

Company Registration Number 03331929

NATIONAL MILK RECORDS PLC

Annual Report and Consolidated Financial Statements

31 March 2015

NATIONAL MILK RECORDS PLC

REPORT AND FINANCIAL STATEMENTS 2015

CONTENTS

	Page
Directors and professional advisers	1
Chairman's report	2
Strategic report	3
Directors' report	7
Directors' responsibilities statement	11
Independent auditor's report	12
Consolidated profit and loss account	13
Consolidated statement of total recognised gains and losses	14
Consolidated balance sheet	15
Company balance sheet	16
Consolidated cash flow statement	17
Notes to the financial statements	18

NATIONAL MILK RECORDS PLC

DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr A J Warne	(Executive)
Mr T Lloyd	(Non-Executive)
Mr P Kirkham	(Non-Executive)
Mr M Butcher	(Non-Executive)
Mr B E C Bartlett	(Executive)
Mr J H Davies	(Executive)
Mr N A Kirby	(Executive, appointed 10 November 2014)

SECRETARY

Mr C G Nuttall

REGISTERED OFFICE

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

REGISTERED NUMBER

03331929

AUDITOR

Deloitte LLP
Bristol

BANKERS

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

SOLICITORS

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

NATIONAL MILK RECORDS PLC

CHAIRMAN'S REPORT

National Milk Records plc (NMR), the ISDX quoted leading supplier of dairy and livestock services, is pleased to announce its audited results for the year ended 31 March 2015.

Chairman's Statement

The financial year ended 31 March 2015 was a strong year for NMR during which our operating profit increased by 103% to £1,810,000 (2014: £893,000) and turnover increased by 8% to £20,159,000 (2014: £18,667,000). A key achievement during the year was the acquisition of Inimex Genetics Limited ('Inimex') a leading genetics supplier in the UK and mainland Europe. Using cash generated from trading, on 1 October 2014 NMR purchased the entire issued share capital of Inimex for a total consideration of £3,115,000, of which £2,533,000 was paid in cash on completion and £582,000 is payable over the next 4 years contingent on its achievement of profit targets. £736,000 of net cash was also acquired in the transaction. This acquisition has been incorporated successfully into the Group structure and is trading in line with expectations. Despite the cash outflow to fund the investment in Inimex, on 31 March 2015 the Group had £1,974,000 (2014: £1,443,000) of cash at the bank and no further borrowings. We look forward to a full year of trading as a combined Group and believe our operations will continue to deliver growth due to our focus on innovation and service. The Group's Diluted Earnings per Share for the year ended 31 March 2015 have increased to 23.35 pence per share from 9.61 pence per share for the year ended 31 March 2014.

In respect to the wider market global events including the situation in the Ukraine began to have a profound effect on NMR in the final quarter of the 2014/15 financial year. The hostilities in the Ukraine and the subsequent sanctions against Russia compounded an already weak global dairy market to drive down the price our UK dairy customers receive for their milk and in many cases this can now be below their cost of production. The necessary nature of many of the Group's services does provide some protection to the Group from the adverse market conditions being experienced by our farmer customers however we must temper our growth expectations for 2015/16 in line with a realistic view of the health of the UK dairy sector. The Ukraine hostilities also contribute to the overall nervousness of the financial markets more generally leading to weakness in a number of financial indices including corporate bond yields. The unprecedented low discount rate used to calculate the liabilities of the Milk Pension Fund has led to a worsening position of the defined benefit pension scheme deficit before deferred tax asset which increases to £9,700,000 (2014: £8,252,000). The NMR Board is acutely aware of the impact the pension obligations have on the business and continues to work to mitigate the impact whilst recognising the Group's commitments to pensioners and deferred pensioners.

Following the acquisition of Inimex in October, Nicholas Kirby who is the principal Director at Inimex, joined the NMR Board as an Executive Director. I look forward to the contribution Nick can make to the overall direction of the Group as well as continuing to manage the Inimex business. A biography of each of the current NMR Directors can be found on the NMR website at www.nmr.co.uk.

Organic growth has been achieved across the Group and we have also continued to benefit from the stream-lining of our costs reported last year. Add this to the successful acquisition of a complementary business and the development of innovative new products alongside partners such as Silent Herdsman Limited and we are well placed for steady future growth. We take pleasure in the positive impact our services have across the UK and Irish dairy sectors and believe in helping farmers deliver the best quality product at a commercial price. A more detailed analysis of our business performance is set out in the Strategic Report. I would like to thank our shareholders for their continued support and all our employees for their hard work during the year.



Philip Kirkham
Chairman
16 June 2015

NATIONAL MILK RECORDS PLC

STRATEGIC REPORT

To the members of National Milk Records Plc

CAUTIONARY STATEMENT

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

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

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

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

The business model

The principal activity of the Group in the year remains the provision of management information to dairy farmers via National Milk Records (NMR) and the provision of milk payment testing services to milk buyers via National Milk Laboratories (NML). Both these services have achieved relatively high market shares in their respective UK sectors. Both NMR and NML are achieving organic growth by launching new services to existing customers along with the development of new farmer customers in geographic territories where market share is relatively low such as Scotland and Northern Ireland. The advent of national control programmes for bovine diseases such as Johne's and Bovine Viral Diarrhoea (BVD) create opportunities for both NMR and NML to develop new testing services.

On 1 October 2014 NMR acquired the genetics company, Inimex Genetics Limited. Inimex acts principally as a reseller of genetic products in the UK and mainland Europe sourced from Cooperative Resources International (CRI) in the USA. The dairy genetics sector has many synergies with the core milk recording business of NMR as reflected in the common business model in other global markets in which the milk recording businesses and genetics businesses are within the same overall group. In the short term the plan is to run Inimex as a standalone business to ensure the core competence of Inimex (encompassed by the strapline "Great Bulls at Fair Prices") is not lost. In the medium term we intend to explore how the key values of both Inimex and NMR can be combined to launch new and innovative services for UK dairy farmers.

NMR has been working with Silent Herdsman Limited to develop a new product in the automated heat and health detection sector. In April 2015 NMR and Silent Herdsman launched an innovative health detection module to complement the already proven heat detection product. This technology is combined with a new rental business model which gives excellent growth opportunity in this new and exciting sector.

The Group currently also has two other areas of significant potential revenue growth. Independent Milk Laboratories (iML) is a joint venture in The Republic of Ireland which replicates NML's payment testing services in a market of comparable size to that of the UK. National Livestock Records (NLR) is a wholly owned subsidiary which currently sells identification tags to dairy, beef and sheep farmers but is also engaged in development of management information services to both the beef and sheep sectors. The combined turnover from iML and NLR is currently £1,110,000, just 5% of the Group's total. Improvement in turnover in both iML and NLR is likely to generate a step change in revenue growth.

NATIONAL MILK RECORDS PLC

STRATEGIC REPORT (continued)

Review of the business

The focus of activity in the previous two periods has been the investment in our new operational site at Four Ashes and the closure of the three sites at Harrogate, Wolverhampton and Meaford. Four Ashes is now fully operational and operational savings have been delivered. The Group's operating profit has increased by 103% to £1,810,000 (2014: £893,000). Total turnover (excluding share of the joint venture) in the same period has increased by 8% to £20,159,000 (2014:£18,667,000), with Inimex turnover for the 6 month period to March 2015 being £662,000. The turnover for the Group excluding Acquisitions was £19,497,000, an increase of 4% on 2014: Increasing the Group's turnover is the key focus for the coming period. The acquisition of Inimex is a significant step in this regard along with planned organic growth in both NMR and NML. The macroeconomic environment for the dairy sector in the UK is forecast to be very tight for the first nine months of 2015 caused largely by the cyclical nature of the global dairy sector. Industry commentators have forecast an improving picture during the latter part of 2015 and into 2016 however tangible indicators of this have yet to be seen.

Future developments

The directors will continue to focus on the core business of the Company and its subsidiary undertakings, whilst looking to take advantage of new opportunities as they arise. In general terms the Board believes overall market dynamics in the UK and Irish dairy sectors in the medium term are favourable which will increase demand for its products. Global demand for dairy products remains strong driven principally by new consumer demand from developing markets such as China. This global consumer demand for dairy products will help support the milk price in the UK which adds value to the services provided by the NMR Group. This value is further supported by increased awareness of food provenance in the UK following the horse meat scandal and a reawakening of the health benefits of dairy products.

The NMR Group continues to build strategic relationships with food retailers, food suppliers and agricultural bodies to strengthen its value proposition within the food chain. The consolidation process in the UK dairy sector by which fewer dairy farmers tend to have larger, more professionally managed herds creates demand for NMR's management information services. This same consolidation process also creates an opportunity for NMR to broaden its product range as other suppliers find a third party distribution channel is more efficient. The acquisition of Inimex during the period follows this strategy. The corporate structure of genetics and milk recording providers within the same corporate entity is a model commonly found in most developed dairy sectors around the globe. These potential synergies have been strengthened by the advent of genomics and NMR is well placed to capitalise on this development.

Strategy and objectives

NMR's market share in the milk recording sector varies in different geographic areas between 5% and 61% and areas of lower market share such as Scotland represent opportunities to grow. In areas of higher market share our strategy is to sell additional products to existing customers. Competition is active and challenging in the milk recording sector as well as new product sectors such as heat detection. NMR seeks to differentiate its products by improving service levels.

NML has a 100% market share of the quality testing sector which covers any dairy farmer who sells milk to a third party. Competition in this sector is potentially challenging as there are a number of companies who have the capability and capacity to enter the market. NML has a number of growth opportunities largely based on increasing the frequency and depth of the quality testing suite of tests.

In both sectors the Group has growth strategies as well as defensive strategies. The Group aims to extend market share by continually providing useful and significant products, services and solutions to markets it already serves and to expand into new areas that build on the Group's competencies and customer interests. The Group aims to be influential in the markets in which it operates.

NATIONAL MILK RECORDS PLC

STRATEGIC REPORT (continued)

Key performance indicators

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

Turnover (growth)

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

For the year ended 31 March 2015, Group turnover (excluding share of the joint venture) was £20,159,000 (2014: £18,667,000), which represents an 8% increase on the previous year. NMR has been focusing on stabilising its traditional core business and developing new innovative products and services which should lead to turnover growth over the next few years.

Profitability

In order to be successful, NMR needs to achieve sufficient profit to finance growth, create value for the Group's shareholders and provide the resource needed to achieve any of the Group's other objectives. For the year ended 31 March 2015, gross profit was £7,076,000, equivalent to 35% gross margin. This was up from 34% gross margin in the year ended 31 March 2014 being a margin of £6,383,000. Operating profit was £1,810,000 representing a 103% increase on the previous year (2014: £893,000).

Laboratory processing time

NMR seeks to differentiate its products by improving service levels. An example of improving service is that during the year ended 31 March 2015 the average laboratory processing time for milk recording samples arriving in the laboratory was 5.3 hours, compared to 5.5 hours in 2014 and 8.5 hours in 2013.

Principal risks and uncertainties

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

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

Market conditions and competitive pressures

The Group operates in a number of different markets that are influenced by economic cycles, the health of the agricultural market, changes in government legislation and environmental factors. These can all lead to changes in profitability of our customers and demand patterns for our products and services.

Through an experienced management team, board oversight and commitment to developing products that are focused on customers' requirements, the Group addresses the risks of increased competition in developed and emerging markets by protecting and growing market share and margins in increasingly price sensitive areas. Where emerging markets are identified a joint venture business model is preferred after careful selection of appropriate partners to reduce the risk associated with entering these new markets.

NATIONAL MILK RECORDS PLC

STRATEGIC REPORT (continued)

Finance

The Group is exposed, along with others, to the risk of failure of a third party member of the Milk Pension Fund under its joint and several terms as well as exposure to costs that result from external factors impacting the size of the pension deficit (e.g. mortality rates, investment values).

This area is actively managed at Board level with appropriate external advice and the agreement of actuarial valuations and deficit reduction plans with the pension trustees. Investment strategies are reviewed and the joint and several liability in the Milk Pension Fund is regularly monitored by the Board of Directors.

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

The Group's objective is to produce continuity of funding at a reasonable cost. To do this it seeks to arrange committed funding that matches the assets or working capital it is designed to fund. Funding comes from a limited number of providers. The Group finances its operations by a mixture of short term overdrafts and finance leases, having paid off its bank loan in the previous year. It manages its interest rate risk primarily through the use of fixed rate finance leases, matched against the assets being acquired. It does, however, have a floating rate overdraft facility to manage day to day working capital requirements. The Group does not enter into speculative derivative contracts.

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

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

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

Other risks

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

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

Approval

This report was approved by the Board of Directors on 16 June 2015 and signed on its behalf by:



Mr A J Warne
Director

16 June 2015

NATIONAL MILK RECORDS PLC

DIRECTORS' REPORT

The directors present their report with the financial statements of the Company and the Group for the year ended 31 March 2015.

Corporate and social responsibility

Gender split of employees and approach to human rights issues

	Total as at 31 March 2015	Female as at 31 March 2015	Male as at 31 March 2015
Directors	7 (2014: 6)	0 (2014: 0)	7 (2014: 6)
Senior Managers	5 (2014: 5)	1 (2014: 1)	4 (2014: 4)
Organisation	285 (2014: 272)	151 (2014: 143)	134 (2014: 129)
Total	297 (2014: 283)	152 (2014: 144)	145 (2014: 139)

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

Disabled employees

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

Employee consultation

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

Going concern basis

The Group's business activities together with the factors likely to affect its future development, cash flows, liquidity, performance and position are set out in the Strategic report.

The Group meets its day-to-day working capital requirements through £1,974,000 of cash at bank (2014: £1,443,000) and an overdraft facility of £700,000 which is renewable on an annual basis in October.

The pension scheme deficit puts the Group in a net liabilities position, however, a recovery plan was agreed in relation to the Milk Pension Fund (note 27), fixing future pension contributions. These have been included within the Group's cash flow forecasts.

NATIONAL MILK RECORDS PLC

DIRECTORS' REPORT (continued)

Going concern basis (continued)

The Group's forecasts and projections, which allow for reasonable possible changes in trading performance, show that the Group has adequate headroom against the committed overdraft facility across the forecast period. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Corporate Governance

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

Board of Directors

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

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

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

NATIONAL MILK RECORDS PLC

DIRECTORS' REPORT (continued)

Remuneration Committee

The Remuneration Committee at 31 March 2015 comprised P Kirkham, T Lloyd and M Butcher with T Lloyd as Chairman. Its task is to determine the remuneration and other benefits of the Company's Chairman, Managing Director, and other executive directors and designated senior managers. Remuneration of the non-executive directors is determined by the Chairman and Managing Director.

Audit Committee

The Audit Committee at 31 March 2015 comprised T Lloyd, P Kirkham and M Butcher with M Butcher as Chairman. Its principal role is to monitor the integrity of the financial statements of the Group, reviewing significant reporting issues and judgements which they contain. It also monitors the major risks which face the Group.

Nomination Committee

The Nomination Committee comprises T Lloyd, M Butcher, A Warne and P Kirkham, with P Kirkham as Chairman. Its remit is to review the size, skills and composition of the Board, and to carry out succession planning for it and the senior executives, identifying candidates where appropriate.

Board attendance of directors

Number of meetings in year ended 31 March 2015: 9

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

Mr A J Warne		100%
Mr T Lloyd		100%
Mr P Kirkham		100%
Mr N A Kirby	(Appointed 10 November 2014)	100%
Mr M Butcher		100%
Mr B E C Bartlett		100%
Mr J H Davies		100%

Substantial Shareholdings

Schedule of Shareholders 9 June with shareholdings of greater than 3%

HSBC Global Custody Nominee (UK) Ltd	2,173,104	28.88%
Hargreaves Lansdown Nominees Ltd	461,931	6.14%
TD Direct Investing Nominees (Europe) Ltd	394,058	5.24%
National Milk Recorders Trustee Company Ltd	364,800	4.85%
Equiniti Share Plan Trustees Limited	271,632	3.61%
Forest Nominees Limited	250,000	3.32%

NATIONAL MILK RECORDS PLC

DIRECTORS' REPORT (continued)

Dividends

The directors cannot recommend the payment of a dividend in relation to the year ended 31 March 2015 (2014: £nil). Earnings per ordinary share are disclosed in the profit and loss account.

Directors' qualifying third party indemnity provision

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

Political donations

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

Auditor

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

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

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

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

Approved by the Board and signed on its behalf by:



Mr A J Warne

Director

16 June 2015

NATIONAL MILK RECORDS PLC

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL MILK RECORDS PLC

We have audited the financial statements of National Milk Records Plc for the year ended 31 March 2015 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Mark Hill BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor, Bristol, United Kingdom

16 June 2015

NATIONAL MILK RECORDS PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
TURNOVER			
Group and share of joint ventures - existing operations		20,218	19,212
Acquisitions		662	-
		<hr/>	<hr/>
		20,880	19,212
Less: share of joint ventures' group turnover		(721)	(545)
		<hr/>	<hr/>
		20,159	18,667
Cost of sales		(13,083)	(12,284)
		<hr/>	<hr/>
Gross profit		7,076	6,383
Administrative expenses		(5,266)	(5,490)
		<hr/>	<hr/>
OPERATING PROFIT			
Existing operations		1,654	-
Acquisitions		156	-
		<hr/>	<hr/>
	4	1,810	893
Share of operating profit in joint ventures	12	117	88
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME		1,927	981
Finance income (net)	5	383	202
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,310	1,183
Tax on profit on ordinary activities	6	(588)	(485)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		1,722	698
	20	<hr/> <hr/>	<hr/> <hr/>
Earnings per share expressed in pence per share (note 8)			
Basic		24.13	9.99
Diluted		23.25	9.61
		<hr/> <hr/>	<hr/> <hr/>

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

NATIONAL MILK RECORDS PLC

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
PROFIT FOR THE FINANCIAL YEAR	20	1,722	698
Actuarial losses on pension scheme	27	(2,400)	(1,858)
Movement on deferred tax relating to pension scheme		480	371
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		<u>(198)</u>	<u>(789)</u>

NATIONAL MILK RECORDS PLC

CONSOLIDATED BALANCE SHEET

At 31 March 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Goodwill	10	1,882	-
Tangible assets	11	2,599	3,185
Investments	12		
Interest in joint ventures			
Share of gross assets		525	270
Share of gross liabilities		(97)	(61)
		428	209
Other investments	11	5	5
		4,914	3,399
CURRENT ASSETS			
Stock	13	497	244
Debtors – due within one year	14	2,142	1,834
Debtors – due after one year	14	-	14
Cash at bank and in hand		1,974	1,443
		4,613	3,535
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(3,873)	(2,763)
NET CURRENT ASSETS		740	772
TOTAL ASSETS LESS CURRENT LIABILITIES		5,654	4,171
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(957)	(452)
PROVISIONS FOR LIABILITIES	18	(309)	(342)
NET ASSETS EXCLUDING PENSION LIABILITY		4,388	3,377
PENSION LIABILITY	27	(7,760)	(6,602)
NET LIABILITIES		(3,372)	(3,225)
CAPITAL AND RESERVES			
Called up share capital	19	752	742
Share premium	19	66	25
Share option reserve	20	22	22
Profit and loss account	20	(4,212)	(4,014)
SHAREHOLDERS' DEFICIT	21	(3,372)	(3,225)

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 16 June 2015.

Signed on behalf of the Board of Directors



Mr A J Warne
Director

NATIONAL MILK RECORDS PLC

COMPANY BALANCE SHEET
At 31 March 2015

	Note	2015	2014
		£'000	£'000
FIXED ASSETS			
Tangible assets	11	1,825	2,096
Investments	12	5,534	2,419
		<u>7,359</u>	<u>4,515</u>
CURRENT ASSETS			
Stock	13	83	101
Debtors – falling due within one year	14	990	1,108
Cash at bank and in hand		1,151	189
		<u>2,224</u>	<u>1,398</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	<u>(5,333)</u>	<u>(2,457)</u>
NET CURRENT LIABILITIES		<u>(3,109)</u>	<u>(1,059)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,250	3,456
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	16	(957)	(452)
PROVISIONS FOR LIABILITIES	18	(281)	(334)
PENSION LIABILITY	27	<u>(7,760)</u>	<u>(6,602)</u>
NET LIABILITIES		<u>(4,748)</u>	<u>(3,932)</u>
CAPITAL AND RESERVES			
Called up share capital	19	752	742
Share premium	19	66	25
Share option reserve	20	22	22
Profit and loss account	20	<u>(5,588)</u>	<u>(4,721)</u>
SHAREHOLDERS' DEFICIT	21	<u>(4,748)</u>	<u>(3,932)</u>

The financial statements of National Milk Records Plc, registered number 03331929, were approved by the Board of Directors and authorised for issue on 16 June 2015.

Signed on behalf of the Board of Directors



Mr A J Warne
Director

NATIONAL MILK RECORDS PLC

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	22	2,402	1,989
Returns on investment and servicing of finance	23	183	(61)
Taxation		(347)	(240)
Capital expenditure and financial investment	23	(96)	(188)
Acquisitions and disposals	23	(1,471)	-
		<u>(1,731)</u>	<u>(489)</u>
Cash inflow before management of liquid resources and financing		671	1,500
Financing	23	(140)	(1,360)
Increase in cash in the year	24	<u>531</u>	<u>140</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

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 and consolidation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

The financial statements consolidate the financial statements of National Milk Records Plc and all of its subsidiary undertakings, together with the Group's share of interests in joint ventures made up to 31 March each year. They are prepared using uniform accounting policies. All intra-group balances, transactions, income and expenses are eliminated on consolidation. Joint ventures are accounted for using the gross equity method.

Going concern

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

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

Turnover

Turnover is stated net of value added tax and trade discounts and represents amounts invoiced to third parties. 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.

Intangible assets – goodwill

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

Tangible fixed assets

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

Freehold buildings	2.5%
Leasehold buildings	20% – 33%
Computer equipment and machinery	10% – 33%
Motor vehicles	25%

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Grant income

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

Stock

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

Taxation

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

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

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

Foreign currencies

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

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

Hire purchase and leasing commitments

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

Fixed asset investments

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

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Provisions

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

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

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

Pension costs

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

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

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.

2. SEGMENT INFORMATION

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

	2015 £'000	2014 £'000
Milk recording services	10,698	10,600
Disease testing services	2,636	2,264
Software sales and support	804	816
Payment testing services	4,115	3,882
Livestock traceability	843	664
Livestock surveillance	401	441
Genetics	662	-
	<u>20,159</u>	<u>18,667</u>

3. STAFF COSTS

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

	2015 Number	2014 Number
Field staff	65	68
Administration staff	241	222
	<u>306</u>	<u>290</u>

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	6,907	6,410
Social security costs	588	548
Other pension costs	224	180
Redundancy costs	14	105
	<u>7,733</u>	<u>7,243</u>

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

3. STAFF COSTS (continued)

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

	2015 Number	2014 Number
Field staff	65	68
Administration staff	121	119
	<u>186</u>	<u>187</u>

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	4,604	4,453
Social security costs	379	416
Other pension costs	167	130
Redundancy costs	14	87
	<u>5,164</u>	<u>5,086</u>

Directors' Remuneration

	2015 £'000	2014 £'000
Directors' remuneration	417	295
Directors' pension contributions to money purchase schemes	17	12
	<u>434</u>	<u>307</u>

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

	2015 Number	2014 Number
Money purchase schemes	<u>5</u>	<u>3</u>

Information regarding the highest paid director is as follows:

	2015 £'000	2014 £'000
Directors' remuneration	191	169
Directors' pension contributions to money purchase schemes	<u>7</u>	<u>6</u>

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):	2015 £'000	2014 £'000
Depreciation – owned assets	696	602
Depreciation – leased assets	283	253
Profit on disposal of fixed assets	(41)	(37)
Amortisation of goodwill	208	31
Grant income received	(96)	(156)
Operating lease rentals – other	28	28
	<u> </u>	<u> </u>
	2015	2014
	£	£
Fees payable to the Company's auditor:		
for the audit of the Company's annual accounts	5	5
for the audit of the Company's subsidiaries and consolidation	44	35
	<u> </u>	<u> </u>
Total audit fees	49	40
	<u> </u>	<u> </u>
Tax services	8	8
Corporate finance services	41	-
	<u> </u>	<u> </u>
Total non-audit fees	49	8
	<u> </u>	<u> </u>

The disclosures above 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.

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

5. FINANCE INCOME (NET)	2015 £'000	2014 £'000
Interest receivable and similar income	231	-
Net return on pension scheme (note 27)	200	263
	<hr/>	<hr/>
Investment income	431	263
	<hr/>	<hr/>
Bank loan and overdraft interest	-	13
Finance lease interest	48	48
	<hr/>	<hr/>
Interest payable and similar charges	48	61
	<hr/>	<hr/>
Net finance charges	383	202
	<hr/>	<hr/>
6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
Analysis of the tax charge		
The tax charge comprises:		
	2015 £'000	2014 £'000
Current tax		
UK corporation tax	357	199
Adjustments in respect of prior years	19	(20)
	<hr/>	<hr/>
Total current tax	376	179
Deferred tax		
Origination and reversal of timing differences	22	59
Changes in tax rates	-	(32)
Deferred tax on pension scheme	200	31
Deferred tax on pension scheme – change in tax rate	(10)	248
	<hr/>	<hr/>
Total deferred tax	212	306
	<hr/>	<hr/>
Total tax on profit on ordinary activities	588	485
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

Factors affecting the tax charge

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

	2015	2014
	£	£
Profit on ordinary activities before tax	2,310	1,183
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 21% (2014: 23%)	485	272
Effects of:		
Expenses not deductible for tax purposes	2	5
Depreciation in excess of capital allowances	58	15
FRS17 adjustment	(200)	(61)
Marginal relief/benefit of lower rates	-	(3)
Non-trading profits	12	(29)
Adjustments in respect of prior years	19	(20)
Group current tax charge for year	376	179

The Finance Act 2013 which was enacted on 17 July 2013 reduced the main rate of corporation tax from 21% to 20% from 1 April 2015. The directors are not aware of any other factors that will materially affect the future tax charge.

7. PROFIT ATTRIBUTABLE TO THE COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these financial statements. The parent Company's profit for the financial year was £1,053,000 (2014: a loss of £128,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

8. EARNINGS PER SHARE

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

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

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

Reconciliations are set out below.

	Earnings £'000	2015 Weighted average number of shares	Earnings per share pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,722	7,134,903	24.13
Effect of dilutive securities			
Options	-	270,000	-
	<u>1,722</u>	<u>7,404,903</u>	<u>23.25</u>
Diluted EPS			
Adjusted earnings	<u>1,722</u>	<u>7,404,903</u>	<u>23.25</u>
	Earnings £'000	2014 Weighted average number of shares	Earnings per share pence
Basic EPS			
Earnings attributable to ordinary shareholders	698	6,989,779	9.99
Effect of dilutive securities			
Options	-	270,000	-
	<u>698</u>	<u>7,259,779</u>	<u>9.61</u>
Diluted EPS			
Adjusted earnings	<u>698</u>	<u>7,259,779</u>	<u>9.61</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

9. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 1 October 2014, the company acquired 100% of the share capital of Inimex Genetics Limited for consideration of £3,115,000. The fair value of the total consideration was £3,115,000. In accordance with section 615 of the Companies Act 2006, the Company has recorded the cost of the investment at the fair value of the consideration.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	Book Value	Revaluation	Fair Value
	£'000	£'000	to Group
			£'000
Fixed Assets			
Investments	6	103	109
Tangible	49	-	49
Current Assets			
Stocks	190	-	190
Debtors	501	-	501
Cash	711	-	711
Total assets	<u>1,457</u>	<u>103</u>	<u>1,560</u>
Creditors			
Trade creditors	242	-	242
Accruals	113	-	113
Taxation	180	-	180
Total liabilities	<u>535</u>	<u>-</u>	<u>535</u>
Net assets	<u>922</u>	<u>103</u>	<u>1,025</u>
Goodwill			2,090
			<u>3,115</u>
Satisfied by			
Cash			2,533
Deferred consideration (presented within accruals and deferred income)			582
Total consideration			<u>3,115</u>

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

10. GOODWILL

Group	£'000
Cost	
At 1 April 2014	3,864
Additions	2,090
	<hr/>
At 31 March 2015	5,954
	<hr/>
Amortisation	
At 1 April 2014	3,864
Charge for the year	208
	<hr/>
At 31 March 2015	4,072
	<hr/>
Net book value	
At 31 March 2015	1,882
	<hr/> <hr/>
At 31 March 2014	-
	<hr/> <hr/>

11. TANGIBLE FIXED ASSETS

Group	Land and buildings £'000	Computer equipment and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2014	1,556	4,257	1,258	7,071
Additions	-	137	256	393
Disposals	-	-	(257)	(257)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	1,556	4,394	1,257	7,207
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation				
At 1 April 2014	313	2,760	813	3,886
Charge for the year	44	652	283	979
Disposals	-	-	(257)	(257)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	357	3,412	839	4,608
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 March 2015	1,199	1,082	418	2,599
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2014	1,243	1,497	445	3,185
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included within Group land and buildings are leasehold improvements with a net book value of £26,000 (2014: £70,000) and land of £250,000 (2014: £250,000). All motor vehicles are held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

11. TANGIBLE FIXED ASSETS (continued)

Company	Land and buildings £'000	Computer equipment and machinery £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2014	1,289	1,107	1,150	3,546
Additions	-	16	256	272
Disposals	-	-	(257)	(257)
At 31 March 2015	<u>1,289</u>	<u>1,123</u>	<u>1,149</u>	<u>3,561</u>
Depreciation				
At 1 April 2014	153	592	705	1,450
Charge for the year	17	243	283	543
Disposals	-	-	(257)	(257)
At 31 March 2015	<u>170</u>	<u>835</u>	<u>731</u>	<u>1,736</u>
Net book value				
At 31 March 2015	<u>1,119</u>	<u>288</u>	<u>418</u>	<u>1,825</u>
At 31 March 2014	<u>1,136</u>	<u>515</u>	<u>445</u>	<u>2,096</u>

All motor vehicles are held under finance lease.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

12. FIXED ASSET INVESTMENTS

Group

	Interest in joint ventures £'000	Unlisted investments £'000	Total £'000
Cost and net book value			
At 1 April 2014	209	5	214
Acquired in the year	109	-	109
Share of post-tax results	110	-	110
	<hr/>	<hr/>	<hr/>
At 31 March 2015	428	5	433
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company

	Subsidiary undertakings £'000	Joint venture £'000	Unlisted investments £'000	Total £'000
Cost				
At 1 April 2014	5,941	177	5	6,123
Additions	3,115	-	-	3,115
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	9,056	177	5	9,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Provision for impairment				
At 1 April 2014 and 31 March 2015	3,704	-	-	3,704
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 31 March 2015	5,352	177	5	5,534
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2014	2,237	177	5	2,419
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Subsidiary undertakings

During the year, the Company acquired Inimex Genetics Limited.

The Company has investments in the following subsidiary undertakings, which principally affected the profit or net assets of the Group.

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

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

12. FIXED ASSET INVESTMENTS (continued)

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

Joint ventures

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

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

Independent Milk Laboratories Limited and Genimex Holding BV prepare their accounts to 31 December. Their most recent financial statements cover the year ended 31 December 2014.

13. STOCKS	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Consumables	181	134	-	-
Genetics Stock	226	-	-	-
Stock for resale	90	110	83	101
	<u>497</u>	<u>244</u>	<u>83</u>	<u>101</u>

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

14. DEBTORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Trade debtors	1,682	1,532	640	657
Amounts due from Group undertakings	-	-	-	281
Amounts due from joint venture (note 30)	46	61	-	-
Other debtors	36	-	-	-
Prepayments and accrued income	378	241	350	170
	<u>2,142</u>	<u>1,834</u>	<u>990</u>	<u>1,108</u>

DEBTORS – AMOUNTS FALLING DUE AFTER ONE YEAR

Amounts due from joint venture (note 30)	-	14	-	-
	<u>2,142</u>	<u>1,848</u>	<u>990</u>	<u>1,108</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Obligations under finance leases (note 17)	204	208	204	208
Trade creditors	1,153	581	845	582
Amounts owed to Group undertakings	-	-	2,907	442
Amounts owed to joint venture (note 30)	31	37	-	-
Corporation tax	479	199	12	5
Other taxation and social security	863	852	646	661
Accruals and deferred income	1,143	886	719	559
	<u>3,873</u>	<u>2,763</u>	<u>5,333</u>	<u>2,457</u>

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

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Obligations under finance leases (note 17)	475	452	475	452
Accruals and deferred income	482	-	482	-
	<u>957</u>	<u>452</u>	<u>957</u>	<u>452</u>

17. OBLIGATIONS UNDER FINANCE LEASES

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Net obligations are repayable as follows:				
Within one year	204	208	204	208
Between one and two years	204	157	176	157
Between two and five years	271	295	271	295
	<u>679</u>	<u>660</u>	<u>679</u>	<u>660</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

18. PROVISIONS FOR LIABILITIES

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Deferred tax – accelerated capital allowances	234	212	206	204
Group		Deferred taxation £'000	Product warranties £'000	Total £'000
At 1 April 2014		212	130	342
(Credit)/charge to the profit and loss account		22	(55)	(33)
At 31 March 2015		234	75	309
Company		Deferred taxation £'000	Product warranties £'000	Total £'000
At 1 April 2014		204	130	334
(Credit)/charge to the profit and loss account		2	(55)	(53)
At 31 March 2015		206	75	281

The provision for product warranties relates to expected warranty claims on products sold in the last three years. It is expected that this expenditure will all be incurred within three years of the balance sheet date.

19. CALLED-UP SHARE CAPITAL

	2015 £'000	2014 £'000
Allotted, called-up and fully paid		
7,523,329 (2014: 7,423,329) Ordinary Shares of £0.10 each	752	742
90 (2014: 90) Deferred Shares of £1 each	-	-
	752	742

On 26 June 2014, the company issued 100,000 Ordinary Shares of £0.10 each at a price of £0.51 per share, giving rise to share premium of £41,000.

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

20. OTHER RESERVES

Group	Profit and Share option loss account £'000	reserve £'000
At 1 April 2014	(4,014)	22
Profit for the year	1,722	-
Actuarial loss on pension scheme	(2,400)	-
Deferred tax relating to actuarial loss	480	-
	<hr/>	<hr/>
At 31 March 2015	<u>(4,212)</u>	<u>22</u>
	<hr/>	<hr/>
Company	Profit and Share option loss account £'000	reserve £'000
At 1 April 2014	(4,721)	22
Profit for the year	1,053	-
Actuarial loss on pension scheme	(2,400)	-
Deferred tax relating to actuarial loss	480	-
	<hr/>	<hr/>
At 31 March 2015	<u>(5,588)</u>	<u>22</u>
	<hr/>	<hr/>

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

As noted in note 18, during the year 100,000 ordinary shares were issued for consideration of £0.51 per share, giving rise to an increase to the share premium account of £41,000.

The profit and loss account is stated after deducting £274,000 in relation to the purchase of ESOP shares (note 32).

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

Group	2015 £'000	2014 £'000
At beginning of year	(3,225)	(2,470)
Shares issued during the year	51	32
Profit for the financial year	1,722	698
Share option charge	-	2
Other gains and losses recognised in the year	(1,920)	(1,487)
At end of year	(3,372)	(3,225)
Company	2015 £'000	2014 £'000
At beginning of year	(3,932)	(2,351)
Shares issued during the year	51	32
Profit/(loss) for the financial year	1,053	(128)
Share option charge	-	2
Other gains and losses recognised in the year	(1,920)	(1,487)
At end of year	(4,748)	(3,932)

22. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2015 £'000	2014 £'000
Operating profit	1,810	893
Depreciation and amortisation	1,187	886
Profit on disposal of fixed assets	(41)	(37)
Share option charges	-	2
(Increase)/decrease in stock	(253)	310
Increase in debtors	(294)	(27)
Increase in creditors	933	99
Difference between pension charge and cash contributions	(940)	(137)
Net cash inflow from operating activities	2,402	1,989

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

23. ANALYSIS OF CASH FLOWS

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	231	-
Interest paid	-	(13)
Interest element of finance lease payments	(48)	(48)
Net cash inflow/(outflow)	<u>183</u>	<u>(61)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(137)	(286)
Sale of tangible fixed assets	41	98
Net cash outflow	<u>(96)</u>	<u>(188)</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	(2,207)	-
Net cash acquired with subsidiary	736	-
Net cash outflow	<u>(1,471)</u>	<u>-</u>
Financing		
Share capital issued in the year	51	32
Loan repayments in year	-	(1,201)
Capital element of finance lease payments	(191)	(191)
Net cash outflow	<u>(140)</u>	<u>(1,360)</u>

24. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2015 £'000	2014 £'000
Increase in cash in the year	531	140
Cash outflow from decrease in debt and lease financing	237	1,392
Change in net debt resulting from cash flows	768	1,532
New finance leases	(256)	(96)
Movement in net funds in the year	512	1,436
Net funds/(debt) at beginning of year	783	(653)
Net funds at end of year	<u>1,295</u>	<u>783</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

25. ANALYSIS OF CHANGES IN NET FUNDS

	1 April 2014 £'000	Cash flow £'000	Other non-cash changes £'000	31 March 2015 £'000
Cash in hand, at bank	1,443	531	-	1,974
Finance leases	(660)	237	(256)	(679)
Net funds	<u>783</u>	<u>768</u>	<u>(256)</u>	<u>1,295</u>

26. OPERATING LEASE COMMITMENTS

The Group and Company had the following annual commitments under non-cancellable operating leases for land and buildings as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
<i>Leases expiring:</i>				
Between one and five years	45	45	45	45
In more than five years	100	100	70	70
	<u>145</u>	<u>145</u>	<u>115</u>	<u>115</u>

27. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit scheme

The Milk Pension Fund is a multi-employer defined benefit scheme which has been closed to future accrual since 30 June 2013 and is funded by investment returns and recovery contributions from participating employers. The principal employer of The Milk Pension Fund is Genus Breeding Limited.

In this report, National Milk Records has accounted for 10% of the total scheme which equates to National Milk Record's share of the total recovery payments paid by the employers. No allowance has been made for a potential share of the orphan assets and liabilities. Recovery payments are determined by the Trustee based on an external affordability study as part of the triennial valuation process with an effective date of 30th March 2012. In previous years a 12% proportion has been used which related to an alternative methodology whereby the scheme's liabilities were allocated amongst the employers based on individual's service records. The current method for determining the percentage of the net liability recognised is considered to better reflect the Group's liability as this is the amount allocated by the Scheme's recovery plan. The impact of this is to reduce the net liabilities by £1,552,000 and a £100,000 charge in the statement of total recognised gains and losses. Should any employer not be in a position to meet its obligation, through administration or liquidation, the liability is shared amongst the other employers in a proportion determined by the Trustee.

The latest actuarial valuation of the Fund was made by a qualified actuary as at 31 March 2012 using the projected unit method.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

The valuation shows the market value of the total Fund's assets amounted to £312.1m. The actuarial value of the assets of the total fund was sufficient to cover 68.9 per cent of the value of the benefits that had accrued to members after allowing for assumed increases in earnings. The deficit in the total Fund disclosed by the valuation as a whole was £140.5m. It is being addressed by increased contributions from the participating employers by way of an agreed recovery plan. Under this recovery plan the Group has agreed contributions due in respect of the recovery plan of:

- 1 April 2014 to 31 March 2015 - £672,000
- 1 April 2015 to 31 March 2016 - £726,000
- 1 April 2016 to 31 March 2026 - £858,000 p.a. (each year increasing annually from 1 April 2017 by 3.4% p.a.).

With effect from 1 June 2007, the Company closed its share of the scheme to future accrual although two non-executive directors remained as active members in order that the Group complied with the scheme rules.

The valuation used for FRS 17 disclosures has been based on the actuarial valuation at 31 March 2012 and updated by Aon Hewitt to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2015 (using the projected unit method). Scheme assets are stated at their market value at 31 March 2015. The Group's contributions paid during the year amounted to £740,000 (2014: £135,000). The analysis below relates specifically to NMR's share of the total scheme.

The amounts recognised in the balance sheet are as follows:

	2015	2014
	£'000	£'000
Present value of funded obligations	(50,200)	(35,246)
Fair value of plan assets	40,500	26,994
Deficit	(9,700)	(8,252)
Deferred tax asset	1,940	1,650
Net pension liability	<u>(7,760)</u>	<u>(6,602)</u>

The amounts recognised in the profit and loss account are as follows:

	2015	2014
	£'000	£'000
Interest cost	1,500	1,372
Expected return	(1,700)	(1,635)
Current service cost	(200)	(263)
	-	18
Total amounts recognised in the profit and loss account	<u>(200)</u>	<u>(245)</u>
Actual return on plan assets	<u>4,900</u>	<u>1,700</u>

The current service cost is included within administration expenses. The net impact of the interest cost and expected return on plan assets is included within net finance income.

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Changes in the present value of the Group's share of the defined benefit obligation are as follows:

	2015	2014
	£'000	£'000
Opening defined benefit obligation	35,246	33,383
Current service cost	-	18
Interest cost	1,500	1,372
Actuarial losses	15,500	1,923
Benefits paid	(1,846)	(1,450)
Settlements	(200)	-
	<u>50,200</u>	<u>35,246</u>

Changes in the fair value of the Group's share of the scheme assets are as follows:

	2015	2014
	£'000	£'000
Opening fair value of scheme assets	26,994	26,609
Contributions by employer	740	135
Expected return	1,700	1,635
Actuarial gains	13,100	65
Benefits paid	(1,846)	(1,450)
Settlements	(200)	-
	<u>40,500</u>	<u>26,994</u>

The amounts recognised in the statement of total recognised gains and losses are as follows:

	2015	2014
	£'000	£'000
Actuarial losses	<u>(2,400)</u>	<u>(1,858)</u>
Cumulative amount of actuarial losses	<u>(13,087)</u>	<u>(10,687)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2015	2014
	%	%
Equities	33	32
Cash	3	1
Index linked gilts	-	7
Bonds	25	26
Property	13	13
Hedge funds	-	21
Diversified growth funds	18	-
Liability driven investment fund	8	-
	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

27. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2015	2014
	%	%
Discount rate	3.20	4.40
Inflation assumption (RPI)	3.00	3.30
LPI 5% pension increases	3.00	3.30
Revaluation in deferment	3.30	3.30
Expected return on scheme assets	6.30	6.30

The mortality assumptions used in the valuation of the defined benefit pension liabilities for the Group are determined using 100% of the S1NxA series tables with the CMI projection and long-term rate of improvement of 1.25% pa based upon the average year of birth of members.

The valuation of the defined benefit pension liabilities assumes members take 90% of their full tax free cash allowance (2014: 90%).

The expected return on plan assets is determined by considering the long-term returns and the balance between risk and reward on the various categories of investment assets held. Expected returns on equity and property investments reflect long-term rates of return experienced in the respective markets. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date.

Amounts for the current and previous four periods are as follows:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(50,200)	(35,246)	(33,383)	(30,184)	(27,163)
Fair value of share of scheme assets	40,500	26,994	26,609	24,792	24,812
Deficit	(9,700)	(8,252)	(6,774)	(5,392)	(2,351)
Experience adjustments on share of scheme liabilities	(9,600)	(1,251)	45	(197)	(383)
Experience adjustments on share of scheme assets	13,100	65	1,090	(1,026)	(505)

Defined contribution scheme

During the year the group made employer's contributions to the two defined contribution schemes totalling £224,000 (2014: £162,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

28. CONTINGENT LIABILITIES

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

The retirement benefit obligations referred to in note 26 relate to the Milk Pension Fund. NMR, together with other participating employers, is joint and severally liable for the scheme's obligations. As a result of this, NMR has a contingent liability for the scheme's obligations that it has not accounted for.

29. CAPITAL COMMITMENTS

	Group 2015 £'000	Group 2014 £'000
Contracted but not provided for	87	157

30. RELATED PARTY TRANSACTIONS

Shareholders and directors

The Group provided services to some of its shareholders however due to their insignificant shareholdings they are not considered to be related parties. Two of the directors are also customers of National Milk Records Plc. Services provided to these directors during the year totalled £14,284 (2014: £12,837). There were no outstanding balances due from these directors at 31 March 2015 (2014: £147).

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:

	2015 £'000	2014 £'000
Aged debtors	46	75
Aged creditors	31	37

During the year the Group traded with IML as follows:

	2015 £'000	2014 £'000
Sales to IML	19	113
Sales of fixed assets to IML	-	84
Purchase from IML	212	208

Milk Pension Fund

See disclosures in note 27.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

31. SHARE BASED PAYMENT TRANSACTIONS

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

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

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

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

All options granted remain outstanding at 31 March 2015; however all have vested and are currently exercisable. The options outstanding at 31 March 2015 have a remaining contractual life of 5.25 years and an exercise price of 28.00p. The weighted average fair value of options granted as at 31 March 2015 was 8.16p. The share price and option exercise price above equate to the weighted average exercise and share price for the period.

The Group recognised a total expense of £nil (2014: £1,677) in relation to equity-settled share-based payments.

32. ESOP TRUST

The purchase of the shares owned by the Trust was funded by an interest free loan from National Milk Records Plc. All expenses incurred by the Trust are settled directly by National Milk Records Plc and recognised in the financial statements as incurred. The Trust currently holds 364,800 shares (2014: 364,800). At the balance sheet date there were 270,000 shares under option to (ex) employees (2014: 270,000).

The Company adopted UITF Abstract 38 "Accounting for ESOP Trusts" in 2004/05. The UITF requires the cost of shares held by ESOPs to be shown as a deduction from equity shareholders' funds, whereas they were previously shown as investments in the Company balance sheet. The current market value of the shares held by the ESOP Trust is approximately £235,000 (2014: £165,000). The cost of the shares, being £274,000, was deducted from shareholders funds through the profit and loss account.

NATIONAL MILK RECORDS PLC

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

33. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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