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 2021 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 'Company') for the year ended 30 June 2021 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 31 December 2022.

We assessed the Directors' assumptions with reference to historical actual performance, post year end results and market developments such as changes to accreditation requirements for the dairy industry, in the going concern forecast including revenue and growth profile, profit margin, Coronavirus risk assessment and funding headroom availability. 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.

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. The three scenarios assessed by management included two with lower and later revenue growth and one with higher overheads. We assessed the outcome of these analyses, and other mitigation actions that management could take, on the sufficiency of available cash and financing resources to settle short term liabilities as they fall due over the forecast period. We concluded that none of the scenarios represent a material uncertainty in relation to going concern.

We reviewed the reverse stress testing and challenged management's assessment of the quantification of the revenue shortfall required for additional funding to be required above agreed facilities in the forecast period and considered the reasonableness of the shortfall with reference to management's historical data of how revenue and profit performed against trading during the Coronavirus pandemic.

We reviewed the adequacy of disclosures against the requirements of the applicable standards, in note 1 to the financial statements regarding going concern.

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 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% of Group profit before tax* *100% of Group revenue* *100% of Group total assets*
Key audit matters	2021 Revenue recognition X
Materiality	*Group financial statements as a whole* £151,000 based on 8% of a three year average of adjusted 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 BDO UK LLP; 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 Grant Thornton Ireland.

[1] These are areas which have been subject to a full scope audit

The non-significant dormant subsidiaries were subject to desktop review procedures by BDO UK LLP.

Our involvement with component auditors

For the work performed by the Grant Thornton Ireland 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 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 additional challenge and specific work requests to ensure alignment with conclusions 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 in the period for subscription services (the accounting policies are disclosed in note 1)	*Subscription revenue is billed monthly in advance of services being performed and certain services are billed in advance with the ability of customer undertake tests when required in the future.* *This can lead to differences between the amounts of testing performed compared to amounts invoiced for.* *Furthermore, the process for processing credit notes is manual and reliant on communication from field representatives to the finance team to make the necessary amendments.* *There is therefore a risk that subscription revenue could be overstated due to understatement of credit note provisions or deferred revenue at the year end and is there considered to be a key audit matter*	We agreed a sample of subscription revenue recognised around the year end to evidence of the service being completed such as testing reports from NMR's laboratories system, to check that recognition occurred in the correct period. We agreed a sample of trade debtor balances at the year end had been recovered in cash after the year end. We performed an analysis of credit notes value per month and checked explanations for variances from the average of greater than 50%. We agreed a sample of credit notes during the year and after the year end to supporting information from field representatives to check that they were recognised in the correct period or were correctly included/excluded from the year end credit note provision. We agreed the data used in calculating the deferred income to testing reports and assessed the reasonableness of other assumptions (revenue per test and expected test utilisation) using historic data

Key audit matter		How the scope of our audit addressed the key audit matter
		and available market data from AHDB for the number of active producers. **Key observations:** *Based on the procedures performed we concluded that subscription revenue deferred revenue and the credit note provision are appropriately stated and the risk that revenue is understated due to these factors has been addressed.*

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
	2021 £	2021 £
Materiality	151,000	136,000
Basis for determining materiality	8% of three year average of adjusted profit before tax	90% of overall group materiality
Rationale for the benchmark applied	A three year average of adjusted profit before tax is considered to be the most appropriate performance measure as it removes the impact of certain one-off items impacting the underlying performance of the Group.	The parent company materiality was set as a proportion of overall materiality on the basis of it contribution to group revenue and profits before tax.
Performance materiality	106,000	79,000
Basis for determining performance materiality	70% of materiality We set our performance materiality at 70% of overall 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 £90,000 for IML. We further applied performance materiality levels of 70% 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 £3,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

Responsibilities of Directors

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

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

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:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, accounting standards, Aquis Growth Market Rules and the applicable tax legislation. We identified these areas of laws and regulations as those that could reasonably be expected to have a material effect on the financial statements from sector experience and through discussion with the Directors and other management.

We assessed compliance with the 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, agreement of financial statements to tax returns and specialist tax review in relation to corporation tax, employments taxes and VAT.

We assessed the susceptibility of the Group’s financial statements to material misstatement, including how fraud might occur. In addressing the risk of fraud including management override of controls, we have performed journals testing based on a set of fraud risk criteria and tested to supporting documentation also verifying the business rationale. This criteria included round sum posted journals, material journals, unexpected account combinations, unusual journal descriptions and authorised users testing. We also incorporated unpredictability 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 agreed management’s explanations back through to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and component auditors 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, UK
04 October 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Profit & Loss Account
Year ended 30 June 2021

	Note	*2021* *£'000*	*2020* *£'000*
Revenue	2	**21,917**	21,590
Cost of sales		**(12,731)**	(12,751)
Gross profit		**9,186**	8,839
Administrative expenses		**(7,882)**	(8,064)
Other operating income		**36**	—
Operating Profit	5	**1,340**	775
Share of operating profit in joint venture	12	**413**	258
		1,753	1,033
Interest payable and similar expenses	6	**(112)**	(114)
Income from other fixed asset investments	7	**8**	10
Profit Before Tax		**1,649**	929
Taxation on profit	8	**391**	77
Profit for the year		**2,040**	1,006
Earnings per share (pence)	9		
Basic		**9.6**	4.8
Diluted		**9.6**	4.7

All amounts are derived from continuing operations.

The notes on pages 34 to 53 form part of these financial statements

Consolidated Statement of Comprehensive Income
Year ended 30 June 2021

	2021 *£'000*	*2020* *£'000*
Profit for the year	**2,040**	1,006
Exchange rate (loss)/gain on investment in joint venture	**(75)**	22
Total comprehensive income for the year	**1,965**	1,028

The notes on pages 34 to 53 form part of these financial statements

Consolidated Balance Sheet
At 30 June 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
FIXED ASSETS					
Intangible assets	10		**1,788**		1,418
Tangible assets	11		**3,479**		3,067
Investments	12		**1,302**		1,183
			6,569		5,668
CURRENT ASSETS					
Stock	13	**506**		397	
Debtors - due within one year	14	**3,027**		3,171	
Debtors - due after one year	14	**907**		766	
Cash at bank and in hand		**2,105**		1,146	
		6,545		5,480	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(3,729)**		(4,259)	
NET CURRENT ASSETS			**2,816**		1,221
TOTAL ASSETS LESS CURRENT LIABILITIES			**9,385**		6,889
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	16		**(2,318)**		(1,925)
PROVISION FOR LIABILITIES	18		**(47)**		(47)
NET ASSETS			**7,020**		4,917
CAPITAL AND RESERVES					
Called-up share capital	19		**53**		53
Own shares	20		**(33)**		(195)
Profit and loss account	20		**7,000**		5,059
SHAREHOLDERS' FUNDS			**7,020**		4,917

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 04 October 2021.

Signed on behalf of the Board of Directors

Mr A J Warne
Director

The notes on pages 34 to 53 form part of these financial statements

Company Balance Sheet
At 30 June 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
FIXED ASSETS					
Intangible assets	10		**1,788**		1,418
Tangible assets	11		**3,479**		3,067
Investments	12		**221**		221
			5,488		4,706
CURRENT ASSETS					
Stock	13	**506**		397	
Debtors - due within one year	14	**3,027**		3,171	
Debtors - due after one year	14	**907**		766	
Cash at bank and in hand		**2,105**		1,146	
		6,545		5,480	
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	15	**(3,729)**		(4,259)	
NET CURRENT ASSETS			**2,816**		1,221
TOTAL ASSETS LESS CURRENT LIABILITIES			**8,304**		**5,927**
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	16		**(2,318)**		**(1,925)**
PROVISION FOR LIABILITIES	18		**(47)**		**(47)**
NET ASSETS			**5,939**		3,955
CAPITAL AND RESERVES					
Called-up share capital	19		**53**		53
Own shares	20		**(33)**		(195)
Profit and loss account	20		**5,919**		4,097
SHAREHOLDERS' FUNDS			**5,939**		3,955

The financial statements of National Milk Records PLC, registered number 03331929, were approved by the Board of Directors and authorised for issue on 04 October 2021.

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 £1,846,000 (2020: £926,000).

Signed on behalf of the Board of Directors

Mr A J Warne
Director

The notes on pages 34 to 53 form part of these financial statements

Consolidated Statement of Changes in Equity
Year ended 30 June 2021

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

The notes on pages 34 to 53 form part of these financial statements

Company Statement of Changes in Equity
Year ended 30 June 2021

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

The notes on pages 34 to 53 form part of these financial statements

Consolidated Statement of Cash Flows
Year ended 30 June 2021

	Note	2021 £'000	2021 £'000	2020 *Restated £'000	2020 *Restated £'000
Cash flows from operating activities					
Profit for the financial year			**2,040**		1,006
Amortisation of intangible assets		**229**		137	
Amortisation of loan expenses		**12**		12	
Depreciation of tangible assets		**609**		525	
(Profit)/Loss on disposal of tangible assets		**(1)**		1	
Share of operating profit in joint venture		**(413)**		(258)	
Dividend income from fixed asset investment		**(8)**		(10)	
Net interest payable		**95**		114	
Taxation credit		**(391)**		(77)	
Share based payment charges		**238**		25	
Decrease/(Increase) in trade and other debtors		**312**		(43)	
(Increase)/Decrease in stocks		**(109)**		20	
(Decrease)/Increase in creditors		**(777)**		226	
			(204)		672
Income taxes refunds received			**263**		144
Cash from operations			**2,099**		1,822
Cash flows from investing activities					
Dividend received from Joint Venture		**218**		178	
Dividends received		**8**		10	
Purchase of tangible assets		**(487)**		(714)	
Purchase of intangible assets		**(599)**		(654)	
Proceeds from sale of tangible assets		**9**		28	
			(851)		(1,152)
Cash flows from financing activities					
Dividends paid		**(262)**		(262)	
Capital element of lease repaid		**(192)**		(148)	
Interest paid		**(95)**		(114)	
Loan repayments		**(490)**		(530)	
Cash proceeds from loans		**750**		—	
Proceeds on exercise of share options		**—**		118	
			(289)		(936)
Net increase/(decrease) in cash and cash equivalents			**959**		(266)
Cash and cash equivalents at beginning of year			**1,146**		1,412
Cash and cash equivalents at end of year			**2,105**		1,146

* The purchase of tangible assets for the year ended 30 June 2020 has been reduced by £156,000 in the Consolidated Statement of Cash Flows to remove the non-cash purchase of tangible assets under finance leases, together with the corresponding entry in Decrease/(Increase) in creditors. This is to correct an error in disclosure within the 2020 Consolidated Statement of Cash Flows. The other financial statements are not affected.

The notes on pages 34 to 53 form part of these financial statements

Notes to the Financial Statements
Year ended 30 June 2021

1. ACCOUNTING POLICIES

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

Basis of accounting

National Milk Records PLC (the Company) is a Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on page 2.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 4 to 10.

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.

Going concern

We have reviewed the current liquidity and debt facilities against the financial projections for the period ending 31 December 2022 and have run various sensitivity analyses, including reduced growth in revenue from Johnes disease testing, later delivery of Genomics revenues and higher critical costs, including those for potential impacts of further disruption caused by COVID-19.

Based on our conservative EBITDA planning trajectory, the headroom in our finance facilities, our ability to change the phasing of our investment on tangible fixed asset expenditure as well as responding to trading issues, and in particular the experience that NMR has in response to operational planning for Covid-19, the NMR Board is confident it has the liquidity in place to continue in operational existence for the foreseeable future and at least until 31 December 2022 and so supports the preparation of the accounts for the year ended 30 June 2021 on a going concern basis.

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

Notes to the Financial Statements (continued)

1. ACCOUNTING POLICIES (continued)

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 the 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 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 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.

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.

1. ACCOUNTING POLICIES (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Taxation

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

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

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

Foreign currencies

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

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

Hire purchase and leasing commitments

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Financial liabilities and equity

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

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is 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.

1. ACCOUNTING POLICIES (continued)

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.

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.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 two Share Option Plans and an Executive Bonus Plan 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:

	2021 £'000	2020 £'000
Core services	18,005	17,549
Testing adjacencies	1,794	1,629
Surveillance adjacencies	455	400
Other adjacencies	1,371	1,720
Genomics	292	292
	21,917	21,590

Included within Other adjacencies is the sale of goods with a value of £386,000 (2020 : £317,000). 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.

3. STAFF COSTS

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

	2021	2020
Field Staff	59	58
Administration Staff	217	220
	276	278

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	8,074	7,479
Social security costs	712	636
Defined contribution pension costs	298	298
	9,084	8,413

4. DIRECTORS' REMUNERATION

	2021 £'000	2020 £'000
Directors' remuneration	373	432
Directors' pension contributions to money purchase schemes	21	20
The number of directors to whom retirement benefits were accruing was:	5	5

The figures for the highest paid director were:

	2021 £'000	2020 £'000
Director's remuneration	167	210
Director's pension contributions to money purchase schemes	8	7

The number of directors who exercised share options in the year was nil (2020: nil).

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2021 £'000	2020 £'000
Depreciation of owned assets	443	375
Depreciation of assets held under hire purchase and finance lease agreements	166	150
(Profit)/Loss on disposal of fixed assets	(1)	1
Amortisation of intangible assets	229	137
Operating lease rentals	383	405
Foreign exchange losses	9	11
Impairment (Gain)/Loss in respect of bad and doubtful debts	(180)	251
Share based payment expenses	238	25
Impairment loss in respect of inventories	34	—
Government grants – Business Interruption Payments	(17)	—

Fees payable to the company's auditor:

	2021 £'000	2020 £'000
for the audit of the company's annual accounts	68	101
for the audit of the company's subsidiaries	8	10
Total audit fees	76	111
Tax compliance services	—	6
Total non-audit fees	—	6

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.

5. OPERATING PROFIT (continued)

Reconciliation of operating profit to underlying EBITDA

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

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £'000	2020 £'000
Finance lease and hire purchase interest	(23)	(22)
Bank loan interest	(89)	(92)
	(112)	(114)
Net Finance cost	(112)	(114)

7. INCOME FROM FIXED ASSET INVESTMENTS

	2021 £'000	2020 £'000
Dividends received	8	10

8. TAX ON PROFIT

Analysis of the tax charge

The tax charge comprises:

	2021 £'000	2020 £'000
Current tax		
UK corporation tax	—	79
Adjustments in respect of prior years	(244)	(143)
Total current tax	(244)	(64)
Deferred tax		
Origination and reversal of timing differences	80	113
Adjustment to deferred tax asset relating to changes in tax rate	(227)	(126)
Total deferred tax	(147)	(13)
Tax on profit	(391)	(77)

8. TAX ON PROFIT (continued)

Factors affecting the tax charge

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

	2021 £'000	*2020 £'000*
Group profit before tax	**1,649**	929
Tax on Group profit on ordinary activities at standard UK Corporation tax rate of 19% (2020 19%)	**313**	177
Effects of:		
Capital allowances in excess of depreciation	**—**	(54)
Non-trading profits	**(80)**	(45)
Adjustments in respect of prior periods	**(244)**	(143)
Origination of timings differences	**—**	113
Utilisation of tax losses	**(170)**	—
Adjustment to deferred tax asset relating to changes in tax rate	**(227)**	(126)
Expenditure disallowed for tax	**17**	1
Tax	**(391)**	(77)

Adjustments in respect of prior periods of £244,000 (2020: £143,000) 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.

The directors believe that £256,000 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.

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

9. EARNINGS PER SHARE (continued)

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

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

10. INTANGIBLE ASSETS

Group and Company

	Software development £'000	*Licences £'000*	*Intangibles under construction £'000*	*Total £'000*
Cost				
At 30 June 2020	1,088	99	573	1,760
Additions	78	—	519	597
Exchange adjustments	—	2	—	2
At 30 June 2021	**1,166**	**101**	**1,092**	**2,359**
Amortisation				
At 30 June 2020	342	—	—	342
Charge for the year	226	3	—	229
At 30 June 2021	**568**	**3**	**—**	**571**
Net book value				
At 30 June 2020	746	99	573	1,418
At 30 June 2021	**598**	**98**	**1,092**	**1,788**

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 £519,000 (2020 £474,000) have been incurred. As the replacement system is not yet operational, no amortisation has been charged.

A licence was purchased during 2020 to allow the business the exclusive right to use Genocells technology within the UK. At the year end the net book value was £98,000 (2020 £99,000). The licence ends in November 2031 and following initial revenue generation, amortisation to the end of this period commenced on a straight line basis in March 2021.

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 2020	1,613	4,833	729	7,175
Additions	—	942	87	1,029
Disposals	—	(198)	(80)	(278)
At 30 June 2021	**1,613**	**5,577**	**736**	**7,926**
Depreciation				
At 30 June 2020	770	2,942	396	4,108
Disposals	—	(198)	(72)	(270)
Charge for the year	50	418	141	609
At 30 June 2021	**820**	**3,162**	**465**	**4,447**
Net book value				
At 30 June 2020	843	1,891	333	3,067
At 30 June 2021	**793**	**2,415**	**271**	**3,479**

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 £569,000 (2020: nil) held under hire purchase agreements. All motor vehicles for 2021 and 2020 are held under finance leases.

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**

12. FIXED ASSET INVESTMENTS (continued)

Company

	Interest in joint ventures £'000	*Other investments £'000*	*Total £'000*
Cost			
At 30 June 2020 and 30 June 2021	178	43	221
Provision for impairment			
At 30 June 2020 and 30 June 2021	—	—	—
Net book value			
At 30 June 2020 and 30 June 2021	178	43	221

Subsidiary undertakings

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Holding	Registered office
National Livestock Records Limited	England and Wales (03191216)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wilts SN15 1BN
National Milk Laboratories Limited	Scotland (SC 145660)	100% ordinary	32 Kelvin Avenue Hillington Glasgow G52 4LT
Nordic Star Limited	England and Wales (03231923)	100% ordinary	Fox Talbot House Greenways Business Park Chippenham Wilts SN15 1BN
Genimex Holding BV	The Netherlands (34137102)	100% ordinary	BrederStraat 62 6851 JT Huissen Lingewaard Arnhem Netherlands

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

All subsidiary companies are dormant.

Joint ventures

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

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

Independent Milk Laboratories Limited prepares its accounts to 31 December. Their most recent financial statements cover the year ended 31 December 2020. The amounts included in these consolidated financial statements relate to the year ended 30 June 2021.

Notes to the Financial Statements (continued)

13. STOCKS

Group and Company

	2021 *£'000*	*2020* *£'000*
Consumables	**506**	397

14. DEBTORS

Group and Company

	2021 *£'000*	*2020* *£'000*
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade debtors	**2,108**	2,478
Amounts due from joint venture	**2**	7
Other debtors	**196**	40
Deferred tax asset	**256**	250
Prepayments and accrued income	**465**	396
	3,027	3,171
AMOUNTS FALLING DUE AFTER ONE YEAR		
Deferred tax asset	**907**	766

The impairment gain/(loss) recognised in the Group profit or loss for the year in respect of bad and doubtful trade debtors was £180,000 (2020: (£251,000)). The impairment gain/(loss) recognised in the Company profit or loss for the year in respect of bad and doubtful trade debtors was £180,000 (2020: (£251,000)).

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 2019	1,316	(234)	1,082
Charge to profit and loss account	126	(113)	13
Current tax charge	(79)	—	(79)
At 30 June 2020	1,363	(347)	1,016
Charge to profit and loss account	511	(364)	147
At 30 June 2021	**1,874**	**(711)**	**1,163**

Of the net amount, the Company expects that £256,000 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.

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

Group and Company

	Note	*2021 £'000*	*2020 £'000*
AMOUNTS FALLING DUE WITHIN ONE YEAR			
Bank loans	17	**566**	478
Obligations under finance leases and hire purchase agreements	17	**265**	130
Trade creditors		**716**	1,062
Other taxation and social security		**791**	1,329
Accruals and deferred income		**1,353**	1,217
Other creditors		**2**	2
Amounts owed to joint venture		**36**	41
		3,729	4,259

16. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

Group and Company

	Note	*2021 £'000*	*2020 £'000*
Bank loans	17	**1,892**	1,708
Obligations under finance leases and hire purchase agreements	17	**426**	217
		2,318	1,925

17. BORROWINGS

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**

17. BORROWINGS (continued)

Group and Company

	Loans 2020 £'000	Finance leases and hire purchase agreements 2020 £'000	Total 2020 £'000
In one year or less, or on demand	478	130	608
In more than one year but not more than two years	466	104	570
In more than two years but not more than five years	1,242	113	1,355
	2,186	347	2,533

The Group has an overdraft facility of £500,000 (2020: £250,000) 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 will commence thirteen months after the drawdown and 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 £285,000 (2020: £347,000) 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 year for the purchase of laboratory equipment and are secured on these assets. At 30 June 2021 £406,000 (2020: nil) was outstanding. Both 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.

18. PROVISIONS FOR LIABILITIES

Group and Company

	Product warranties £'000	*Total £'000*
At 30 June 2020	47	47
Charge to profit and loss account	—	—
At 30 June 2021	**47**	**47**

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

19. CALLED-UP SHARE CAPITAL

Company

	2021 £'000	*2020 £'000*
Allotted, called-up and fully paid		
21,239,702 (2020: 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 2019 and 2020	300	195
Employee share option plan now vested unconditionally	(250)	(162)
At 30 June 2021	**50**	**33**

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

21. DIVIDENDS

	2021 £'000	*2020 £'000*
Paid during the year	**262**	262
	Pence	*Pence*
Paid per share	**1.25**	1.25

The directors have proposed a dividend of 1.50 pence per ordinary share payable on 19 November 2021.

22. LEASING COMMITMENTS

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

Group and Company

	2021 £'000	2020 £'000
Within one year	376	434
Between two and five years	309	491
In more than five years	4	51
	689	976

23. EMPLOYEE BENEFIT OBLIGATIONS

Defined contribution scheme

During the year the Group made employer's contributions to the two defined contribution schemes totalling £298,251 (2020: £297,666). Group contributions amounting to £24,000 (2020: £25,000) were payable to the fund at year end and are included in creditors.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2021 (2020: £nil).

25. CAPITAL COMMITMENTS

Group and Company

	2021 £'000	2020 £'000
Contracted but not provided for	136	352
Capital commitments at 30 June relate to orders placed with suppliers not fully commissioned at year end:		
Motor vehicles	—	43
Plant and equipment	—	206
Software development	136	103

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 during the year totalled £6,484 (2020: £6,501). The outstanding balance due from the director at 30 June 2021 was £nil (2020: £1,274).

26. RELATED PARTY TRANSACTIONS (continued)

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:

	2021 £'000	2020 £'000
Trade debtors	2	7
Trade creditors	36	41

During the year the group traded with IML as follows:

	2021 £'000	2020 £'000
Sales to IML	31	31
Purchases from IML	222	212

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.

	2021 £'000	2020 £'000
Salaries and other short-term benefits	857	756
Contributions paid into defined contribution pension scheme	38	30
Share based payment expense	238	25

27. SHARE BASED PAYMENT TRANSACTIONS

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 having been assessed, options over a total of 242,658 shares have vested, and 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.

Number of share options by plan:	***2017 Unapproved Share Option Plan***	***2017 Approved Share Option Plan***	***2021 Executive Bonus Plan***
Outstanding as at 30th June 2020	226,686	73,314	—
Granted during the year	—	—	242,658
Exercised during the year	—	—	—
Lapsed during the year	(17,127)	(32,873)	—
Outstanding as at 30th June 2021	209,559	40,441	242,658
Exercisable at the end of the year	209,559	40,441	242,658

Fair valuation: assumptions	***2017 Unapproved Share Option Plan***	***2017 Approved Share Option Plan***	***2021 Unapproved Executive Bonus Plan***
Grant date	18-Dec-17	18-Dec-17	10-Dec-20
Share price at grant date	90.50p	90.50p	102.5p
Exercise price	65.00p	90.50p	10.0p
Number of employees	4	4	2
Shares under option	226,686	73,314	242,658
Vesting year	3	3	1
Expected volatility	6.7%	6.7%	2.1%
Option life (years)	10	10	10
Expected life (years)	3	7	1
Risk free interest rate	1.15%	1.15%	0.79%
Fair value per option	27.70p	10.30p	92.58p

The Company recognised a total expense of £238,000 (2020: £25,000) in relation to equity-settled share-based payments.

28. NET DEBT RECONCILIATION

	1 July 2020 £'000	Cash flows £'000	New finance leases £'000	Other non-cash changes £'000	30 June 2021 £'000
Cash at bank and in hand	1,146	959			2,105
Bank loans	(2,186)	(260)		(12)	(2,458)
Obligations under finance leases and hire purchase agreements	(347)	190	(542)	8	(691)
	(1,387)	889	(542)	(4)	(1,044)

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 new finance leases and hire purchase agreements in respect of assets with a total capital value at the inception of the lease of £681,000. These assets were partly funded by cash deposits with the balance being funded by finance leases and hire purchase agreements.

29. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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