

National Milk Records plc

('NMR', or 'the Company' or 'the Group')

Audited Final Results

National Milk Records plc (NMR), the NEX Exchange Growth Market traded leading supplier of dairy and livestock information services, is pleased to announce its audited results for the year ended 30 June 2018. These Financial Statements relate to a 12 month period, and compare to a prior period covering 15 months. This anomaly is caused by the extension of the prior financial period to include the exit of the Milk Pension Fund (MPF).

Financial Highlights

- Turnover from continuing operations has increased to £21.4 million compared with the equivalent twelve month period in 2017 of £19.5 million (15 month period £25.3 million)
- Operating profit before MPF exit from continuing operations has increased to £1.9 million compared with the equivalent twelve month period in 2017 of £1.1 million
- Unadjusted operating profit has increased to £1.9 million (2017: loss of £11.9 million)
- Adjusted EBITDA has seen considerable growth of 24% to £2.4 million (2017: £1.9 million)
- The Board is recommending a dividend of 2.5 pence per share
- Net debt decreased by £1.8 million to £2.1million or 0.9 times EBITDA

Operational Highlights

- NMR's screening service for managing Johne's disease has seen a substantial growth with 2,055 herds regularly undergoing screening compared to 1,600 in 2017
- Continuing investment in NMR's people and infrastructure, including an investment of £0.8 million in IT and Laboratory equipment
- The Company is also examining how it supports milk processors in achieving their desire for greater transparency in the management of anti-microbial resistance ('AMR').
- Significant increase in revenues from the Reproduction Services division of the Company
 - NMR was successful in a tender to support the Agricultural and Horticultural Development Board ('AHDB') with genomic testing
- Positive market outlook
 - Dairy farmers are becoming more professional and data-driven
 - Increasing consumer demand for food safety and traceability
 - Milk buyers are continuing to invest in UK processing capacity
 - Impact of Brexit mildly positive to NMR's prospects

Corporate Highlights

- Appointment of a new Non-Executive Director, Mike Gallacher
- Reduction of the Company's capital approved by the High Court which, together with a hive-up of the trading activities of subsidiary companies into National Milk Records plc, marks a significant simplification in the structure of the business and its balance sheet

- Launch of a new “Mission Statement”, enabling greater cultural alignment and clarity of management information

Managing Director, Andy Warne, commented:

“It is with great pleasure that we can report this strong set of results for NMR. Over the last 12 months there have been improvements in turnover, operating profit and EBITDA, and the Board is excited to recommend a dividend of 2.5 pence per share.

“NMR continues to grow as a business, and to support this it is investing in its people and its infrastructure. Currently, this investment programme is focusing on information technology systems and laboratory equipment. Additionally, as part of this process, NMR has launched a new “Mission Statement” to define the Company’s role in the industry.

“Our efforts are now firmly set on maintaining, and improving on, the success we have experienced over the last 12 months, and therefore our primary focus will remain on the core business, a strategy which we believe will serve us well into the future. However, the Company is also ambitious and is assessing new growth strategies and opportunities, whilst continuing to provide the best possible service to our customers.

“I look forward to updating shareholders on the Company’s progress in due course.”

For further information please contact:

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CHAIRMAN'S REPORT

These Financial Statements relate to a 12 month period, and compare to a prior period covering 15 months. This anomaly is caused by the extension of the prior financial period to include the exit of the Milk Pension Fund (MPF). This has been a good year for NMR and I am pleased to report that we have delivered excellent financial and strategic results as we build a progressive and developing business. Revenue, EBITDA and our cash position are all growing and our Strategy Committee has agreed an aspirational strategic plan which demonstrates NMR's potential to deliver significant capital growth from organic development and step wise projects. As such, the NMR Board is delighted to recommend a dividend payment of 2.5 pence per share for all shareholdings on the register on 19 October 2018, with an ex-dividend date of 18 October 2018. If approved by shareholders at the AGM, the final dividend is expected to be paid on 23 November 2018.

We are also reintroducing our Dividend Re-Investment Plan (DRIP). This will give shareholders the option to reinvest their dividend payments to buy more shares in the company.

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

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

NMR remains very much a key service provider in the UK dairy industry. Our farmer and milk processor customers have navigated a year of recovery from the previous challenging period of low margins. During the first nine months of this financial period their cash positions generally improved. It does not take the Chairman of NMR to report to you that the summer of 2018 has been unusually hot and dry. The resilience of the UK dairy farmer and processing community has been demonstrated by the fact that the supply of milk has been largely unaffected. There is a deficit in animal feed stock being carried forward into the winter but our third party market intelligence forecasts mean we do not anticipate a significant market shock.

NMR has also considered the likely risk of BREXIT to the UK dairy sector overall, and NMR in particular. The potential outcome of the BREXIT process is still unknown at this stage but our estimate of the impact to the UK dairy sector and NMR is mildly positive. Additionally, milk buyers are continuing to invest in UK processing capacity which is a positive sign for the industry.

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

Trevor Lloyd
Chairman
01 October 2018

STRATEGIC REPORT

To the members of National Milk Records plc

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

The Business Model

The NMR Group comprises four key revenue streams:

- Farm services, including milk recording and disease testing
- Processor services, including payment testing
- Traceability services, predominantly ear tags
- Reproduction services, including heat detection and genomics

The Company organises itself around these revenue streams with one of the senior team leading each of these areas. NMR also has a Joint Venture in the Republic of Ireland, iML, providing predominantly payment testing and disease services for the island of Ireland.

Trading Report and KPIs

As outlined in the Chairman's report, the financial statements are prepared for the first time for the 12 months ended 30 June. Under the Company's Act NMR must report against its last published accounts which are the 15 months ended 30 June 2017. Comparing this 12 month period with the 15 month period ending 30 June 2017 is not helpful in terms of headline financial figures, however, this report describes the key elements of the trading for the year. In addition, the Company's Annual Report provides a table of six monthly trends for Key Financial Indicators.

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

There has been no diminution of consumer demand for food safety and traceability, and NMR has seen a noticeable uplift in revenues for the newer services which supports this, particularly those associated with Health and Animal welfare. Herdwise, NMR's screening service for managing Johne's disease, a pervasive and wasting infection of cattle, has seen substantial growth. In June 2018, NMR had more than 2,055 herds regularly using its Johne's screening services compared to 1,600 a year earlier. Supporting dairy processors with testing, assurance and provenance services is also an area of growth and opportunity.

The demands of retailers are increasing and NMR is a partnering processor under the National Milk Laboratories ("NML") brand, which provides innovative services, such as using its own software developments to match payment data to collection volumes. Additionally, it provides testing for thermophilic bacteria, which reduce the shelf life of fresh milk. The Company is also examining how it supports milk processors in achieving their desire for greater transparency in the management of anti-microbial resistance ('AMR').

The last few months of the year also saw a step change in revenues for Reproduction Services. Sales of Sensetime™, the new and innovative web-based heat detection service from NMR's partners at

Antelq, has seen progressive sales, supported by grant activity. Additionally, the Company was successful in a tender to support the Agricultural and Horticultural Development Board ('AHDB') with genomic testing which will aid its trial to test its TB advantage index.

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

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

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

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

Future Developments

It was stated in last year's Report and Accounts that NMR was focused on three areas:

- Retaining and building its portfolio of market leading testing services
- Continuing its careful management of costs
- Investing in its business infrastructure.

The Company is ambitious, of course, and the Board will continue to develop new opportunities for growth. Meanwhile, the focus on the core customers and core business has served NMR well this year and it remains determined in its mission to deliver *Essential insight for the UK dairy supply chain*.

Key performance indicators

In addition to the Company's Key Financial Indicators, Laboratory Processing Time ('LPT is a Key Performance Indicator for the Group as it differentiates it from its main competitor. In the 12 month period to 30 June 2018, LPT was 5.9 hours which is in line with previous years. NMR also monitors cows on the database as a lead indicator for revenue. This has stayed level this year at 737,000.

Approval

This report was approved by the Board of Directors on 01 October 2018 and is signed on its behalf by:

Mr A J Warne
Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2018

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

15 months ended 30 June 2017 has been restated following a reassessment of the measurement basis for finance leases.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	12 months ended 30 June 18 £'000	Restated 15 months ended 30 June 17 £'000
Profit/(Loss) for the Period	1,827	(10,441)
Actuarial gains on pension scheme	-	150
Movement on deferred tax relating to pension scheme	-	(29)
Exchange Rate difference	4	107
Total comprehensive income/(expense) for the period	1,831	(10,213)

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2018**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

12 MONTHS ENDED 30 JUNE 2018

	12 months ended 30 June 18		15 months ended 30 June 2017 Restated	
	£'000	£'000	£'000	£'000
Cash flows from operating activities:				
Operating Profit/(Loss)		1,893		(11,941)
Amortisation of intangible assets	8		266	
Write off intangible assets	126		-	
Share option vesting expense	13		-	
Amortisation of loan expenses	12		-	
Investment written off	-		5	
Depreciation of tangible assets	507		682	
Profits on disposal of tangible assets	(23)		(46)	
Increase/(decrease) of warranty provision	45		(20)	
Increase in trade and other debtors	(140)		(100)	
(Increase)/decrease in stocks	(38)		112	
Increase in creditors	392		930	
Loss on disposal of Inimex	-		682	
Settlement to Exit Milk Pension Fund	-		(2,372)	
Difference between pension credit and cash paid	-		(1,128)	
		902		(989)
Income taxes paid		-		(151)
Cash from operations		2,795		(13,081)
Cash flows from investing activities:				
Dividend received from Associate	52		175	
Overseas dividend	-		106	
Purchase of tangible assets	(801)		(1,265)	
Proceeds from sale of tangible assets	47		69	
Proceeds on exercise of share options	52		-	
Acquisition of subsidiary	-		(96)	
Cash acquired with subsidiary	-		31	
Proceeds of disposal of investment	-		4	
		(650)		(976)
Cash flows from financing activities				
Share Capital Issued	-		8,709	
Share issue costs	-		(185)	
New bank loans raised	251		4,019	
Transaction costs in respect of the bank loan	-		(87)	
Lease finance paid down	(173)		(297)	
Interest paid	(145)		(48)	
Loan repayments	(986)		-	
		(1,053)		12,111
Net increase/(decrease) in cash and cash equivalents		1,092		(1,946)
Cash and cash equivalents at beginning of period		459		2,405
Cash and cash equivalents at end of period		1,551		459

Notes

1. General Information

The basis of preparation of this preliminary announcement is set out below.

The financial information in this announcement, which was approved by the Board of Directors on 01 October 2018, does not constitute the Company's statutory accounts for the year ended 30 June 2018 nor the period ended 30 June 2017, but is derived from these accounts.

Statutory accounts for the period ended 30 June 2017 have been delivered to the Registrar of Companies and those for the period ended 30 June 2018 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under S498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been completed in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice 'UKGAAP'), this announcement itself does not contain sufficient information to comply with UKGAAP.

The financial information has been prepared on the historical cost basis.

Copies of the announcement can be obtained from the Company's registered office at Fox Talbot House, Bellinger Close, Chippenham, SN15 1BN

It is intended that the full financial statements, which comply with UKGAAP, will be posted to shareholders in due course and will be available to members of the public at the registered office of the Company from that date and available on the Company's website: www.nmr.co.uk

2. Going concern

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

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

3. Dividends

The Directors recommend the payment of a dividend of 2.5p per ordinary share in relation to the period ended 30 June 2018 (2017: GBP nil).

4. Earnings Per Share

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

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

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

Reconciliations are set out below.

2018	TOTAL P&L		
	Earnings £'000	Shares	EPS pence
Basic	1,827	20,939,702	8.7
Dilution		300,000	
Diluted EPS	1,827	21,239,702	8.6

2017	TOTAL P&L		
	Earnings £'000	Shares	EPS pence
Basic	(10,441)	7,473,355	(139.7)

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

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

Ends