NATIONAL MILK RECORDS PLC

Annual Report and Consolidated Financial Statements for the year ended 30 June 2018

Contents

	Page
Directors and professional advisers	2
Chairman's report	3
Directors' biographies	4
Strategic report	5
Directors' report	7
Annual General Meeting and Dividend timetable	10
Directors' responsibilities statement	11
Independent auditor's report	12
Consolidated profit and loss account	17
Consolidated statement of comprehensive income	18
Consolidated balance sheet	19
Company balance sheet	20
Consolidated statement of changes in equity	21
Company statement of changes in equity	22
Consolidated statement of cash flows	23
Notes to the financial statements	24
Key financial indicators	48

Directors and Professional Advisors

DIRECTORS

Mr T Lloyd	*(Non-Executive)*
Mr M Butcher	*(Non-Executive)*
Mr A J Warne	*(Executive)*
Mr M C Frankcom	*(Executive)*
Mr M Gallacher	*(Non-Executive – appointed 2 January 2018)*
Mr P Kirkham	*(Non-Executive – resigned 31May 2018)*
Mr N A Kirby	*(Executive – resigned 26 October 2017)*
Mr B E C Bartlett	*(Executive – resigned 26 October 2017)*
Mr J H Davies	*(Executive – resigned 26 October 2017)*

SECRETARY

Mr C G Nuttall

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REGISTRAR

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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 12 month period ended 30 June 2018.

These Financial Statements relate to a 12 month period and compare to a prior period covering 15 months. This anomaly is caused by the extension of the prior financial period to include the exit of the Milk Pension Fund. This format is mandated under the financial reporting standards but it does make it difficult for shareholders to follow year on year trends. In order to make this comparison easier we have collated a table of Key Financial Indicators (KFI's) to show six monthly progess, which are included on page 48.

This has been a good year for NMR and I am pleased to report that we have delivered excellent financial and strategic results as we build a progressive and developing business. Revenue, Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) and our cash position are all growing and our Strategy Committee has agreed an aspirational strategic plan which demonstrates NMR's potential to deliver significant capital growth from organic development and step wise projects. As such, the NMR Board is delighted to recommend a dividend payment of 2.5 pence per share for all shareholdings on the register on 19 October 2018, with an ex-dividend date of 18 October 2018. If approved by shareholders at the AGM, the final dividend is expected to be paid on 23 November 2018.

We are also reintroducing our Dividend Re-Investment Plan (DRIP). This will give shareholders the option to reinvest their dividend payments to buy more shares in the Company. It's an efficient low cost scheme and more details can be found on page 16.

Growing and progressive companies require good governance. The NMR Board is focused on building accountability within its committee structure with clear terms of reference, active chairing from Non-Executive Directors (NEDs) and a membership balance of NED and executive managers. This enables the Managing Director and Executive Leadership Team (ELT) to focus on the day to day management of NMR. A highlight of the year has been the appointment of a new NED: Mike Gallacher joins NMR and was previously the CEO of First Milk. As well as performing his NED duties Mike acts as the Chairman of the Corporate and Social Responsibility Committee.

Growing and progressive companies also require investment. NMR is investing in both our people and our infrastructure. NMR is a services business and our staff are the key to delivering excellent service. During the year we have commissioned an external consultancy to carry out an engagement survey to establish the overall cultural health of the organisation, and the ELT are engaged in acting on the results. During the year we have launched a new Mission Statement which defines what we do and who we do it for. A short video to introduce this mission statement is available on the NMR website at www.nmr.co.uk. In terms of infrastructure, NMR has started an investment programme particularly in the areas of information technology systems and laboratory equipment. These investments will deliver efficiency, enable development of new services and improve the resilience of our service.

NMR remains very much a servant of the UK dairy industry. Our farmer and milk processor customers have navigated a year of recovery from the previous challenging period of low margins. During the first nine months of this financial period their cash positions generally improved. It does not take the Chairman of NMR to report to you that the summer of 2018 has been unusually hot and dry. The resilience of the UK dairy farmer and processing community has been demonstrated by the fact that the supply of milk has been largely unaffected. There is a deficit in animal feed stock being carried forward into the winter but our third party market intelligence forecasts mean we do not anticipate a significant market shock. NMR has also considered the likely risk of BREXIT to the UK dairy sector overall and NMR in particular. The potential outcome of the BREXIT process is still unknown at this stage but our best estimate of the impact to the UK dairy sector and NMR is mildly positive.

This is my first statement as Chairman of NMR and I am proud of our achievements. I would like to thank all the NMR employed staff and self-employed milk recorders for their hard work during the year. I would also like to thank our Shareholders and Stakeholders for their continued support.

Trevor Lloyd
Chairman

1 October 2018

Directors’ Biographies

From left to right: Andy Warne, Mike Gallacher, Trevor Lloyd, Mark Butcher and Mark Frankcom

Andy Warne – Managing Director

Andy joined NMR as the Managing Director in 2002 and at the same time joined the Milk Pension Fund acting as a Trustee. He acted as the Chairman of the Milk Pension Fund between 2009 and 2013. Andy’s previous managerial roles include the European Managing Director of TNT Container Logistics and Managing Director of Arca Systems UK. Andy graduated with a BSC in Applied Biology. Whilst at NMR Andy has managed the process by which the business has restructured to focus on its core competence in milk recording and built a new business offering based on payment testing.

Mike Gallacher – Non-Executive Director

Mike was CEO of First Milk Limited, the UK’s largest Dairy Cooperative, and Managing Director of Mars Petcare, part of Mars Inc. He also worked in regional leadership positions in both Asia Pacific and Europe. Mr Gallacher holds an honours degree in Economics and attended the Royal Military Academy Sandhurst, serving for eight years as a Captain. Mike holds postgraduate qualifications from Cranfield University and Henley Management College. Mike is also Chief Executive Officer of Safestyle UK plc.

Trevor Lloyd – Chairman

Trevor has over 10 years experience as a non-executive director on various dairy industry boards and is a partner in a dairy farming business, currently milking 350 cows in North Wales. He was appointed by the Minister for Farming to serve on the Milk Development Council from 2003-2007 and then Dairy Co. from 2006-2009 and was also Chairman of MDCel. He has extensive experience of agricultural politics serving for 15 years in various industry organisations including the National NFU Dairy Board, Welsh NFU Dairy Board and the NFU Welsh Council. Trevor is currently a regional director of the NFU Mutual Insurance Society Ltd.

Mark Butcher – Independent Non-Executive Director

Mark has over 20 years experience working in the City, he was an executive director of GPG (UK) Holdings plc as well as a non-executive director for a number of public and private companies. He has wide experience in international accounting, corporate finance and banking transactions and has served on the Boards of Autologic Holdings plc, Newbury Racecourse plc and Nationwide Accident Repair Services plc. He graduated with a Bachelor of Commerce degree from the University of Cape Town and qualified as a Chartered Accountant in South Africa.

Mark Frankcom – Finance Director

Mark joined NMR in September 2016. He qualified as an accountant in 1993, and has experience across a broad range of industries, including FMCG, telecoms and motor trade. In 2005 Mark joined Milk Link as a Director of Finance, having senior responsibility for financial stewardship and restructuring during a time of critical changes in the UK dairy industry. More recently Mark has been co-owner and Managing Director of an award-winning micro-brewery. In 2008 Mark was admitted as a fellow of the institute of management accountants becoming FCMA.

To the members of National Milk Records plc

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

The business model

The NMR group 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 first time for the 12 months ended 30 June. Under the Company's Act we must report against our last published accounts which are the 15 months ended 30 June 2017. Comparing this 12 month period with the 15 month period ending 30 June 2017 is not helpful in terms of headline financial figures, but I will describe the key elements of our trading for the year, and provide a table of the 6 monthly trends for Key Financial Indicators at the end of the Annual Report and Accounts on page 48.

The general market and trading conditions for UK dairy in the last 12 months have seen a significant uplift in confidence following a prolonged period of low margins. We believe the services NMR offers are essential to ensuring a profitable future for a dairy farm; you get what you measure and using regular milk recording to measure the performance and individual traits for individual cows supports breeding decisions which demonstrably improve individual and herd profitability. Genomics is a higher value test and provides greater reliability of results earlier in the breeding cycle. As UK dairy continues to consolidate and modernise, NMR's services can partner on-farm decision-making as farmers increasingly rely on data to make the best investment decisions.

There is no diminution of consumer demand for food safety and traceability and NMR has seen a noticeable uplift in revenues for these newer services, particularly those associated with Health and Animal welfare. Herdwise, NMR's screening service for managing Johne's disease, a pervasive and wasting infection of cattle has seen substantial growth. In June 2018, NMR had more than 2,055 herds regularly using our Johne's screening services compared to 1,600 a year earlier. Supporting dairy processors with testing, assurance and provenance services is also an area of growth and opportunity. The demands of retailers are increasing and we are partnering processors under the NML brand with innovative services such as using our own software developments to match payment data to collection volumes, and testing for thermoduric bacteria which reduce shelf life of fresh milk. In addition we are examining how we support the processors with their desire for greater transparency for managing anti-microbial resistance (AMR). The last few months of the year also saw a step change in revenues for Reproduction services: Sales of Sensetime™, the new and innovative web-based heat detection service from our partners at Antelliq, has seen progressive sales, supported by grant activity, and we were successful in a tender to support AHDB (the Agricultural and Horticultural Development Board) with genomic testing to support their trial to test their TB advantage index.

Group turnover for the 12 months ended 30 June 18 was £21.4m and compares to £19.5m for the continuous operations of the 12 months ended 30 June 17, an increase of 9.8%. This is a fairly strong recovery in revenues, and reflects growth in our core markets, disease testing and revenues from new services.

Operating Profit before pension re-measurement has risen from £1.2m for the 15 months ended 30 June 17 to £1.9m for the 12 months ended 30 June 2018. Removing discontinued operations, and depreciation reveals a growth in adjusted 12 month EBITDA from £1.9m to £2.4m an increase of 24%. Key to achieving this has been the delivery of top-line growth coupled with careful management of costs to ensure efficient conversion of revenues into EBITDA, hence EBITDA % is reported as a Key Financial Indicator in the table on page 48. Whilst carefully managing costs, we are cognisant of the investment required in our marketing and our people development to deliver this business performance.

Investment in our infrastructure is also a key pillar of our strategic plan, and I am pleased to report capital investment of £0.8m in the year. This investment is focused in our IT and Laboratory equipment, notably our Laboratory Information Management System (LIMS) for disease testing that is in final testing. This investment has all been within tight control of cash flow management and our debt facilities with Net Debt reducing by £1.8m in the period to £2.1m or 0.9 times EBITDA.

Strategic Report (continued)

In June 2018 the company announced that a reduction of the company's capital had been approved by the High Court. Together with a hive-up of the trading activities of subsidiary companies into National Milk Records plc, this marks a significant simplification in the corporate structure of the business and our balance sheet. Coupled with our new Mission Statement launched in June, the hive-up enables greater cultural alignment and clarity of management information, as well as reduced compliance costs.

Future Developments

I stated in last year's Report and Accounts that we were focused on three areas: retaining and building our portfolio of market leading testing services; continuing our careful management of costs; and to invest in our business infrastructure. The company is ambitious, of course, and the Board will continue to develop new opportunities for growth. Meanwhile, the focus on our core customers and core business has served us well this year and we remain determined in our mission to deliver *Essential insight for the UK dairy supply chain*.

Key Performance Indicators

In addition to our Key Financial Indicators, Laboratory Processing Time (LPT) is a key performance indicator for the group as it differentiates us from our main competitor. In the 12 months period to June 2018, LPT was 5.9 hours which is in line with previous years. We also monitor cows on the database as a lead indicator for revenue. This has stayed level this year at 737,000 although this rose in the winter before falling away again.

Approval

This report was approved by the Board of Directors on 1 October 2018 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.

The directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2018.

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.

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.

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.

We have tested our cash flow requirements against the latest business plans and budgets, including allowing for sensitivity scenarios, 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 people management 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 2018	Female as at 30 June 2018	Male as at 30 June 2018
Directors	**5**	**0**	**5**
	(2017: 8)	(2017: 0)	(2017: 8)
Senior Managers	**4**	**1**	**3**
	(2017: 5)	(2017: 1)	(2017: 4)
Balance	**273**	**145**	**128**
	(2017: 265)	(2017: 138)	(2017: 127)
Total	**282**	**146**	**136**
	(2017: 278)	(2017: 139)	(2017: 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 comprises two executive directors and three non-executive directors, one of whom is a farmer. 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 on page 8.

Remuneration Committee

The Remuneration Committee at 30 June 2018 comprised T Lloyd, M Butcher and M Gallacher with T Lloyd as Chairman. Its task is to determine the remuneration and other benefits of the Company's Chairman, Managing

Director, Finance Director 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 2018 comprised T Lloyd, M Gallacher 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 2018 comprises T Lloyd, M Butcher, A Warne and M Gallacher, with T Lloyd acting 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 2018: 8 (2017: 14).

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

Mr T Lloyd	100%
Mr M Butcher	88%
Mr A J Warne	100%
Mr M C Frankcom	100%
Mr M Gallacher (Appointed 2 January 2018)	100%
Mr P Kirkham (Resigned 31 May 2018)	100%
Mr B E C Bartlett (Resigned 26 October 2017)	100%
Mr J H Davies (Resigned 26 October 2017)	100%
Mr N A Kirby (Resigned 26 October 2017)	100%

Attendance is measured as % of meetings whilst in office.

Substantial Shareholdings

Schedule of Shareholders at 30 June 2018 and 30 June 2017 with shareholdings of greater than 3%:

	30 June 2018		*30 June 2017*	
	Shares	***%***	*Shares*	*%*
Aurora Nominees Limited	**6,310,000**	**29.71**	6,310,000	29.71
Livestock Improvement Corporation (UK) Ltd	**4,194,880**	**19.75**	4,194,880	19.75
ROY Nominees Limited	**2,942,334**	**13.85**	2,942,334	13.85
PH Nominees Limited	**2,120,000**	**9.98**	2,120,000	9.98
Hargreaves Lansdown (Nominees) Ltd	**655,607**	**3.09**	—	—

Dividends

As outlined in the Chairman's statement, the directors are recommending the payment of a final dividend relating to the period ended 30 June 2018 of 2.5 pence per share (2017: £nil). The full timetable for payment of the dividend is included on page 16. Earnings per ordinary share are disclosed on the face of the Consolidated Profit and Loss Account and in Note 8 to the accounts.

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.

Directors’ Report (continued)

Political donations

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

Other Considerations

Key Performance Indicators and future developments are considered in the strategic report.

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 2018 Annual General Meeting.

Approved by the Board and signed on its behalf by:

Mr A J Warne
Director

1 October 2018

Annual General Meeting and Dividend Timetable 2018

1 October	Publish Report and Accounts and announce proposed dividend
18 October	ex-Dividend date
19 October	Record Date
24 October	Annual General Meeting
2 November	Closing date for DRIP election
23 November	Payment date

Subject to approval of the ordinary resolution, paying a dividend would be great step for NMR to normalise its relationship with its investors and the NMR Board is excited to recommend this to shareholders. At the same time the NMR Board is keen to reduce the administrative burden on the business. For a large number of NMR shareholders who hold 320 shares, a 2.5 pence dividend means a payment of £8. We are keen for shareholders to sign up to the DRIP scheme, which means reinvesting the dividend payment to buy more shares and avoids both us and the shareholder having to process a relatively small payment. We have enclosed a leaflet about the DRIP scheme which we ask you to read and to sign if you agree this is an efficient way to receive the dividend. It's also an effective and low-cost way to keep investing in NMR.

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 Managing Director’s 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
- the Directors’ Report includes a description of the principal risks and uncertainties that the business faces; 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 1st October 2018 and is signed on its behalf by:

AJWarne.

Mr A J Warne
Director

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of National Milk Records plc (the 'parent company') and its subsidiaries (the 'group'):

- **give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 and of the group's profit for the year then ended;**
- **have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated balance sheet;
- the company only balance sheet;
- the consolidated and company only statements of changes in equity;
- the consolidated statement of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Revenue - Accuracy and Occurrence of credit notes*.
Materiality	The materiality that we used for the group financial statements was £320,000 which was determined on the basis of 1.5% of revenue.
Scoping	The group audit team have carried out full audits on all subsidiaries of the group. These subsidiaries account for all of the group's revenue, group's net assets and group's profit before tax.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue - Accuracy and occurrence of credit notes	
Key audit matter description	The nature of the business results in a large number of invoices being raised. Customers are generally invoiced based on the tests that are expected to be made on estimated herd numbers. This inevitably fluctuates from the tests that are actually performed and as such a large amount of credit notes are required. Total value of credit notes raised in the period equals £609,000 compared to total revenue of £21.405m. Management provides for these credit notes to avoid cut-off issues, however, there is a risk of material misstatement that invalid or unauthorised credit notes are raised. This is due to the fact that the process for raising credits notes is manual and reliant upon sales representatives informing the group finance team of the necessary adjustments by ad hoc methods. This makes the process more susceptible to fraud and overstatement of revenue if credit notes are not being raised correctly. For further details see accounting policies note 1 and note 2 relating to revenue.
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Evaluated the design and implementation of controls around accuracy and occurrence of credit notes; • Reviewed the accuracy of the credit note provision by comparing to the post year-end credit notes raised relating to FY18 income; • Agreed a sample of credit notes issued in the year to supporting documentation from sales representatives; • Critically assessed the group's revenue accounting policies for each revenue stream and tested their application through analytic procedures as all turnover is derived from ordinary activities and recognised on physically delivery to the customer. • Reviewed the financial statements disclosures to ensure that they are compliant with the applicable accounting standards
Key observations	Based on the work performed we concluded that the credit notes are appropriately stated and the disclosures in the financial statements are appropriate.

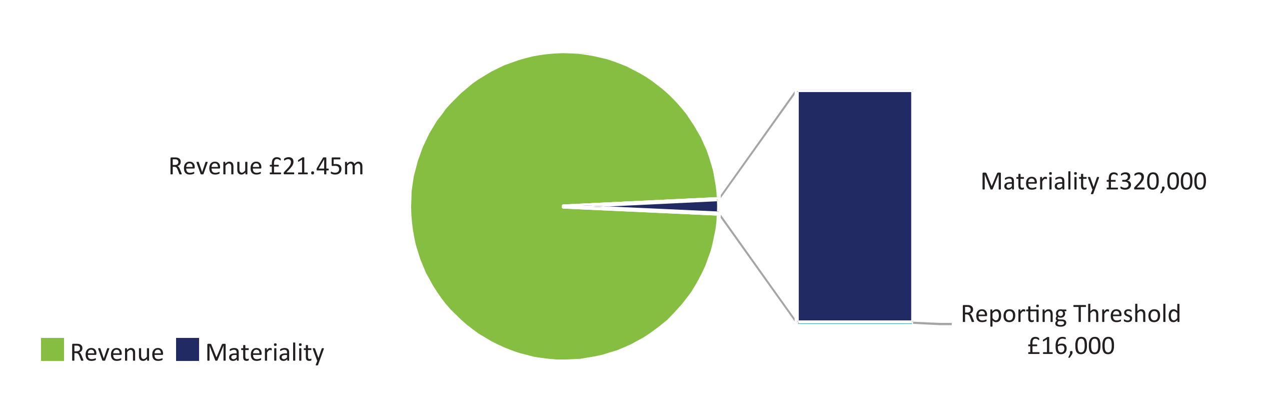
Independent Auditor's Report (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£320,000	£316,800
Basis for determining materiality	1.5% of revenue	Parent company materiality represents 1.48% of revenue and is capped at 99% of group materiality.
Rationale for the benchmark applied	We determined materiality based on revenue as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by revenue movements.	



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £16,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. The group audit team have carried out full audits on all subsidiaries of the group. These subsidiaries account for all of the group's revenue, group's net assets and group's profit before tax. Our audit work was executed at levels of materiality applicable to each subsidiary which were lower than group materiality. Audit work to respond to the risks of material misstatement was performed directly by the group audit engagement team without the involvement of component auditors.

Independent Auditor's Report (continued)

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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 group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Use of our report

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.

Andrew Wright

Andrew Wright
for and on behalf of Deloitte LLP
Senior Statutory Auditor
Bristol, United Kingdom

1 October 2018

Consolidated Profit & Loss Account
12 months ended 30 June 2018

	Note	*12 months ended 30 June 2018*	*Restated 15 months ended 30 June 2017*		
	29				
		Total £'000	*Continuing operations £'000*	*Discontinued operations £'000*	*Total £'000*
Revenue	2	**21,405**	24,331	993	25,324
Cost of Sales		**(10,125)**	(10,639)	(559)	(11,198)
Gross Profit		**11,280**	13,692	434	14,126
Administrative Expenses		**(9,387)**	(12,225)	(700)	(12,925)
Operating profit/(loss) before pension remeasurement/exit		**1,893**	1,467	(266)	1,201
Loss on Milk Pension Fund exit		**—**	(12,460)	—	(12,460)
Loss on disposal of operations		**—**	—	(682)	(682)
Operating Profit/(Loss)	5	**1,893**	(10,993)	(948)	(11,941)
Share of operating profit in joint ventures	11	**243**	266	—	266
		2,136	(10,727)	(948)	(11,675)
Net finance cost	6	**(145)**	(179)	58	(121)
(Loss) on Disposal of Fixed Asset Investments		**—**	(58)	—	(58)
Other Gains and losses		**3**	—	—	—
Profit/(Loss) Before Tax		**1,994**	(10,964)	(890)	(11,854)
Tax	7	**(167)**	1,375	38	1,413
Profit/(Loss) for the Period		**1,827**	(9,589)	(852)	(10,441)
Earnings per share (pence)	8				
Basic		**8.7**	(128.3)		(139.7)
Diluted		**8.6**	(128.3)		(139.7)

All operations in the year ended 30 June 2018 are continuing operations.

15 months ended 30 June 2017 has been restated following a reassessment of the measurement basis for finance leases. More detail can be found in note 29 on page 46.

Consolidated Statement of Comprehensive Income
12 months ended 30 June 2018

	Note	12 months ended 30 June 2018 £'000	Restated 15 months ended 30 June 2017 £'000
Profit/(Loss) for the Period		**1,827**	(10,441)
Actuarial gains on pension scheme		—	150
Movement on deferred tax relating to pension scheme		—	(29)
Exchange Rate difference	11	4	107
Total comprehensive income/(expense) for the period		**1,831**	(10,213)

Consolidated Balance Sheet
As at 30 June 2018

	Note	30 June 2018 £'000	30 June 2018 £'000	Restated 30 June 2017 £'000	Restated 30 June 2017 £'000
FIXED ASSETS					
Intangible assets	9		**358**		—
Tangible assets	10		**2,524**		2,790
Investments	11		**862**		623
Other Investments			**—**		44
			3,744		3,457
CURRENT ASSETS					
Stock	12	**222**		184	
Debtors – due within one year	13	**2,896**		2,617	
Debtors – due after one year	13	**1,761**		2,120	
Cash at bank and in hand		**1,551**		459	
		6,430		5,381	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	**(4,507)**		(4,815)	
NET CURRENT ASSETS			**1,923**		566
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,667**		4,023
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	15		**(2,968)**		(3,269)
PROVISIONS FOR LIABILITIES	18		**(256)**		(207)
NET ASSETS			**2,443**		547
CAPITAL AND RESERVES					
Called-up share capital	19		**53**		2,124
Share premium	20		**—**		7,426
Share option reserve	20		**—**		22
Own Shares	20		**(195)**		(195)
Profit and loss account	20		**2,585**		(8,830)
SHAREHOLDERS' FUNDS			**2,443**		547

The financial statements of National Milk Records plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 1 October 2018.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Company Balance Sheet
As at 30 June 2018

		30 June 2018		*Restated 30 June 2017*	
	Note	*£'000*	*£'000*	*£'000*	*£'000*
FIXED ASSETS					
Intangible assets	9		**358**		—
Tangible assets	10		**2,524**		1,818
Investments	11		**221**		2,570
			3,103		4,388
CURRENT ASSETS					
Stock	12	**222**		28	
Debtors – due within one year	13	**2,896**		1,212	
Debtors – due after one year	13	**1,761**		2,120	
Cash at bank and in hand		**1,551**		234	
		6,430		3,594	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	14	**(4,507)**		(6,322)	
NET CURRENT ASSETS/(LIABILITIES)			**1,923**		(2,728)
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,026**		1,660
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	15		**(2,968)**		(3,270)
PROVISIONS FOR LIABILITIES	18		**(256)**		(189)
NET ASSETS/(LIABILITIES)			**1,802**		(1,799)
CAPITAL AND RESERVES					
Called-up share capital	19		**53**		2,124
Share premium	20		**—**		7,426
Share option reserve	20		**—**		22
Own Shares	20		**(195)**		(195)
Profit and loss account	20		**1,944**		(11,176)
SHAREHOLDERS' FUNDS/(DEFICIT)			**1,802**		(1,799)

The financial statements of National Milk Records plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 1 October 2018.

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 £3,532,000 and includes £3,508,000 following the hive-up of subsidiary companies (2017: Loss £13,665,000).

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Consolidated Statement of Changes in Equity
12 months ended 30 June 2018

GROUP	*Called-up share capital £'000*	*Share premium £'000*	*Share option reserve £'000*	*Own shares £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2016 as previously stated	754	76	22	—	1,197	2,049
Adjustment Per note 29	—	—	—	—	186	186
At 31 March 2016 restated	754	76	22	—	1,383	2,235
Issue of shares	1,370	7,350	—	(195)	—	8,525
Profit/(loss) for the period restated	—	—	—	—	(10,441)	(10,441)
Other comprehensive income for the period	—	—	—	—	228	228
At 30 June 2017 restated (see note 29)	2,124	7,426	22	(195)	(8,830)	547
Capital reduction of par value from 10p to 0.25p per ordinary share	(2,071)	—	—	—	2,071	—
Cancellation of share premium account	—	(7,426)	—	—	7,426	—
Reclassify share option reserve	—	—	(22)	—	22	—
Credit to equity for equity-settled share-based payments	—	—	—	—	65	65
Profit/(loss) for the period	—	—	—	—	1,827	1,827
Other comprehensive income for the period	—	—	—	—	4	4
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**1,831**	**1,831**
At 30 June 2018	**53**	**—**	**—**	**(195)**	**2,585**	**2,443**

Company Statement of Changes in Equity
12 months ended 30 June 2018

COMPANY	*Called-up share capital £'000*	*Share premium £'000*	*Share option reserve £'000*	*Own shares £'000*	*Profit and loss account £'000*	*Total £'000*
At 31 March 2016 as previously stated	754	76	22	—	2,215	3,067
Adjustment Per note 29	—	—	—	—	153	153
At 31 March 2016 restated	754	76	22	—	2,368	3,220
Profit/(loss) for the period restated	—	—	—	—	(13,665)	(13,665)
Issue of shares	1,370	7,350	—	(195)	—	8,525
Other comprehensive income for the period	—	—	—	—	121	121
At 30 June 2017 restated (see note 29)	2,124	7,426	22	(195)	(11,176)	(1,799)
Capital reduction of par value from 10p to 0.25p per ordinary share	(2,071)	—	—	—	2,071	—
Cancellation of share premium account	—	(7,426)	—	—	7,426	—
Reclassify share option reserve	—	—	(22)	—	22	—
Credit to Equity for equity-settled share-based payments	—	—	—	—	65	65
Profit/(loss) for the period	—	—	—	—	3,532	3,532
Other comprehensive income for the period	—	—	—	—	4	4
Total comprehensive income for the period	**—**	**—**	**—**	**—**	**3,536**	**3,536**
At 30 June 2018	**53**	**—**	**—**	**(195)**	**1,944**	**1,802**

On 28 June 2018 the company successfully achieved a capital reduction which was approved by the High Court of Justice in England and Wales on 26 June 2018.

Profit for the company for the 12 months ended 30 June 2018 includes £3,508,000 following the hive-up of subsidiary companies.

Consolidated Statement of Cash Flows
12 months ended 30 June 2018

	Note	12 months ended 30 June 2018 £'000	12 months ended 30 June 2018 £'000	Restated 15 months ended 30 June 2017 £'000	Restated 15 months ended 30 June 2017 £'000
Cash flows from operating activities					
Operating Profit/(loss)			1,893		(11,941)
Amortisation of intangible assets		8		266	
Write off intangible assets		126		—	
Share option vesting expense		13		—	
Amortisation of loan expenses		12		—	
Investment written off		—		5	
Depreciation of tangible assets		507		682	
Profits on disposal of tangible assets		(23)		(46)	
Increase/(decrease) of warranty provision		45		(20)	
(Increase) in trade and other debtors		(140)		(100)	
(Increase)/decrease in stocks		(38)		112	
Increase in creditors		392		930	
Loss on disposal of Inimex		—		682	
Settlement to Exit Milk Pension Fund		—		(2,372)	
Difference between pension credit and cash paid		—		(1,128)	
			902		(989)
Income taxes paid			—		(151)
Cash from operations			2,795		(13,081)
Cash flows from investing activities					
Dividend received from Associate		52		175	
Overseas dividend		—		106	
Purchase of tangible assets		(801)		(1,265)	
Proceeds from sale of tangible assets		47		69	
Proceeds on exercise of share options		52		—	
Acquisition of subsidiary		—		(96)	
Cash acquired with subsidiary		—		31	
Proceeds of disposal of investment		—		4	
			(650)		(976)
Cash flows from financing activities					
Share Capital Issued		—		8,709	
Share issue costs		—		(185)	
New bank loans raised		251		4,019	
Transaction costs in respect of the bank loan		—		(87)	
Lease finance paid down		(173)		(297)	
Interest paid		(145)		(48)	
Loan repayments		(986)		—	
			(1,053)		12,111
Net increase/(decrease) in cash and cash equivalents			1,092		(1,946)
Cash and cash equivalents at beginning of period			459		2,405
Cash and cash equivalents at end of period			1,551		459

1. ACCOUNTING POLICIES

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

Accounting periods

The previous accounting period was extended to a 15 month period ended 30 June 2017. This was to encapsulate the significant accounting involved with exiting the Milk Pension Fund in that period. As such these accounts compare the 12 months ended 30 June 2018 with the 15 months ended 30 June 2017 and due care should be taken when making comparison.

Basis of accounting

National Milk Records plc (the Company) is a 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 5 and 6.

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.

For the period ending 30 June 2018 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 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 affected prior to the date of transition.

Group reconstruction

In June 2018 the Group elected to hive-up its trading businesses into National Milk Records plc. As such the closing balance sheet for the Group and for the Company carry the same balances. More information can be found in notes 11 and 19 and together with the Changes in Equity statements and in the Chairman's Statement.

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

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.

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.

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.

Intangible Assets – 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. This includes software development. In such cases the identifiable expenditure is capitalised as an intangible asset and amortised on a straight line basis over the period during which the Group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

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

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.

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.

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 Other Comprehensive Income.

Hire purchase and leasing commitments

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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.

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.

1. ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

Provisions against receivables

Provisions are made specifically against debtors where there is evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age.

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.

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.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 re-measured to their fair value at each reporting date. Any 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.

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.

Management do not consider that there are any critical accounting judgements or key sources of estimation uncertainty that the directors have considered in the process of applying the Company's accounting policies and that have significant effect on the amounts being used in the financial statements.

2. TURNOVER

An analysis of group turnover is as follows:

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
Farm services including milk recording	15,527	17,585
Payment testing services	4,028	5,056
Traceability services	1,087	1,265
Reproduction services	763	1,418
	21,405	25,324

All revenue is earned in the United Kingdom.

3. STAFF COSTS

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

	12 months ended 30 June 2018	15 months ended 30 June 2017
Field Staff	65	62
Administration Staff	215	229
	280	291

Their aggregate remuneration comprised:

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
Wages and salaries	7,188	9,235
Social security costs	585	750
Other pension costs	266	288
	8,039	10,273

3. STAFF COSTS (continued)

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

	12 months ended 30 June 2018	15 months ended 30 June 2017
Field Staff	65	62
Administration Staff	106	109
	171	171

Their aggregate remuneration comprised:

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
Wages and salaries	4,928	5,860
Social security costs	422	514
Other pension costs	191	240
	5,541	6,614

The company has 3 administration staff (2017: 3) whose salary costs are charged to National Livestock Records Limited. The charge in the period to 30 June 2018 was £60,000 (2017: £104,000) and is included in the above disclosure.

4. DIRECTORS' REMUNERATION

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
Directors' remuneration	538	716
Directors' pension contributions to money purchase schemes	21	34

The number of directors to whom retirement benefits were accruing was:	7	7

The figures for the highest paid director were:

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
Directors' remuneration	201	198
Directors' pension contributions to money purchase schemes	7	8

4. DIRECTORS' REMUNERATION (continued)

Key management compensation

In addition to directors, the following amounts were paid or payable to key management within the Group. Following the establishment of the Executive Leadership team in November 2017, there is no like for like comparison with the previous year.

	12 months ended 30 June 2018 £'000
Salaries and other benefits	356
Contributions paid into defined contribution pension scheme	9

5. OPERATING PROFIT/(LOSS)

Operating Profit/(Loss) is stated after charging/(crediting):

	12 months ended 30 June 2018 £'000	Restated 15 months ended 30 June 2017 £'000
Depreciation of owned assets	338	486
Depreciation of leased assets	169	195
Profit on disposal of fixed assets	(32)	(46)
Amortisation of software development and licences	8	—
Amortisation of customer lists and goodwill	—	266
Operating lease rentals	170	245
Foreign exchange losses	—	34
Charge for additional provision for doubtful debts	16	—
Cost of stock recognised as an expense	3,531	4,126

Included within administrative expenses is expenditure on research and development projects in both the year to 30 June 2018 and the 15 months ended 30 June 2017.

Fees payable to the company's auditor:

	12 months ended 30 June 2018 £'000	15 months ended 30 June 2017 £'000
for the audit of the company's annual accounts	33	28
for the audit of the company's subsidiaries and consolidation	28	28
Total audit fees	61	56
Tax services	14	14
Total non-audit fees	14	14

No services were provided pursuant to contingent fee arrangements.

The disclosures in this table 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

	12 months ended 30 June 2018 £'000	*Restated 15 months ended 30 June 2017 £'000*
Interest Receivable and similar income	—	58
Net (cost) on MPF pension scheme	—	(150)
	—	(92)
Finance lease interest	**(21)**	(29)
Loan interest	**(124)**	—
	(145)	(29)
Net Finance cost	**(145)**	(121)

7. TAX ON PROFIT/(LOSS)

Analysis of the tax charge

The tax charge/(credit) comprises:

	12 months ended 30 June 2018 £'000	*15 months ended 30 June 2017 £'000*
Current tax		
UK corporation tax	**333**	351
Adjustments in respect of prior years	**(170)**	(79)
Total current tax	**163**	272
Deferred tax		
Origination and reversal of timing differences	**4**	10
Deferred tax on pension scheme	—	(1,696)
Total deferred tax	**4**	(1,685)
Total tax on profit/(loss)	**167**	(1,413)

7. TAX ON PROFIT/(LOSS) (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:

	12 months ended 30 June 2018 £'000	*15 months ended 30 June 2017 £'000*
Group profit/(loss)	**1,994**	(11,854)
Tax on Group profit/(loss) at standard UK Corporation tax rate of 19.00% (2017: 19.75%)	**394**	(2,359)
Effects of:		
Depreciation in excess of capital allowances	**(52)**	(8)
Non-trading profits/(loss)	**(9)**	323
Adjustments in respect of prior periods	**(170)**	(79)
Origination of timings differences	**4**	10
Elimination of deferred tax on pension scheme	**—**	700
Total Tax Charge/(credit) for the period	**167**	(1,413)

Reductions are noted in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017), enacted on 26 October 2015, and further to 17% (effective from 1 April 2020), with the Finance Act 2016. This will reduce the Group's future tax charge accordingly. The deferred tax balances at 30 June 2018 have been calculated using these rates.

The directors believe that £467,000 of the deferred tax asset is likely to unwind within 12 months of this report.

8. 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 Benefit Trust are deducted from total shares in arriving at the weighted average number of ordinary shares used in the earnings per share calculation.

	12 months ended 30 June 2018		
	Earnings £'000	*Weighted average number of Shares*	*Earnings per share pence*
Basic	**1,827**	**20,939,702**	**8.7**
Dilution	**—**	**300,000**	**—**
Diluted EPS	**1,827**	**21,239,702**	**8.6**

8. EARNINGS PER SHARE (continued)

	Restated 15 months ended 30 June 2017		
	Earnings £'000	*Weighted average number of Shares*	*Earnings per share pence*
Basic	(10,441)	7,473,355	(139.7)

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

9. INTANGIBLE ASSETS

Group

	Software development & licences £'000	***Total £'000***
Cost		
At 30 June 2017	—	—
Reclassification	492	492
Disposals	(126)	(126)
At 30 June 2018	**366**	**366**
Amortisation		
At 30 June 2017	—	—
Charge for the period	8	8
At 30 June 2018	**8**	**8**
Net book value		
At 30 June 2017	—	—
At 30 June 2018	**358**	**358**

9. INTANGIBLE ASSETS (continued)

Company

	Software development & licences £'000	*Total £'000*
Cost		
At 30 June 2017	—	—
Reclassification	154	154
Disposals	(126)	(126)
Hive up transfers	338	338
At 30 June 2018	**366**	**366**
Amortisation		
At 30 June 2017	—	—
Hive up transfers	8	8
At 30 June 2018	**8**	**8**
Net book value		
At 30 June 2017	—	—
At 30 June 2018	**358**	**358**

Software development has been reclassified from Tangible Fixed Assets into Intangible Fixed Assets in the year ended 30 June 2018. Disposals of £126,000 relates to the write-off of development of financial systems. A new product has been selected at the end of the year and is now in development.

As a result of the hive-up on 28 June 2018, intangible assets for software development were transferred from subsidiaries into the company, along with accumulated amortisation.

Notes to the Financial Statements (continued)

10. TANGIBLE FIXED ASSETS

Group

	Land and Buildings £'000	*Computer equipment and machinery £'000*	*Restated Motor Vehicles £'000*	*Assets under construction £'000*	*Total £'000*
Cost					
At 30 June 2017	1,586	4,447	852	665	7,550
Additions	27	470	151	153	801
Reclassification	—	326	—	(818)	(492)
Disposals	—	(219)	(199)	—	(418)
At 30 June 2018	**1,613**	**5,024**	**804**	**—**	**7,441**
Depreciation					
At 30 June 2017	580	3,735	445	—	4,760
Other depreciation adjustment	45	—	—	—	45
Disposals	—	(204)	(191)	—	(395)
Charge for the period	61	277	169	—	507
At 30 June 2018	**686**	**3,808**	**423**	**—**	**4,917**
Net book value					
At 30 June 2017	1,006	712	407	665	2,790
At 30 June 2018	**927**	**1,216**	**381**	**—**	**2,524**

Included within Land and Buildings is land with a net book value of £250,000 (2017: £250,000). There is no property held under leasehold.

All Motor Vehicles are held under finance leases.

Motor vehicles valuation in the year ended 30 June 2018 has been adjusted to properly account for leases on present value of minimum lease payments.

10. TANGIBLE FIXED ASSETS (continued)

Company

	Land and Buildings £'000	Computer equipment and machinery £'000	Restated Motor Vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 30 June 2017	1,289	914	852	139	3,194
Additions	27	470	151	21	669
Disposals	—	(43)	(199)	—	(242)
Reclassifications	—	6	—	(160)	(154)
Hive up transfers	297	3,479	—	—	3,776
At 30 June 2018	**1,613**	**4,826**	**804**	**—**	**7,243**
Depreciation					
At 30 June 2017	305	627	444	—	1,376
Other depreciation adjustment	45	—	—	—	45
Disposals	—	(43)	(190)	—	(233)
Hive up transfers	279	2,913	—	—	3,192
Charge for the period	58	112	169	—	339
At 30 June 2018	**687**	**3,609**	**423**	**—**	**4,719**
Net book value					
At 30 June 2017	984	287	408	139	1,818
At 30 June 2018	**926**	**1,217**	**381**	**—**	**2,524**

Included within Land and Buildings is land with a net book value of £250,000 (2017: £250,000). There is no property held under leasehold.

Valuation of motor vehicles in previous years has been re-assessed see note 29.

All Motor Vehicles are held under finance leases.

11. FIXED ASSET INVESTMENTS

Group

	IML JV £'000	Other investments £'000	Total £'000
Costs and net book value			
At 30 June 2017	623	44	667
Share of pre-tax results	243	—	243
Dividend received	(52)	—	(52)
Exchange gain	5	(1)	4
At 30 June 2018	**819**	**43**	**862**

Notes to the Financial Statements (continued)

11. FIXED ASSET INVESTMENTS (continued)

Company

	Subsidiary undertakings £'000	*Restated Interest in joint ventures £'000*	*Unlisted Investments £'000*	*Other investments £'000*	*Total £'000*
Cost					
At 30 June 2017	6,091	178	5	—	6,274
Transfer in	—	—	—	43	43
At 30 June 2018	**6,091**	**178**	**5**	**43**	**6,317**
Provision for impairment					
At 30 June 2017	3,699	—	5	—	3,704
Impairment (release)/write-off	2,392	—	—	—	2,392
At 30 June 2018	**6,091**	**—**	**5**	**—**	**6,096**
Net book value					
At 30 June 2017	2,392	178	—	—	2,570
At 30 June 2018	**—**	**178**	**—**	**43**	**221**

On 28 June 2018 the company successfully completed a hive-up whereby the trade and assets of its subsidiaries were transferred into the company. As a result the carrying value of investments in subsidiary undertakings was written down to nil.

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 Wilts SN15 1BN
National Milk Laboratories Limited	Scotland (SC 145660)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wilts SN15 1BN
Nordic Star Limited	England and Wales (03231923)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wilts SN15 1BN
Genimex Holding BV	The Netherlands (34137102)	100% ordinary	Brederstraat 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.

Notes to the Financial Statements (continued)

11. 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 (Company number)	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 2017.

12. STOCKS

	Group		Company	
	As at 30 June 2018 £'000	As at 30 June 2017 £'000	As at 30 June 2018 £'000	As at 30 June 2017 £'000
Consumables	222	160	7	18
Subsidiary transfers – consumables	—	—	215	—
Stock for resale	—	24	—	10
	222	184	222	28

13. DEBTORS

	Group		Company	
	As at 30 June 2018 £'000	As at 30 June 2017 £'000	As at 30 June 2018 £'000	As at 30 June 2017 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	2,070	1,984	2,070	915
Amounts due from joint ventures	5	12	5	6
Other debtors	61	154	61	8
Corporation tax refund	115	—	115	—
Prepayments and accrued income	645	467	645	283
	2,896	2,617	2,896	1,212
AMOUNTS FALLING DUE AFTER ONE YEAR				
Trade debtors	—	25	—	25
Deferred tax asset	1,761	2,095	1,761	2,095
	1,761	2,120	1,761	2,120

14. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Note	Group As at 30 June 2018 £'000	Group Restated As at 30 June 2017 £'000	Company As at 30 June 2018 £'000	Company Restated As at 30 June 2017 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR					
Bank loans < 1 year		501	415	501	415
Invoice discounting facility		—	519	—	—
Obligations under finance leases	17	132	139	132	139
Trade creditors		1,454	1,900	1,454	1,782
Corporation tax		—	35	—	(3)
Other taxation and social security		916	813	916	578
Accruals and deferred income		1,463	958	1,463	534
Other creditors		6	—	6	—
Amounts owed to Group undertakings		—	—	—	2,841
Amounted owed to joint venture		35	36	35	36
		4,507	4,815	4,507	6,322

15. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	Note	Group As at 30 June 2018 £'000	Group Restated As at 30 June 2017 £'000	Company As at 30 June 2018 £'000	Company Restated As at 30 June 2017 £'000
Bank loans > 1 year		2,705	2,998	2,705	2,998
Obligations under finance leases	17	263	271	263	272
		2,968	3,269	2,968	3,270

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. See Note 16.

16. BORROWINGS

	Group As at 30 June 2018 £'000	Group Restated As at 30 June 2017 £'000	Company As at 30 June 2018 £'000	Company Restated As at 30 June 2017 £'000
Bank Loans and invoice discounting	3,206	3,932	3,206	3,413
Amounts due for settlement within 12 months	501	934	501	415
Amounts due for settlement after 12 months	2,705	2,998	2,705	2,998
Cash at bank and in hand	(1,551)	(459)	(1,551)	(234)
Finance Leases	395	411	395	411
Net Debt	2,050	3,884	2,050	3,590

16. BORROWINGS (continued)

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 £926,000; an unlimited debenture from National Milk Records plc. The loan is provided carrying a fixed interest rate charge of 3.54%.

(b) A loan facility of £0.25m taken out on 27 October 2017. Monthly repayments commenced on 1 November 2017 and will continue until 31 October 2020. Security is provided via; a fixed charge over machinery owned by National Milk Records Plc with a book value of £259,000 at 30 June 2018.

17. OBLIGATIONS UNDER FINANCE LEASES

	Group		*Company*	
		Restated		*Restated*
	2018	*2017*	***2018***	*2017*
	£'000	*£'000*	***£'000***	*£'000*
Net obligations are repayable as follows:				
Within one year	**132**	139	**132**	139
Between one and two years	**109**	154	**109**	154
Between two and five years	**154**	118	**154**	118
	395	411	**395**	411

The finance lease liabilities all relate to motor vehicles and are secured on the corresponding vehicle. 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.

18. PROVISIONS FOR LIABILITIES

GROUP

	Deferred taxation £'000	***Product warranties £'000***	***Total £'000***
At 30 June 2017	205	2	207
Charge to profit and loss account	4	45	49
At 30 June 2018	**209**	**47**	**256**

COMPANY

	Deferred taxation £'000	***Product warranties £'000***	***Total £'000***
At 30 June 2017	187	2	189
Balance transferred in on Hive-up	18	—	18
Charge to profit and loss account	4	45	49
At 30 June 2018	**209**	**47**	**256**

The provision for product warranties relates to potential warranty claims on products sold in the last three years. Any associated charges would be expected to be paid within 12 months.

18. PROVISIONS FOR LIABILITIES (continued)

The following are the deferred tax liabilities 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 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
At 30 June 2017	205	(2,095)	(1,890)
Charge to profit and loss account	4	—	4
Current tax liability charge	—	333	333
At 30 June 2018	**209**	**(1,761)**	**(1,552)**

19. CALLED-UP SHARE CAPITAL

	As at 30 June 2018 £'000	*As at 30 June 2017 £'000*
Allotted, called-up and fully paid		
21,239,702 Ordinary Shares of £0.0025p each	53	—
21,239,702 Ordinary Shares of £0.10p each	—	2,124
Zero Deferred shares of £1 each (2017: 90)	—	—
	53	2,124

The company has one class of ordinary shares which carry no rights to fixed income.

Following approval by the High Court of Justice in England and Wales on 26 June 2018, the company reduced the nominal value of its ordinary shares from 10p to 0.25p per share.

20. RESERVES

The profit and loss account represents accumulated total comprehensive income.

The own shares reserve represents the cost of shares in National Milk Records plc purchased in the market and valued 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 2018 was 300,000 (2017: 300,000).

The directors have proposed a dividend of 2.5p per ordinary share payable on 23 November 2018.

21. LEASING COMMITMENTS

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

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Within one year	—	160	—	130
Between one and five years	225	306	225	248
In more than five years	477	—	477	—
	702	466	702	378

22. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £266,000 (2016: £292,000).

23. CONTINGENT LIABILITIES

The Group has an overdraft facility of £450,000 which is secured by a fixed and floating charge over the assets of the Group. The overdraft was not used at 30 June 2018. The directors do not anticipate that any material liabilities will arise.

24. CAPITAL COMMITMENTS

	Group 2018 £'000	Group 2017 £'000
Contracted but not provided for	41	163

Capital commitments at 30 June 2018 relate to the purchase of motor vehicles which have been ordered but not delivered.

25. 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 £22,952 (2017: £18,636). The outstanding balance due from these directors at 30 June 2018 was £686 (2017: £nil).

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:

	2018 £'000	2017 £'000
Trade debtors	5	12
Trade creditors	35	36
	40	48

25. RELATED PARTY TRANSACTIONS (continued)

Independent Milk Laboratories Limited (continued)

During the period the group traded with IML as follows:

	2018 £'000	2017 £'000
Sales to IML	73	23
Purchase from IML	235	278
	308	301

26. SHARE BASED PAYMENT TRANSACTIONS

In April 2018 all 185,000 share options under the old 2010 Company Share Option Plan (CSOP) were executed by the option holders, leaving none outstanding or exercisable at the end of the financial year.

In December 2017, the company adopted a new share option plan known as the National Milk Records plc Unapproved Share Option Plan and granted four options under that plan. A total of 226,686 share options were issued at an exercise price of 65 pence. In addition a further 4 options were granted under the pre-existing Approved Share Option Plan at an exercise price of 90.5 pence, having a total of 73,314 shares under option. Both schemes vest over 3 years and have no performance conditions attached. All eight options have a maximum term of 10 years.

The Company has used the Black Scholes model to establish a fair value of the share options at the Grant Date. It is a straight-forward formula which is widely accepted in the market. The expected volatility is based on share price movement for the 12 months ended 30 June 2018. The expected life is the average expected period to exercise. The risk free rate of return is the yield on UK government 2 year bond.

Number of share options by plan:

	2010 CSOP Share Option Plan	2017 Unapproved Share Option Plan	2017 Approved Share Option Plan	Total
Outstanding at the beginning of the period	185,000	—	—	185,000
Granted During the period	—	226,686	73,314	300,000
Exercised during the period	185,000	—	—	185,000
Forfeited/Expired during the period				—
Outstanding at the end of the period	—	226,686	73,314	300,000
Exercisable at the end of the period	—	—	—	—

On 17 April 2018 185,000 options were exercised by three employees including one director.

26. SHARE BASED PAYMENT TRANSACTIONS (continued)

Fair valuation: assumptions

	2010 CSOP Share Option Plan	*2017 Unapproved Share Option Plan*	*2017 Approved Share Option Plan*
Grant date	12-Aug-10	18-Dec-17	18-Dec-17
Share price at grant date	28.00p	90.50p	90.50p
Exercise price	25.00p	65.00p	90.50p
Number of employees	3	4	4
Shares under option	Nil	226,686	73,314
Vesting period	3	3	3
Expected volatility	20.0%	6.7%	6.7%
Option life (years)	10	10	10
Expected life (years)	5	3	7
Risk free interest rate	5.00%	1.15%	1.15%
Fair value per option	8.16p	27.70p	10.30p

The Company recognised a total expense of £12,500 (2017: £nil) in relation to equity-settled share-based payments.

27. FINANCIAL INSTRUMENTS

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

GROUP

	As at 30 June 2018 £'000	*Restated As at 30 June 2017 £'000*
Financial Assets – measured at undiscounted amount receivable		
Trade and other debtors	**2,891**	3,502
Amounts due from joint ventures	**5**	—
	2,896	3,502
Financial Liabilities – measured at amortised cost		
Bank loans	**3,206**	3,413
Finance Leases	**395**	411
Trade and other creditors	**4,341**	4,296
Amounts due to joint ventures	**35**	—
Bank loans	**—**	519
	7,977	8,639

27. FINANCIAL INSTRUMENTS (continued)

COMPANY

	As at 30 June 2018 £'000	*Restated As at 30 June 2017 £'000*
Financial Assets – measured at undiscounted amount receivable		
Trade and other debtors	**2,891**	1,570
Amounts due from joint ventures	**5**	—
	2,896	1,570
Financial Liabilities – measured at amortised cost		
Bank loans	**3,206**	3,413
Finance Leases	**395**	411
Financial Liabilities – measured at undiscounted amount payable		
Trade and other creditors	**4,341**	3,481
Amounts due to other group companies	**—**	2,841
Amounts due to joint ventures	**35**	—
	7,977	10,146

28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

29. RESTATEMENTS

Company Tangible fixed assets – Motor Vehicles

	As previously stated £'000	*Adjustment £'000*	*Restated £'000*
NBV at 31 March 2016	359	47	406
Additions	307	(95)	212
Disposals at book value	(21)	6	(15)
Depreciation in the period	(267)	72	(195)
NBV at 30 June 2017	**378**	**30**	**408**

Company Finance lease creditor

	As previously stated £'000	*Adjustment £'000*	*Restated £'000*
At 31 March 2016	642	(224)	418
Additions	307	(95)	212
Disposals	(43)	92	49
Interest	48	(19)	29
Repayments	(297)	—	(297)
At 30 June 2017	**657**	**(246)**	**411**

29. RESTATEMENTS (continued)

During the year management has reassessed the measurement basis relating to the recognition of assets held under finance leases and the associated liability. The significant element of this relates to the fact that previously finance leases had been recognised based on the invoice value of the vehicle and following this reassessment brought forward balances at 01 April 2016 and for the 15 month period ended 30 June 2017 have been restated to reflect finance lease valuations using the present value of future lease commitments. This has resulted in the changes set out above. As a consequence the captions for depreciation and interest are affected in the Profit and Loss statement, and the captions for leased assets and leased creditors are affected in the Balance Sheet.

Impact on Net Assets and Profit and Loss Account

Group	*As previously stated £'000*	*Adjustment for leases £'000*	*Restated £'000*
Net Assets at 30 June 2017	270	277	547
Profit and loss account at 30 June 2017	(9,107)	277	(8,830)

Company	*As previously stated £'000*	*Adjustment for leases £'000*	*Restated £'000*
Net Assets at 30 June 2017	(2,076)	277	(1,799)
Profit and loss account at 30 June 2017	(11,453)	277	(11,176)

Of the £277,000 restatement, £186,000 relates to the Opening balance sheet as at 1 April 2016, the remaining £91,000 has been adjusted within the profit and loss account for the period ended 30 June 2017.

Key Financial Indicators

	Six months ended 30 June 2018	*Six months ended 31 December 2017*	*Restated Six months ended 30 June 2017*	*Six months ended 31 December 2016*
Turnover	**10,873**	10,532	10,474	9,875
EBITDA	**1,213**	1,187	965	673
Adjusted EBITDA (*)	**1,213**	1,187	1,037	845
Adjusted EBITDA %	**11.2%**	11.3%	10.3%	9.0%
EPS (pence) (12mth earnings)	**8.7**	—	(139.7)	—
Net Assets	**1,738**	1,043	547	2,558
Net Debt	**(2,147)**	(3,311)	(3,884)	1,809
Net Debt: EBITDA (times) (12mth earnings)	**0.9**	1.4	2.1	(1.1)

Adjusted EBITDA and Adjusted EBITDA % exclude earnings and revenues for Inimex Genetics Ltd and so compare on a like-for-like basis

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