Decoding milk data, building robust insights.

National Milk Records PLC

Annual Report and Consolidated Financial Statements for the year ended 30 June 2022

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)*

Company Secretary

Mrs Lisa Ward

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Group Strategic Report

For the year ended 30 June 2022

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 statements.

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

Business Model

National Milk Records plc ('NMR') is the leading agri-tech supplier of management information to the UK dairy supply chain. NMR tests individual animal milk samples and collects data for approximately 50% of the UK's 1.8 million cows. In addition, its laboratories provide payment testing and disease testing services for Britain's milk processors. NMR is piloting its revolutionary Genocells technology, a genomic testing service under its brand, GeneEze. Genocells and GeneEze together will not only identify the genetic potential of cattle from a very young age but also predict mastitis cases in the milking herd without the need for taking individual milk samples. NMR holds the exclusive licence for Genocells for the UK and US markets.

The nature of the dairy industry is such that milk samples are delivered to NMR laboratories from every dairy farm in Great Britain for every collection of milk. The majority of the company's revenue is on a subscription basis and collected via direct debit.

In line with it's Strategic Plan, NMR has been reporting internally against five revenue streams; Core Services, Testing Adjacencies, Surveillance Adjacencies, Other Adjacencies, and Genomics. The annual report is presented again on this basis. These revenue streams are compared in Note 2 to the accounts.

Business Review

Summary

- Operating Profit of £1.6 million (2021: £1.3 million), an increase of 20.3%
- Revenues of £23.2 million (2021: £21.9 million), an increase of 5.7%
- Net Debt of £0.391 million (2021: £1.044 million), only 0.15x underlying EBITDA
- Diluted EPS of 11.5 pence (2021: 9.6 pence), an increase of 19.8%
- Proposed Dividend of 2.0 pence (2021: 1.50 pence)

After the uncertainty of the Covid-19 pandemic, and consequent interruption to services, this financial year has been more stable. Turnover for the year ended 30 June 2022 was £23.2 million and grew by 5.7% compared to a year earlier. The key drivers of growth in revenue were in Core Services (up 4.5%) and Johne's disease testing (up 9.8%); Surveillance Adjacencies (up 10.6%); On-Farm-Software (up 10.3%); and Genomics testing (up 78.1%), albeit from a low base.

Underlying Earnings Before Interest Tax Depreciation and Amortisation (Underlining EBITDA) is defined as Operating Profit adding back charges for Share Based Payments, Depreciation and Amortisation. In the year to June 2022, Underlying EBITDA was £2.671 million, an increase of £0.256 million or 10.6%. As a percent of revenue, Underlying EBITDA % increased to 11.5% (2021: 11.0%) despite carrying expensed investment costs of £139,000 for the preparation of plans for the launch of Genocells in the US market.

Group Strategic Report

(continued)

Net Assets increased by £1.805 million in the year to stand at £8.825 million as at 30 June 2022. Key changes include Intangible Assets (up by £0.902 million); Investments (up by £0.579 million principally the IML Joint Venture in Ireland); and a reduction in Net Debt of £0.256 million.

At the balance sheet date, cash was £2.075 million and Net Debt stood at £0.391 million.

The Group generated £2.741 million of operating cash flow in the year to June 2022, spending £1.924 million on capital investment (2021: £1.628 million), £0.314 million on dividends (2021: £0.262 million) and zero on Corporation Tax. NMR continues to enjoy a corporation tax holiday from the losses accruing from exiting the Milk Pension Fund in June 2017, topped-up by Advance Capital Allowances and claims for Research and Development under the Small Businesses scheme. Principal investments in the year included liquid handlers and analysers in the laboratories, the exclusive licence for Genocells technology in the United States ('US'), development of CRM and Finance systems in Microsoft Dynamics 365, and laying down the technology for Genomics testing and Genocells.

The intangible asset developments in the year include delivery of the first phases of a new solution for Genomics testing, driven by the commercial opportunity with Genus. With reuse at its centre, this development under NMR's Future State Architecture is extendable and forms part of the building blocks for the Genocells service in the UK and the US. Also, the acceleration of CRM functionality within Dynamics 365 has been scoped to support CRM functions such as lead management, case management, and customer segmentation.

Business Risks and Uncertainties

NMR's principal risks and uncertainties are considered by the audit committee on a regular basis and a risk register is maintained. The register groups identified risks into seven categories, up from six last year, and assesses each risk against its likelihood and potential impact, and an overall score is provided. The seven categories are Financial, Commercial, IT, Environmental, Social, and Governance ("ESG"), People, Property, and Investors/Stock markets. Key actions and mitigations are recorded in the table below:

Risk Category	Key Actions and Mitigations	Primary Responsibility
Finance	Forecasting. Finance facilities. Financial controls and authorities.	Finance Director
Stock markets	Investor Relations. Independent research. Communications	Managing Director/ Finance Director
Commercial	Strategic Plan. Focus. Measurement of KPIs (Number of Cows and Revenue per unit). Service excellence.	Managing Director
IT	Future State Architecture. Infrastructure. Business Continuity Planning	IT Director
People	Succession planning. Reward schemes. Engagement	RemCo and HR Director
ESG	Focus and orientation around ESG. Support from professional advisors	Board
Property	Access and security systems	IT Director

Group Strategic Report

(continued)

Going Concern

The 12 months ending June 2022 have seen another rash of uncertainty prevailing for businesses and society more generally. After the significant impacts of Covid-19 on trading in the year before, the concerns caused by the pandemic have been significantly diminished. Russia's invasion of Ukraine in February 2022 caused new concerns with issues of global food and energy security, and high inflation. These inflationary pressures have significantly impacted UK dairy, with input costs for farmers leaping for feed, fuel, and fertiliser. Against these uncertainties, NMR has certain protections that give the Board of Directors confidence to prepare the accounts for the year on a going concern basis. These include the reliability of our trading and cash flow performance; the strength of our balance sheet; our trading outlook; and our ability to flex activity and cash flows if required.

Based on our conservative EBITDA planning trajectory, the headroom in our finance facilities, our ability to change the phasing of our investment as well as responding to trading issues, the NMR Board is confident it has the liquidity in place to continue in operational existence for the foreseeable future and for at least the next 21 months and so supports the preparation of the 2022 accounts on a going concern basis.

Key Performance Indicators

We continue to use the NMR Scorecard as a measure of our financial and operational performance. Consistent with previous years, we determine that the most fundamental KPIs from an investor's perspective are:

- The number of cows on NMR's database
- The turnaround time for recording services
- The average revenue per milk producer.

Over the financial year ending 30 June 2022, the number of cows on the database fell by 0.9% to 674,809 cows, although this decline was only 0.3% when measured at the end of July. The KPI for turnaround statistics which measures the total time from samples leaving the farm, to results being processed and returned, remains sector-leading at 2.0 days (2021: 2.0 days). The average revenue per producer reflects NMR's strategic intent to maximise testing from each individual bulk tank sample. Measured on a rolling three-month basis, this has increased by 2.1 % in the year and now stands at £41.96 (2021: £41.08) even allowing for some reductions in tanker testing for some processors.

Strategy and Future Developments

The Strategy Committee of the Board, led by Dr James Andrews, has reviewed the strategic priorities for the business. The over-arching strategy remains unchanged, focusing on NMR's core business of milk testing whilst growing NMR's suite of new milk-based tests and driving complementary services in provenance and food supply chain. The strategic priorities translate into individual workstreams reviewed and managed by the Executive Leadership Team (ELT), with highlights including Lead to Cash (Implementation and exploitation of Customer and Finance systems); Next Generation Milk recording (Genomics and Genocells); the journey to 1 million cows (recruitment and retention strategies); and Second engine (extending services into new markets, including Genocells into the United States).

The work to pursue GenoCells technology in the United States, is being backed-up by farm trials with the University of Wisconsin and market research via Farmers' Journal. Given very positive early indicators, NMR is actively engaged with potential sales channel partners to determine the optimum go-to-market launch options and will be attending the World Dairy Expo in Wisconsin in October 2022.

The next considerations for Customer and Finance systems under the D365 project are how to balance and prioritise customer relationship requirements (such as lead management, segmentation, case management) alongside invoicing and finance, and then to develop the most effective deployment planning.

Group Strategic Report

(continued)

Section 172 Statement

The Board recognises the importance of the Group's wider stakeholders when performing their duties under Section 172(1) of the Companies Act and their duties to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the company's employees.
- The need to foster the company's business relationships with suppliers, customers and others.
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards in business conduct, and
- The need to act fairly between members of the company

The Board considers that all their decisions are taken with the long-term in mind, understanding that these decisions need to regard the interests of the company's employees, its relationships with suppliers, customers, the communities, and the environment in which it operates.

Strategic developments in the year, which affect the Group's wider stakeholders, include.

We have reviewed the finance facilities with the bank, examining existing facilities and costs, future cash flow plans, and contingencies, together with current market rates given recent increasing movement on interest rates. As a result of the review, we have opted for two new Hire Purchase arrangements that support the accelerated investment in our laboratories (supporting the purchase of Milkoscan and BactoScan laboratory equipment. More information can be found in note 17 to the accounts). Further discussions with the bank will take place once go-live planning for Genocells in the US has been determined.

During the year, NMR has developed The Sustainable Performance Index ('SPI'), which contributes to the sustainable future of the whole dairy industry of the UK. This development has been in conjunction with 26 stakeholder groups, representing interests up and down the UK dairy supply chain. By unlocking insights from the herd data NMR already holds (including data on Fertility, Production, Health, Nutrition, and Genetics) the Index highlights performance in key areas of herd management. This means at a herd level, identifying areas of good performance and opportunities for improvement, whilst at a higher level, the SPI can be used to compare herds with their peers in relevant groupings such as those by milk-buyer, vet group or retailer, and so improve sustainability performance.

Since the Covid-19 pandemic, NMR has recognised the importance in our wellbeing and mental health awareness/support. We remind our employees regularly of the 24/7 Employee Assistance helpline providing them with support and counselling services. In addition, in July 2022 NMR signed an agreement to provide all employees the option to enter a cash plan for essential healthcare to include dental treatment, physiotherapy and much more.

In light of the unprecedented recent volatility in inflation, energy costs and food security, the Group continues to monitor developments in respect of input inflation, the cost-of-living crisis, and our ability to recruit, remunerate and retain the NMR workforce.

More information can be found on the Investors pages of the company website www.nmr.co.uk/investors/the-quoted-company-alliance-qca-code

Andy Warne
Managing Director

03 October 2022

Directors' Report

For the year ended 30 June 2022

The Directors present their annual report with the audited financial statements of the Company and the Group for the year ended 30 June 2022.

Identification of Information included in the Strategic Report

The Directors have made an election under Section 414C of the Act to include the following information in the Strategic Report: Future Development; Corporate Governance which is covered in the Directors' Section 172 statement for 2022; a statement of Risks, including a review of the business as a Going Concern.

Directors Serving in the Year

The Board held 10 full board meetings in the year, all of which were fully attended: no Directors were absent in any of those meetings. Those Directors holding office during the year were:

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)

The Board is supported by meetings of sub-committees from time to time, including Audit Committee (Chair: Mark Butcher), Strategy Committee (Chair: Dr James Andrews), and Remuneration Committee (Chair: Mark Butcher).

Research and Development

The Group continually invests in the development of new services to address customer requirements, including the investigation of new technology and the collection and analysis of data using machine learning and big data principles. We also seek to improve internal systems and processes by investing in technology and its development.

Dividends

The full year dividend of 1.50 pence per share for the year ended June 2021 was paid in November 2021, having been approved at Annual General Meeting (2020: 1.25 pence). The Directors are proposing a dividend of 2.0 pence per share for the year ended June 2022 for all shareholdings on the register on 14 October 2022, with an ex-dividend date of 13 October 2022. If approved at AGM, this would be paid on 18 November.

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 Directors' Report.

Principal Shareholders

The largest shareholders with holdings greater than 3.0% as at 30 June 2022, alongside their values a year earlier are as follows:

	2022	%	2021	%
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
Chase Nominees Limited	1,642,334	7.73	–	–
ROY Nominees Limited	–	–	1,642,334	7.73
Vidacos Nominees Limited	1,289,680	6.07	1,229,680	5.79

Directors' Report
(continued)

Employees

Disabled employees

It is the policy of the Group that the learning & development, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. Applications from disabled persons for employment are properly considered alongside individual abilities of the applicant, making any reasonable adjustments that may be possible for the applicant. For employees who may become disabled while in employment, every effort is made to ensure that their employment within the Group continues and that appropriate training and reasonable adjustment are reviewed and implemented.

Employee Engagement

The Board places considerable value on the engagement of its employees. The Executive Leadership Team engage employees in the business performance on a regular basis as well as developments in the NMR Strategic Plan. Employees have access daily to NMR's internal intranet via SharePoint ('Connect') where all news is published. Connect is available on mobile phones as well as desktop PC's and is accessible through Teams or a web browser. Regard for employees and their interests is encapsulated within the initiatives to deliver our Strategic Plan. NMR runs a bi-monthly employee Net Promoter Score as well as the company-wide employee engagement survey which is run annually. 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.

Financial Instruments

The Group uses various financial instruments such as cash, borrowings, receivables and payables in order to maintain sufficient finance for the Group's operations. The existence of these instruments exposes the Group to financial risks including risks for liquidity, credit and for interest rates. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Interest risk is considered low given the record low interest rate environment and is further covered by a fixed interest rate arrangement in our core term bank loan. Liquidity risk is managed by careful cash flow management to ensure sufficient cash resources are in place, together with an overdraft facility of £0.5M.

Political Donations

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

Auditor

Each of the Directors 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 BDO LLP will be proposed at the 2022 Annual General Meeting.

The Directors' Report was approved by the Board on 03 October 2022.

Andy Warne
Managing Director

03 October 2022

Directors' Report on Green House Gas Protocol

For the year ended 30 June 2022

Table 1 provides a breakdown of NMR PLC carbon emissions. Emissions were calculated in accordance with GHG protocol. To enable NMR to compare year on year emissions against business operations, an intensity metric was calculated dividing tonnes of carbon dioxide equivalent (tCO_2e) emitted, by annual turnover.

Table 1

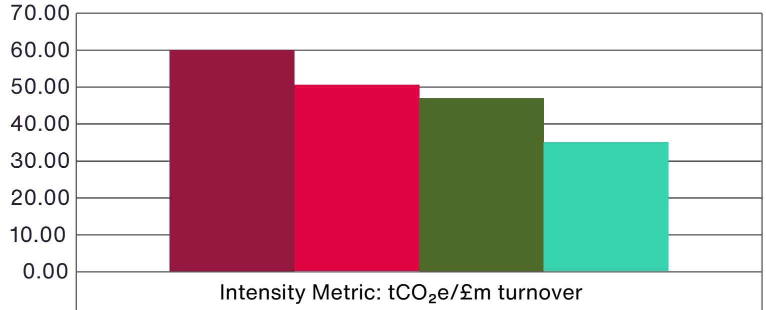
Emissions breakdown by scope	2021-22	2020-21		Base Year	
	tCO_2e	tCO_2e	% Change	tCO_2e	% Change: Current Reporting year to Base Year
Scope 1	644.71	831.66	-22%	1,052.64	-39%
Scope 2	162.63	183.31	-11%	241.17	-33%
Scope 3	21.92	2.84	672%	5.68	286%
Total Gross Scope 1 & 2	807.34	1,014.98	-20%	1,293.80	-38%
Total Scope 1, 2 & 3 (Greyfleet)	829.26	1,017.82	-19%	1,299.48	-36%
Total $kgCO_2e$	829,260.40	1,017,818.62	-19%	1,299,481.33	-36%
Intensity Metric: tCO_2e/£m turnover	34.86	47.01	-26%	60.44	-42%
Scope 1 & 2 UK Energy Consumption (kWh)	4,123,615.46	4,073,760.81	1%	4,882,775.41	-16%
Scope 3 (Greyfleet) Energy Consumption (kWh)	28,402.18	11,455.47	148%	22,910.95	24%
Total UK Energy Consumption (kWh)	4,152,017.65	4,085,216.29	2%	4,905,686.36	-15%

Directors' Report on Green House Gas Protocol

(continued)

NMR Green House Gas (GHG) emissions have reduced by 36% between 2018 and 2022. Total energy consumption has decreased by 15%. NMR's chosen intensity metric (tCO_2e/£m turnover) has decreased year on year to 34.86 tCO_2e/£turnover, a decrease of 42%.

Intensity Metric Comparison



	Intensity Metric: tCO_2e/£m turnover
Base Year	60.44
2019-2020 UK Emissions	50.62
2020-21 UK Emissions	47.01
Current Year	34.86

Figure 1

NMR's largest emissions source is Scope 1 business travel. This includes NMR's fleet of vans and cars.

Emission (tCO_2e) Split Percentage

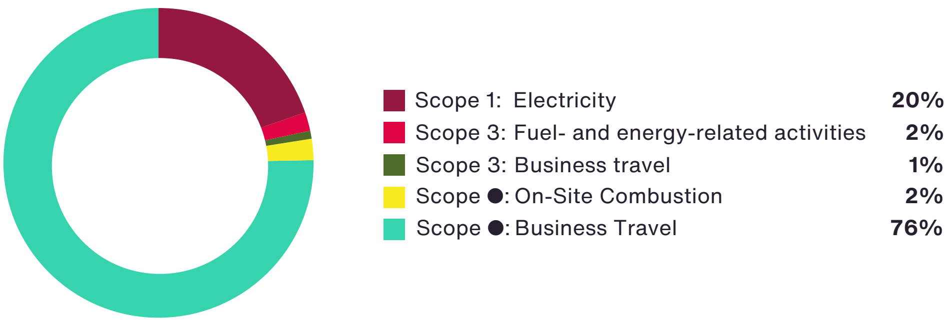


Figure 2

The results highlight NMR's continued commitment to reducing its environmental impact. These savings were achieved by implementing the following initiatives:

- Bio-diesel used in van routes out of Four Ashes and Hillington
- Electric vehicles (EV) introduced into fleet in the year
- Associated EV charge points to be installed at Four Ashes in near future

In addition, site-based gas/electric usage is under review by Facilities Manager.

Board Biographies

		
	Trevor Lloyd **Independent Non-Executive Director and Chairman**	**Andy Warne** **Managing Director**
	I'd like to express my thanks to everyone at NMR who has worked hard during the year, never has the dairy industry needed the services provided by NMR more than in today's market environment when professional dairy farmers demand good quality management information to drive their dairy enterprises	**NMR works in the background 365 days a year to deliver the high-quality testing services used throughout the dairy supply chain. NMR is leading the new innovations which enables us to live up to our mission of "decoding milk data, building robust insights"**
Board appointment	October 2004	July 2002
Key areas of expertise to support strategic growth	Trevor runs a dairy farming business, currently milking 430 cows on the Isle of Anglesey. This front-line knowledge brings invaluable insight to strategic planning at NMR. Trevor is more than one farming voice as his network of farming contacts provides a wide and varied knowledge of UK dairy farming.	Andy joined NMR as the Managing Director in 2002. Since then NMR has progressed both organically and via mergers and acquisition into a business firmly integrated in the dairy sector with key contracts with all the major milk processors, vet groups, retailers and pharmaceutical companies. This integrated and integral position is at the heart of NMR's growth strategy as the UK dairy industry overall makes greater demand for Precision Livestock Farming by investment in new technology and increasing provenance/sustainability incentives for farms.
External appointments	Chairman of the Welsh Board of the NFU Mutual Insurance Society Ltd	No external appointments
Previous Experience and Qualifications	Trevor has over 15 years' experience as a non-executive director on various dairy industry boards. Trevor 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	Andy's previous roles include the European Managing Director of TNT Container Logistics and Managing Director of Arca Systems UK. Andy qualified with a BSc in Applied Biology from the University of Bath.

Board Biographies

(continued)

	Dr James Andrews Independent Non-Executive Director	**Mark Butcher** Independent Non-Executive Director	**Mark Frankcom** Finance Director
Board appointment	March 2020	May 2013	September 2016
Key areas of expertise to support strategic growth	James is a veterinary surgeon with significant commercial experience within the dairy, pharmaceuticals, and consumer goods industries, spanning over 14 years and three continents. James chairs the NMR Strategy Committee and brings the strategic planning discipline honed at Bain & Company	Mark has more than 20 years' public company experience including investment, international accounting, corporate finance and banking transactions. Mark's input into finance, strategy, and decision making supports the engine room for growth. He is Chairman of both the Audit and Remuneration Committees.	Mark's contribution has brought increased financial acumen to the Board incorporating insight and analysis for cash forecasting and financial management, EBITDA, net debt, and financial ratios. Mark has implemented a strategic scorecard for the company which enables focus on key strategic issues such as Cows on the Database and Revenue Per User.
External appointments	Executive Director at Pet Technology Limited (Trading as Felcana)	Non-Executive Director at Redde Northgate plc, Asset Co plc, and Zytronic plc. He is Chairman of the Audit Committees of Redde Northgate and Zytronic.	No external appointments
Previous Experience and Qualifications	James has extensive experience as a strategy consultant at Bain & Company and independent engagements. He has advised large and small organisations across most sectors including animal health, animal feeds, pharmaceuticals, and private equity. Recently, James has become involved in animal health innovation. James' qualifications include a Bachelor of Veterinary Medicine and Surgery from the University of Edinburgh and an MBA from INSEAD.	Mark graduated with a Bachelor of Commerce degree from the University of Cape Town and qualified as a Chartered Accountant in South Africa. He was an Executive Director of GPG (UK) Holdings plc which was the UK investment arm of the Guinness Peat Group plc.	Mark brings a broad range of experience to NMR including as Director of Finance at Milk Link where he was responsible for financial stewardship and restructuring during a time of critical changes in the UK dairy industry. Mark is a qualified accountant and in 2008 was admitted as FCMA.

AGM and Dividend Timetable 2022

04 October	Publish Report and Accounts
13 October	ex-Dividend date
14 October	Record date
27 October	Annual general meeting
28 October	Closing date for DRIP election (Dividend Re-Investment Plan)
18 November	Payment date

Subject to approval of the ordinary resolution, NMR will be paying a dividend for the fifth year in succession, demonstrating the reliability of NMR's earnings. The increased pence per share proposed of 2.0 pence 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 2.0 pence dividend means a payment of £6.40 pence.

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 will enclose a leaflet about the DRIP scheme with your dividend paperwork which we ask you to read and sign if you agree this is an efficient way to receive the dividend. It also provides a convenient and low-cost way to keep investing in NMR. More details can be found at www.shareview.co.uk/info/drip.

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 group and company 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 company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This responsibility statement was approved by the Board of Directors on 03 October 2022.

Andy Warne
Managing Director

03 October 2022

Biographies of Executive Leadership Team

Ben Bartlett

Ben studied Agricultural Economics and joined MAFF (Ministry of Agriculture, Fisheries and Food) before becoming a consultant for the Meat and Livestock Commission. Ben joined NMR's marketing department in 1997 before taking a role in corporate account management, building strategic relationships in the big UK dairy producers, notably Arla, Muller and Dairy Crest, now Saputo UK. Ben was central to establishing the iML joint venture through engagement with the Irish dairy industry, and sits on the iML board. Ben is now the Business Development Director for NMR, and utilising his connections in UK universities, veterinary groups, Defra, food retailers, Dairy UK and others to initiate and exploit commercial opportunities up and down the supply chain, the largest of which being NMR's subscription service for Johne's disease monitoring, Herdwise.

Debbie Thomas-Hoeller

Debbie joined NMR in April 2017 as Group HR Director. With over 12 years in 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.

Mike Fraser

Mike has been working in technology for over 20 years, joining NMR in February 2021 as IT Director. His early career was in telecommunications and pharmaceuticals, and then spent a decade with RELX plc, including leading technology for their agriculture software and data division, covering brands like Farmers Weekly and Proagrica. In 2015 Mike moved to Wilmington plc as their Chief Technology Officer and executive committee member. He studied computer programming in his native South Africa in 1996 and completed his MBA from Henley Business School in 2009.

Andy Warne and Mark Frankcom also form part of the Executive Leadership Team and their Biographies can be found on pages 11 and 12.

Independent Auditor's Report

to the Members of National Milk Records plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2022 and of the Group's profit for the year then ended;
- the Group and Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of National Milk Records plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 June 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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 FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

We obtained the going concern assessment, approved by the Directors, including detailed cash flow forecasts up to 30 June 2024.

We assessed the Directors' assumptions in the going concern forecast including revenue and growth profile, profit margin, effects of Russia's invasion of Ukraine and funding headroom availability We did this with reference to historical performance, post year end results and market developments, such as changes to accreditation requirements for the dairy industry,. We agreed forecast repayment of loans and finance leases to the finance agreements. We confirmed that forecast dividend payments are as proposed in the annual report.

We assessed the historical accuracy of management's forecasts, including comparing the current forecasts against post year end actual results.

Independent Auditor's Report

(continued)

We inspected the Group's signed facility agreements to check that the Group's forecasts remain within agreed facility levels for the forecast period.

We assessed, with reference to historical performance, the appropriateness of sensitivity analyses prepared by management over the Group's cash flow forecasts including the effects of adverse movements in revenue to determine the sufficiency of available cash resources to settle short term liabilities as they fall due over the forecast period. We have also challenged management on reverse stress testing on a number of scenarios occurring and assessed the likelihood of these scenarios occurring and their impact on the business.

We reviewed the adequacy of disclosures in note 1 to the financial statements regarding going concern in reference to our understanding of the entity and the director's assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	100% (2021: 100%) of Group profit before tax 100% (2021: 100%) of Group revenue 100% (2021: 100%) of Group total assets		
Key audit matters		**2022**	**2021**
	Revenue Recognition – *occurrence of revenue around the year end for subscription services*	X	X
Materiality	*Group financial statements as a whole* £188,000 (2021: £151,000) based on 8.9% (2021: 8%) of profit before tax		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The group consists of 2 significant components and a number of dormant subsidiaries. The two significant components of the group which comprise 100% of trading results are:

- 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) which was subject to a full scope audit by the Group audit team; 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 80% of the group's NBV of fixed asset investments which was subject to a full scope audit by a non-BDO member firm in Ireland.

The non-significant dormant subsidiaries were subject to desktop review procedures by the Group audit team.

Independent Auditor's Report

(continued)

Our involvement with component auditors

For the work performed by the non-BDO component auditor in relation to the joint venture, Independent Milk Laboratories Ltd, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Issue of detailed Group reporting instructions, which included the significant areas to be covered by their audit (including items with significant judgements and complex transactions), and set out the information required to be reported to the Group audit team;
- Regular communication with the component auditors throughout the planning, execution and completion phases of the audit; and
- Remote review of their working papers with specific work requests to ensure alignment with the conclusions they have drawn.

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, including 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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue recognition – occurrence of revenue around the year end for subscription services Refer to note 1 & 2	Subscription revenue, which is included in Core services, is billed monthly in advance of services and is a significant revenue stream for the Group. We have identified a risk that subscription revenue may be overstated due to understatement of the credit note provision at year end as the process for raising credit notes is manual and reliant on communication from field representatives to the finance team. Due to the timing between billing and communication from field representatives, the raising of credit notes can be delayed. We identified this as a key audit matter due to the significant value subscription revenue contributes to overall revenue and the significant amount of auditor attention needed on this area.	Our procedures included the following: We agreed a sample of trade debtor balances at the year-end had been recovered in cash after year end to assess if there were any customer disputes over the services being provided which might indicate a credit note provision should be raised at year end. We agreed a sample of credit notes after the year end to supporting information from field representatives to check they were recognised in the correct period or were correctly included/excluded from the year end credit note provision. **Key observations:** Based on the results from the procedures performed we concluded that the credit note provision and revenue recorded around the year end was appropriate.

Independent Auditor’s Report

(continued)

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2022 **£**	**2021** **£**	**2022** **£**	**2021** **£**
Materiality	188,000	151,000	169,250	136,000
Basis for determining materiality	8.9% of profit before tax	8% of profit before tax	90% of overall group materiality	
Rationale for the benchmark applied	The 2022 profit before tax is considered to be the most appropriate performance measure as the KPIs of the business revolve round profit measures.		The parent company materiality was set as a proportion of overall group materiality based on its contribution to group revenue and profit before tax.	
Performance materiality	135,000	106,000	121,500	95,000
Basis for determining performance materiality	We set our performance materiality at 72% (2021: 70%) of materiality. The level of performance materiality applied was set after having considered a number of factors including our initial assessment of the overall control environment and the expected level of misstatements.			

Component materiality

We set materiality for IML based on a percentage of 60% of Group materiality as a result of our risk assessment of the size and risk of material misstatement of that component. Component materiality was £113,000 (2021: £90,000) for IML. We further applied performance materiality levels of 72% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,700 (2021: £3,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor’s Report
(continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated Financial Statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors’ report	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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors’ report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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.

Independent Auditor's Report

(continued)

Responsibilities of Directors

As explained more fully in the Directors' Responsibility Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Through discussion with the Directors and other management, we obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company, and determined that the most significant are the Companies Act 2006, accounting standards, Aquis Growth Market Rules and the Corporation Tax Act 2010.

We assessed compliance with these laws and regulations through enquiry with management and the Audit Committee, review of reporting to Directors with respect to compliance with laws and regulations, review of board meeting minutes, review of legal correspondence, and agreement of the financial statements to tax returns.

We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and considered that fraud might occur through the management override of controls and revenue recognition.

In addressing the risk of fraud, including management override of controls, we have performed journals testing based on a set of risk criteria and tested to these to supporting documentation, also assessing if there was a valid business rationale. These criteria included bonus scheme journals, material journals, manual credit journals to profit or loss accounts in the last quarter of the year, unexpected account combinations, and authorised users testing. We also incorporated unpredictability into our procedures as part of our response to the risk of management override of controls. We addressed the risk of fraud in revenue recognition through testing of manual entries impacting reported revenue. We analysed the journal entries made to revenue account codes across the Group and investigated the reason for journal entries made that appeared unusual and not in line with our expected transaction flows. We obtained supporting documentation for management's explanations.

Independent Auditor's Report

(continued)

We enquired with management about whether they were aware of any known, suspected, or alleged fraud. We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Applegate (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Bristol

03 October 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Profit and Loss Account

Year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Revenue	2	23,158	21,917
Cost of sales		(13,241)	(12,731)
Gross profit		9,917	9,186
Administrative expenses		(8,312)	(7,882)
Other operating income		7	36
Operating Profit	5	1,612	1,340
Share of operating profit in joint venture	12	701	413
		2,313	1,753
Interest payable and similar expenses	6	(98)	(112)
Income from other fixed asset investments	7	6	8
Profit Before Tax		2,221	1,649
Taxation on profit	8	222	391
Profit for the year		**2,443**	**2,040**
Earnings per share (pence)	9		
Basic		11.5	9.6
Diluted		11.5	9.6

All amounts are derived from continuing operations.

The notes on pages 30 to 53 form part of these financial statements

Consolidated Statement of Comprehensive Income

Year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Profit for the year		2,443	2,040
Exchange rate gain/(loss) on investment in joint venture	12	14	(75)
Total comprehensive income for the year		**2,457**	**1,965**

The notes on pages 30 to 53 form part of these financial statements

Consolidated Balance Sheet

At 30 June 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
FIXED ASSETS					
Intangible assets	10		2,690		1,788
Tangible assets	11		3,445		3,479
Investments	12		1,881		1,302
			8,016		6,569
CURRENT ASSETS					
Stock	13	432		506	
Debtors – due within one year	14	3,264		3,027	
Debtors – due after one year	14	788		907	
Cash at bank and in hand		2,075		2,105	
		6,559		6,545	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(3,889)		(3,729)	
NET CURRENT ASSETS			2,670		2,816
TOTAL ASSETS LESS CURRENT LIABILITIES			10,686		9,385
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	16		(1,840)		(2,318)
PROVISION FOR LIABILITIES	18		(21)		(47)
NET ASSETS			**8,825**		**7,020**
CAPITAL AND RESERVES					
Called-up share capital	19		53		53
Own shares	20		–		(33)
Profit and loss account	20		8,772		7,000
SHAREHOLDERS' FUNDS			**8,825**		**7,020**

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 03 October 2022.

Signed on behalf of the Board of Directors

Andy Warne
Director

The notes on pages 30 to 53 form part of these financial statements

Company Balance Sheet

At 30 June 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
FIXED ASSETS					
Intangible assets	10		2,690		1,788
Tangible assets	11		3,445		3,479
Investments	12		221		221
			6,356		5,488
CURRENT ASSETS					
Stock	13	432		506	
Debtors – due within one year	14	3,264		3,027	
Debtors – due after one year	14	788		907	
Cash at bank and in hand		2,075		2,105	
		6,559		6,545	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	(3,889)		(3,729)	
NET CURRENT ASSETS			2,670		2,816
TOTAL ASSETS LESS CURRENT LIABILITIES			9,026		8,304
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	16		(1,840)		(2,318)
PROVISION FOR LIABILITIES	18		(21)		(47)
NET ASSETS			**7,165**		**5,939**
CAPITAL AND RESERVES					
Called-up share capital	19		53		53
Own shares	20		–		(33)
Profit and loss account	20		7,112		5,919
SHAREHOLDERS' FUNDS			**7,165**		**5,939**

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 03 October 2022.

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 £1,878,000 (2021: £1,846,000).

Signed on behalf of the Board of Directors

Andy Warne
Director

The notes on pages 30 to 53 form part of these financial statements

Consolidated Statement of Changes in Equity

Year ended 30 June 2022

	Called-up share capital £'000	Own Shares £'000	Profit and loss account £'000	Total £'000
GROUP				
At 30 June 2020	53	(195)	5,059	4,917
Profit for the year	–	–	2,040	2,040
Other comprehensive income for the year	–	–	(75)	(75)
Total comprehensive income for the year	–	–	1,965	1,965
Employee share option plan now vested unconditionally	–	162	–	162
Credit to equity for equity-settled share-based payments	–	–	238	238
Dividends	–	–	(262)	(262)
At 30 June 2021	53	(33)	7,000	7,020
Profit for the year	–	–	2,443	2,443
Other comprehensive income for the year	–	–	14	14
Total comprehensive income for the year	**–**	**–**	**2,457**	**2,457**
Employee share option plan now vested unconditionally	–	33	(523)	(490)
Credit to equity for equity-settled share-based payments	–	–	152	152
Dividends	–	–	(314)	(314)
At 30 June 2022	**53**	**–**	**8,772**	**8,825**

The notes on pages 30 to 53 form part of these financial statements

Company Statement of Changes in Equity

Year ended 30 June 2022

	Called-up share capital £'000	Own Shares £'000	Profit and loss account £'000	Total £'000
COMPANY				
At 30 June 2020	53	(195)	4,097	3,955
Profit for the year	–	–	1,846	1,846
Total comprehensive income for the year	–	–	1,846	1,846
Employee share option plan now vested unconditionally	–	162	–	162
Credit to equity for equity-settled share-based payments	–	–	238	238
Dividends	–	–	(262)	(262)
At 30 June 2021	53	(33)	5,919	5,939
Profit for the year	–	–	1,878	1,878
Total comprehensive income for the year	**–**	**–**	**1,878**	**1,878**
Employee share option plan now vested unconditionally	–	33	(523)	(490)
Credit to equity for equity-settled share-based payments	–	–	152	152
Dividends	–	–	(314)	(314)
At 30 June 2022	**53**	**–**	**7,112**	**7,165**

The notes on pages 30 to 53 form part of these financial statements

Consolidated Statement of Cash Flows

Year ended 30 June 2022

	2022		2021	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit for the financial year		2,443		2,040
Amortisation of intangible assets	265		229	
Amortisation of loan expenses	12		12	
Depreciation of tangible assets	641		609	
Profit on disposal of tangible assets	(20)		(1)	
Share of operating profit in joint venture	(701)		(413)	
Dividend income from fixed asset investment	(6)		(8)	
Net interest payable	91		95	
Taxation credit	(222)		(391)	
Share based payment charges	152		238	
(Increase)/Decrease in trade and other debtors	(134)		312	
Decrease/(Increase) in stocks	74		(109)	
Decrease in creditors	(132)		(777)	
		20		(204)
Income taxes refunds received		278		263
Cash from operations		2,741		2,099
Cash flows from investing activities				
Dividend received from Joint Venture	136		218	
Dividends received	6		8	
Purchase of tangible assets	(457)		(487)	
Purchase of intangible assets	(1,167)		(599)	
Proceeds from sale of tangible assets	20		9	
		(1,462)		(851)
Cash flows from financing activities				
Dividends paid	(314)		(262)	
Lease finance paid down	(266)		(192)	
Interest paid	(91)		(95)	
Loan repayments	(578)		(490)	
Cash proceeds from loans	–		750	
Purchase of shares for share option plans	(60)		–	
		(1,309)		(289)
Net (decrease)/increase in cash and cash equivalents		(30)		959
Cash and cash equivalents at beginning of year		2,105		1,146
Cash and cash equivalents at end of year		**2,075**		**2,105**

The notes on pages 30 to 53 form part of these financial statements

Notes to the Financial Statements

Year ended 30 June 2022

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 group strategic report on pages 3 to 6.

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.

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- No cash flow statement or net debt reconciliation has been presented for the Parent Company;
- Disclosures in respect of the details of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole

Basis of consolidation including joint venture

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

The joint venture is accounted for using the equity method in the consolidated accounts. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the Group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interest in the joint venture is shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

Notes to the Financial Statements

(continued)

1. ACCOUNTING POLICIES (continued)

Going concern

We have reviewed the current liquidity and debt facilities against the projected budget for year ended 30 June 2022 and the subsequent financial plan for years ended June 2023 and June 2024 and have run various sensitivity analyses and their consequences for trading, investment, and financing cash flows. These included worst-case scenarios for customer longevity, market erosion, and a significant interruption to laboratory operations, for example a fire.

Based on our conservative EBITDA planning trajectory, the headroom in our finance facilities, our ability to change the phasing of our planned investment as well as responding to any trading issues as they arise, the NMR Board is confident it has the liquidity in place to continue in operational existence for the foreseeable future and for at least the next 21 months and so supports the preparation of the 2022 accounts on a going concern basis.

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

Turnover

Turnover is stated net of value added tax and trade discounts. Turnover is attributable to the supply of services to the agricultural market. All turnover is derived from ordinary activities and has arisen within the United Kingdom other than revenue for services provided to the Joint Venture.

Turnover from the sale of goods is recognised when group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive the previously agreed upon payment. This is usually when the goods are physically delivered to the customer. Sale of goods is included in Other adjacencies in note 2.

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. Repeat services for customers on a subscription contract, which are included within Core services in note 2, are invoiced monthly as a function of herd size and turnover is recognised on a straight line basis in accordance with the subscription. Non subscription services, which are included in Core services, Testing adjacencies, Surveillance adjacencies, Other adjacencies and Genomics in note 2, are invoiced when the service is provided and at this point turnover is recognised.

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.

Notes to the Financial Statements

(continued)

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets

Research expenditure is written off as incurred. Intangible assets before development are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. 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 eleven years. Provision is made for any impairment. Amortisation commences when assets are brought into use and therefore assets in the course of construction and not yet in use at the year end are not amortised

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.

Government grants of a revenue nature are recognised within other income within profit or loss. This includes the Government Business Interruption Payment in relation to the Coronavirus Business Interruption Loan Scheme (see note 5). Initial recognition of the loan is at transaction price. During the first 12 months of the loan, as and when the interest expense on the loan is recognised, a corresponding amount of grant income is recognised.

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.

Notes to the Financial Statements

(continued)

1. ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Foreign currencies

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

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

Hire purchase and leasing commitments

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the 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.

Notes to the Financial Statements

(continued)

1. ACCOUNTING POLICIES (continued)

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably. Any asset recognised shall not exceed the amount of the provision.

Pension costs

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

Share options

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

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

Financial instruments

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

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

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), 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.

1. ACCOUNTING POLICIES (continued)

Financial assets

The group only enters into basic financial assets, including trade and other debtors and cash and bank balances. These are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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

Basic financial liabilities, including trade and other creditors, bank loans, finance leases and hire purchase contracts are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are classified as current liabilities if payment is due within one year or less.

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. Other investments which represent an investment in an unlisted company is measured at cost less impairment.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the Financial Statements

(continued)

1. ACCOUNTING POLICIES (continued)

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described 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.

Key sources of estimation uncertainty

Share options

Key estimates are used in determining the fair value of share-based payment transactions, including selecting the most appropriate valuation model and related inputs into that model. The Group operates one Share Option Plan and two Executive Bonus Plans with equity settled transactions. The Group has used the Black Scholes model to establish a fair value of the share options at the grant date. Estimates are also required at each reporting date in determining the number of options that are expected to vest. Details of the assumptions and models used are disclosed in note 27.

Recoverability of deferred tax assets

The Group recognises deferred tax assets on carried forward losses to the extent that there are sufficient estimated future taxable profits against which the tax losses can be utilised. The key source of estimation uncertainty exists in the assumptions underlying the forecast future taxable profits. Future performance resulting in higher or lower taxable profits in the forecast periods will result in a differing amounts of tax relief available in those periods.

2. TURNOVER

An analysis of group turnover by revenue stream is as follows:

	2022 £'000	**2021 £'000**
Core services	18,819	18,005
Testing adjacencies	1,883	1,794
Surveillance adjacencies	503	455
Other adjacencies	1,465	1,371
Genomics	488	292
	23,158	**21,917**

Included within Other adjacencies is the sale of goods with a value of £420,000 (2021: £386,000). The remaining revenue is all derived from services.

The company internally aggregates operating results into one operating segment for decision making purposes.

Other than revenue for services provided to the Joint Venture (see note 26), all turnover is derived within the UK.

Notes to the Financial Statements

(continued)

3. STAFF COSTS

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

	2022	2021
Field Staff	60	59
Administration Staff	217	217
	277	**276**

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	8,170	8,074
Social security costs	795	712
Defined contribution pension costs	318	298
	9,283	**9,084**

4. DIRECTORS' REMUNERATION

	2022 £'000	2021 £'000
Directors' remuneration	442	373
Directors' pension contributions to money purchase schemes	21	21
The number of directors to whom retirement benefits were accruing was:	5	5

The figures for the highest paid director were:

	2022 £'000	2021 £'000
Director's remuneration	220	167
Director's pension contributions to money purchase schemes	8	8

The number of directors who exercised share options in the year was nil (2021: nil).

Notes to the Financial Statements

(continued)

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2022 £'000	2021 £'000
Depreciation of owned assets	460	443
Depreciation of assets held under hire purchase and finance lease agreements	181	166
Profit on disposal of fixed assets	(20)	(1)
Amortisation of intangible assets	265	229
Operating lease rentals	378	383
Foreign exchange losses	18	9
Impairment (Gain)/Loss in respect of bad and doubtful debts	(117)	(180)
Share based payment expenses	152	238
Impairment loss in respect of inventories	–	34
Government grants – Business Interruption Payments	(7)	(17)

Fees payable to the company's auditor:

	2022 £'000	2021 £'000
for the audit of the company's annual accounts	83	68
for the audit of the company's subsidiaries	–	8
Total audit fees	83	76
Tax compliance services	–	–
Total non-audit fees	**–**	**–**

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.

Reconciliation of operating profit to underlying EBITDA

Group	2022 £'000	2021 £'000
Operating Profit	1,612	1,340
Add back:		
Charge for Share Based Payments	152	238
Depreciation	641	608
Amortisation	265	229
Underlying EBITDA	**2,671**	**2,415**

Notes to the Financial Statements

(continued)

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £'000	2021 £'000
Finance lease and hire purchase interest	(22)	(23)
Bank loan interest	(76)	(89)
	(98)	(112)
Net Finance cost	**(98)**	**(112)**

7. INCOME FROM FIXED ASSET INVESTMENTS

	2022 £'000	2021 £'000
Dividends received	**6**	**8**

8. TAX ON PROFIT

Analysis of the tax charge

The tax charge comprises:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax	–	–
Adjustments in respect of prior years	(278)	(244)
Total current tax	(278)	(244)
Deferred tax		
Origination and reversal of timing differences	(56)	80
Adjustment to deferred tax asset relating to changes in tax rate	112	(227)
Total deferred tax	56	(147)
Tax on profit	**(222)**	**(391)**

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:

	2022 £'000	2021 £'000
Group profit before tax	2,221	1,649
Tax on Group profit on ordinary activities at standard UK Corporation tax rate of 19% (2021 19%)	422	313
Effects of:		
Non-trading profits	(133)	(80)
Adjustments in respect of prior periods	(278)	(244)
Utilisation of tax losses	(380)	(170)
Adjustment to deferred tax asset relating to changes in tax rate	112	(227)
Expenditure disallowed for tax	35	17
Tax	**(222)**	**(391)**

Notes to the Financial Statements

(continued)

8. TAX ON PROFIT (continued)

Adjustments in respect of prior periods of £278,000 (2021 : £244,000) relate to successful claims for Research and Development tax credits.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2021. The rate applicable from 1 April 2023 increases to 25% and in accordance with accounting standards the deferred tax balances in these financial statements have been adjusted to effect this change. Given the mini Budget on Friday 23rd September, we acknowledge that the £112,000 Adjustment to deferred tax asset relating to changes in tax rate, would reverse out once the announced new tax rates are enacted.

The directors believe that £496,000 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, which have not vested unconditionally, are deducted from total shares in arriving at the weighted average number of ordinary shares used in the earnings per share calculation.

	2022		
	Earnings £'000	**Weighted average number of shares**	**EPS**
Basic	2,443	21,239,702	11.5
Dilution	–	–	–
Diluted EPS	**2,443**	**21,239,702**	**11.5**

	2021		
	Earnings £'000	**Weighted average number of shares**	**EPS**
Basic	2,040	21,189,702	9.6
Dilution	–	50,000	–
Diluted EPS	**2,040**	**21,239,702**	**9.6**

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.

Notes to the Financial Statements

(continued)

10. INTANGIBLE ASSETS

Group and Company

	Software development £'000	Licences £'000	Intangibles under construction £'000	Total £'000
Cost				
At 30 June 2021	1,166	101	1,092	2,359
Additions	87	311	769	1,167
At 30 June 2022	**1,253**	**412**	**1,861**	**3,526**
Amortisation				
At 30 June 2021	568	3	–	571
Charge for the year	256	9	–	265
At 30 June 2022	**824**	**12**	**–**	**836**
Net book value				
At 30 June 2021	598	98	1,092	1,788
At 30 June 2022	**429**	**400**	**1,861**	**2,690**

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

Included within Intangible Assets are several significant projects:

The current customer relationship management and finance systems will be replaced and during the year, development costs of £633,000 (2021 £519,000) have been incurred. As the replacement system is not yet operational, no amortisation has been charged.

An initial payment for a licence was made during the year to allow the business the exclusive right to use Genocells technology within the US. At 30 June 2022 the net book value was £311,000 and no amortisation had been charged.

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 2021	1,613	5,577	736	7,926
Additions	24	708	25	757
Disposals	–	(147)	(59)	(206)
At 30 June 2022	**1,637**	**6,138**	**702**	**8,477**
Depreciation				
At 30 June 2021	820	3,162	465	4,447
Disposals	–	–	(56)	(56)
Charge for the year	75	453	114	641
At 30 June 2022	**895**	**3,615**	**523**	**5,032**
Net book value				
At 30 June 2021	793	2,415	271	3,479
At 30 June 2022	**742**	**2,523**	**179**	**3,445**

Included in Land and Buildings is land with a net book value of £250,000 (2020: £250,000). There is no land held under leasehold.

Included within computer equipment and machinery are assets with a net book value of £650,000 (2021: £569,000) held under hire purchase agreements. All motor vehicles for 2022 and 2021 are held under finance leases.

Notes to the Financial Statements

(continued)

12. FIXED ASSET INVESTMENTS

Group

	IML JV £'000	Other investments £'000	Total £'000
Net book value			
At 30 June 2020	1,140	43	1,183
Share of pre-tax results	451	-	451
Share of tax charge	(38)	-	(38)
Dividend received	(219)	-	(219)
Exchange gain	(75)	-	(75)
At 30 June 2021	**1,259**	**43**	**1,302**
Share of pre-tax results	773	-	773
Share of tax charge	(72)	-	(72)
Dividend received	(136)	-	(136)
Exchange gain	14	-	14
At 30 June 2022	**1,838**	**43**	**1,881**

Company

	Interest in joint ventures £'000	Other investments £'000	Total £'000
Cost			
At 30 June 2021 and 30 June 2022	178	43	221
Provision for impairment			
At 30 June 2021 and 30 June 2022	–	–	–
Net book value			
At 30 June 2021 and 30 June 2022	178	43	221

Notes to the Financial Statements

(continued)

12. FIXED ASSET INVESTMENTS (continued)

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 2021. The amounts included in these consolidated financial statements relate to the year ended 30 June 2022.

Notes to the Financial Statements

(continued)

13. STOCKS

Group and Company

	2022 £'000	2021 £'000
Consumables	**432**	**506**

14. DEBTORS

Group and Company

	2022 £'000	2021 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	2,164	2,108
Amounts due from joint venture	3	2
Other debtors	53	196
Deferred tax asset	496	256
Prepayments and accrued income	548	465
	3,264	**3,027**
AMOUNTS FALLING DUE AFTER ONE YEAR		
Other debtors	177	–
Deferred tax asset	611	907
	788	**907**

The impairment gain recognised in the group profit or loss for the year in respect of bad and doubtful trade debtors was £117,000 (2021 – £180,000). The impairment gain/(loss) recognised in the company profit or loss for the year in respect of bad and doubtful trade debtors was £117,000 (2021 – £180,000).

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 2020	1,363	(347)	1,016
Charge to profit and loss account	511	(364)	147
At 30 June 2021	**1,874**	**(711)**	**1,163**
Charge to profit and loss account	233	(289)	(56)
At 30 June 2022	**2,107**	**(1,000)**	**1,107**

Of the net amount, the Company expects that £496,000 of the deferred tax asset is likely to unwind within 12 months of this report.

Deferred tax assets and liabilities have been offset in both periods.

Notes to the Financial Statements

(continued)

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Group and Company

	Notes	2022 £'000	2021 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans	17	633	566
Obligations under finance leases and hire purchase agreements	17	284	265
Trade creditors		804	716
Other taxation and social security		821	791
Accruals and deferred income		1,162	1,353
Other creditors		145	2
Amounts owed to joint venture		40	36
		3,889	**3,729**

16. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

Group and Company

	Notes	2022 £'000	2021 £'000
Bank loans	17	1,259	1,892
Obligations under finance leases and hire purchase agreements	17	290	426
Other taxation and social security		38	–
Other creditors		253	–
		1,840	**2,318**

17. BORROWINGS

Group and Company

	Loans 2022 £'000	Finance leases and hire purchase agreements 2022 £'000	Total 2022 £'000
In one year or less, or on demand	633	284	917
In more than one year but not more than two years	651	208	859
In more than two years but not more than five years	608	82	690
	1,892	**574**	**2,466**

Notes to the Financial Statements

(continued)

17. BORROWINGS (continued)

Group and Company

	Loans 2021 £'000	Finance leases and hire purchase agreements 2021 £'000	Total 2021 £'000
In one year or less, or on demand	566	265	831
In more than one year but not more than two years	646	240	886
In more than two years but not more than five years	1,196	186	1,382
In more than five years	50	–	50
	2,458	**691**	**3,149**

The Group has an overdraft facility of £500,000 (2021: £500,000) which is secured by a fixed and floating charge over the assets of the Group.

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 of £0.75m taken out under the Coronavirus Business Interruption Scheme on 8 October 2020. Under the Scheme the Company was provided with a Business Interruption Payment by the Secretary of State which covers all interest fees and charges that would otherwise be payable to the bank for the first twelve months following initial drawdown of the loan. Monthly repayments commenced in November 2021 and will continue for sixty months. 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 and an unlimited debenture from National Milk Records PLC. The loan carries a variable interest rate charge of 3.01% plus the Bank of England Base Rate.

Finance lease liabilities of £191,000 (2021: £285,000) relate to motor vehicles and are secured on these 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.

Two hire purchase agreements were entered into during the previous financial year for the purchase of laboratory equipment and are secured on these assets. A further agreement was entered into in June 2022 for additional laboratory equipment. At 30 June 2022 £383,000 (2021: £406,000) was outstanding for all agreements. All agreements have a term of 3 years. Interest rates were fixed at the time of the agreements and repayments are on a fixed basis. No arrangements have been entered into for contingent rental payments.

Notes to the Financial Statements

(continued)

18. PROVISIONS FOR LIABILITIES

Group and Company

	Product warranties £'000	Total £'000
At 30 June 2021	47	47
Charge to profit and loss account	(26)	(26)
At 30 June 2022	**21**	**21**

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

19. CALLED-UP SHARE CAPITAL

Company

	2022 £'000	2021 £'000
Allotted, called-up and fully paid		
21,239,702 (2021: 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.

20. 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 movement in this reserve is shown below:

Group and company

	Number of shares '000	£'000
At 30 June 2021	50	33
Employee share option plan now vested unconditionally	(50)	(33)
At 30 June 2022	**–**	**–**

The shares which vested during the year are included within debtors.

21. DIVIDENDS

	2022 £'000	2021 £'000
Paid during the year	**314**	**262**

	Pence	Pence
Paid per share	**1.50**	**1.25**

The directors have proposed a dividend of 2.00 pence per ordinary share payable on 18 November 2022.

Notes to the Financial Statements

(continued)

22. LEASING COMMITMENTS

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

Group and Company

	2022 £'000	2021 £'000
Within one year	385	376
Between two and five years	599	309
In more than five years	–	4
	984	**689**

23. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £318,000 (2021: £298,000). Group contributions amounting to £28,000 (2021 – £24,000) were payable to the fund at year end and are included in creditors.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2022 (2021: £nil).

25. CAPITAL COMMITMENTS

Group and Company

	2022 £'000	2021 £'000
Contracted but not provided for	**656**	**136**

Capital commitments at 30 June 2022 relate to orders placed with suppliers not fully commissioned at year end:

	2022 £'000	2021 £'000
Plant and equipment	330	–
Licences	326	–
Software development	–	136

26. 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 to him during the year totalled £8,044 (2021: £6,484). The outstanding balance due from the director at 30 June 2022 was £nil (2021: nil). One of the directors provided professional services to the Group and in the year these totalled £25,535 (2021: nil). At 30 June 2022 the balance owing to him was £4,860 (2021: nil)

Independent Milk Laboratories Limited

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

	2022 £'000	2021 £'000
Trade debtors	3	2
Trade creditors	40	36

During the year the group traded with IML as follows:

	2022 £'000	2021 £'000
Sales to IML	28	31
Purchases from IML	234	222

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the Group.

The following amounts were paid or payable to key management within the Group.

	2022 £'000	2021 £'000
Salaries and other short-term benefits	933	857
Contributions paid into defined contribution pension scheme	39	38
Share based payment expense	152	238

Notes to the Financial Statements

(continued)

27. SHARE BASED PAYMENT TRANSACTIONS

In December 2021, the company adopted a new long term incentive plan ('LTIP') known as the Executive Incentive Plan 2022-24. The plan has been established to incentivise management to deliver long-term value creation for shareholders and ensure alignment with shareholder interests. Awards under the LTIP will be satisfied by the granting of conditional rights to acquire shares at par value in accordance with the rules of the LTIP and will vest at the end of the performance period subject to the performance targets based around revenue, earnings before interest, taxation, depreciation and amortisation ("EBITDA"), and the delivery of strategic personal objectives. Awards have been made to two Executive Directors and three senior managers. At the grant date, it was anticipated that the Company would satisfy 50% of the awards by payment in cash and the remainder by the issue (or by directing the transfer) of shares. However, the Company may (and at the Remuneration Committee's discretion), opt to satisfy a proportion greater than 50% (up to and including the full amount) of any vested awards in shares only. After assessing the performance for the first year of the plan, the Remuneration Committee has determined the proportion of performance targets that have been met by individuals and the corresponding award for each, and that the award for the first year will be made exclusively in share options. Under the rules of the plan, the value of the award converting to shares is determined by the share price at the balance sheet date for the year, leading to the award for the year ended June 2022 being a total of 252,682 shares, with no cash element.

In December 2020, the company adopted a new share option plan known as the National Milk Records plc Executive Bonus Plan 2021. Two options were granted under that plan which included performance criteria and options would be awarded over shares calculated at a grant price and a proportion of salary determined against the performance criteria. The performance criteria were assessed and options over a total of 242,658 shares have vested, which has since revised upwards to 249,569 following a meeting of the Remuneration Committee in October 2021. The options must be exercised within 365 days of vesting and held for a period of two years.

Earlier in December 2017, the company adopted a 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 four 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 vested over 3 years, with no other performance conditions attached, and as such vested unconditionally in December 2020. All eight options have a maximum term of 10 years. Two of the eight options have since lapsed, constituting 50,000 shares, which remain in trust, and may be used to grant or satisfy awards under the company's share option plans.

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 up to the balance sheet date. 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 at the balance sheet date.

Notes to the Financial Statements

(continued)

27. SHARE BASED PAYMENT TRANSACTIONS (continued)

Number of share options by plan:	2017 Unapproved Share Option Plan	2017 Approved Share Option Plan	2021 Unapproved Executive Bonus Plan	2022 Unapproved Executive Bonus Plan
Outstanding as at 30 June 2021	193,813	56,187	242,658	–
Granted during the year	–	–	6,911	252,682
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding as at 30 June 2022	**193,813**	**56,187**	**249,569**	**252,682**
Exercisable at the end of the year	193,813	56,187	249,569	–

Fair valuation: assumptions	2017 Unapproved Share Option Plan	2017 Approved Share Option Plan	2021 Unapproved Executive Bonus Plan	2022 Unapproved Executive Bonus Plan
Grant date	18-Dec-17	18-Dec-17	10-Dec-20	23-Dec-21
Share price at grant date	90.50p	90.50p	102.5p	98.5
Exercise price	65.00p	90.50p	10.0p	0.25p
Number of employees	4	4	2	5
Vesting period (years)	3	3	1	3
Expected volatility	6.7%	6.7%	2.1%	1.3%
Option life (years)	10	10	1	10
Expected life (years)	3	7	1	3
Risk free interest rate	1.15%	1.15%	0.79%	1.84%
Fair value per option	27.70p	10.30p	92.58p	98.27p

The Company recognised a total expense of £152,000 (2021: £238,000) in relation to equity-settled share-based payments.

28. NET DEBT RECONCILIATION

	1 July 2021 £'000	Cash flows £'000	New finance leases £'000	Other non-cash changes £'000	30 June 2022 £'000
Cash at bank and in hand	2,105	(30)	-	-	2,075
Bank loans	(2,458)	578	-	(12)	(1,892)
Obligations under finance leases and hire purchase agreements	(691)	266	(151)	2	(574)
	(1,044)	**841**	**(151)**	**(10)**	**(391)**

Non-cash movements relate to:

- Bank loans: during the year previously capitalised loan expenses of £12,000 were amortised to profit or loss.
- Obligations under finance leases and hire purchase agreements: during the year the group entered into one new finance lease and hire purchase agreement in respect of an asset with a total capital value at the inception of the lease of £148,000. This asset was partly funded by cash deposit with the balance being funded by a finance lease and hire purchase agreement.

29. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

Key Financial Indicators

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

£'000	Jun-22	Dec-21	Jun-21	Dec-20	Jun-20	Dec-19
Turnover	11,720	11,438	11,140	10,777	10,932	10,658
EBITDA	1,527	1,144	1,587	828	805	657
EBITDA %	13.0%	10.0%	14.2%	7.7%	7.4%	6.2%
Diluted EPS (pence)	11.5	–	9.6	–	4.7	–
Net Assets	8,825	7,578	7,190	5,350	4,917	4,075
Net Debt	(391)	(1,031)	(1,044)	(1,060)	(1,387)	(2,422)
Net Debt: EBITDA (times)	0.1	0.4	0.4	0.6	0.9	1.2
Final Dividend (pence)	2.00	–	1.50	–	1.25	–

Reconciliation of operating profit to underlying EBITDA

Group

	2022 £'000	2021 £'000	2020 £'000
Operating Profit	1,612	1,340	775
Add back:			
Charge for Share Based Payments	152	238	25
Depreciation	641	608	525
Amortisation	265	229	137
Underlying EBITDA	2,671	2,415	1,462

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