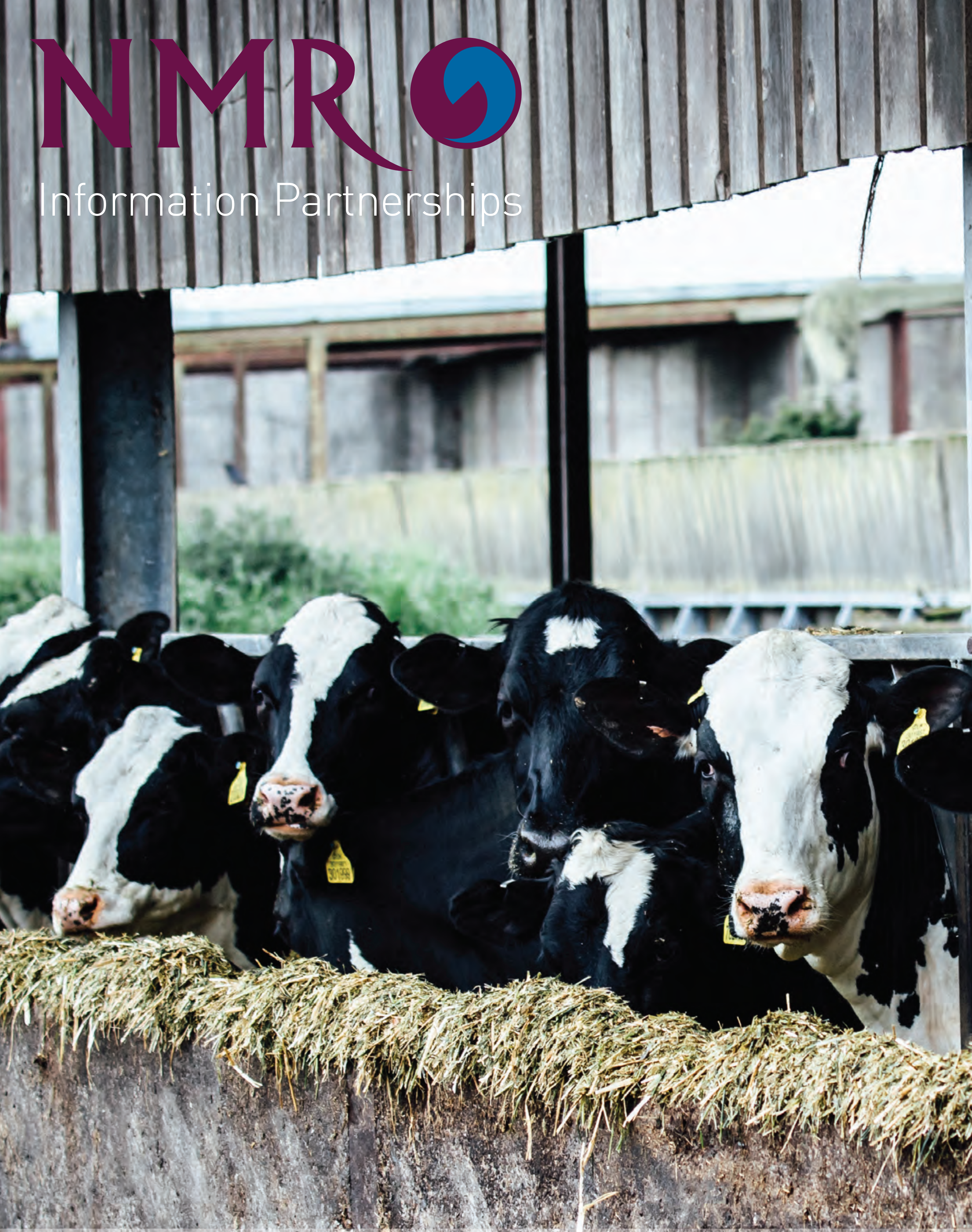
NMR

Information Partnerships



NATIONAL MILK RECORDS PLC

Annual Report and Consolidated Financial Statements for the 15 month period ended 30 June 2017

Contents

Directors and Professional Advisers

DIRECTORS

Mr P Kirkham	*(Non-Executive)*
Mr T Lloyd	*(Non-Executive)*
Mr M Butcher	*(Non-Executive)*
Mr A J Warne	*(Executive)*
Mr M C Frankcom	*(Executive) – appointed as director 16 January 2017*
Mr N A Kirby	*(Executive)*
Mr B E C Bartlett	*(Executive)*
Mr J H Davies	*(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

National Milk Records plc is a public company limited by shares and is registered in England and Wales.

AUDITOR
Deloitte LLP
Bristol

SOLICITORS

Gowling WLG (UK) LLP
4 More London Riverside
London
SE1 2AU

BANKERS

Lloyds Bank
29 High Street
Chippenham
Wiltshire
SN15 3HA

REGISTRAR

Equiniti
Aspect House
Spencer Road
Lancing
BN99 6DA

CORPORATE ADVISOR

Peterhouse Corporate Finance Limited
3rd Floor
New Liverpool House
15 Eldon Street
London
EC2M 7LD

Chairman's Report

National Milk Records Plc (NMR), the NEX Exchange Growth Market traded leading supplier of dairy and livestock information services, is pleased to announce its audited results for the 15 month period ended 30 June 2017.

Chairman's Statement

These Financial Statements relate to the 15 month period 1 April 2016 to 30 June 2017 whereas in previous years NMR's financial year end has been 31 March. We have extended our financial reporting period in order to capture a significant event for NMR. On 23 June 2017 NMR exited the Milk Pension Fund. The details of the pension fund exit were shared with shareholders in a circular on 1 June 2017 and received shareholder support at the subsequent shareholder meeting on 21 June 2017. Due to this 15 month period and the significant pension fund related financial entries, it will be difficult for shareholders to follow year on year trends in performance in these results. This report endeavours to give shareholders an insight to the trading particularly in the commentary in the Strategic Report. Although the numbers may be difficult to interpret, these financial statements reflect a positive period for NMR shareholders both in terms of a start in the recovery of the market and the pension fund exit itself.

The market place for our customers has been extremely challenging for 24 months with the average milk price paid to farmers being below the average cost of production. However during this reported period the profitability of dairy farming began to recover along with the increasing milk price. The market place is still in a recovery phase as farmers begin to repair their balance sheets but NMR is already experiencing a more progressive reaction when our field staff discuss service provision with our farming customers. The two key UK dairy market dynamics remain consolidation along with the increasing demands by consumers for product quality and provenance. Consolidation is driven by the drive for efficiency as well as succession planning for retiring dairy farmers and the consumer interest in milk quality, animal welfare drives the demand for provenance. NMR services are designed to provide our customers both efficiency and provenance and as such, we believe the overall market dynamic for NMR is positive going forward.

NMR has been a participating employer in the Milk Pension Fund since the formation of the company following the breakup of the Milk Marketing Board. Along with many other final salary pension funds increasing longevity, low discount rates and changes in the accounting rules have lead to deficits in the fund and debilitating recovery payments. The rationale for exit has already been explained to shareholders and the exit proposal received overwhelming shareholder support. The actual financial impact of this is shown in these Financial Statements. National Milk Records plc now has positive net assets in the consolidated balance sheet and the commitment to seek approval from the Milk Pension Fund Trustees before a dividend can be paid has been removed. National Milk Records plc does show negative reserves in the Company balance sheet and a priority for the coming 6 months will be to consider a capital reorganisation.

NMR's exit from the MPF represents a fresh commercial challenge for the Group and the senior management team see this as a great opportunity to grow the business in the longer term. The board will be restructured and will comprise two Executive and three Non-Executive directors. During the the last 12 months I have discussed my own succession with my fellow Directors. The Nominations Committee has begun a search for a new Non-Executive Director with a view for that person to be appointed before the end of this calendar year. As part of the process it is my intention to retire prior to the next 2018 AGM.

I am able to report that trading in the new financial year has started positively showing an improvement over the same period last year, and the Board is confident in the Company's prospects for the rest of the year.

As always I would like to extend my thanks to all the NMR employed staff and self-employed milk recorder contractors for their hard work during the year.

Philip Kirkham
Chairman

3 October 2017

Strategic Report

To the members of National Milk Records Plc

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

Principal risks and uncertainties are discussed in the Directors' Report.

The business model

The National Milk Records group (NMR) comprises four key revenue streams: Farm services including milk recording and disease testing; Processor services including payment testing; traceability services mainly ear tags; and Reproduction services including heat detection and genomics. We organise ourselves around these revenue streams with one of my senior team leading each of these areas. We also have a Joint Venture in the Republic of Ireland, iML, providing predominantly payment testing and disease services for the island of Ireland.

Trading Report and KPIs

As outlined in the Chairman's report the financial statements are prepared for the 15 months ended 30 June 2017. Comparing this 15 month period with the 12 month period ending 31 March 2016 is not helpful in terms of headline financial figures, but I will describe the key elements of our trading for the year. This is particularly important this year as the impact of the exit from the Milk Pension Fund has such a material impact on our financial statements.

On 1 November 2016 the group acquired the remaining 50% of Genimex Holding BV for cash consideration of £96,442. On 23 June 2017 the group disposed of its investment in Inimex Genetics Ltd for a consideration of £1. The loss on disposal was £0.7m.

The 15 months ended 30 June 2017 witnessed a turning point in milk prices in June 2016 after a decline of more than 2 years. This has directly impacted cash flows on farm and the ability and confidence of farmers to invest in their businesses. Milk recording has a demonstrable benefit on farm margins but when put under constant and long term pressure some of our farmer customers have traded-down to a less frequent or even ad hoc service. This has impacted our core revenues, and NMR's challenge is to convince the farmer of the value of regular Milk Recording as milk prices improve. We have seen a modest recovery on the back of rising milk prices and in May 2017 NMR was able to pass-on a small price adjustment for the first time in 2 years. We've also seen continued demand for some of our value-add services. With increasing consumer demand for food safety and traceability we have seen a noticeable uplift in revenues for these newer services, particularly those associated with Health and Animal welfare. NMR's Johne's screening provides an invaluable aid to farmers minimising this pervasive and wasting infection of cattle. In June 2017, NMR had more than 1600 herds regularly using our Johne's screening services. Similarly, testing for BVD (Bovine Viral Diarrhoea, a viral disease affecting the fertility of cows) is at its highest level – up 17% on the same period in the prior year. The bundling of BVD testing and Ear Tags has also helped boost sales in our Livestock Surveillance business, Nordic Star. Sales of other innovative services have also shown substantial growth this year – albeit from a low baseline. These include our range of Heat Detection systems, including Silent Herdsman™ and Sensetime™, and our genomics product GeneTracker. These two areas in particular have tremendous growth prospects for the future as they offer a clear path to improved yield and margins for the forward-looking farmer. I would also note that sales in our genetics company, Inimex Genetics Ltd were disappointing in a difficult market. Inimex was sold on 23 June 2017 and so provided one week's fewer sales than the other parts of the group in these financial statements.

Group turnover for the 15 months ended 30 June 2017 was £25.3m and compares to £20.6m for the 12 months ended 31 March 2016. Not a like for like comparison, but we can say that the 6 months ended 30 June 2017 was £10.5m compared to £9.9m for the 6 months previous. Against this backdrop of a gentle recovery in revenues, management of our costs is a central pillar of our management focus. As indicated in our interim statement, administration expenses have been swollen by additional professional fees during the analytical stage of the Milk Pension Fund (MPF) exit. Costs specifically attributable to the exit have been broken-out within operating profit as outlined in Note 6 to the accounts. Other administration expenses have been carefully managed but we recognise that investment in our people and in our marketing proposition remain important areas to support future growth.

Operating Profit before pension re-measurement and loss on sale of Inimex for the 15 months ended 30 June 2017 was £1.1m and compares to £1.1m for the 12 months ended 31 March 2016. For the 6 months ended 30 June Operating Profit before pension re-measurement and loss on sale of Inimex was £0.6m compared to £0.3m for the 6 months ending 31 December 2016.

Clearly the largest single financial impact on the Annual Report is our exit from the Milk Pension Fund (MPF) covered in the Chairman's report. This is a substantial change for NMR allowing us to focus fully on delivering a great service for our customers and so driving business value. The cost of exiting the MPF is significant in this period's accounts, totalling £10.8m after a credit for deferred tax. More detail of the transaction is included in Note 6.

Loss Before Tax for the period is £11.9m after accounting for £12.5m MPF exit costs before tax. Year ended 31 March 2016 was a profit before tax of £6.0m. Effective tax rate for the period is 11.8% compared to 19.7% for year ended 31 March 2016. The effective tax rate is lower than the statutory tax rate because of the unwinding of the deferred tax asset recognised on the pension scheme liability. The directors expect this difference to close in future periods.

As part of refinancing to achieve exit from the MPF, NMR has for the first time taken-on a substantial package of debt finance from our banking partners at Lloyds TSB. This comprises total facilities of £4.95m, with approximately 70% covered at a fixed interest rate and the remaining 30% floating providing NMR a balance of interest rate risk management; more information is available in note 20 to the Financial Statements. The level of service of the debt is substantially below the level of service for recovery payments previously committed as part of the MPF recovery plan.

As already mentioned, exiting the MPF allows NMR's management team to focus fully on delivering benefits to customers and shareholders alike. Our priority in the near term is threefold: to capitalise on NMR's portfolio of market leading testing and reproduction services; to continue our careful management of costs; and to invest in our business infrastructure – notably finance and laboratory IT systems.

In addition to turnover and profit, Laboratory Processing Time (LPT) is a key performance indicator for the group as we feel it differentiates us from our main competitors. In the 15 months period to 30 June 2017, LPT was 5.2 hours, compared to 5.6 in 2016 and 5.7 in 2015.

Alongside being a burden to the management and financials of NMR, the Milk Pension Fund has at the very least made the Annual Report a blurred analysis of company performance. I look forward to updating our investors with trading results in our Interim statement in February, and again in our Annual Report and Accounts next year.

The Strategic Report also incorporates the Chairman's Statement.

Approval

This report was approved by the Board of Directors on 3 October 2017 and is signed on its behalf by:

Mr A J Warne
Director

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 reasonable caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Directors' Report

The directors present their report with the audited financial statements of the Company and the Group for the period ended 30 June 2017. The accounting reference date has been changed to 30 June 2017 resulting in a 15 month reporting period. This is to capture the MPF exit in these accounts.

Future developments are discussed in the Strategic Report.

Principal Risks and Uncertainties

The Group's principal financial assets are buildings, plant and equipment, 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 Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Interest rate risk is managed by a portfolio of fixed & floating rate debt instruments. Exchange rate risk is modest following the sale of Inimex.

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.

It can be seen from this year's trading that a substantial decline in milk prices paid to farmers until June 2016 has a dampening effect on NMR's financial performance, but not a critical one.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future and for a period of at least 12 months from the date of this report.

During the period NMR has significantly refinanced the business to remove the current and any future liability arising from the Milk Pension Fund. As such we have a greater certainty surrounding our cash flow requirements. These have been tested against our business plans and budgets, and we believe that we have sufficient headroom within our new facilities. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Corporate and social responsibility

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 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.

Gender split of employees:

	Total as at 30 June 2017	Female as at 30 June 2017	Male as at 30 June 2017
Directors	**8**	**0**	**8**
	(2016: 7)	(2016: 0)	(2016: 7)
Senior Managers	**5**	**1**	**4**
	(2016: 5)	(2016: 1)	(2016: 4)
Balance	**267**	**140**	**127**
	(2016: 268)	(2016: 140)	(2016: 128)
Total	**280**	**141**	**139**
	(2016: 280)	(2016: 141)	(2016: 139)

Corporate Governance

The Company is listed on the NEX 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 five executive directors and three non-executive independent 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 Finance Director, is responsible for the operating performance of the Company.

A formal schedule of matters requiring Board approval is maintained, and covers such areas as future strategy, approval of budgets, financial results, Board appointment 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.

A full list of directors serving during the period is included in this Directors' Report.

Remuneration Committee

The Remuneration Committee at 30 June 2017 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 30 June 2017 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 30 June 2017 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.

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 and interim 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 in 2004. It is open to all employees and includes provision for matching and free shares provided by the Company.

Board attendance of directors

Number of meetings in period ended 30 June 2017: 14 (2016: 9) reflecting the MPF exit and longer trading period.

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

Mr P Kirkham	100%
Mr T Lloyd	86%
Mr M Butcher	100%
Mr A J Warne	100%
Mr M C Frankcom (from 16 January)	100%
Mr N A Kirby	93%
Mr B E C Bartlett	100%
Mr J H Davies	100%

Substantial Shareholdings

Schedule of Shareholders at 30 June 2017 and 30 June 2016 with shareholdings of greater than 3%:

	30 June 2017		*30 June 2016*	
	Shares	***%***	*Shares*	*%*
Aurora Nominees Ltd	**6,310,000**	**29.71**	—	—
Livestock Improvement Corporation (UK) Ltd	**4,194,880**	**19.75**	—	—
ROY Nominees Limited	**2,942,334**	**13.85**	2,173,104	28.88
PH Nominees Limited	**2,120,000**	**9.98**	—	—
Hargreaves Lansdown Nominees Ltd	**—**	**—**	537,101	7.12
TD Direct Investing Nominees (Europe) Ltd	**—**	**—**	448,993	5.95
Equiniti Share Plan Trustees Ltd	**—**	**—**	291,164	3.86
NMR Trustee Company Ltd	**—**	**—**	279,800	3.71
Mr Martin Conder	**—**	**—**	250,000	3.32

Dividends

The directors do not recommend the payment of a dividend in relation to the period ended 30 June 2017 (2016: £nil). Earnings per ordinary share are disclosed in Note 9 to the accounts.

Directors' Report (continued)

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 the Director's Report.

Political donations

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

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:

AJ Warne

Mr A J Warne
Director

3 October 2017

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the 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, including 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 position and performance, business model and strategy.

This responsibility statement was approved by the board of directors on 3 October 2017 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 30 June 2017 which comprise the consolidated profit and loss account, the consolidated Statement of Comprehensive Income, the consolidated balance sheet and Company balance sheet, the consolidated and Company Statement of Changes in Equity, the consolidated Cash Flow Statement and the related notes 1 to 31. 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 or UK GAAP), 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 30 June 2017 and of the group’s loss for the 15 month period then ended;
- the group and parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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, based on the work undertaken in the course of the audit:

- the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

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

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 and the part of the Directors’ Remuneration Report to be audited 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
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom

3 October 2017

Consolidated Profit & Loss Account
15 months ended 30 June 2017

		15 months ended 30 June 2017			*12 months ended 31 March 2016*		
	Note	***Continuing operations £'000***	***Discontinued operations £'000***	***Total £'000***	*Continuing operations £'000*	*Discontinued operations £'000*	*Total £'000*
Revenue	2	**24,331**	**993**	**25,324**	19,518	1,095	20,613
Cost of Sales		**(10,639)**	**(559)**	**(11,198)**	(13,300)	(702)	(14,002)
Gross Profit		**13,692**	**434**	**14,126**	6,219	392	6,611
Administrative Expenses		**(12,297)**	**(700)**	**(12,997)**	(4,949)	(558)	(5,507)
Operating profit/(loss) before pension re-measurement/exit		**1,395**	**(266)**	**1,129**	1,270	(166)	1,104
Re-measurement of net defined benefit liability		**—**	**—**	**—**	5,158		5,158
Loss on Milk Pension Fund exit	6	**(12,460)**	**—**	**(12,460)**	—		—
Loss on disposal of operations	11	**—**	**(682)**	**(682)**	—	—	—
Operating Profit/(loss)	5	**(11,065)**	**(948)**	**(12,013)**	6,428	(166)	6,262
Share of operating profit in joint ventures	14	**266**	**—**	**266**	55	—	55
		(10,799)	**(948)**	**(11,747)**	6,483	(166)	6,317
Net finance cost	7	**(198)**	**58**	**(140)**	(346)	51	(295)
Loss on Disposal of Fixed Asset Investments	14	**(58)**	**—**	**(58)**	—	—	—
Profit/(Loss) Before Tax		**(11,055)**	**(890)**	**(11,945)**	6,137	(115)	6,022
Tax	8	**1,375**	**38**	**1,413**	(1,209)	24	(1,185)
Profit/(Loss) for the Period		**(9,680)**	**(852)**	**(10,532)**	4,928	(91)	4,837
Earnings per share (pence)	9						
Basic		**(129.5)**		**(140.9)**	68.7		67.5
Diluted		**(126.4)**		**(137.5)**	66.2		65.0

Consolidated Statement of Comprehensive Income
15 months ended 30 June 2017

	Note	***15 months ended 30 June 2017 £'000***	*12 months ended 31 March 2016 £'000*
Profit/(Loss) for the Period		**(10,532)**	4,837
Actuarial gains on pension scheme	25	**150**	800
Movement on deferred tax relating to pension scheme		**(29)**	(160)
Exchange Rate difference		**107**	—
Total comprehensive (loss)/income for the year		**(10,304)**	5,477

Consolidated Balance Sheet
As at 30 June 2017

		30 June 2017		*31 March 2016*	
	Note	***£'000***	***£'000***	*£'000*	*£'000*
FIXED ASSETS					
Intangible assets	12		**—**		772
Tangible assets	13		**2,760**		2,295
Investments	14		**623**		488
Other Investments			**44**		—
			3,427		3,555
CURRENT ASSETS					
Stock	15	**184**		408	
Debtors – due within one year	16	**2,617**		2,625	
Debtors – due after one year	16	**2,120**		700	
Cash at bank and in hand		**459**		2,405	
		5,381		6,138	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	17	**(4,934)**		(3,537)	
NET CURRENT ASSETS			**447**		2,601
TOTAL ASSETS LESS CURRENT LIABILITIES			**3,874**		6,156
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	18		**(3,397)**		(388)
POST EMPLOYMENT BENEFITS	25		**—**		(3,500)
PROVISION FOR LIABILITIES	21		**(207)**		(220)
NET ASSETS			**270**		2,048
CAPITAL AND RESERVES					
Called-up share capital	22		**2,124**		754
Share premium	23		**7,426**		76
Share option reserve	23		**22**		22
Own Shares	23		**(195)**		—
Profit and loss account	23		**(9,107)**		1,196
SHAREHOLDERS FUNDS			**270**		2,048

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 3 October 2017.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Company Balance Sheet
As at 30 June 2017

		30 June 2017		*31 March 2016*	
	Note	***£'000***	***£'000***	*£'000*	*£'000*
FIXED ASSETS					
Tangible assets	13		**1,788**		1,653
Investments	14		**2,569**		4,952
			4,357		6,605
CURRENT ASSETS					
Stock	15	**28**		53	
Debtors – due within one year	16	**1,212**		1,370	
Debtors – due after one year	16	**2,120**		700	
Cash at bank and in hand		**234**		941	
		3,594		3,064	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	17	**(6,441)**		(2,509)	
NET CURRENT ASSETS/(LIABILITIES)			**(2,847)**		555
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,510**		7,160
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	18		**(3,397)**		(388)
POST EMPLOYMENT BENEFITS	25		**—**		(3,500)
PROVISION FOR LIABILITIES	21		**(189)**		(205)
NET (LIABILITIES)/ASSETS			**(2,076)**		3,067
CAPITAL AND RESERVES					
Called-up share capital	22		**2,124**		754
Share premium	23		**7,426**		76
Share option reserve	23		**22**		22
Own Shares	23		**(195)**		—
Profit and loss account	23		**(11,453)**		2,215
SHAREHOLDERS (DEFICIT)/FUNDS			**(2,076)**		3,067

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 3 October 2017.

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 loss for the financial year was £13,789,000 (2016: Profit £7,212,000).

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Consolidated Statement of Changes in Equity
15 months ended 30 June 2017

	Called-up share capital £'000	*Share premium £'000*	*Share option reserve £'000*	*Own shares reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2015	752	66	22	—	(4,281)	(3,441)
Issue of Shares	2	10	—	—	—	12
Profit/(loss) for the period	—	—	—	—	4,837	4,837
Other comprehensive income for the period	—	—	—	—	641	641
At 31 March 2016	754	76	22	—	1,197	2,049
Issue of Shares	1,370	7,350	—	(195)	—	8,525
Profit/(loss) for the period	—	—	—	—	(10,532)	(10,532)
Other comprehensive income for the period	—	—	—	—	228	228
At 30 June 2017	**2,124**	**7,426**	**22**	**(195)**	**(9,107)**	**270**

Company Statement of Changes in Equity
15 months ended 30 June 2017

	Called-up share capital £'000	*Share premium £'000*	*Share option reserve £'000*	*Own shares reserve £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2015	752	66	22	—	(5,637)	(4,797)
Issue of Shares	2	10	—	—	—	12
Profit/(loss) for the period	—	—	—	—	7,212	7,212
Other comprehensive income for the period	—	—	—	—	640	640
At 31 March 2016	754	76	22	—	2,215	3,067
Issue of Shares	1,370	7,350	—	(195)	—	8,525
Profit/(loss) for the period	—	—	—	—	(13,789)	(13,789)
Other comprehensive income for the period	—	—	—	—	121	121
At 30 June 2017	**2,124**	**7,426**	**22**	**(195)**	**(11,453)**	**(2,076)**

Consolidated Statement of Cash Flows
15 months ended 30 June 2017

	Note	***15 months ended 30 June 2017*** £'000	***15 months ended 30 June 2017*** £'000	*12 months ended 31 March 2016* £'000	*12 months ended 31 March 2016* £'000
Cash flows from operating activities					
Operating (loss)/profit			**(12,013)**		6,262
Amortisation of intangible assets		**266**		289	
Impairment of goodwill		**—**		240	
Investment written off		**5**		—	
Depreciation of tangible assets		**754**		659	
Profits on disposal of tangible assets		**(46)**		(29)	
Release of warranty provision		**(20)**		—	
(Increase)/decrease in trade and other debtors		**(100)**		(483)	
(Increase)/decrease in stocks		**112**		89	
Increase/(decrease) in creditors		**930**		(112)	
Loss on disposal of Inimex		**682**		—	
Settlement to Exit Milk Pension Fund		**(2,372)**		—	
Difference between pension credit and cash paid		**(1,128)**		(5,700)	
			(918)		(5,047)
Income taxes paid			**(151)**		(438)
Cash from operations			**(13,081)**		777
Cash flows from investing activities					
Dividend received from Associate		**175**		—	
Overseas dividend		**106**		—	
Purchase of tangible assets		**(1,265)**		(270)	
Proceeds from sale of tangible assets		**69**		118	
Acquisition of subsidiary		**(96)**		—	
Cash acquired with subsidiary		**31**		—	
Proceeds of disposal of investment		**4**		—	
			(977)		(152)
Cash flows from financing activities					
Share Capital Issued		**8,709**		12	
Share issue costs		**(185)**		—	
New bank loans raised		**4,019**		—	
Transaction costs in respect of the bank loan		**(87)**		—	
Lease finance paid down		**(297)**		(211)	
Interest paid		**(48)**		—	
Interest received		**—**		5	
			12,112		(194)
Net increase in cash and cash equivalents			**(1,946)**		431
Cash and cash equivalents at beginning of period			**2,405**		1,974
Cash and cash equivalents at end of period			**459**		2,405

Notes to the Financial Statements
Year ended 30 June 2017

1. ACCOUNTING POLICIES

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

Basis of accounting

National Milk Records Plc (the Company) is a public Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 2.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 4 to 5.

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 functional currency of National Milk Records Plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. 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.

For the period ending 30 June 2017 the following subsidiaries of the Company were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies.

Subsidiary Name	*Companies House Registration Number*
National Livestock Records Limited	03191216
National Milk Laboratories Limited	SC145660

The following dormant subsidiaries of the Company have taken advantage of the Companies Act 2006 Section 394A exemption from preparing individual accounts. These subsidiaries are exempt from the requirement to prepare individual accounts by virtue of this section.

Subsidiary Name	*Companies House Registration Number*
Nordic Star Limited	03231923

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 June (previously 31 March) each year.

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 transactions, balances, 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

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.

1. ACCOUNTING POLICIES (continued)

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.

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 using the weighted average cost formula. 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 (CGU) 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.

1. ACCOUNTING POLICIES (continued)

Impairment of assets

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.

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.

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

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.

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 reasonably certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Pension costs

At the balance sheet date, the Group operates a defined contribution pension scheme. 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.

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.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

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, 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

For the period ending 30 June 2017 Management has estimated FRS102 non-cash adjustments for the deferred benefit obligations of the MPF. These estimate result in net costs of £75,000 moving from MPF exit costs into Administrative expenses, Net finance cost and Actuarial gains on pension scheme.

2. TURNOVER

An analysis of group turnover is as follows:

	15 months to 30 June 2017 £'000	*Year ended 31 March 2016 £'000*
Farm services including milk recording	**17,585**	14,227
Payment testing services	**5,056**	4,216
Traceability services	**1,265**	938
Reproduction services	**1,418**	1,232
	25,324	20,613

All revenue is earned in the United Kingdom. Revenue generated from discontinued operations is included in Reproductive services, above.

3. STAFF COSTS

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

	15 months to 30 June 2017	*Year ended 31 March 2016*
Field Staff	**62**	65
Administration Staff	**229**	244
	291	309

Notes to the Financial Statements (continued)

3. STAFF COSTS (continued)

Their aggregate remuneration comprised:

	15 months ended 30 June 2017 £'000	*Year ended 31 March 2016 £'000*
Wages and salaries	**9,235**	6,981
Social security costs	**750**	590
Other pension costs	**288**	247
	10,273	7,818

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

	15 months ended 30 June 2017	*Year ended 31 March 2016*
Field Staff	**62**	65
Administration Staff	**109**	121
	171	186

Their aggregate remuneration comprised:

	15 months ended 30 June 2017 £'000	*Year ended 31 March 2016 £'000*
Wages and salaries	**5,860**	4,684
Social security costs	**514**	392
Other pension costs	**240**	185
	6,614	5,261

The company has 3 administration staff (2016: 3) whose salary costs are charged to National Livestock Records Limited. The charge in the period to 30 June 2017 was £104,000 (2016: £91,000) and is included in the above disclosure.

4. DIRECTORS' REMUNERATION

Group	***15 months ended 30 June 2017*** £'000	*Year ended 31 March 2016* £'000
Directors' remuneration	**716**	533
Directors' pension contributions to money purchase schemes	**34**	28

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

	2017 Number	*2016 Number*
Money purchase schemes	**7**	7

Information regarding the highest paid director is as follows:

	15 months ended 30 June 2017 £'000	*Year ended 31 March 2016 £'000*
Director's remuneration	**198**	186
Director's pension contributions to money purchase schemes	**8**	7

Key management compensation

In 2016, the Senior Management team was collapsed with key management decisions made by the Group board. As such key management compensation for the period ended 30 June 2017 is as per the above Directors' remuneration table, including the comparable data for the year ended 31 March 2016.

Notes to the Financial Statements (continued)

5. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*
Depreciation of owned assets	**486**	426
Depreciation of leased assets	**268**	233
Profit on disposal of fixed assets	**(46)**	(29)
Amortisation of customer lists & goodwill	**266**	289
Impairment of goodwill	**—**	240
Grant income received	**—**	(56)
Operating lease rentals	**245**	146
Foreign exchange losses	**34**	32
Cost of stock recognised as an expense	**4,171**	3,365

Inimex Genetics Ltd was sold during the period. As a result, £506,000 of goodwill associated with the purchase of Inimex Genetics Ltd's customer lists was written-off.

Grant income received relates to projects to analyse milk for health and nutrition purposes.

	15 months to 30 June 2017 £'000	*Year ended 31 March 2016 £'000*
Fees payable to the Company's auditor:		
for the audit of the company's annual accounts	**28**	5
for the audit of the company's subsidiaries and consolidation	**28**	50
Total audit fees	**56**	55
Taxation compliance services	**14**	11
Total non-audit fees	**14**	11

No services were provided pursuant to contingent fee arrangements.

The disclosures on this 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. COSTS OF EXIT FROM THE MILK PENSION SCHEME

Both NMR and its subsidiary company National Milk Laboratories Limited ("NML") were participating employers in the Milk Pension Scheme ("the Scheme", MPF) a multi-employer defined benefit pension scheme. As described in the strategic report above, the directors believed that continued participation in the Scheme imposed a severe cost burden on the Group and also constrained its future operations by limiting its ability to raise funds. Accordingly agreement was reached with Genus plc ("Genus"), the major participating employer in the Scheme such that in return for cash of £3.3 million, together with £1,378,000 of shares in NMR, Genus entered into a flexible apportionment agreement with the Scheme trustees, NMR and NML, under which NMR and NML ceased to be participating employers in the Scheme and their current and future liabilities to the Scheme passed to Genus. Additionally, a payment of £10.1 million was paid to the Trustees of the Scheme.

The costs of exit from the Scheme are set out below, together with funding raised:

Payments made to third parties:	***£'000***
Milk Pension Fund Trustees	(10,125)
Cash paid to Genus plc	(3,300)
NMR shares to Genus plc	(1,378)
Legal, professional and financial cost of transaction	(29)
	(14,832)
Sourced via:	
Ordinary shares issued via placing	8,710
New bank loans raised	4,019
Existing cash resources	2,103
	14,832
The impact of the above on the income statement is as follows:	
Consideration	(14,832)
MPF Pension Liability	2,372
Gross loss on MPF exit	(12,460)
less deferred tax credit	1,667
Net loss on MPF exit	(10,793)

7. NET FINANCE (COST)/INCOME

	15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*
Interest receivable and similar income	**58**	53
Net (cost)/return on pension scheme (note 25)	**(150)**	(300)
Investment (expense)/income	**(92)**	(247)
Finance lease interest	**(48)**	(48)
Interest payable and similar charges	**(48)**	(48)
Net finance (cost)/income	**(140)**	(295)

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of the tax charge

The tax charge comprises:

	15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*
Current tax		
UK corporation tax	**351**	219
Adjustments in respect of prior years	**(79)**	(75)
Total current tax	**272**	144
Deferred tax		
Origination and reversal of timing differences	**10**	(39)
Deferred tax on pension scheme	**(1,696)**	1,080
Total deferred tax	**(1,685)**	1,041
Total tax on profit/loss on ordinary activities	**(1,413)**	1,185

8. 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:

Factors affecting the tax charge:

	15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*
Group (loss)/profit on ordinary activities before tax	**(11,945)**	6,022
Tax in Group profit on ordinary activities at standard UK Corporation tax rate of 19.75% (2016 20%)	**(2,359)**	1,204
Effects of:		
Difference between depreciation and capital allowances	**(8)**	1
Non-trading profits	**323**	94
Adjustments in respect of prior years	**(79)**	(75)
Origination of timings differences	**10**	(39)
Elimination of deferred tax on pension scheme	**700**	—
Total Tax Charge/(Credit) for the year	**(1,413)**	1,185

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 30 June 2017 have been calculated using these rates.

The directors believe that £372,000 of the deferred tax asset is likely to unwind within 12 months of this report.

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.

Notes to the Financial Statements (continued)

9. EARNINGS PER SHARE (continued)

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.

Total Operations	***15 months ended 30 June 2017***		
	Earnings £'000	***Weighted average number of Shares***	***Earnings per share pence***
Basic EPS			
Earnings attributable to ordinary shareholders	**(10,532)**	**7,473,355**	**(140.9)**
Dilutive effect of options	**—**	**185,000**	**—**
Diluted EPS	**(10,532)**	**7,658,355**	**(137.5)**

Total Operations	*12 months ended 31 March 2016*		
	Earnings £'000	*Weighted average number of Shares*	*Earnings per share pence*
Basic EPS			
Earnings attributable to ordinary shareholders	4,837	7,167,803	67.5
Dilutive effect of options	—	270,000	—
Diluted EPS	4,837	7,437,803	65.0

Continuing Operations	***15 months ended 30 June 2017***		
	Earnings £'000	***Weighted average number of Shares***	***Earnings per share pence***
Basic EPS			
Earnings attributable to ordinary shareholders	**(9,680)**	**7,473,355**	**(129.5)**
Dilutive effect of options	**—**	**185,000**	**—**
Diluted EPS	**(9,680)**	**7,658,355**	**(126.4)**

Continuing Operations	*12 months ended 31 March 2016*		
	Earnings £'000	*Weighted average number of Shares*	*Earnings per share pence*
Basic EPS			
Earnings attributable to ordinary shareholders	4,928	7,167,803	68.7
Dilutive effect of options	—	270,000	—
Diluted EPS	4,928	7,437,803	66.2

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 November 2016, the Group achieved control over Genimex Holding BV ("Genimex"), previously an associate company. Inimex Genetics Limited ("Inimex"), which held the Group's previous 50% interest in Genimex, acquired the remaining 50% of Genimex's share capital for cash consideration of £96,442. The goodwill calculation below includes the cost of acquiring the original holding of £5,584.

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	48	—	48
Current Assets			
Debtors	186	(14)	172
Cash	74	—	74
Total assets	308	(14)	294
Creditors			
Trade creditors	(192)	—	(192)
Total liabilities	(192)	—	(192)
Net assets	116	(14)	102
Goodwill			—
			102
Satisfied by			
Cash			102

On 19 June 2017, Inimex transferred its investment in Genimex to NMR for a fair value of £150,000. Consideration was settled by the reduction of an inter-company balance.

A small revaluation was made to account for doubtful collectibility of all book value debtors.

Since acquisition Genimex has delivered profits of £66,000 including consulting income. Revenue since acquisition is £17,600.

11. DISPOSAL OF SUBSIDIARY UNDERTAKING

On 23 June 2017, NMR disposed of its 100% interest in Inimex Genetics Limited for consideration of £1 plus a working capital adjustment of £1,682. The net assets disposed of were as follows:

	£'000
Fixed assets	
Tangible fixed assets	26
Current assets	
Stock	112
Trade debtors	206
Cash at bank and at hand	37
	355
Creditors: Amounts due within one year	(202)
Net current assets	153
Total assets less current liabilities	179
Provisions for liabilities	(1)
Net assets disposed of	178
Customer lists written-off	506
Less consideration received	(2)
Loss on disposal of operations	**682**

12. INTANGIBLE ASSETS

Group

	Customer lists £'000	*Goodwill £'000*	*Total £'000*
Cost at 31 March 2016	1,150	4,222	5,372
Amortisation provided at 31 March 2016	(378)	(4,222)	(4,600)
Net Book value at 31 March 2016	772	—	772
Amortisation charged to 23 June 2017	(266)	—	(266)
Carrying Value at 23 June 2017	506	—	506
Disposal	(506)	—	(506)
Carrying Value at 30 June 2017	—	—	—
At 31 March 2016	772	—	772
At 30 June 2017	**—**	**—**	**—**

The customer lists written off relate to Inimex Genetics Limited which was disposed of during the year. See note 11.

13. TANGIBLE FIXED ASSETS

Group

	Land and Buildings £'000	*Computer equipment and machinery £'000*	*Motor Vehicles £'000*	*Assets under construction £'000*	*Total £'000*
Cost					
At 31 March 2016	1,556	4,572	1,236	—	7,364
Reclassification	8	103	(63)	—	48
Additions	22	259	319	665	1,265
Disposals	—	(399)	(401)	—	(800)
Disposal of Subsidiary	—	(88)	(44)	—	(132)
At 30 June 2017	**1,586**	**4,447**	**1,047**	**665**	**7,745**
Depreciation					
At 31 March 2016	444	3,745	880	—	5,069
Reclassification	29	82	(71)	—	40
Disposals	—	(399)	(374)	—	(783)
Disposal of Subsidiary	—	(72)	(33)	—	(105)
Charge for the period	107	379	268	—	754
At 30 June 2017	**580**	**3,735**	**670**	**—**	**4,985**
Net book value					
At 31 March 2016	1,112	827	356	—	2,295
At 30 June 2017	**1,006**	**674**	**415**	**665**	**2,760**

The reclassifications in the above table follow a detailed review of fixed asset registers during the period.

Included within Land and Buildings is land with a net book value of £250,000 (2016 £250,000). There is no property held under leasehold. All Motor Vehicles are held under finance leases.

13. TANGIBLE FIXED ASSETS (continued)

Company

	Land and Buildings £'000	*Computer equipment and machinery £'000*	*Motor Vehicles £'000*	*Assets under construction £'000*	*Total £'000*
Cost					
At 31 March 2016	1,289	1,130	1,128	—	3,547
Additions	—	149	307	139	595
Disposals	—	(365)	(389)	—	(753)
At 30 June 2017	**1,289**	**914**	**1,047**	**139**	**3,389**
Depreciation					
At 31 March 2016	230	895	769	—	1,894
Disposals	—	(365)	(368)	—	(732)
Charge for the period	75	97	267	—	439
At 30 June 2017	**305**	**627**	**669**	—	**1,600**
Net book value					
At 31 March 2016	1,059	235	359	—	1,653
At 30 June 2017	**984**	**287**	**378**	**139**	**1,788**

All Motor Vehicles are held under finance leases.

14. FIXED ASSET INVESTMENTS

Group

	IML £'000	*Genimex £'000*	*Unlisted Investments £'000*	*Total £'000*
Costs and net book value				
At 31 March 2016	424	58	5	487
Share of post-tax results	273	(7)	—	266
Dividend received	(175)	—	—	(175)
Exchange gain	101	7	—	108
Reclassification of Genimex Holdings BV as a subsidiary	—	(58)	—	(57)
Investment written off	—	—	(5)	(5)
At 30 June 2017	**623**	**—**	**—**	**623**

Notes to the Financial Statements (continued)

14. FIXED ASSET INVESTMENTS (continued)

Company

	Subsidiary undertakings £'000	*Interest in joint ventures £'000*	*Unlisted Investments £'000*	*Total £'000*
Cost				
At 31 March 2016	8,474	177	5	8,656
Addition	150	—	—	150
Disposal	(2,533)	—	—	(2,533)
At 30 June 2017	**6,091**	**177**	**5**	**6,273**
Provision for impairment				
At 31 March 2016	3,704	—	—	3,704
Impairment (release)/write-off	(5)	—	5	—
At 30 June 2017	**3,699**	**—**	**5**	**3,704**
Net book value				
At 31 March 2016	4,770	177	5	4,952
At 30 June 2017	**2,392**	**177**	**—**	**2,569**

Subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation (Company Number)	Holding	Registered Office
National Livestock Records Limited	England and Wales (03191216)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wiltshire SN15 1BN
National Milk Laboratories Limited	Scotland (SC145660)	100% ordinary	32 Kelvin Avenue Hillington Glasgow G52 4LT
Nordic Star Limited	England and Wales (03231923)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wiltshire SN15 1BN
Genimex Holding BV	The Netherlands (34137102)	100% ordinary	Bredestraat 62 6851 JT Huissen Lingewaard Arnhem Netherlands

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

14. FIXED ASSET INVESTMENTS (continued)

Joint ventures

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

Name	Country of incorporation	Holding	Registered Office
Independent Milk Laboratories Limited	Ireland (488027)	50% ordinary	Kylemore Road Bluebell Dublin 12

Independent Milk Laboratories Limited prepares its accounts to 31 December. Their most recent financial statements cover the year ended 31 December 2016.

15. STOCKS

	Group 2017 £'000	*Group 2016 £'000*	***Company 2017 £'000***	*Company 2016 £'000*
Consumables	**160**	185	**18**	—
Genetics stock	**—**	158	**—**	—
Stock for resale	**24**	65	**10**	53
	184	408	**28**	53

16. DEBTORS

	Group		***Company***	
	15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*	***15 months ended 30 June 2017 £'000***	*12 months ended 31 March 2016 £'000*
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	**1,984**	2,303	**915**	651
Amounts due from group undertakings	**—**	—	**—**	482
Amounts due from joint ventures	**12**	6	**6**	6
Other debtors	**154**	3	**8**	—
Prepayments	**467**	313	**283**	231
	2,617	2,625	**1,212**	1,370
AMOUNTS FALLING DUE AFTER ONE YEAR				
Trade debtors	**25**	—	**25**	—
Deferred tax asset	**2,095**	700	**2,095**	700
	2,120	700	**2,120**	700

Notes to the Financial Statements (continued)

17. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

		Group		Company	
		15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*	***15 months ended 30 June 2017 £'000***	*12 months ended 31 March 2016 £'000*
AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loans	20	**415**	—	**415**	—
Invoice discounting facility	20	**519**	—	**—**	—
Obligations under finance leases	19	**258**	254	**258**	254
Trade creditors		**1,900**	980	**1,782**	681
Corporation tax		**35**	185	**(3)**	26
Other taxation and social security		**813**	935	**578**	649
Accruals and deferred income		**958**	1,086	**534**	703
Other creditors		**—**	35	**—**	—
Amounts owed to Group undertakings		**—**	—	**2,841**	134
Amounted owed to joint venture		**36**	62	**36**	62
		4,934	3,537	**6,441**	2,509

18. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

		Group		Company	
		15 months ended 30 June 2017 £'000	*12 months ended 31 March 2016 £'000*	***15 months ended 30 June 2017 £'000***	*12 months ended 31 March 2016 £'000*
Bank loans	20	**2,998**	—	**2,998**	—
Obligations under finance leases	19	**399**	388	**399**	388
		3,397	388	**3,397**	388

The bank loan is a term loan repayable over 7 years and six months at a fixed interest rate of 3.54%. The loan is secured by fixed and floating charges over the assets of the Company.

More detail of the bank loans is included in note 20.

19. OBLIGATIONS UNDER FINANCE LEASES

	Group 2017 £'000	*Group 2016 £'000*	***Company 2017 £'000***	*Company 2016 £'000*
Minimum lease payments are repayable as follows:				
Within one year	**258**	254	**258**	254
Between one and two years	**154**	205	**154**	205
Between two and five years	**245**	183	**245**	183
	657	642	**657**	642

The finance lease liabilities are secured on the corresponding motor vehicles. The average lease term is 5 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

20. BORROWINGS

	Group As at 30 June 2017 £'000	*Group As at 31 March 2016 £'000*	***Company As at 30 June 2017 £'000***	*Company As at 31 March 2016 £'000*
Bank Loans	**3,932**	–	**3,413**	–
Amounts due for settlement within 12 months	**934**	–	**415**	–
Amounts due for settlement after 12 months	**2,998**	–	**2,998**	–
Cash at bank and in hand	**(459)**	(2,405)	**(234)**	(941)
Finance Leases	**657**	642	**657**	642
Net Debt	**4,130**	(1,763)	**3,835**	(299)

The group has two principal bank loans:

(a) A loan of £3.5m taken out on 22 June 2017. Monthly repayments commenced on 24 July 2017 and will continue until 23 December 2024. Security is provided via: a first legal charge over freehold land and buildings at units 26-29 Laches close, Four Ashes with a book value of £984,000; an unlimited debenture from National Milk Records plc; and an undiluted all monies guarantee from National Livestock Records Limited. The loan is provided carrying a fixed interest rate charge of 3.54%.

(b) A loan facility of £0.75m taken out on 22 June 2017. Security is provided by a floating charge over the trade receivables of National Milk Laboratories Ltd with a book value of £577,000 and via a Deed of Properties with National Milk Laboratories Ltd and our Bankers Interest is charged at 2.61% above the bank base rate.

21. PROVISIONS FOR LIABILITIES

Group

	Deferred taxation £'000	*Product warranties £'000*	*Total £'000*
At 31 March 2016	195	25	220
Charge/(Credit) to profit and loss account	10	(23)	(13)
At 30 June 2017	**205**	**2**	**207**

Company

	Deferred taxation £'000	*Product warranties £'000*	*Total £'000*
At 31 March 2016	180	25	205
Charge/(Credit) to profit and loss account	7	(23)	(16)
At 30 June 2017	**187**	**2**	**189**

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

The following are the deferred tax liabilites recognised by the Group and by the Company and movements thereon during the current and prior period.

	Accelerated tax depreciation £'000	*Tax losses £'000*	*Total £'000*
At 31 March 2015	**234**	**(1,940)**	**(1,706)**
Charge/(credit) to profit and loss account	(39)	1,080	1,041
Charge to other comprehensive income	—	160	160
As at 31 March 2016	**195**	**(700)**	**(505)**
Charge/(credit) to profit and loss account	10	(1,696)	(1,686)
Current tax liability charge	—	272	272
Charge to other comprehensive income	—	29	29
As at 30 June 2017	**205**	**(2,095)**	**(1,890)**

22. CALLED-UP SHARE CAPITAL

	2017 £'000	*2016 £'000*
Allotted, called-up and fully paid		
21,239,702 (2016: 7,540,472) Ordinary Shares of £0.10 each	**2,124**	754
90 (2015: 90) Deferred Shares of £1 each	**—**	—
	2,124	754

To help fund the exit from the Milk Pension Fund, on 23 June 2017 the company issued 13,699,230 Ordinary Shares of £0.10 each at a price of £0.65 per share, giving rise to share premium of £7,534,577 before costs.

23. RESERVES

The Reserves of both the Company and the Group are described as follows:

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.

The own shares reserve represents the cost of shares in National Milk Records plc purchased in the market and held by an Employee Benefit Trust (EBT) controlled by the Group to satisfy possible employee incentive schemes. The number of ordinary shares held by the EBT at 30 June 2017 was 300,000 (2016 = nil).

24. LEASING COMMITMENTS

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

	Group 2017 £'000	*Group 2016 £'000*	***Company 2017 £'000***	*Company 2016 £'000*
Within one year	**160**	128	**130**	98
Between one and five years	**306**	379	**248**	259
In more than five years	**—**	19	**—**	—
	466	526	**378**	357

25. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £292,000 (2016: £247,000).

For the period ending 30 June 2017, management has estimated FRS 102 non-cash adjustments for the defined benefit obligations of the MPF. These estimates are based on publicly available information and result in a net £75,000 movement of costs out of MPF costs and in to trading.

Disclosure for the FRS 102 adjustments in the comparative period can be found in last year's annual report

26. CONTINGENT LIABILITIES

The directors do not anticipate that any material liabilities will arise.

27. CAPITAL COMMITMENTS

	Group 2017 £'000	*Group 2016 £'000*
Contracted but not provided for	163	51

The capital commitment relates to a capital purchase of a laboratory analyser.

28. 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 £18,636 (2016: £14,260). The outstanding balances due from these directors at 30 June 2017 was £nil (2016: £306).

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:

	2017 £'000	*2016 £'000*
Aged debtors	**12**	9
Aged creditors	**36**	62

During the period the Group traded with IML as follows:

	2017 £'000	*2016 £'000*
Sales to IML	**23**	3
Purchase from IML	**278**	173

29 . 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 employees	3
Shares under option	185,000
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

Notes to the Financial Statements (continued)

29 . SHARE BASED PAYMENT TRANSACTIONS (continued)

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.

The Black Scholes Valuation Model is used as it is a generally acceptable method for valuing shares, and is widely used.

85,000 share options have been exercised in the period. All other options granted remain outstanding at 30 June 2017 and have vested and are currently exercisable. The options outstanding at 30 June 2017 have a remaining contractual life of 3 years and 2 months and an exercise price of 28.00p. The weighted average fair value of options granted as at 30 June 2017 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 (2016: £nil) in relation to equity-settled share-based payments.

a. 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 (2016: 364,800). At the balance sheet date there were 270,000 shares under option to (ex) employees (2016: 270,000).

30. FINANCIAL INSTRUMENTS

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

	As at 30 June 2017 £'000	*As at 31 March 2016 £'000*
GROUP		
Financial Assets - measured at undiscounted amount receivable		
Trade and other debtors	**3,502**	2,619
Amounts due from joint ventures	**—**	6
	3,502	2,625
Financial Liabilities - measured at amortised cost		
Bank loans	**3,413**	—
Finance Leases	**657**	642
Financial Liabilities - measured at undiscounted amount payable		
Trade and other creditors	**4,676**	3,221
Amounts due to joint ventures	**—**	62
Bank loans	**519**	—
	9,264	3,925

30. FINANCIAL INSTRUMENTS (continued)

	As at 30 June 2017 £'000	*As at 31 March 2016 £'000*
COMPANY		
Financial Assets - measured at undiscounted amount receivable		
Trade and other debtors	**1,570**	882
Amounts due from other group companies	**—**	482
Amounts due from joint ventures	**—**	6
	1,570	1,370
Financial Liabilities - measured at amortised cost		
Bank loans	**3,413**	—
Finance Leases	**657**	642
Financial Liabilities - measured at undiscounted amount payable		
Trade and other creditors	**2,927**	2,059
Amounts due to other group companies	**2,841**	134
Amounts due to joint ventures	**—**	62
Bank loans	**—**	—
	9,838	2,897

31. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

Printed by **Rubicon** Corporate Print
29017-01