NMR

Information Partnerships

NATIONAL MILK RECORDS PLC

Annual Report and Consolidated Financial Statements for the year ended 30 June 2020

Contents

Directors and Professional Advisors

DIRECTORS

Dr James Andrews	*(Independent Non-Executive)*
Mr Mark Butcher	*(Independent Non-Executive)*
Mr Mark Frankcom	*(Executive)*
Mr Trevor Lloyd	*(Independent Non-Executive and Chairman)*
Mr Andy Warne	*(Executive)*

SECRETARY

Mrs Lisa Ward

REGISTERED OFFICE

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

REGISTERED NUMBER

03331929

AUDITOR
Deloitte LLP, Bristol
3 Rivergate
Temple Quay
Bristol
BS1 6GD

BANK
Lloyds Bank
29 High Street
Chippenham
Wiltshire
SN15 3HA

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

CORPORATE ADVISOR
Canaccord Genuity Limited
88 Wood Street
London
EC2V 7RS

REGISTRAR
Equiniti
PO Box 4630
Worthing
BN99 6QQ

FINANCIAL PR
Blytheweigh
4-5 Castle Court
London
EC3V 9DL

Chairman's Report

National Milk Records PLC ("NMR" or the "Company"), the Aquis Stock Exchange traded leading supplier of dairy and livestock information services, is pleased to announce its audited accounts for the year ended 30 June 2020.

This has been a challenging financial year for NMR and I am extremely proud of how the NMR family has responded to two viral challenges to our business, the RYUK cyber-attack in the autumn of 2019 was closely followed by the global COVID-19 pandemic in the spring of 2020. The NMR Board has endeavoured to keep shareholders informed on both challenges as they have developed.

The RYUK cyber-attack became evident to NMR on Friday 13 September. A key factor in the disruption caused was that our back-up protocols were compromised. No ransom was paid and NMR staff worked diligently to restore, recover or re-write our IT systems. The key payment testing services were prioritised in the recovery process and our processor customers saw limited disruption in our service provision. The principal disruption was caused to our farmer customers in terms of milk recording and disease testing. NMR provided an emergency somatic cell counting service within seven days of initial shut down of our recording services. The level of disruption caused to individual farms varied considerably: NMR proactively instigated a 20% discount of the per cow recording fees for two months and then dealt with individual farmers on a case by case basis. As well as this immediate discount to revenue and the costs of recovery including third party consultancy NMR has suffered a legacy aged debt related to this period when farmers withheld payment on the basis of poor service.

However, we have responded significantly to the cyber-attack, accelerating digital transformation, improving protection and monitoring and upgrading our capabilities in disaster recovery. The investment made in these areas will have a positive impact on the Company moving forward and will provide us with greater security and flexibility to support the growth of our business.

COVID-19 has had a profound effect on society generally. As an integrated supplier to the dairy industry NMR was regarded as an essential service and we maintained our payment and food safety services to milk processors in the normal way. There has been a great focus on reducing the COVID-19 risk at our operational sites and our administrative staff were asked to work from home. Our milk recording services are largely supported by a national network of self-employed technicians and lockdown, social distancing rules and classification of some individuals as vulnerable caused disruption to our recording services. Of our approximately 4,000 farmer customers, 1,300 of our customers changed their service to some extent, either delaying or cancelling recordings as well as moving to a Do it Yourself ("DIY") sampling service. Our field staff have again worked diligently to help our farmers maintain the integrity and completeness of their milk records.

Due to these two events, reporting on the underlying performance of the business is difficult. Overall revenues of the financial year were £21.590 million (2019: £22.798 million) a reduction of 5%. Operating Profit reduced by 66% to £775,000 (2019: £2,269,000). The underlying business remains in robust shape although the distraction and disruption caused by RYUK and COVID-19 impacted management's capacity to grow the business and execute the initiatives in our strategic plan during the year.

Despite these challenges, we believe that the outlook for NMR is positive. COVID-19 has demonstrated that the services we provide, to farmers, processors, and ultimately, individuals are essential. Additionally, reporting an EBITDA of £1.437 million (2019: £2.761 million) in this environment indicates the resilience of our business model.

We have also demonstrated that we have been able to proactively respond to the challenges presented and, in the medium to long term the procedures and programmes we have implemented and the investments we have made will help to strengthen the business and provide a good platform for further growth.

There is also increased pressure for food provenance and safety as well as animal welfare and environmental awareness which has and will continue to, increase the demand for NMR services at the farm gate level. NMR's direct relationship with the UK grocery retailers as well as the UK's dairy farmers gives NMR a unique position to capitalise on this increased demand.

Therefore, the NMR Board is recommending a dividend payment of 1.25 pence per share (2019: 1.25 pence per share) for all shareholdings on the register on 16 October 2020, with an ex-dividend date of 15 October 2020. This level of dividend payment both demonstrates our confidence in the business and allows for further significant investment in our operational capacity and our new innovations such as "Genocells", whilst also acknowledging the support of shareholders during the year. If approved by shareholders at the AGM, the final dividend is expected to be paid on 20 November 2020.

Moving forward, the focus for NMR will be about investing in future growth and shareholders wishing to align themselves with this strategy can join our Dividend Re-Investment Plan (DRIP). This plan gives 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 15.

With regards to future growth, earlier this year we launched, internally, our 2020-2023 Strategic Plan which encompasses four key areas: our core business; milk testing; provenance/supply chain; and complementary step change opportunities. Moving forward, we will be focussing on a number of initiatives in these areas to grow the Company in a robust and sustainable way, therefore restoring improving total returns to our shareholders. However, it is important to note that, during the next financial year, we will still be experiencing some negative effects of the COVID-19 pandemic which will ultimately impact the financial performance of the Company.

In my previous Chairman's statement, I reported uncertainty over Brexit and I also wondered if by the time of the AGM in November 2019 there would be any more certainty. Here we are a year later none the wiser. Our advice remains the same in that over a three-year period the NMR Board is optimistic about the future of the UK dairy sector and is investing appropriately to capitalise on this optimism. In the UK dairy market, foreign exchange remains a key driver: a weaker pound helps exports and reduces the competitiveness of imports whilst increasing the cost of feed imports. I am also sure the UK dairy sector will not be immune from short-term issues regarding uncertainty and confusion, particularly if a trade agreement is not reached.

The NMR Board notes that Agricultural Horticultural Development Board publishes independent market updates on a weekly basis. This allows investors to stay in touch with market dynamics and make their own judgement of the future dairy fortunes. (https://ahdb.org.uk/dairy/dairy-markets)

I would like to thank all the NMR employed staff and self-employed milk recorders for their hard work during the year.

Trevor Lloyd
Chairman

7 October 2020

Strategic Report – Managing Director's Review

To the members of National Milk Records PLC

Cautionary Statement

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

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

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

The business model

In line with our Strategic Plan, NMR has been reporting internally against five revenue streams: Core Business; Testing Adjacencies; Surveillance Adjacencies; Other Adjacencies; and Genomics. We are pleased to present this year's annual report on this basis, having established comparator periods. Core Business is our largest revenue stream and represents services associated with testing milk, notably milk recording, payment testing and surveillance services for Johne's disease. Testing Adjacencies includes services for testing of other agricultural samples including ear tag services for Bovine Viral Diarrhoea, together with growing areas such as testing for thermoduric bacteria. Surveillance Adjacencies covers the rapidly growing markets for product surveillance including testing for contaminants and our Farm Assist service. Other adjacencies include our On-Farm Software business and heat detection services. Genomics is drawn out separately and includes genotyping of animal samples and will include NMR's Genocells service which was mentioned in the Chairman's statement.

Trading Report and KPIs

Our financial performance in the year ended 30 June 2020 includes the effect of two significant detrimental events. The RYUK cyber-attack in September 2019 and the impact of the COVID-19 pandemic this spring and summer have had a significant bearing on our operations and our financial performance. I will cover them in turn in this report but it's important to also reflect that they alone do not define the NMR financial year. NMR has learned from what has been a tough year and our management team and staff are stronger and more resolved to progress with our investment plans. These investment plans are detailed in our 2020-2023 Strategic Plan which we launched internally with our management team in March this year.

In September 2019, NMR suffered a cyber-attack from RYUK ransomware which meant that on the evening of Friday 13 September, we lost nearly all of our operational IT systems alongside our ability to restore from back-ups. However, thanks to the efforts of our IT team, we were able to continue some testing in our laboratories as early as the following Sunday night.

NMR did not pay the ransom and engaged cyber-security experts and the National Cyber Security Centre to support our recovery. Senior management enacted a COBRA-style response to the crisis, prioritising services to restore, upgrading the protection and monitoring of these services, and providing cloud-based solutions where applicable. We also prioritised communication with customers although many of the normal communication channels were directly impacted by the RYUK virus.

The financial impact was felt almost immediately as we recognised interruptions to services for our customers and issued credit notes accordingly. We also increased the provision of labour in the laboratories and in our IT department to support the recovery. Additionally, we saw an increase in consumables costs as we increased our margin of safety in the number of pots tested to protect the Johne's testing schedule and associated revenue stream.

In the wake of the cyber-attack and perhaps with some overlap with COVID-19, we have seen some atypical ageing of our debtors, particularly in farm-gate services. The impact is felt at either end of the chain where some customers have delayed payment, and from our own ability to manage credit issues as they arose, particularly in September and October. This ageing is reflected in a higher doubtful debt provision for the year. Evaluation of the financial impact of the cyber-attack is difficult, not least as a large element is evaluating the size of lost revenues. Overall, given our experience and what we understand of the impacts, we estimate the direct detrimental financial impact of the RYUK cyber-attack on our FY20 EBITDA to be c. £0.9 million.

We have been very active since September to harden our software environments against future attack including upgrading back-ups, greater monitoring and intelligent cyber protection, and the gradual removal of older infrastructure from our estate. This is not an overnight exercise and so we have also air-bridged more vulnerable elements with various web-based insulation. I would like to mention the fantastic efforts of the NMR team in our response to the attack. Not only with regards to their additional efforts but also their experience to set-up paper-based systems, resilience and determination, their ingenuity with technical solutions and workarounds, their expertise and determination to beat the virus and restore services to customers was remarkable and very humbling.

The impact of COVID-19 on our trading has been less significant. The nationwide lockdown imposed on 23 March 2020 was an immediate challenge to an organisation such as NMR, which provides time-sensitive services such as payment testing. Thanks to our investment in Office 365, we were able to rapidly move to a home-based working model for our office staff. The laboratories themselves have remained open throughout: NMR provides essential testing for the food industry and our staff are key workers and payment testing is a key component in the overall milk supply chain.

With regards to the milk recording section of the business, COVID-19 had a slightly larger impact. Some customers simply isolated the farm to all visits, some assessed that their parlours were not suitable for COVID-19 secure working, and some (self-employed) milk recorders stopped providing services. Ad hoc customers could simply stop ordering and some subscription-based customers paused their subscriptions temporarily. The overall impact in the early weeks of lockdown was significant on our primary revenue stream of milk recording and its associated Johne's disease testing and we saw an immediate drop in the number of samples coming into the laboratories, falling by some 30% relative to expectation.

During April, the volume of milk recording samples recovered as our customers understood the risks and appreciated the implications of not recording. Since early May we have been back to normal. Whilst the number of samples collected recovered reasonably quickly, the level of service applied to those samples has also changed. We have seen customers respond to the crisis in a number of ways depending on individual circumstances, this might be to defer services, or to drop down to a lower frequency of service or to opt, in the short term, for data only services with no sampling. The largest shift was from assisted services to a DIY model. We saw a peak shift between these services of c.950 customers. This has dented revenues and as we helped customers maintain the integrity of their milk records, and in the short term we did not manage to divert the full costs of providing assisted services. As such revenue and margins have been depressed. Again evaluation of the financial impact is difficult as we are mainly testing the absence of revenue, but given our experience and understanding of the situation, we estimate the peak impact of COVID-19 on our earnings was c. £75,000 per month and a total for the year ended 30 June 2020 of c. £200,000.

We have seen a recovery from the peak impacts in April and May as customers' confidence returns and they determine the optimum model for working through the pandemic. The current level of customers remaining on their differentiated service is now down to c. 200 and we anticipate that continuing to diminish through the autumn months. The COVID-19 pandemic has highlighted to NMR how important its milk recording service is to our customers; NMR's recording services together with our testing and surveillance services are an essential component of their management system.

The essential nature of NMR's services is reflected in the fact that we are reporting positive EBITDA of £1.437 million in a year in which we suffered a significant cyber-attack and a global pandemic. This demonstrates the underlying resilience of our business model. Year on year, recording revenues fell by 8.6% and payment testing by 6.6%, but we continued to see growth in services for Johne's disease, now our second biggest revenue stream. We also enjoyed growth in our surveillance services, FarmAssist and Fusion, in our Nordic Star ear tags business and in our support of on-farm software which is an increasingly important revenue stream as we seek to integrate data flows in the sector. Heat Detection and Genomics both saw year-on-year declines following their well-documented boosted sales in the prior year.

This year, as part of the development of our strategic plan, we have developed our KPI reporting into a cohesive single report, using Kaplan and Norton's Balanced Scorecard methodology. This looks at performance across four quadrants: People; Process; Customers; and Finance. We have defined sixteen measures in total across this scorecard. We believe the three most fundamental KPI's from an investor's perspective are;

1. The number of cows on NMR's database

2. The turnaround time for recording services

3. The average revenue per milk producer.

Average revenue per producer has grown by 2% in the year to June 2020. Turnaround time has remained the 'best of class' at 2.1 days (2019: 2.0 days). However, the number of cows on the Company's database stands at 671,811 a fall of 7.5%. We believe that this fall in the number of cows reflects our service issues in the year rather than market opportunity. Nevertheless, it is an important measure, and one we are determined to grow. In my report last year, I highlighted the organisation of our field operations as a key component of growing cow numbers. We have created a new role on our Executive Leadership Team this year, Group Operations Director. Kevin Ridley was recruited in February and is focused on the structure and function of field operations with the aim of delivering improvements. Kevin's experience is outlined in his biography on page 17.

Duty to promote the success of the company

The Directors of the Company must act in accordance with their duties under the Companies Act 2006 ("The Act"). Section 172 of the Act sets out the fundamental duty to promote the success of the Company for the benefit of the members as a whole. I am also pleased to say that we have recently outlined how the Company has adopted the principles outlined in the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), and this can be found on our website at www.nmr.co.uk. The following section describes how, in performing their duties in the year, the Directors have had regard to the matters set out in s.172 of the Act, and constitutes the Directors' Section 172 statement for 2020:

Section 172 (a): Long term decision making

The Strategy Committee of the Board, led by James Andrews, has recently articulated a three-year strategic plan to deliver long-term shareholder value set round four strategic pillars: focus on NMR's core business of milk testing; grow NMR's suite of new milk-based tests; drive food supply chain and provenance services; and identify opportunities for complementary step change.

The delivery of the Strategy is monitored by the Executive Leadership Team ("ELT") and reviewed quarterly by the Strategy Committee.

Section 172 (b): Employees

The Directors place 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 the Company. This is achieved through formal and informal meetings, Company bulletins and the distribution of the annual and interim financial statements. A company-wide employee engagement survey is run annually, and there are regular drop-in sessions, run independently of local management, to provide staff with the opportunity to voice their opinion and provide feedback. The Managing Director and senior managers use video technology to provide regular updates to employees on current issues. 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.

The Gender diversity of employees is examined in the following table:

	Total 2020	Female 2020	Male 2020
Directors	**5** (2019: 5)	**0** (2019: 0)	**5** (2019: 5)
Senior Managers	**5** (2019: 4)	**2** (2019: 1)	**3** (2019: 3)
Other employees	**272** (2019: 270)	**148** (2019: 145)	**124** (2019: 125)
TOTAL	**282** (2019: 279)	**150** (2019: 146)	**132** (2019: 133)

Section 172 (c): Suppliers, Customers and Others

NMR's core business is part of an extremely important and ever-changing national food supply chain. NMR takes very seriously the critical nature of all its various functions in ensuring that the integrity of that supply chain is maintained. Whilst engagement with suppliers and customers takes place mainly at an operational level, the Directors maintain intelligence on the latest market developments and stakeholders via members of the ELT, Non-Executive Directors and employees within the field.

Section 172 (d): Community and the Environment

The role played by NMR in the dairy supply chain is, in itself, a key component of measuring the impact and sustainability of the dairy sector as a whole. Closer to home, there are various initiatives around the Group concerning issues on environment and community. Whilst the Directors recognise that we have some catching-up to do, the relationship between the Company, our environment and our communities is being addressed by the Board Committee for Environment, Social and Governance, chaired by Andy Warne.

Section 172 (e): High Standards of Business Conduct

The Directors are responsible for promoting a corporate culture that demonstrates high standards of integrity and transparency. NMR has recently relaunched our values, centred round Trust. These are: Open and purposeful; Expert and accountable; Can do and collaborative. Key policies which support the Company values include Anti-Corruption and Bribery policy and NMR Whistleblowing policy.

Section 172 (f): Shareholders

NMR possesses a diverse shareholder base that may differ in attitude and objectives regarding their investment in the business. It is therefore seen as a priority to ensure the Non-Executive Directors in particular, are fully cognisant of these perspectives. To that end, the current Non-Executive Directors represent a range of business and industry backgrounds and, along with the Managing Director and Finance Director, maintain regular contact with the main shareholders. The Board welcomes questions and feedback from all shareholders throughout the year and specifically at the Annual General Meeting.

The Directors anticipate that whilst the Company will continue to comply with the QCA Code where possible, it will endeavour to have regard to corporate governance to the extent appropriate for a company of its size and nature.

Outlook

I mentioned that we internally launched our Strategic Plan in March this year. Whilst the evolution of the strategy has been ongoing since we exited the Milk Pension Fund in June 2017, we have recently been supported by Independent Non-Executive Director James Andrews to better articulate the strategy in order to provide more focus and engagement as we convert intention into reality. Broadly we have categorised the initiatives into four areas: Core Business, Expanding Milk Testing, Provenance/Supply Chain and Complementary Step Change. Kevin's work in Field operations is an illustration of this focus, as is the recent signing of an agreement with Seenergi, a French company specialising in dairy farm consulting, for the exclusive rights to the patent and know-how for use of "Genocells" technology in the UK. NMR considers that the Genocells offering could become one of the most significant developments in the milk recording sector for 25 years. In order to exploit this technology NMR intends to build genotyping capability within its laboratories. The contract with the supplier of this equipment has been agreed, and a purchase order signed. It is anticipated the first meaningful revenues from Genocells will be in the spring of 2021.

Alongside the investment in Genocells, NMR continues our strategic relationship with Foss to upgrade our core milk testing laboratory equipment, with an agreement for phased replacement over the next three years. We are also rebuilding our billing systems as part of our Finance and CRM replacement on Microsoft's Dynamics 365. This will reduce the complexity of the billing system, making our billing more automated and transparent and our system management more robust. This system will go live during the 2021 financial year. We also recently agreed an extension of scope with our Dynamics 365 partners to upgrade our Sale and Marketing systems using the same platform.

Summary

Despite the challenges faced this financial year, NMR has continued to deliver essential services to our customers and in so doing delivered EBITDA of £1.437 million. As we move forward, the Board is confident that we have the opportunity, determination, skills, experience and people to execute our strategic plan and restore improving total returns to our shareholders.

Andy Warne
Managing Director

Strategic Report – Group Financial Review

Summary

- Group revenue of £21.6 million (2019: £22.8 million)
- Operating Profit of £0.8 million (2019: £2.3 million) a reduction of 66%
- Dual impact of RYUK cyber-attack and COVID-19 directly reducing EBITDA by an estimated £1.1 million
- Diluted EPS of 4.7 pence (2019: 9.4 pence)
- Net debt decreased to £1.4 million, (2019: £1.7 million), 1.0x EBITDA
- Proposed dividend of 1.25 pence per share

Group Results

Effective comparison of year on year performance is complicated by the operational and financial impacts of the September cyber-attack and more recently the coronavirus pandemic. We do know that the FY19 revenues figures were bolstered in Genomics and Heat Detection by a discrete contract with AHDB and grant supported purchases of heat detection systems. Revenue in these categories fell by c. £0.35 million compared to the prior year. Exact amounts are difficult to quantify but based on our modelling and experience, our best estimate is that the direct impact of cyber-attack is c.£0.9 million affecting revenues and costs, and that the impact of COVID-19 is c.£0.2 million affecting mainly revenue.

Group revenue reduced by 5.3% to £21.6 million (2019: £22.8 million) and Earnings before interest, tax, depreciation and amortisation (EBITDA*) fell by 48% to £1.437 million (2019: £2.761 million), the proportional fall lower than Operating Profit is due to increases in depreciation and, in particular, amortisation as the investment in our laboratories and systems comes into its useful life. However, we can report on the resilience of the NMR business model and the sector more widely. Cows are milked every day and NMR played its part in the integrated UK dairy sector to rebalance milk supply during the COVID-19 related lockdown. Over a three-day period, the milk entering the food-service sector (normally 10% of UK output) dropped to zero and the demands from some retailers increased by 40%. This resulted in only 0.6% of one week's milk production being wasted. For NMR whilst revenue opportunities were lost and credit was applied for reduced service levels, the demand for testing and surveillance services continues to grow. In particular, revenues from our Johne's testing services grew by 6.5% compared to 2019, in a year when laboratory systems were significantly impaired for weeks. This did come at a cost with additional labour and consumables costs in the labs to minimise this disruption.

The corporation tax charge in the year is actually a release in the tax provision of £0.08 million, giving an effective tax rate of -8.3% (2019: 17.5%). The principal differences year on year were the impact of the increased future corporation tax rate on our deferred tax asset in the Finance Act 2020 (now 19.0%) and increased credits from research and development expenditure, relating mainly to claims in the 2018 financial year.

Basic earnings per share ("EPS") fell by almost half to 4.8 pence (2019: 9.5 pence). The proposed final dividend per share is 1.25 pence (2019: 1.25 pence). The proposed dividend, approximately a quarter of EPS, reflects that we are confident in the future opportunities for the business, the fact that we still enjoy a corporation tax holiday from the deferred tax asset on exiting the Milk Pension Fund, and that we believe shareholders should be acknowledged for their continued support during a challenging year.

Balance Sheet Summary

Net Assets increased in the year to £4.92 million (2019: £4.03 million). This reflects the disrupted trading performance during the year, with profits of £1.0 million (2019: £1.99 million) less dividend paid of £0.26 million (2019: £0.52 million).

Fixed Assets increased significantly by 19.7% to £5.67 million (2019: £4.73 million). Working capital in the year includes an increase in creditors, caused mainly by our taking advantage of the VAT holiday offered by the government as part of the response to the COVID-19 pandemic. This increased the VAT creditor by c.£0.69 million which we will carry on the balance sheet until it is repaid in March 2021. This provides the company with a margin of safety in our liquidity as we determine the most appropriate source of funding for our investment programme in the 2021 financial year, examined later in this report. The Chancellor recently announced the potential deferral of VAT payments due to coronavirus, with the ability to make smaller payments until March 2022. The Company will monitor cash flows in the run-up to March 2021 to evaluate to what extent we make use of this additional scheme.

During the year we conducted a share forfeiture exercise with our Share registrar. This enabled us to identify those shares where the holders had been untraced for a period of 12 years or more. Subject to a proactive search on our part, again delivered by the registrar, we were able to forfeit any remaining shares on the share register and sell the shares on the market, using any proceeds for the purposes of the business. We sold a total of 79,680 shares in July 2019, raising funds after registrar charges of c.£44,000. We are obliged to hold a creditor in our accounts for a period of three years should any untraced shareholders subsequently recover their share certificates.

(* A reconciliation from Operating Profit to EBITDA can be found alongside other Financial Indicators in page 52)

The deferred tax asset created on the losses sustained when we exited the Milk Pension Fund in June 2017 (MPF exit), now stands at £1.36 million (2019: £1.32 million), with the movement reflecting the absorption of the corporation tax charge for the year together with an increase in value after the Finance Act of 2020 increased the future rate of corporation tax to 19.0% from the 17.0% planned in the previous act.

Trade debtors include an increased provision for doubtful debt to reflect an increase in debtor ageing in line with our accounting policy. The cyber-attack disrupted services to customers leading to some delay in payment, whilst at the same time taking down our finance and CRM systems, and therefore our ability to manage this ageing. The Finance system was restored in time for month-end, but the CRM system came back some time later. When systems were restored, we were able to go about our normal account management, but a backlog had established. This was swiftly followed by the nationwide lockdown which led to a large number of service changes, more account queries, and further ageing. The implementation of Dynamics 365 will significantly improve our account management, to the benefit of the Company and our customers. Meanwhile we are taking all the steps necessary to manage the aged debt and bring it back to a more normal profile. The provision for doubtful debt increased by £0.25 million to stand at £0.38 million at year end.

Net debt at June 2020 was £1.39 million (2019: £1.66 million), a reduction of £0.27 million, and now represents 1.0x our reduced EBITDA this year.

Cashflow and banking facilities

We estimate that operating cashflows were impeded by the cyber-attack and COVID-19 by c. £1.1 million in the year. We have benefited from the VAT holiday and from a substantial €200,000 dividend from our Independent Milk Laboratories joint venture.

The operational challenges this year are a reminder of the essential nature of our services up and down the supply chain, and despite reduced earnings, NMR continues to invest significantly in our capability and infrastructure with overall capital expenditure of £1.52 million (2019: £1.26 million). Principal projects include the Inspire automation platform for Johne's disease testing, three Microlab Star liquid handlers, deposit on the next laboratory analyser from Foss, the exclusive UK licence for Genocells, and the Dynamics 365 project to replace our Finance and CRM systems. Given our capital investment of £1.52 million from EBITDA of £1.44 million, the additional cashflow benefits of VAT holiday, dividend receipts and share forfeiture receipts have enabled us to reduce net debt in the year.

NMR's investment ambition has not been diminished by the experiences of RYUK and COVID-19 this year. If anything, it reminds us that we must continue to invest. With our lower net debt at June 2020 and a Net Debt to EBITDA ratio of 1.0x, we have examined additional debt finance options to support our investment plans for 2021. We want to continue with our IT and laboratory improvement programmes and invest in new laboratory facilities to support our Genocells business plan. In addition, the launch of Microsoft Dynamics 365 enables us to move to an invoicing in-arrears basis. Whilst this change in invoicing has a cashflow impact on working capital, we believe this will significantly improve our customer account and relationship management, including aged debts. It also supports our ambition of growing the number of cows within our recording services. Our liquidity planning has looked at Asset finance and the government backed Coronavirus Business Interruption Loan scheme ("CBILS"), which aligns completely to supporting our situation of pursuing investment plans following reduced cashflows post COVID-19.

The proposed final dividend for the year ended June 2020 is 1.25 pence per share (2019: 1.25 pence). Holding in line with 2019 allows us to continue our investment programme whilst acknowledging the continued support of our shareholders during the year.

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 debts. 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.

Following the RYUK cyber-attack in September 2019, NMR has been accelerating our programme of digital transformation, upgrading older unsupported IT platforms, improving least-privilege access management alongside geofenced firewalls and provision of third-party Security Operations Centre and Security Event Management. We have also improved our Disaster Recovery, upgrading and testing the verified back-up / restore functionality and process. The business approach must be to expect an attack and be ready to respond in the most effective way possible.

NMR recognises the potential disruptive outcome of BREXIT and the difficulty around EU trade negotiations. We continue to hold additional stocks of European sourced laboratory consumables. Our advice remains the same in that over a 3-year period the NMR board is optimistic in the future of the UK dairy sector and is investing appropriately to capitalise on this optimism.

Finally, 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.

Risks considered following the COVID-19 outbreak are set out separately under Going Concern, below:

Going Concern

We have reviewed the current liquidity and debt facilities against the projected budget for year ended 30 June 2021 and the subsequent financial plan for years ended June 2022 and June 2023 and have run various sensitivity analyses, including trading, investment, and financing cash flows, including those for potential impacts of further disruption caused by COVID-19.

We believe our experience in 2020 holds us in good stead, coupled with our essential-worker status in the laboratories and flexibility in our field operations in terms of staff-cover and different options of service-level available to our customers. Our assessment of the greatest risk potential to NMR would be an outbreak of COVID-19 amongst the staff in one of our laboratories. This would potentially require the closure of the laboratory, to allow deep-cleaning and for staff to self-isolate. In this scenario we would route the samples to the alternative laboratory for testing, with a likely knock-on impact in terms of reduced service levels for some customers. We would prioritise the time-sensitive Payment Testing regime, and lower service levels for milk-recording samples, which may lead to some level of credit notes required to compensate customers for reduced service. Given a fourteen-day COVID-19 isolation period and a scenario based on a conservative total of four weeks interruption to service, our estimate of this impact is £200,000 and well within our facilities headroom.

The provision of new debt facilities has already been agreed in principle with our lenders, including CBILS and asset finance. Both facilities have approval from bank credit committees. Our existing asset finance matures in November 2020, so the new arrangements are, in part, a replacement of an existing facility and credit line. The combined new facilities allow NMR to fulfil our investment ambition in fixed and working capital, and whilst neither has banking covenants attached, net debt is not projected to be any higher than 2.1 times EBITDA on a rolling 12-month basis.

We have reverse stress-tested our liquidity planning against our base plan and associated sensitivity analysis, and the pinch-point of our liquidity becomes relevant once we shift invoicing pattern, with plenty of facilities headroom prior to that point. In terms of managing our cashflows, we would respond to COVID-19 trading shortfalls with an examination of discretionary expenditure, such as training and marketing – well before making adjustments to recruitment and replacement of staff. In addition, we can affect the phasing of investment, speeding-up or slowing down as appropriate – there is c. £800,000 of investment planned between March and June 2021 that can be phased differently if trading in the first half of the 2021 financial year differs from the plan. Subsequent to the change in invoicing pattern, our assessment is that the business could bear up to 10 months of distressed operations and earnings before having to address any financing concerns. Based on the current planning, the invoice-pattern change is scheduled in late spring 2021; therefore the assessment of 10 months additional headroom pushing a stress-tested liquidity horizon into the backend of 2021, approximately 15 months from the date of this report. Ultimately, management could defer the implementation of the invoice-pattern change were that required, but the significant benefits for customer recruitment and customer retention would be similarly delayed.

Based on our conservative EBITDA planning trajectory, the headroom in our finance facilities, our ability to change the phasing of our investment programme as well as responding to trading issues, and in particular the work done on COVID-19 mitigation planning, the NMR Board is confident it has adequate liquid resources to support operational planning for at least 12 months from the date of this report and is in a position to discharge our liabilities as they fall due. As such, the Directors continue to adopt and consider appropriate the going concern basis in preparing the Annual Report.

Mark Frankcom
Finance Director

Approval

This Strategic Report was approved by the Board of Directors on 7 October 2020 and is signed on its behalf by:

Andy Warne
Managing Director

7 October 2020

The Directors present their annual report with the audited financial statements of the Company and the Group for the year ended 30 June 2020.

The Directors have made an election under Section 414C of the Act to include the following information in the Strategic Report: Future Development; Employee Engagement; and Corporate Governance which is covered in the Directors' Section 172 statement for 2020.

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.

After 2 years' service Mike Gallacher resigned as a Director on 1 January 2020. James Andrews was appointed on 26 March 2020.

Remuneration Committee

The Remuneration Committee at 30 June 2020 comprised T Lloyd and M Butcher with M Butcher 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 2020 comprised T Lloyd, J Andrews and M Butcher with M Butcher as the Chairman. The committee is always attended by the Finance Director and Managing Director. Its principal role is to monitor the integrity of the financial statements of the Group, reviewing significant reporting issues and judgements which they contain, and to review a register of the principal risks of the business together with their associated management and mitigation.

Nomination Committee

The Nomination Committee at 30 June 2020 comprised T Lloyd, M Butcher and A Warne, 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.

Board attendance of directors

Number of meetings in the year ended 30 June 2020: 10 (2019: 11).

A full list of Directors, who served during the year and subsequently to the date of this report is shown below together with their meeting attendance:

Director	**No of meetings attended**	**%**
Mr T Lloyd	10	100%
Mr M Butcher	9	100%
Mr A J Warne	10	100%
Mr M C Frankcom	10	100%
Dr J Andrews	4	100%
Mr M Gallacher	2	67%

The % column represents the proportion of meetings attended during their term of office.

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.

Directors’ Report (continued)

Substantial Shareholdings

Schedule of Shareholders at 30 June 2020 and 30 June 2019 with shareholdings of greater than 3.0%:

	2020		*2019*	
	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
PH Nominees Limited	**2,120,000**	**9.98**	2,120,000	9.98
ROY Nominees Limited	**1,642,334**	**7.73**	1,692,334	7.97
Vidacos Nominees Limited	**1,229,680**	**5.79**		
Hargreaves Lansdown (Nominees) Limited			872,093	4.10

Shaded boxes indicate less than 3.0% in the prior year.

Dividends

As outlined in the Chairman’s statement, the Directors are recommending the payment of a final dividend relation to the period ended 30 June 2020 of 1.25 pence per share (2019: 1.25 pence). The full timetable for payment of the dividend is included on page 15. Earnings per ordinary share are disclosed on the face of the Consolidated Profit and Loss Account and in Note 9 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.

Political donations

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

Auditor

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

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

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

A resolution to reappoint Deloitte LLP will be proposed at the 2020 Annual General Meeting.

Approved by the Board and signed on its behalf by:

Mr A J Warne
Managing Director

7 October 2020

Board Biographies

Andy Warne – Managing Director

Andy joined NMR as the Managing Director in 2002. Andy's previous 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 around payment testing.

Dr James Andrews – Independent Non-Executive Director

James is a veterinary surgeon with significant experience within the dairy, pharmaceuticals, financial services and consumer goods industries, spanning over 14 years and three continents, including positions at Bain & Company and Felcana. His veterinary experience is valuable to NMR where livestock is central to our key business areas. James' comprehensive education includes a Bachelor of Veterinary Medicine and Surgery from the University of Edinburgh and an MBA from INSEAD.

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 of a number of public and private companies. He has wide experience in international accounting, corporate finance and banking transactions, and currently sits on the Boards of Redde Northgate plc and AssetCo 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.

Trevor Lloyd – Independent Non-Executive Director and Chairman

Trevor has over 15 years' experience as a non-executive director on various dairy industry boards and runs a dairy farming business, currently milking 430 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, the body responsible for all genetic evaluation of dairy cattle in the UK. He has extensive experience of agricultural politics serving for 20 years in various industry organisations including the National NFU Dairy Board, Welsh NFU Dairy Board and the NFU Welsh Council. Trevor is also currently Chairman of the Welsh Board of the NFU Mutual Insurance Society Ltd.

Annual General Meeting and Dividend Timetable 2020

7 October	Sign balance sheet and Publish Report and Accounts
15 October	ex-Dividend date
16 October	Record Date
30 October	Closing Date for DRIP election
3 November	Annual General Meeting
20 November	Payment date

Subject to approval of the ordinary resolution, paying a dividend for the third year in succession demonstrates the reliability of NMR's earnings. The pence per share proposed, reflects the ambition of the Board to take the opportunities we have in front of us for future growth and efficiency. For a large number of NMR shareholders who hold 320 shares, a 1.25 pence dividend means a payment of £4.00.

We encourage shareholders to sign up to the DRIP scheme which means reinvesting their 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 sign if you agree this is an efficient way to receive the dividend. It is also a convenient 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 Strategic Report together with the Group Financial Review present 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

This responsibility statement was approved by the Board of Directors on 7 October 2020 and is signed on its behalf by:

AJ Warne

Mr A J Warne
Managing Director

7 October 2020

Biographies of Executive Leadership Team

Ben Bartlett – Business Development Director

Coming from a farming background, Ben studied Agricultural Economics at The University of Reading. This led to Ben securing a position as an economist working for MAFF (Ministry of Agriculture, Fisheries and Food) in Whitehall before becoming an Industry Strategy Consultant for the Meat and Livestock Commission, focussing on delivering projects that delivered efficiency in the meat supply chain. Ben joined NMR's marketing department in 1997 before taking up roles that centred on corporate account management. This in turn led to a focus on the development of payment testing services for dairy processors, securing a significant growth in market share in this area of the business. Ben is now the Business Development Director for NMR, managing a team that includes specialist veterinarians, corporate account managers and a team responsible for the development of a range of NMR Group services.

Ceri Lambdin – Group IT Director

Ceri joined NMR in June 2020. She has worked in Information Technology for nearly thirty years for companies in sectors including mobile telecoms, supply chain logistics and social housing. Ceri has successfully delivered IT transformation at BCS, the Chartered Institute for IT, the membership body for IT professionals and at Landmarc Support Services, a contractor delivering facilities management and training estate services to the MoD's Defence Infrastructure Organisation. Ceri's areas of expertise are in change delivery, IT strategy and service management.

Debbie Thomas-Hoeller – Group HR Director

Debbie joined NMR in April 2017 as Group HR Director. With over 12 years exposure of HR, she is a CIPD qualified HR Director holding a broad range of experience in various HR disciplines from within both the private and public sectors. Her previous roles included HR Shared Service Manager for Oak Furniture Land covering a national remit of over 50 stores with a main focus on restructuring and cultural harmonisation, Group HR Manager for Destination Skin Ltd covering a national remit with a focus on implementation and bedding in of Group Vision, Mission and Values and HR Business Partner for Swindon NHS Trust with a focus on employee relations and recruitment/retention. Debbie is an approachable HR Leader who works to ensure mitigation of risk to business in all people areas. She has the ability to engage with stakeholders, to support senior management through coaching/mentoring to develop skills further. Debbie is both a strategic thinker and operational doer with a personal passion for value driven behaviours and delivering excellent HR service.

Kevin Ridley – Group Operations Director

Kevin joined NMR as the Group Operations Director in February 2020. Following a career in corporate lending for a French bank, he has over 20 years' experience in Sales & Marketing and Operations within the agricultural sector, both within the UK and globally. Kevin's previous managerial roles include being a Vice President for TSI Instruments, based out of Minneapolis, developing electronic components, software and test equipment for various global agricultural markets, General Manager for Amazone Limited the subsidiary of a German machinery manufacture and Group Sales and Operations director for a UK New Holland/JCB dealership.

Report on the audit of the financial statements

1. 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 2020 and of the group's profit for the year then ended;
- the group and parent financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit & loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 31.

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

2. 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 (the '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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Revenue – occurrence of sales as recorded in the last month of the financial year and completeness of the year end credit note provision.*

Materiality	The materiality that we used for the group financial statements was £170,000 which was determined on the basis of revenue and net assets.
Scoping	The audit focussed on the two principal components of the group: - the parent entity, National Milk Records plc which accounts for all of the group's revenue, profit and net assets (excluding investments and the share of profit in joint ventures – see below), and - the joint venture, Independent Milk Laboratories Ltd (IML), which makes up the share of profit in joint ventures within the consolidated profit & loss account, and 96% of the group's NBV of fixed asset investments.
Significant changes in our approach	In the current year we determined materiality using a blended benchmark based on revenue and net assets, whilst in the prior year we determined materiality based on profit before tax. The change in basis is due to the deterioration of profit during the current year, as a result of the cyber-attack and Covid-19.

4. 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.

5. 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.

5.1. Revenue - Occurrence of sales as recorded in the last month of the financial year and completeness of the year end credit note provision

Key audit matter description	The nature of the business results in a large number of invoices being raised on a monthly basis. Subscription customers are invoiced at the beginning of the month based on the number of cows within the herd at the last recording. The average monthly value of subscription invoices raised in advance is £1.2m.

	This invariably results in a variance between the actual tests performed and the invoiced tests. Management provides for these variances through an estimated credit note provision to avoid cut-off issues. However, there is a risk of material misstatement around the occurrence of sales as recorded in the last month of the financial year and that the credit note provision at year end is not complete and sufficient to cover these fluctuations in actual herd numbers tested. In addition, the process for raising credit notes is manual and reliant upon sales representatives informing finance of the necessary adjustment by ad hoc method which further increases the risk around revenue occurrence and completeness of the credit note provision at year end. For further details see accounting policies note 1 and note 2 on revenue.
How the scope of our audit responded to the key audit matter	We performed the following procedures: • Tested the design and implementation of controls around revenue recognition and the completeness of the year-end credit note provision. • Agreed a sample of credit notes issued post-year-end to supporting documentation from sales representatives and then audited the completeness of the credit note provision in light of post-year-end credit notes raised relating to FY20 income. • Selected a sample of credit notes issued during the year and agreed them to the corresponding invoices, monthly laboratory reports and requests from farmers to raise the credit note. We have then assessed the level of these which related to the prior year to gain an expectation for the current year-end credit note provision. • Tested a sample of invoices that had not yet been settled in cash, reconciled them to information from the milk recorder and the information held in the lab system in order to prove that a test had taken place and that tests for the revenue recognised have occurred. • Assessed the company's revenue accounting policies for each revenue stream and tested their application to ensure they comply with FRS 102.
Key observations	Based on the work performed we concluded that revenue is appropriately stated and noted no issues with the occurrence of revenue or completeness of the credit note provision at year end.

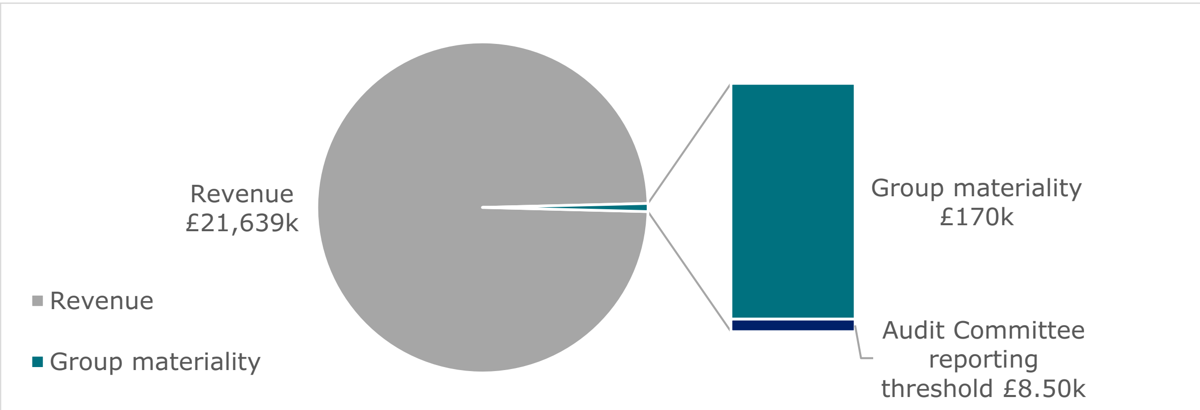
6. Our application of materiality

6.1. 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	£170,000 (2019: £190,000)	£113,000 (2019: £169,000)
Basis for determining materiality	In the current year audit we determined group materiality based on 0.8% of revenue and 4.5% of net assets In the prior year audit group materiality was determined based on 8.0% of group pre-tax profit, which equated to 0.8% of revenue and 4.5% of net assets.	In the current year parent company materiality equates to 0.5% of company only revenue, and 2.9% of company only net assets. In the prior year audit parent company materiality represented 7.02% of group pre-tax profit.
Rationale for the benchmark applied	In the current year we determined materiality based on revenue and net assets held by the group, as the relevance of the profit before tax figure used in the prior year was affected by one-off incidents which occurred in FY20. Therefore, revenue and net assets have been identified as a more appropriate basis for materiality in the current year.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2020 audit (2019: 70%).

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £8,500 (2019: £9,500), 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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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. In the current year the active components of the group were the parent company, National Milk Records plc, and joint venture, Independent Milk Laboratories Limited. The group is also made up of a number of subsidiary undertakings which were dormant within the current year.

The parent company is located in the United Kingdom, and audited directly by the group audit team. The parent company accounts for all profits and net assets within the current year, excluding the share of profits from the joint venture IML, and the investments. A component materiality of £113k was used for this component.

The joint venture, IML, is located within Ireland and within the current year there was a change in scope for this component, with a full scope audit being performed. This is in comparison to the prior period in which an audit of specified procedures was performed. A component materiality of £100k was used for this component.

Given a full scope audit was performed on both active components, a 100% level of coverage of revenue, profit before tax, and net assets was obtained.

7.2. Working with other auditors

As part of the group audit we worked with component auditors on the joint venture IML.

There was ongoing dialogue with the component auditors, in addition to the formal planning and close out meetings. As part of this we set out the key developments in the year, Deloitte's audit approach, and significant risks identified. Identification of group risks and component materiality was determined by the group team, and communicated to the component auditors within referral instructions.

The Deloitte team had oversight on testing procedures undertaken, with discussions held throughout the audit regarding the component auditor's adherence & progress with regards to the referral instructions. The component audit was carried out remotely as a result of Covid-19.

The work involved with consolidating the results of the components was performed by the group team.

8. Other information

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.

We have nothing to report in respect of these matters.

9. 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.

10. 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

11. 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 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.

12. Matters on which we are required to report by exception

12.1. 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.

12.2. 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 this matter.

13. 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, FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

7 October 2020

Consolidated Profit & Loss Account
Year ended 30 June 2020

	Note	*2020* *£'000*	*2019* *£'000*
Revenue	2	**21,590**	22,798
Cost of sales		**(12,751)**	(13,066)
Gross profit		**8,839**	9,732
Administrative expenses		**(8,064)**	(7,463)
Operating Profit	5	**775**	2,269
Share of operating profit in joint ventures	12	**258**	265
		1,033	2,534
Net finance cost	6	**(114)**	(126)
Other gains and losses	7	**10**	—
Profit Before Tax		**929**	2,408
Tax	8	**77**	(420)
Profit for the year		**1,006**	1,988
Earnings per share (pence)	9		
Basic		**4.8**	9.5
Diluted		**4.7**	9.4

All amounts are derived from continuing operations.

Consolidated Statement of Comprehensive Income
Year ended 30 June 2020

	2020	*2019*
	£'000	*£'000*
Profit for the year	**1,006**	1,988
Exchange rate gain on foreign currency net investments	**22**	7
Total comprehensive income for the year	**1,028**	1,995

Consolidated Balance Sheet
At 30 June 2020

		2020		2019 Restated	
	Note	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	10		**1,418**		803
Tangible assets	11		**3,067**		2,849
Investments	12		**1,183**		1,081
			5,668		4,733
CURRENT ASSETS					
Stock	13	**397**		417	
Debtors – due within one year	14	**3,171**		3,303	
Debtors – due after one year	14	**766**		657	
Cash at bank and in hand		**1,146**		1,412	
		5,480		5,789	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(4,259)**		(4,026)	
NET CURRENT ASSETS			**1,221**		1,763
TOTAL ASSETS LESS CURRENT LIABILITIES			**6,889**		6,496
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	15		**(1,925)**		(2,416)
PROVISION FOR LIABILITIES	19		**(47)**		(47)
NET ASSETS			**4,917**		4,033
CAPITAL AND RESERVES					
Called-up share capital	20		**53**		53
Own shares	21		**(195)**		(195)
Profit and loss account	21		**5,059**		4,175
SHAREHOLDERS' FUNDS			**4,917**		4,033

The year ended 30 June 2019 has been restated to offset balances for deferred tax assets and liabilities. Please see Note 31.

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 7 October 2020.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

Company Balance Sheet
At 30 June 2020

	Note	2020 £'000	2020 £'000	2019 Restated £'000	2019 Restated £'000
FIXED ASSETS					
Intangible assets	10		**1,418**		803
Tangible assets	11		**3,067**		2,849
Investments	12		**221**		221
			4,706		3,873
CURRENT ASSETS					
Stock	13	**397**		417	
Debtors – due within one year	14	**3,171**		3,303	
Debtors – due after one year	14	**766**		657	
Cash at bank and in hand		**1,146**		1,412	
		5,480		5,789	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(4,259)**		(4,026)	
NET CURRENT ASSETS			**1,221**		1,763
TOTAL ASSETS LESS CURRENT LIABILITIES			**5,927**		5,636
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	15		**(1,925)**		(2,416)
PROVISION FOR LIABILITIES	19		**(47)**		(47)
NET ASSETS			**3,955**		3,173
CAPITAL AND RESERVES					
Called-up share capital	20		**53**		53
Own shares	21		**(195)**		(195)
Profit and loss account	21		**4,097**		3,315
SHAREHOLDERS' FUNDS			**3,955**		3,173

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 7 October 2020.

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 £926,000 (2019: £1,776,000).

Signed on behalf of the Board of Directors

AJWarne

Mr A J Warne
Director

Consolidated Statement of Changes in Equity
Year ended 30 June 2020

GROUP	*Called-up share capital £'000*	*Own Shares £'000*	*Profit and loss account £'000*	*Total £'000*
At 30 June 2018	53	(195)	2,585	2,443
Profit for the year	—	—	1,988	1,988
Other comprehensive income for the year	—	—	7	7
Total comprehensive income for the year	—	—	1,995	1,995
Credit to equity for equity-settled share-based payments	—	—	116	116
Dividends	—	—	(521)	(521)
At 30 June 2019	53	(195)	4,175	4,033
Profit for the year	—	—	1,006	1,006
Other comprehensive income for the year	—	—	22	22
Total comprehensive income for the year	**—**	**—**	**1,028**	**1,028**
Credit to equity for equity-settled share-based payments	—	—	118	118
Dividends	—	—	(262)	(262)
At 30 June 2020	**53**	**(195)**	**5,059**	**4,917**

Company Statement of Changes in Equity
Year ended 30 June 2020

COMPANY	*Called-up share capital £'000*	*Own Shares £'000*	*Profit and loss account £'000*	*Total £'000*
At 30 June 2018	53	(195)	1,944	1,802
Profit for the year	—	—	1,776	1,776
Total comprehensive income for the year	—	—	1,776	1,776
Credit to equity for equity-settled share-based payments	—	—	116	116
Dividends	—	—	(521)	(521)
At 30 June 2019	53	(195)	3,315	3,173
Profit for the year	—	—	926	926
Total comprehensive income for the year	**—**	**—**	**926**	**926**
Credit to equity for equity-settled share-based payments	—	—	118	118
Dividends	—	—	(262)	(262)
At 30 June 2020	**53**	**(195)**	**4,097**	**3,955**

Consolidated Statement of Cash Flows
Year ended 30 June 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Operating Profit			775		2,269
Amortisation of intangible assets		137		43	
Amortisation of loan expenses		12		11	
Depreciation of tangible assets		525		449	
Loss on disposal of tangible assets		1		—	
Increase in trade and other debtors		(43)		(97)	
Decrease/(Increase) in stocks		20		(195)	
Increase/(Decrease) in creditors		407		(403)	
			1,059		(192)
Income taxes refunds received			144		188
Cash from operations			1,978		2,265
Cash flows from investing activities					
Dividend received from Joint Venture		178		53	
Investment income		10		—	
Purchase of tangible assets		(870)		(774)	
Purchase of intangible assets		(654)		(488)	
Proceeds from sale of tangible assets		28		—	
			(1,308)		(1,209)
Cash flows from financing activities					
Dividends paid		(262)		(521)	
Lease finance paid down		(148)		(148)	
Interest paid		(114)		(129)	
Loan repayments		(530)		(513)	
Proceeds on exercise of share options		118		116	
			(936)		(1,195)
Net (decrease) in cash and cash equivalents			(266)		(139)
Cash and cash equivalents at beginning of year			1,412		1,551
Cash and cash equivalents at end of year			1,146		1,412

Notes to the Financial Statements
Year ended 30 June 2020

1. ACCOUNTING POLICIES

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

Basis of accounting

National Milk Records PLC (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 to 11.

The financial statements have been prepared under the historical cost convention 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.

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*
National Livestock Records Limited	03191216
National Milk Laboratories Limited	SC145660
Nordic Star Limited	03231923

Basis of consolidation including joint venture

The Group financial statements consolidate the financial statements of the Company and its subsidiary and joint venture undertakings drawn up to 30 June each year.

The joint venture is accounted for using the equity method in the consolidated accounts and using the cost-method in the company balance sheet.

Going concern

We have reviewed the current liquidity and debt facilities against the projected budget for year ended 30 June 2021 and the subsequent financial plan for years ended June 2022 and June 2023 and have run various sensitivity analyses, including trading, investment, and financing cash flows, including those for potential impacts of further disruption caused by COVID-19.

Based on our conservative EBITDA planning trajectory, the headroom in our finance facilities, our ability to change the phasing of our investment programme as well as responding to trading issues, and in particular the work done on COVID-19 mitigation planning, the NMR Board is confident it has adequate liquid resources to support operational planning for at least 12 months from the date of this report and is in a position to discharge our liabilities as they fall due. As such, the Directors continue to adopt and consider appropriate the going concern basis in preparing the Annual Report.

Further details regarding the adoption of the going concern basis can be found in the Group Financial Review.

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 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.

1. ACCOUNTING POLICIES (continued)

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	5% – 10%
Leasehold buildings	20% – 33%
Computer equipment and machinery	10% – 33%
Motor vehicles	over the term of the lease

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 fixed assets

Research expenditure is written off as incurred. Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss. This includes software development and licences. In such cases the identifiable asset is 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. Grant income is accounted for on an accruals basis and grants relating to revenue are recognised in income on a systematic basis over the periods in which the Group recognises the related costs.

Stock

Stock is stated at the lower of cost and net realisable value using the first in first out method. 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.

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.

1. ACCOUNTING POLICIES (continued)

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 balance sheet 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.

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.

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

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

Pension costs

At the balance sheet date, the Group operates a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1. ACCOUNTING POLICIES (continued)

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 balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

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

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

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

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements in applying the Group's accounting policies

Recoverability of deferred tax assets

It is necessary for the Directors to consider the extent to which deferred tax assets should be recognised based on an assessment of the extent to which they are regarded as recoverable. In making this judgement, the Directors would consider evidence such as the assessment received from taxation consultants.

Key sources of estimation uncertainty

Provision for credit notes

NMR raises significant numbers of credit notes as part of the monthly billing and accounting processes. The inadequacies of our extant systems, and particularly the ability to discount certain customers or customer groups, requires this intervention. In addition, our invoicing pattern for subscription customers, on an in-advance basis, creates additional retrospective credit note requirement. At 30th June 2020 the provision for credit notes expected to be raised in future periods, relating to year ended June 2020 was £94k. Provision is made based on a review of actual credit notes raised in the period after 30th June 2020 and estimations using the historic average monthly value of credit notes raised.

Notes to the Financial Statements (continued)

2. TURNOVER

An analysis of group turnover is as follows:

	2020 £'000	2019 £'000
Core services	17,549	18,504
Testing adjacencies	1,629	1,594
Surveillance adjacencies	400	374
Other adjacencies	1,720	1,967
Genomics	292	359
	21,590	22,798

All turnover is derived within the UK.

3. STAFF COSTS

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

	2020	2019
Field Staff	58	63
Administration Staff	220	223
	278	286

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	7,479	7,517
Social security costs	636	652
Other pension costs	298	277
	8,413	8,446

4. DIRECTORS' REMUNERATION

	2020 £'000	2019 £'000
Directors' remuneration	432	430
Directors' pension contributions to money purchase schemes	20	20
The number of directors to whom retirement benefits were accruing was:	5	4

The figures for the highest paid director were:

	2020 £'000	2019 £'000
Director's remuneration	210	206
Director's pension contributions to money purchase schemes	7	7

Key management compensation

In addition to directors, the following amounts were paid or payable to key management within the Group.

	2020 £'000	2019 £'000
Salaries and other short-term benefits	324	310
Contributions paid into defined contribution pension scheme	10	7

5. OPERATING PROFIT

Operating profit is stated after charging:

	2020 £'000	2019 £'000
Depreciation of owned assets	375	301
Depreciation of leased assets	150	148
Profit on disposal of fixed assets	1	—
Amortisation of intangible assets	137	43
Operating lease rentals	405	156
Foreign exchange losses	11	8
Charge for additional provision for doubtful debts	251	20
Cost of inventories recognised as an expense	4,672	4,614

Cost of inventories recognised as an expense has been extended to include all consumable items included in cost of sales. This increases the FY19 figure from £3,339k to £4,614k. Cost of sales in the Consolidated Profit and Loss Account is unaffected.

5. OPERATING PROFIT (continued)

Fees payable to the company's auditor:

	2020 £'000	2019 £'000
for the audit of the company's annual accounts	101	66
for the audit of the company's subsidiaries and consolidation	10	10
Total audit fees	111	76
Tax compliance services	6	16
Other tax advisory services	—	—
Total non-audit fees	6	16

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

	2020 £'000	2019 £'000
Interest receivable and similar income	—	2
Finance lease interest	(22)	(20)
Loan interest	(92)	(108)
	(114)	(128)
Net Finance cost	(114)	(126)

7. OTHER GAINS AND LOSSES

	2020 £'000	2019 £'000
Dividends received	10	—

8. TAX ON PROFIT

Analysis of the tax charge

The tax charge comprises:

	2020 £'000	*2019 £'000*
Current tax		
UK corporation tax	**79**	320
Adjustments in respect of prior years	**(143)**	(51)
Total current tax	**(64)**	269
Deferred tax		
Origination and reversal of timing differences	**113**	25
Adjustment for deferred tax asset of the reversal of the 17% tax rate reduction in 2020	**(126)**	126
Total deferred tax	**(13)**	151
Tax	**(77)**	420

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 are as follows:

	2020 £'000	*2019 £'000*
Group profit	**929**	2,408
Tax on Group profit on ordinary activities at standard UK Corporation tax rate of 19% (2019 19%)	**177**	458
Effects of:		
Capital allowances in excess of depreciation	**(54)**	(91)
Non-trading profits	**(45)**	(50)
Adjustments in respect of prior periods	**(143)**	(51)
Origination of timings differences	**113**	25
Adjustment for deferred tax asset of the reversal of the 17% tax rate reduction in 2020	**(126)**	126
Expenditure disallowed for tax	**1**	3
Tax	**(77)**	420

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. In accordance with accounting standards the deferred tax balances in these financial statements have been adjusted to effect this change.

The directors believe that £250,000 of the deferred tax asset is likely to unwind within 12 months of this report.

9. EARNINGS PER SHARE

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

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

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.

	Earnings £'000	2020 Weighted average number of Shares	EPS pence
Basic	**1,006**	**20,939,702**	**4.8**
Dilution	**—**	**300,000**	**—**
Diluted EPS	**1,006**	**21,239,702**	**4.7**

	Earnings £'000	2019 Weighted average number of Shares	EPS pence
Basic	1,988	20,939,702	9.5
Dilution	—	300,000	—
Diluted EPS	1,988	21,239,702	9.4

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.

10. INTANGIBLE ASSETS

Group and Company

	Software development £'000	*Licences £'000*	*Intangibles under construction £'000*	*Total £'000*
Cost				
At 30 June 2019	755	—	99	854
Additions	99	99	456	654
Reclassifications	252	—	—	252
At 30 June 2020	**1,106**	**99**	**555**	**1,760**
Amortisation				
At 30 June 2019	51	—	—	51
Reclassification	154	—	—	154
Charge for the year	137	—	—	137
At 30 June 2020	**342**	**—**	**—**	**342**
Net book value				
At 30 June 2019	704	—	99	803
At 30 June 2020	**764**	**99**	**555**	**1,418**

The amortisation charge is included within Administrative expenses on the Consolidated Profit and Loss Account.

The reclassifications relate to system and software development costs which had previously been reported within computer equipment and machinery and arise as a result of a detailed review of the fixed asset register. The largest proportion of cost and net book value for these reclassifications are for an application used to handle payment testing milk samples within the laboratories.

Included within Intangible Assets are several significant projects:

The current customer relationship management and finance systems will be replaced and development costs of £555,000 (2019 £99,000) have been incurred. As the replacement system is not yet operational, no amortisation has been charged.

A new laboratory management system (LIMS) has been developed and brought into use in the year. At year end, LIMS had a net book value of £188,000 (2019 £195,000). Amortisation of this system commenced in September 2019 on a straight-line basis over five years.

A licence has been purchased during the year to allow the business the exclusive right to use Genocells technology within the UK. At the year end the net book value was £99,000 (2019 nil). The licence is not yet available for use and no amortisation has been charged during the year.

Notes to the Financial Statements (continued)

11. TANGIBLE FIXED ASSETS

Group and Company

	Land and Buildings £'000	*Computer equipment and machinery £'000*	*Motor Vehicles £'000*	*Total £'000*
Cost				
At 30 June 2019	1,613	5,681	669	7,963
Additions	—	714	156	870
Reclassifications	—	(252)	—	(252)
Disposals	—	(1,310)	(96)	(1,406)
At 30 June 2020	**1,613**	**4,833**	**729**	**7,175**
Depreciation				
At 30 June 2019	689	4,106	319	5,114
Reclassifications	—	(154)	—	(154)
Disposals	—	(1,304)	(73)	(1,377)
Charge for the year	81	294	150	525
At 30 June 2020	**770**	**2,942**	**396**	**4,108**
Net book value				
At 30 June 2019	924	1,575	350	2,849
At 30 June 2020	**843**	**1,891**	**333**	**3,067**

Included in Land and Buildings is land with a net book value of £250,000 (2019: £250,000). There is no property held under leasehold.

All Motor Vehicles are held under finance leases.

12. FIXED ASSET INVESTMENTS

Group

	IML JV £'000	*Other investments £'000*	*Total £'000*
Net book value			
At 30 June 2019	1,038	43	1,081
Share of pre-tax results	292	—	292
Share of tax charge	(34)	—	(34)
Dividend received	(178)	—	(178)
Exchange gain	22	—	22
At 30 June 2020	**1,140**	**43**	**1,183**

Notes to the Financial Statements (continued)

12. FIXED ASSET INVESTMENTS (continued)

Company

	Interest in joint ventures £'000	*Other investments £'000*	*Total £'000*
Cost			
At 30 June 2019 and 30 June 2020	178	43	221
Provision for impairment			
At 30 June 2019 and 30 June 2020	—	—	—
Net book value			
At 30 June 2019 and 30 June 2020	178	43	221

Subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	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	32 Kelvin Avenue Hillington Glasgow G52 4LT
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.

All subsidiary companies are dormant.

Joint ventures

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

Name	Country of incorporation	Holding	Registered office
Independent Milk Laboratories Limited	Ireland (488027)	50% ordinary	Rathcore Enfield Co Meath EIRE

Independent Milk Laboratories Limited prepares its accounts to 31 December. Their most recent financial statements cover the year ended 31 December 2019. The amounts included in these consolidated financial statements relate to the year ended 30 June 2020.

13. STOCKS

Group and Company

	2020 *£'000*	*2019* *£'000*
Consumables	**397**	417

14. DEBTORS

Group and Company

	2020 *£'000*	*2019* *Restated* *£'000*
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	**2,478**	2,489
Amounts due from joint venture	**7**	7
Other debtors	**40**	7
Deferred tax asset < 1 year	**250**	425
Prepayments and accrued income	**396**	375
	3,171	3,303
AMOUNTS FALLING DUE AFTER ONE YEAR		
Deferred tax asset	**766**	657

The Company has the following deferred tax balances which are offset on the face of the financial statements:

Group deferred tax

	Tax losses *£'000*	*Accelerated capital allowances* *£'000*	*Total* *£'000*
At 30 June 2018	1,761	(209)	1,552
Charge to profit and loss account	(126)	(25)	(151)
Current tax charge	(319)	—	(319)
At 30 June 2019	1,316	(234)	1,082
Charge to profit and loss account	126	(113)	13
Current tax charge	(79)	—	(79)
At 30 June 2020	**1,363**	**(347)**	**1,016**

Of the net amount, the Company expects that £250,000 of the deferred tax asset is likely to unwind within 12 months of this report.

Notes to the Financial Statements (continued)

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Group and Company

	Note	2020 £'000	2019 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans < 1 year		**478**	518
Obligations under finance leases	18	**130**	134
Trade creditors		**1,062**	906
Other taxation and social security		**1,329**	933
Accruals and deferred income		**1,217**	1,468
Other creditors		**2**	20
Amounts owed to joint venture		**41**	47
		4,259	4,026

16. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

Group and Company

	Note	2020 £'000	2019 £'000
Bank loans repayable between 1 year and 2 years		**466**	478
Bank loans repayable between 2 years and 5 years		**1,242**	1,451
Bank loans repayable > 5 years		**—**	257
Obligations under finance leases	18	**217**	230
		1,925	2,416

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 17).

17. BORROWINGS

Group and Company

	2020 £'000	2019 £'000
Bank Loans	**2,186**	2,704
Amounts due for settlement within 12 months	**478**	518
Amounts due for settlement between 1 year and 2 years	**466**	478
Amounts due for settlement between 2 years and 5 years	**1,242**	1,451
Amounts due for settlement after 5 years	**—**	257
Cash at bank and in hand	**(1,146)**	(1,412)
Finance Leases	**347**	364
Net Debt	**1,387**	1,656

The Group has an overdraft facility of £500,000 (2019: £250,000) which is secured by a fixed and floating charge over the assets of the Group.

17. 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 £856,000; 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 £203,000 at 30 June 2020.

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

18. OBLIGATIONS UNDER FINANCE LEASES

Group and Company

	2020 *£'000*	*2019* *£'000*
Net obligations are repayable as follows:		
Within one year	**130**	134
Between one and two years	**104**	110
Between two and five years	**113**	120
	347	364

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

19. PROVISIONS FOR LIABILITIES

Group and Company

	Product warranties £'000	*Total £'000*
At 30 June 2019 Restated	47	47
Charge to profit and loss account	—	—
At 30 June 2020	**47**	**47**

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

20. CALLED-UP SHARE CAPITAL

Company

	2020 £'000	2019 £'000
Allotted, called-up and fully paid		
21,239,702 (2019: 21,239,702) Ordinary Shares of £0.0025 each	53	53

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

21. RESERVES

The profit and loss account represents accumulated total comprehensive income net of dividends paid.

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 2020 was 300,000 (2019: 300,000).

22. DIVIDENDS

	2020 £'000	2019 £'000
Paid during the year	262	521

	Pence	Pence
Paid per share	1.25	2.50

The directors have proposed a dividend of 1.25 pence per ordinary share payable on 20 November 2020.

23. LEASING COMMITMENTS

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

Group and Company

	2020 £'000	2019 £'000
Within one year	434	180
Between two and five years	491	313
In more than five years	51	92
	976	585

24. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £297,666 (2019: £277,460).

25. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2020 (2019: £nil).

26. CAPITAL COMMITMENTS

Group and Company

	2020 £'000	2019 £'000
Contracted but not provided for	352	687

Capital commitments at 30 June 2020 relate to orders placed with suppliers not fully commissioned at year end:

	£'000
Motor vehicles	43
Plant and equipment	206
Software development	103

27. RELATED PARTY TRANSACTIONS

Transaction with related parties are undertaken on standard National Milk Records PLC terms and conditions. All balances are settled in cash. No balances are secured and no guarantees have been given or received.

The Group provides services to some of its shareholders however due to their insignificant shareholdings they are not considered to be related parties. One of the directors is also a customer of National Milk Records PLC and services provided during the year totalled £7,802 (2019: £8,667). The outstanding balance due from directors at 30 June 2020 was £1,274 (2019: £1,401).

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:

	2020 £'000	2019 £'000
Trade debtors	7	7
Trade creditors	41	47

During the year the group traded with IML as follows:

	2020 £'000	2019 £'000
Sales to IML	31	21
Purchases from IML	212	229

28. SHARE BASED PAYMENT TRANSACTIONS

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 year to exercise. The risk-free rate of return is the yield on UK government 2-year bond.

Number of share options by plan:	*2017 Unapproved Share Option Plan*	*2017 Approved Share Option Plan*
Outstanding as at 30th June 2019	226,686	73,314
Granted during the year	—	—
Exercised during the year	—	—
Forfeited/expired during the year	—	—
Outstanding as at 30th June 2020	226,686	73,314
Exercisable at the end of the year	—	—

Fair valuation: assumptions	*2017 Unapproved Share Option Plan*	*2017 Approved Share Option Plan*
Grant date	18-Dec-17	18-Dec-17
Share price at grant date	90.50p	90.50p
Exercise price	65.00p	90.50p
Number of employees	4	4
Shares under option	226,686	73,314
Vesting year	3	3
Expected volatility	6.7%	6.7%
Option life (years)	10	10
Expected life (years)	3	7
Risk free interest rate	1.15%	1.15%
Fair value per option	27.70p	10.30p

The Company recognised a total expense of £25,000 (2019: £25,000) in relation to equity-settled share-based payments.

29. FINANCIAL INSTRUMENTS

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

Group and Company

	2020 £'000	*2019 £'000*
Financial Assets – measured at undiscounted amount receivable		
Trade and other debtors	**2,914**	2,871
Amounts due from joint ventures	**7**	7
	2,921	2,878
Financial Liabilities – measured at amortised cost		
Bank loans	**2,186**	2,704
Finance Leases	**347**	364
Trade and other creditors	**3,610**	3,327
Amounts due to joint ventures	**41**	47
	6,184	6,442

30. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

31. DEFERRED TAX – CHANGE IN PRESENTATION

For the year ended 30 June 2020, NMR has chosen to offset the deferred tax assets and liabilities within the balance sheet. As a result of this presentation change, the relevant balances for the year ended 30 June 2019 have been restated. The following table summarises the changes which affect both the Group and Company balance sheets for 2019:

	2019 Debtors – due within one year £'000	***2019 Debtors – due after one year £'000***	***2019 Provision for liabilities £'000***
As previously published	2,878	1,316	(281)
Change	425	(659)	234
Restated	**3,303**	**657**	**(47)**

Key Financial Indicators

Key financial indicators are shown for the NMR group for the 6 months ended:

£'000	*Jun-20*	*Dec-19*	*Jun-19*	*Dec-18*	*Jun-18*	*Dec-17*
Turnover	**10,932**	10,658	11,064	11,734	10,873	10,532
EBITDA	**793**	644	1,382	1,379	1,213	1,187
EBITDA %	**7.3%**	6.0%	12.5%	11.8%	11.2%	11.3%
Diluted EPS (pence)	**4.7**	—	9.4	—	8.6	—
Net Assets	**4,917**	4,075	4,033	2,832	2,443	1,043
Net Debt	**(1,387)**	(2,422)	(1,656)	(2,064)	(2,147)	(3,311)
Net Debt: EBITDA (times)	**1.0**	1.2	0.6	0.8	0.9	1.5

Reconciliation of operating profit to EBITDA

Group

	2020 £'000	*2019 £'000*
Operating Profit	**775**	2,269
Add back:		
Depreciation	**525**	449
Amortisation	**137**	43
EBITDA	**1,437**	2,761

Printed by **Rubicon** Corporate Print
16466-01