

National Milk Records plc

Report and Financial Statements

31 March 2009

National Milk Records plc

Registered No: 3331929

Directors

P Kirkham
A Warne
C Hughes
B Thomas
I Smith
T Lloyd
J L Marshall

Secretary

C Hughes

Auditors

Ernst & Young LLP
Apex Plaza
Reading
RG1 1YE

Bankers

Bank of Scotland plc
P O Box 208
21 Prince Street
Bristol
BS99 7JG

Solicitors

Wedlake Saint
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Registrar

Capita Registrar
The Registry
34 Beckenham Road
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Kent
BR3 4TU

Stockbroker

St Helen's Capital plc
15 St Helen's Place
London
EC3A 6DE
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BR3 4TU

Chairman and Managing Director's Statement

Overview

- Revenue for the year increased 8.2% to £15.4 million (2008: £ 14.2 million)
- Profit before tax for the period is £345,000 (2008: loss £90,000)
- Strong cash inflow of £629,000
- Retained position as the industry acknowledged market leader in the provision and support of dairy services in the UK
- Progressive business plan to build on profit through vertical and horizontal growth and continue significant cash generation
- Milk testing divisions continue to maintain strong defensive positions due to the demand from buyers for tested dairy products
- Strong growth potential for National Livestock Records on the back of EU legislation governing the distribution of ear tags for sheep

NMR Managing Director Andy Warne said, "I am pleased with the progress the Group has made throughout the financial year. Our milk testing divisions have performed well despite the challenges experienced by many of those operating within the dairy sector throughout the past year, due to the continued relevance of quality and disease testing for both dairy farmers and milk buyers. Furthermore, we have worked hard to maintain our position as leading providers of milk services in the UK by enhancing our technological offerings to customers, thus positioning ourselves to maximise the full potential of the Group in the future."

Chairman's Statement

NMR has continued to make substantial progress in strengthening its position as the UK's leading milk recorder and in line with this, I am pleased to report that we have maintained our profitability during the year ended 31 March 2009. Although this year has been difficult for many operating within the UK dairy sector, the Board believes the Group is well placed, being in a strong defensive position. Good quality milk and herd management information continues to be essential and our role as disease testers and herd managers remains crucial within the sector.

However, the challenges of the past year have not bypassed us with consolidation at both the farm and processor levels. Herd sizes are increasing to compensate for the number of dairy farms closing down and with this in mind, we are continuing to evolve our technological offering and look for new ways to help farmers and milk buyers adapt to this changing environment.

National Milk Records

National Milk Records is our core business, providing farmers with information on milk quality, yield and fertility within their herds. This division's performance remained consistent during the period under review. This was supported by increased recognition from farmers who are concerned about disease traceability who see the benefits of detecting diseases early within the herd. Furthermore, the increasing size of herds raises the significance of effective management tools to farmers as personal knowledge of individual animals becomes more difficult to maintain.

Technological developments have been integral in adding value to this business by reinforcing our reputation amongst farmers for quality and accuracy. For the past three years we have been developing THOR, a new £1 million software system designed to optimise our data collection capabilities and provide a more time-efficient and extensive service. THOR will go live in the coming financial year. Our sustained investment in our products and ability to offer additional testing services to farmers has enabled us to retain our position as the industry acknowledged market leader in the provision and support of dairy services in the UK.

Chairman and Managing Director's Statement (continued)

National Milk Laboratories ('NML')

NML, which provides testing to all of the major UK milk buyers, has performed well, capitalising on current legislation governing food production and hygiene by testing bulk milk samples in two quality accredited laboratories in Wolverhampton and Glasgow.

NML enjoys long-term corporate contracts with many UK blue-chip milk buyers. During the year, it also expanded its reach into Ireland, having signed an agreement with two leading Irish farmers' COOPs. NML now provides disease testing services and interpretation which complement existing milk recording services. We expect to have tested 30,000 cows in Ireland by October 2009.

National Livestock Records ('NLR')

NLR is a relatively fledgling part of the Group's portfolio and focuses on the red meat sector. The company is well placed to take advantage of the EU's agricultural legislation, which will be implemented from 1 January 2010. From this date, all sheep must be electronically tagged, in the same way that cows are currently, for monitoring purposes. With the capacity to distribute such electronic tags to farmers to enable them to comply with EU demands, we look forward to growing this side of our business in the future.

Pension

Improved longevity and depressed financial markets have led to a substantial increase in the funding deficit in the Milk Pension Fund, and along with many companies with final salary pension schemes, this has had a major impact on our balance sheet. We closed our scheme for future accrual in May 2007 which has gone some way to reducing our risk, although we are still faced with a large liability for the pensions accrued up to that date. The unusual nature of the fund means that we have been allocated liability for former employees of the Milk Marketing Board.

We take our commitments to our pensioners and deferred pensioners seriously and we believe that our business plan will generate sufficient cash to allow us to invest in the growth of our business whilst agreeing with the Trustee a phased payment plan to meet the deficit in the fund. This should allow us to substantially reduce the inherent risk within a five year period.

Financial

Although the 2008-2009 financial year has been made more difficult by the underlying financial context and tensions within the industry, we performed strongly over the period and I am pleased to report a net profit before tax of £345,000 (2008: loss £90,000) on a turnover of £15,366,000 (2008: £14,156,000). The Group has a cash position of £127,000 (2008: overdraft £502,000).

Outlook

The two to three year forecast for the agricultural sector is relatively buoyant, with the rise in value of food inherently increasing the value of services designed to maximise production such as milk recording. Looking forward, through utilising our significant position in the market, we believe our main growth will come from adding to the range of services we can offer to the dairy industry and expanding geographically. Having entered the Irish market, we also hope to increase our presence in the Scottish market and believe that we are well placed to support our customers as EU legislation impacts on testing and identification.

Finally, I'd like to thank all those involved with the Group for their hard work and I look forward to the future with confidence.

Philip Kirkham

Corporate Governance

Board of Directors

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

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

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

Remuneration Committee

The Remuneration Committee comprises Mr Kirkham and Mrs Marshall, with Mr Smith as Chairman. Its task is to determine the remuneration and other benefits of the company's Chairman, Managing Director, and other executive directors and designated senior managers. Remuneration of the non-executive directors is determined by the Chairman and executive directors.

Audit Committee

The Audit Committee comprises Mr Thomas and Mrs Marshall, with Mr Smith as Chairman. Its principal role is to monitor the integrity of the financial statements of the group, reviewing significant reporting issues and judgements which they contain. It also monitors the major risks which face the group. The audit committee also liaises regularly with the auditors.

Nomination Committee

The Nomination Committee comprises Messrs Lloyd and Warne with Mr Kirkham as Chairman. Its remit is to review the size, skills and composition of the Board, and to carry out succession planning for it and the senior executive, identifying candidates where appropriate.

Board attendance of directors

Number of meetings in year ended 31 March 2008/09.

Attendance of directors:

P Kirkham	10
A Warne	10
J Marshall	10
C Hughes	10
B Thomas	10
I Smith	10
T Lloyd	10
Average % attendance	100

Directors' report

The directors present their report and financial statements for the year ended 31 March 2009.

Results and dividends

The group profit before tax for the year amounted to £345,000 (2008: loss of £90,000). The directors do not recommend the payment of a dividend (2008: £nil). Earnings per ordinary share are disclosed in the profit and loss account.

Principal activity and review of the business

The group's principal activity during the year was the provision of management information, predominantly to the agricultural industry. A review of the business is contained in the Chairman's and Managing Director's statement.

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

Market conditions

Levels of business activity will vary for each of the markets in which NMR operates, but ultimately this is dependent on factors such as economic cycles, government legislation, growth of the economy and environmental factors.

Competitive pressures

The group operates in competitive markets with differing characteristics. Market share could be affected by the emergence of new competitors or technological advances in products.

Customers

The group must maintain its ability to continue to provide an innovative service to the local customer base and develop in a profitable way in an increasingly price sensitive market. If the group fails to do this, customers may spend less with NMR.

Financial Key Performance Indicators

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

Turnover (growth)

NMR views change in the market as an opportunity to grow, and to use its profits and ability to develop and produce innovative products, services and solutions that satisfy emerging customer needs.

Growth comes from taking considered risks, based on the state of the industry, but also in inducing change in the industry in which NMR operates.

For the year ended 31 March 2009, turnover was £15,366,000 (2008: £14,156,000). NMR has been focusing on stabilizing its traditional core business and developing new innovative products and services which should lead to turnover growth over the next few years.

Directors' report (continued)

Financial Key Performance Indicators (continued)

Profitability

In order to be successful, NMR needs to achieve sufficient profit to finance growth, create value for the group's shareholders and provide the resource needed to achieve any of the group's other objectives.

For the year ended 31 March 2009, gross profit was £3,914,000. This was up over 17% from the year ended 31 March 2008 (£3,341,000).

Market share

The group aims to extend market share by continually providing useful and significant products, services and solutions to markets it already serves and to expand into new areas that build on National Milk Records' competencies and customer interests. The group aims to be influential in the markets in which it operates.

Fixed assets

Details of the group's fixed assets are in note 11 of the financial statements.

Employee involvement

The group has a well established structure to communicate with employees at every level and to encourage their involvement regarding the group's performance and future activities.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors and their interests

The directors during the year and their interests in the share capital of the company as at 31 March 2009 were as follows:

	<i>2009</i>	<i>2008</i>
	<i>Ordinary shares</i>	<i>Ordinary shares</i>
P Kirkham	2,895	2,895
A Warne	-	-
C Hughes	7,500	4,000
B Thomas	2,275	2,275
I Smith	1,875	1,875
T Lloyd	-	-
J L Marshall	-	-

C Hughes and A Warne were granted share options during prior years of 83,333 and 166,666 shares respectively. The grant price was £0.75 per share. Whilst these lapsed, the Board reissued these during the current year.

Directors' report (continued)

Directors' liabilities

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Major interest in shares

On 31 March 2009, the National Milk Records Trustee Company Limited controlled 364,900 ordinary shares of £0.10 each in the company. No other person has notified an interest in the ordinary shares of the company required to be disclosed in accordance with sections 198 and 208 of the Companies Act 1985.

Going concern

Having reviewed the Group and Company's budget for the next financial year the directors are satisfied, at the time of approving the financial statements, it is appropriate to adopt a going concern basis in preparing the financial statements.

Creditor's payment policy

It is the group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the group and its suppliers, provided that all trading terms and conditions have been complied with.

At 31 March 2009, the group had an average of 41 days (2008: 28 days) purchases outstanding in trade creditors.

Auditors

A resolution to re-appoint Ernst & Young LLP as the group's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

C Hughes
Secretary

Date:

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report

to the members of National Milk Records plc

We have audited the group and parent company financial statements (the "financial statements") of National Milk Records plc for the year ended 31 March 2009 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of National Milk Records plc (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered Auditor
Reading

Date:

Group profit and loss account

for the year ended 31 March 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Turnover	2	15,366	14,156
Cost of sales		(11,452)	(10,815)
Gross profit		<u>3,914</u>	<u>3,341</u>
Administrative expenses		(3,415)	(3,247)
Exceptional administrative expenses	4	-	(108)
Total administrative expenses		<u>(3,415)</u>	<u>(3,355)</u>
Operating profit/(loss)	3	499	(14)
Interest receivable		-	266
Interest payable	7	(154)	(342)
Profit/(loss) on ordinary activities before taxation		<u>345</u>	<u>(90)</u>
Tax on profit/(loss) on ordinary activities	8	(110)	24
Profit/(loss) for the year		<u>235</u>	<u>(66)</u>
Minority interest		-	(6)
Profit/(loss) for the financial year attributed to members of the parent company		<u>235</u>	<u>(72)</u>
Retained profit/(loss) for the year		<u>235</u>	<u>(72)</u>
Earning per ordinary share (pence)			
- Basic	10	3.4	(1.0)
- Diluted	10	3.2	(1.0)

The above has been generated from continuing activities.

Group statement of total recognised gains and losses

for the year ended 31 March 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Profit/(loss) for the financial year		235	(72)
Actuarial (loss)/gain recognised in the pension scheme	21	(2,241)	1,684
Deferred tax relating to pension liability		602	(555)
Revaluation of land and buildings		-	398
Total recognised gains and losses		<u>(1,404)</u>	<u>1,455</u>

Group balance sheet

at 31 March 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Fixed assets			
Tangible assets	11	4,653	4,676
		<hr/> 4,653	<hr/> 4,676
Goodwill	12	866	1,058
Intangibles	12	-	9
Investments	12	5	5
		<hr/> 871	<hr/> 1,072
		<hr/> 5,524	<hr/> 5,748
Current assets			
Stock	13	147	115
Debtors	14	1,474	1,448
Cash at bank and in hand		127	-
		<hr/> 1,748	<hr/> 1,563
Creditors: amounts falling due within one year	15	(2,080)	(2,232)
		<hr/> (332)	<hr/> (669)
Net current liabilities			
Total assets less current liabilities		<hr/> 5,192	<hr/> 5,079
Creditors: amounts falling due after more than one year	16	(1,529)	(1,512)
Provision for liabilities and charges	17	(219)	(290)
Defined benefit pension liability	21	(2,543)	(977)
		<hr/> 901	<hr/> 2,300
		<hr/> <hr/> 901	<hr/> <hr/> 2,300
Capital and Reserves			
Called up share capital	18	735	735
Capital reserve account	19	-	3,098
Profit and loss account	19	(1,197)	(2,891)
Revaluation reserve	19	1,286	1,286
		<hr/> 824	<hr/> 2,228
Equity shareholders' funds			
Minority interest		77	72
		<hr/> 901	<hr/> 2,300
		<hr/> <hr/> 901	<hr/> <hr/> 2,300

Approved by the Board

C Hughes

Director

Date:

Company balance sheet

at 31 March 2009

	<i>Notes</i>	<i>2009</i> £'000	<i>2008</i> £'000
Fixed assets			
Tangible assets	11	3,223	3,017
		<u>3,223</u>	<u>3,017</u>
Investments	12	2,325	5,875
Intangible	12	-	9
		<u>2,325</u>	<u>5,884</u>
		5,548	8,901
Current assets			
Stock	13	29	27
Debtors	14	1,224	1,278
Cash at bank and in hand		355	-
		<u>1,608</u>	<u>1,305</u>
Creditors: amounts falling due within one year	15	(1,905)	(1,615)
		<u>(297)</u>	<u>(310)</u>
Net current liabilities			
		5,251	8,591
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	16	(1,529)	(1,468)
Provision for liabilities and charges	17	(170)	(167)
Defined benefit pension liability	21	(2,543)	(977)
		<u>1,009</u>	<u>5,979</u>
		<u><u>1,009</u></u>	<u><u>5,979</u></u>
Capital and Reserves			
Called up share capital	18	735	735
Capital reserve account	19	-	3,098
Profit and loss account	19	(1,012)	860
Revaluation reserve	19	1,286	1,286
		<u>1,009</u>	<u>5,979</u>
Equity shareholders' funds		<u><u>1,009</u></u>	<u><u>5,979</u></u>

Approved by the Board

C Hughes
Director

Date:

Group statement of cash flows

for the year ended 31 March 2009

	<i>Notes</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Net cash flow from operating activities	20(a)	1,626	661
Returns on investment and servicing of finance	20(b)	(154)	(76)
Taxation	20(b)	(10)	(22)
Capital expenditure and financial investments	20(b)	(244)	(485)
Acquisitions and disposals	20(b)	-	(222)
		<hr/>	<hr/>
Net cash inflow/(outflow) before financing		1,218	(144)
Financing	20(b)	(589)	(524)
		<hr/>	<hr/>
<i>Increase/(decrease) in cash</i>		629	(668)
		<hr/> <hr/>	<hr/> <hr/>
<i>Reconciliation of net cash flow to movement in debt/funds</i>			
	<i>Notes</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Increase/(decrease) in cash	20(c)	629	(668)
Finance leases	20(c)	(17)	(524)
		<hr/>	<hr/>
<i>Movement in funds</i>		612	(1,192)
Net funds at 31 March at 2008		(2,159)	(967)
		<hr/>	<hr/>
Net funds at 31 March at 2009		(1,547)	(2,159)
		<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 March 2009

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable accounting standards.

Basis of consolidation

The financial statements consolidate the financial statements of National Milk Records plc and all its subsidiary undertakings, drawn up to 31 March each year.

Goodwill

Following the introduction of FRS 10, goodwill arising on consolidation, being the difference between the fair value of the consideration paid and the aggregate of the fair values of the separable net assets acquired, is capitalised and amortised over its useful economic life up to a maximum of 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other period if events or changes in circumstances indicate the carrying value may not be recoverable.

Fixed assets

All fixed assets are recorded at cost or valuation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, evenly over its expected useful life, as follows:

Freehold buildings	-	2.5%
Computer equipment and machinery	-	10% - 33%
Vehicles	-	25%

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

Fixed asset investments

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

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Notes to the financial statements

at 31 March 2009

1. Accounting policies (continued)

Deferred taxation

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, with the following exceptions:

- 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.

Pensions

The group operated both a defined benefit pension scheme and a defined contribution scheme. The assets of the schemes are held separately from those of the group. The group decided to close the defined benefit scheme to new accruals and move to a defined contribution scheme during the prior year. The group decided to freeze the defined benefit scheme and move to a defined contribution scheme during the prior year. In order to avoid triggering a debt event within the scheme, the group has 2 active members both of whom are members of the Board.

Defined benefit pension scheme assets are measured using market value. Associated pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Pension costs are recognised on a systematic basis in order to match the costs of providing retirement benefits evenly over the service lives of the employees concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities is allocated over the remaining service lives of current employees. Contributions to the defined contribution schemes are expensed in the profit and loss account in the period in which they become payable.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Treasury policy

The group holds financial instruments for two principal purposes: to finance its working capital requirements and to manage the interest risks arising from its sources of finance. The group finances its operation by a mixture of short term overdrafts and finance leases. The group borrows exclusively in Sterling with the majority of its debt being at fixed rates of interest.

The main risk arising from the group's financial instruments are liquidity and interest rate risk. These risks, and the policies to manage them, are summarised below. These policies have remained unchanged this year. The group does not enter into speculative derivative contracts.

Notes to the financial statements

at 31 March 2009

1. Accounting policies (continued)

Interest rate risk

The group manages its interest rate risk primarily through the use of fixed rate finance leases, matched against the assets being acquired. It does, however, have a floating rate overdraft facility to manage day to day working capital requirements. Interest is expensed through the profit and loss account on an accruals basis.

Liquidity and refinancing risk

The group's objective is to produce continuity of funding at a reasonable cost. To do this it seeks to arrange committed funding that matches the assets or working capital it is designed to fund. Funding comes from a limited number of providers.

2. Turnover

Turnover is stated net of value added tax and represents amounts invoiced to third parties. Turnover is attributable to the supply of services to the agricultural market.

All turnover has arisen within the United Kingdom.

3. Operating profit/(loss)

This is stated after charging:

	2009	2008
	£'000	£'000
Auditors' remuneration - audit services	40	40
- non-audit tax services	18	18
Depreciation - owned fixed assets	473	431
- leased fixed assets	333	304
Operating lease rentals - leasehold property	180	148
Exceptional items (see note 4)	-	108
	<u> </u>	<u> </u>

4. Exceptional items

During the prior year the group paid £108,000 in respect of the pension protection levy. This was the first year in which this levy needed to be paid and the charge was considerably higher than expected. The group has taken steps to ensure substantially reduced charges in the future.

Notes to the financial statements

at 31 March 2009

5. Directors' emoluments

	2009 £'000	2008 £'000
<i>Directors' emoluments:</i>		
Fees	318	268
Other emoluments (including pension contributions)	36	31
	<u>354</u>	<u>299</u>
	<u><u>354</u></u>	<u><u>299</u></u>

The amount in respect of the highest paid director is as follows:

	2009 £'000	2008 £'000
Fees	152	128
Other emoluments (including pension contributions)	14	12
	<u>166</u>	<u>140</u>
	<u><u>166</u></u>	<u><u>140</u></u>

No options were exercised during the year.

2 directors are accruing retirement benefit under the defined benefit pension schemes in respect of qualifying services (2008: 3).

6. Staff costs

	2009 £'000	2008 £'000
<i>Staff costs:</i>		
Wages and salaries	5,433	5,228
Social security costs	498	458
Other pension costs	115	143
	<u>6,046</u>	<u>5,829</u>
	<u><u>6,046</u></u>	<u><u>5,829</u></u>

The average weekly number of employees during the year was as follows:

	2009	2008
Field staff	58	55
Administration staff	215	218
	<u>273</u>	<u>273</u>
	<u><u>273</u></u>	<u><u>273</u></u>

Notes to the financial statements

at 31 March 2009

7. Interest payable

	2009 £'000	2008 £'000
Interest on loans and overdrafts	118	317
Interest on pension scheme liabilities	36	25
	<u>154</u>	<u>342</u>

8. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2009 £'000	2008 £'000
<i>UK corporation tax:</i>		
Current tax on income for the period	106	32
Adjustment in respect of prior periods	32	91
Total current tax	<u>138</u>	<u>123</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences (note 17)	71	(114)
Deferred tax on pension scheme	(99)	15
Tax on profit on ordinary activities	<u>110</u>	<u>24</u>

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2008: 30%). The differences are reconciled below:

	2009 £'000	2008 £'000
Profit/(loss) on ordinary activities before tax	345	(90)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	<u>97</u>	<u>27</u>
<i>Effects of:</i>		
Adjustments in respect of prior years	-	91
Unrelieved tax losses carried forward	-	(120)
Expenses not deductible for tax purposes (including goodwill)	94	4
Capital allowances in excess of depreciation	(56)	122
Non-taxable pension surplus	-	-
Other	3	(1)
Total current tax	<u>138</u>	<u>123</u>

Notes to the financial statements

at 31 March 2009

8. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax asset of £766,000 (2008: £784,000) that relates mainly to trading losses in National Livestock Records Limited (formerly Smartonics) that can be set against taxable profits arising from the same trade within that company. The asset has not been recognised as it does not satisfy the recognition criteria for deferred tax assets under FRS 19.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided for the year is £386,000 (2008: £386,000).

9. Profit attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £4,970,000 (2008: profit of £1,509,000). No profit and loss account is presented for National Milk Records plc as permitted by Section 230 of the Companies Act 1985.

10. Earning per ordinary share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (before deducting interest on the convertible non-cumulative redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued in the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basis and diluted earnings per share computations:

	2009 £'000	2008 £'000
Profit/(loss) for the year from continuing operations	235	(66)
Less minority interest	-	(6)
Profit/(loss) attributable to equity holders of the parent	<u>235</u>	<u>(72)</u>
	2009	2008
Basic weighted average number of shares (excluding ESOP trust shares)	6,983	6,983
Dilutive potential ordinary shares - employee share options	250	250
Diluted weighted average number of shares	<u>7,233</u>	<u>7,233</u>

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

Notes to the financial statements

at 31 March 2009

11. Tangible fixed assets

	<i>Freehold land and buildings £'000</i>	<i>Computer equipment and machinery £'000</i>	<i>Vehicles £'000</i>	<i>Total £'000</i>
<i>Group</i>				
<i>Cost:</i>				
At 31 March 2008	1,759	5,918	1,247	8,924
Additions	-	658	166	824
Disposals	-	-	(351)	(351)
At 31 March 2009	1,759	6,576	1,062	9,397
<i>Depreciation:</i>				
At 31 March 2008	115	3,427	706	4,248
Charge	32	556	218	806
Disposals	-	-	(310)	(310)
At 31 March 2009	147	3,983	614	4,744
<i>Net book value:</i>				
At 31 March 2009	1,612	2,593	448	4,653
At 31 March 2008	1,644	2,491	541	4,676
<i>Company</i>				
<i>Cost:</i>				
At 31 March 2008	1,460	3,638	1,247	6,345
Additions	-	598	166	764
Disposals	-	-	(351)	(351)
At 31 March 2009	1,460	4,236	1,062	6,758
<i>Depreciation:</i>				
At 31 March 2008	60	2,562	706	3,328
Charge	32	268	218	518
Disposals	-	-	(311)	(311)
At 31 March 2009	92	2,830	613	3,535
<i>Net book value:</i>				
At 31 March 2009	1,368	1,406	449	3,223
At 31 March 2008	1,400	1,076	541	3,017

All the vehicles are held under finance leases.

Notes to the financial statements

at 31 March 2009

11. Tangible fixed assets (continued)

£1,225,000 of capital equipment and machinery is held under finance leases. The depreciation of these assets amounted to approximately £333,000 in 2009.

The freehold land and buildings were revalued at their open market value for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, in March 2007 by external Chartered Surveyors, Palmer Snell and Feather, Smailes & Scales.

The directors have reviewed the valuation and are not aware of any material change in value.

On the historical cost basis, freehold land and buildings would have been included as follows:

	£'000
<i>Cost:</i>	
At 31 March 2008	841
At 31 March 2009	841
 <i>Cumulative depreciation based on cost:</i>	
At 31 March 2008	150
At 31 March 2009	171

12. Intangible assets

<i>Group</i>	<i>Customer lists** £'000</i>	<i>Goodwill £'000</i>	<i>Total £'000</i>
<i>Cost:</i>			
At 31 March 2008	32	3,869	3,901
 <i>Amortisation:</i>			
At 31 March 2008	23	2,811	2,834
Provided during the year	9	192	201
At 31 March 2009	32	3,003	3,035
 <i>Net book value:</i>			
At 31 March 2009	-	866	866
At 31 March 2008	9	1,058	1,067

** *Group and Company*

Customer lists are amortised over their estimated useful life of 3 years.

Notes to the financial statements

at 31 March 2009

12. Intangible assets (continued)

Investments

Company

	<i>Unlisted*</i> £'000	<i>Subsidiaries</i> £'000	<i>Total</i> £'000
At 31 March 2007	5	2,167	2,172
Increase in loans	-	3,703	3,703
At 31 March 2008	5	5,870	5,875
Increase in loans	-	71	71
Impairment	-	(3,621)	(3,621)
At 31 March 2009	5	2,320	2,325

The amounts shown in subsidiaries represent loans predominately. Having reviewed the recoverability of investments, the Group impaired the investment in National Livestock Records Limited during the year.

* Company and Group

Subsidiaries

Entities in which the company has control and consolidates:

<i>Name</i>	<i>Country of registration</i>	<i>Direct holding</i>	<i>Activity</i>
Agrisoft Limited	England and Wales	100%	Dormant
National Livestock Records Limited (formerly Smartonics)	England and Wales	100%	Radio frequency identification systems
National Milk Laboratories Limited	England and Wales	99.9%	Management information to the milk buying industry
Nordic Star Limited	England and Wales	100%	Animal tagging

National Milk Records plc owns approximately 1% of the share capital of Uniform Agri BV.

13. Stock

	<i>Group</i>		<i>Company</i>	
	<i>2009</i> £'000	<i>2008</i> £'000	<i>2009</i> £'000	<i>2008</i> £'000
Consumables	147	115	29	27
	147	115	29	27

Notes to the financial statements

at 31 March 2009

14. Debtors

	<i>Group</i>		<i>Company</i>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade debtors	905	859	355	281
Amounts owed by group undertakings	-	-	348	528
Prepayments and other debtors	569	569	521	449
Corporation tax	-	20	-	20
	<u>1,474</u>	<u>1,448</u>	<u>1,224</u>	<u>1,278</u>

15. Creditors: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade creditors	601	324	552	312
Current corporation tax	108	-	62	-
Other taxes and social security costs	575	665	508	521
Finance leases	145	145	145	145
Accruals and deferred income	651	596	638	467
Bank overdraft	-	502	-	170
	<u>2,080</u>	<u>2,232</u>	<u>1,905</u>	<u>1,615</u>

16. Creditors: amounts falling due after more than one year

	<i>Group</i>		<i>Company</i>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Finance leases	1,529	1,512	1,529	1,468
<i>Obligations under finance leases:</i>				
Within one year	145	145	145	145
In two to five years	1,529	1,512	1,529	1,468
	<u>1,674</u>	<u>1,657</u>	<u>1,674</u>	<u>1,613</u>

The finance lease creditor is secured on the company's vehicle fleet and the associated computer equipment and machinery held under finance lease.

Notes to the financial statements

at 31 March 2009

17. Deferred taxation

Group

	<i>Provided 2009 £'000</i>	<i>Provided 2008 £'000</i>
Capital allowances in advance of depreciation	232	316
Other	(13)	(26)
	<u>219</u>	<u>290</u>
Opening balance at 31 March 2008		290
Movement taken to the profit and loss account		(71)
Closing balance at 31 March 2009		<u><u>219</u></u>

Company

	<i>Provided 2009 £'000</i>	<i>Provided 2008 £'000</i>
Capital allowances in advance of depreciation	181	172
Other	(11)	(5)
	<u>170</u>	<u>167</u>

18. Share capital

Group and Company

	<i>2009 £'000</i>	<i>2008 £'000</i>		
<i>Authorised:</i>				
Ordinary shares of 10p each	950	950		
Preference shares of £1 each	50	50		
Deferred shares of £1 each	-	-		
	<u>1,000</u>	<u>1,000</u>		
	<u><u>1,000</u></u>	<u><u>1,000</u></u>		
	<i>2009 No.</i>	<i>2009 £'000</i>	<i>2008 No.</i>	<i>2008 £'000</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares at 10p each	7,348,329	735	7,348,329	735
Preference shares of £1 each	-	-	-	-
Deferred shares of £1 each	90	-	90	-
	<u>7,348,419</u>	<u>735</u>	<u>7,348,419</u>	<u>735</u>
	<u><u>7,348,419</u></u>	<u><u>735</u></u>	<u><u>7,348,419</u></u>	<u><u>735</u></u>

Notes to the financial statements

at 31 March 2009

19. Reconciliation of shareholders' funds and movements on reserves

Group

	<i>Share capital £'000</i>	<i>Capital reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Revalu- ation reserve £'000</i>	<i>Total £'000</i>
At 31 March 2007	735	3,098	(3,942)	888	779
Total recognised profit for the year	-	-	1,057	-	1,057
Minority interest	-	-	(6)	-	(6)
Revaluation of land and buildings	-	-	-	398	398
At 31 March 2008	735	3,098	(2,891)	1,286	2,228
Total recognised profit for the year	-	-	(1,404)	-	(1,404)
Transfer between reserves	-	(3,098)	3,098	-	-
At 31 March 2009	735	-	(1,197)	1,286	824

Within the profit and loss account, there is £3,098,000 of reserves that have been designated by the company as non distributable due to the pension fund deficit. These reserves were previously held in a separate capital reserve. These were transferred from the capital reserve to the profit and loss account during the year.

Company

	<i>Share capital £'000</i>	<i>Non- distributable capital reserves £'000</i>	<i>Profit and loss account £'000</i>	<i>Revalu- ation reserve £'000</i>	<i>Total £'000</i>
At 31 March 2007	735	3,098	(649)	888	4,072
Total recognised profit for the year	-	-	1,509	-	1,509
Revaluation of land and buildings	-	-	-	398	398
At 31 March 2008	735	3,098	860	1,286	5,979
Total recognised profit for the year	-	-	(4,970)	-	(4,970)
Transfer between reserves	-	(3,098)	3,098	-	-
At 31 March 2009	735	-	(1,012)	1,286	1,009

ESOP Trust

The purchase of the shares owned by the trust was funded by an interest free loan from National Milk Records plc. All expenses incurred by the trust are settled directly by National Milk Records plc and charged in the financial statements as incurred. The trust currently holds 364,900 shares (2008: 364,900). At the year end 249,999 (2008: 249,999) of the shares were currently under option to employees.

The company adopted UITF Abstract 38 "Accounting for ESOP Trusts" in 2004/5. The UITF requires the cost of shares held by ESOPs to be shown as a deduction from equity shareholders funds, whereas they were previously shown as investments in the company balance sheet. The current market value of the shares held by the ESOP's Trust is approximately £108,000.

Notes to the financial statements

at 31 March 2009

20. Notes to the statement of cash flow

(a) Reconciliation of operating profit to net cash flow from operating activities

	2009 £'000	2008 £'000
Operating profit/(loss)	499	(14)
Depreciation and amortisation	1,007	915
Profit on sale of fixed assets	44	-
(Increase)/decrease in stock	(32)	4
Increase in debtors	(46)	(160)
Increase/(decrease) in creditors	242	(84)
Net cash flow from operating activities	<u>1,626</u>	<u>661</u>

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2009 £'000	2008 £'000
<i>Return on investments and servicing of finance:</i>		
Interest received	-	266
Interest paid	(154)	(342)
	<u>(154)</u>	<u>(76)</u>
<i>Acquisition and disposals:</i>		
Payments to acquire subsidiaries/trade and assets	-	(222)
	<u>-</u>	<u>(222)</u>
<i>Taxation:</i>		
Corporation tax paid	(10)	(22)
	<u>(10)</u>	<u>(22)</u>
<i>Capital expenditure and financial investment:</i>		
Payments to acquire tangible fixed assets	(328)	(552)
Receipts from sales of tangible fixed assets	84	67
	<u>(244)</u>	<u>(485)</u>
<i>Financing:</i>		
Capital element of finance lease rental payments	(589)	(524)
	<u>(589)</u>	<u>(524)</u>

(c) Analysis of changes in net funds

	At 31 March 2008 £'000	Cash flows £'000	Other changes £'000	At 31 March 2009 £'000
Overdraft/cash at bank and in hand	(502)	629	-	127
Finance leases	(1,657)	589	(606)	(1,674)
	<u>(2,159)</u>	<u>1,218</u>	<u>(606)</u>	<u>(1,547)</u>

Notes to the financial statements

at 31 March 2009

21. Pensions

Disclosures required under FRS 17

All permanent staff were eligible for membership of The Milk Pension Fund. The Fund is of the defined benefits type, and is funded by contributions from employees and the participating employers. The principal employer of The Milk Pension Fund is Milk Marque Limited. Together with National Milk Records plc participating employers include, amongst others, Genus Limited.

The latest actuarial valuation of the Fund was made by a qualified actuary as at 31 March 2006 using the projected unit method. The principal actuarial assumptions adopted for the valuation, over the long term, were:

Price inflation	2.75% pa
Rate of interest	
- Pre retirement	6.75% pa
- Post retirement	4.8% pa
Earnings growth	
- Past service	3.75% pa
- Future service	3.75% pa

At the date of the valuation, the market value of the Fund's assets amounted to £312.5 million. The actuarial value of the assets of the Fund was sufficient to cover 97.9 per cent of the value of the benefits that had accrued to members after allowing for assumed increases in earnings. The deficit in the Fund disclosed by the 31 March 2006 valuation (£6.8 million for the Fund as a whole) is being addressed by increased contributions from the participating employers.

With effect from 1 June 2007, the company closed the scheme to future accrual.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation at 31 March 2006 and updated by Barnett Waddingham to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2009 (using the projected unit method). Scheme assets are stated at their market value at 31 March 2009. Contributions paid during the year amounted to £214,000 (2008: £245,000). The estimated contributions for 2010 are expected to be £210,000. The group may consider making additional contributions in the next 12 months to reduce the deficit in the scheme.

Notes to the financial statements

at 31 March 2009

21. Pensions (continued)

The assets in the scheme and the expected rate of return for the subsequent year are:

	<i>Expected long term rate of return 2009 %</i>	<i>Market value 2009 £'000</i>	<i>Expected long term rate of return 2008 %</i>	<i>Market value 2008 £'000</i>
<i>Market value of assets:</i>				
Equities	9.2	8,175	9.2	10,961
Cash	4.0	87	4.9	101
Index linked gilts	4.1	9,265	4.3	9,821
Bonds	6.6	1,582	6.5	1,957
		<hr/>		<hr/>
Total market value of assets at 31 March		19,109		22,840
Actuarial present value of liabilities		(22,641)		(24,236)
		<hr/>		<hr/>
Scheme deficit at 31 March		(3,532)		(1,396)
Related deferred tax asset		989		419
		<hr/>		<hr/>
Net pension liability		(2,543)		(977)
		<hr/> <hr/>		<hr/> <hr/>

The major assumptions used on the FRS 17 valuation shown above are:

	2009 %	2008 %
Pension increases	3.4	3.4
Discount rate	6.7	6.6
Price inflation	3.0	3.4

Analysis of amounts charged to operating profits:

	2009 £'000	2008 £'000
Employer's current service cost	73	106
Curtailment	-	-
	<hr/>	<hr/>
Total operating charge	73	106
	<hr/> <hr/>	<hr/> <hr/>

Analysis of the amount credited to other finance income:

	2009 £'000	2008 £'000
Expected return on pension plan assets	1,533	1,411
Interest on pension liabilities	(1,569)	(1,436)
	<hr/>	<hr/>
Net return	(36)	(25)
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements

at 31 March 2009

21. Pensions (continued)

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2009	2008
	£'000	£'000
Actual return less expected return on pension plan assets	(4,392)	(1,028)
Experience gains arising on the plan liabilities	521	(314)
Changes in assumptions underlying the plan liabilities	1,630	3,026
	<u>(2,241)</u>	<u>1,684</u>

Reconciliation of deficit and movement in surplus during the year:

	2009	2008
	£'000	£'000
Deficit in plan at the beginning of year	(1,396)	(3,194)
<i>Movement in year:</i>		
Employer's current service cost	(73)	(106)
Employer's contributions	214	245
Other finance income	(36)	(25)
Actuarial gain/(loss)	(2,241)	1,684
	<u>(3,532)</u>	<u>(1,396)</u>

History of experience gains and losses

	2009	2008	2007	2006
	£'000	£'000	£'000	£'000
<i>Actual return less expected return on plan assets:</i>				
amount	(4,392)	(1,028)	(164)	(1,800)
percentage of plan assets	23%	5%	1%	8%
<i>Experience gains/(losses) on plan liabilities:</i>				
amount	521	(314)	(426)	-
percentage of the present value of the plan liabilities	2%	1%	2%	-
<i>Total gain/(loss) recognised in the STRGL:</i>				
amount	(2,241)	1,684	302	(300)
percentage of the present value of the plan liabilities	10%	7%	1%	(1%)

Under the existing multi employer arrangement, all employers are jointly and severally liable. There are a number of debt events within the trust deed, which if triggered by any employer would result in all the employers having to repay, on demand, the deficit of the scheme. At the date these financial statements were approved, the directors are not aware of any such debt events being triggered.

Should any employer not be in a position to meet its obligation, say through administration or liquidation, the liability is shared amongst the other employers in a proportion determined by the trustee.

Notes to the financial statements

at 31 March 2009

22. Contingent liabilities

The group has an overdraft facility of £450,000 which is secured on a fixed and floating charge on the assets of the group. The directors do not anticipate that any material liabilities will arise.

23. Operating lease commitments

Group and Company

At 31 March 2009 the annual commitments under non-cancellable operating leases in respect of land and buildings was as follows:

	2009	2008
	£'000	£'000
<i>Operating leases which expire:</i>		
- within one year	-	-
- within two to five years	150	126
- after five years	30	30
	<u>180</u>	<u>156</u>
	<u><u>180</u></u>	<u><u>156</u></u>

24. Financial Instruments

Short term debtors and creditors

Short term debtors and creditors have been excluded where permitted by FRS 13.

Interest rate risk management

Financial liabilities:

	2009	2008
	£'000	£'000
<i>Financial liabilities:</i>		
Fixed rate	(1,674)	(1,657)
Floating rate	-	(502)
	<u>(1,674)</u>	<u>(2,159)</u>
	<u><u>(1,674)</u></u>	<u><u>(2,159)</u></u>
<i>Financial assets:</i>		
Floating rate	127	-
	<u>127</u>	<u>-</u>
	<u><u>127</u></u>	<u><u>-</u></u>

Floating rate financial liabilities bear interest based on short term bank rates. The weighted average floating rate for financial assets during the prior year was 4%. The weighted average fixed interest rate for financial liabilities during the year was 6.9% (2008: 6.9%).

Notes to the financial statements

at 31 March 2009

24. Financial Instruments (continued)

Liquidity risk management

The maturity profile of the group's financial (assets)/liabilities, excluding short term creditors such as trade creditors and accruals, is:

	2009 £'000	2008 £'000
<i>Maturity:</i>		
Less than one year	145	647
One to five years	1,502	1,512
	<u>1,647</u>	<u>2,159</u>

The group has a single overdraft facility. The amount unutilised is analysed below

	2009 £'000	2008 £'000
<i>Undrawn facilities:</i>		
Expiring in less than one year	450	148
	<u>450</u>	<u>148</u>

Fair value of financial (assets) and liabilities

	<i>Book value</i> 2009 £'000	<i>Fair value</i> 2009 £'000	<i>Book value</i> 2008 £'000	<i>Fair value</i> 2008 £'000
Finance lease liabilities	1,647	1,647	1,657	1,657
Cash at bank and in hand	(127)	(127)	502	502
	<u>1,520</u>	<u>1,520</u>	<u>2,159</u>	<u>2,159</u>

All financial instruments are negotiated at arms length market rates. With the relative stability in the Group's borrowing cost, the directors believe that the book value and the fair value of the Group's financial instruments are not materially different.

25. Related party transactions

Shareholders

The company provided £11,195,000 (2008: £10,300,000) of services to its shareholders. These services were provided to shareholders in the normal course of trade and at arm's length prices. At the year end there was £333,000 owed to the company in respect of these services (2008: £100,000). Three members of the Board are also customers of National Milk Records plc. All services are provided at arm's length and are not considered material to either the group or the individuals.