nourishing nature

Anpario plc

Annual Report and Accounts
for the year ended 31 December 2012

kiotechagil
Performance in aquaculture&agriculture

Meriden
ANIMAL HEALTH

optivite

vitrition
organic feeds

ANPARIO

nourishing nature

Anpario performed strongly in the year to 31 December 2012, both in the UK and Internationally, again delivering an excellent set of results.

Management's focus continues to be on delivering organic growth through carefully and selectively building Anpario's presence in those regions and countries which offer the greatest potential for the Group.

Following the successful acquisition of Optivite and Meriden in recent years, management will continue to seek to make selective investments to enhance shareholder returns.

Contents:

Anpario plc

Anpario plc, the international producer and distributor of natural feed additives for animal health, hygiene and nutrition is pleased to announce its results for the year ended 31 December 2012.

Financial highlights

- 39% increase in adjusted EBITDA[1] to £3.1m (2011: £2.2m)
- 24% increase in profit after tax for the year to £2.1m (2011: £1.7m)
- 44% increase in diluted underlying earnings per share[2] to 12.73p (2011: 8.87p)
- Cash balance of £3.7m at the year end (2011: £4.4m)
- 25% increase in the proposed final dividend to 3.0p per share (2011: 2.4p)

Operational highlights

- Meriden Animal Health Limited ("Meriden") acquisition performing to plan
- Double digit growth in profitability from Asia Pacific, Latin America and Middle East regions
- Chinese subsidiary increases revenue by 122%
- Organic feed division increases operating profit by 70%
- Production efficiency improvements reduce unit operating costs

Richard Rose, Chairman, commented:

"The Group's performance has been excellent and shows that the investments made to our production plant and our focus on value-added feed additives is delivering the expected benefits. The acquisition of Meriden has enhanced our product range and global market share. The Group has made a strong start to the current year and is very well positioned to capitalise on the opportunities in all its markets. The balance sheet remains strong with no debt and the cash generative nature of the business allows us to make those selective investments and earnings enhancing acquisitions which will drive progress and continue to enhance shareholder value."

[1] Adjusted EBITDA represents operating profit £1.6m (2011: £1.8m) adjusted for: share based payments £0.1m (2011: £0.1m); acquisition and restructuring related costs of £0.4m (2011: £0.1m) and depreciation, amortisation and impairment charges of £1.0m (2011: £0.2m).

[2] Underlying earnings per share represents profit for the year £2.1m (2011: £1.7m) before: acquisition and restructuring related costs £0.4m (2011: £0.1m); impairment of intangibles £0.7m (2011: £nil); unwinding of discount on contingent consideration £0.1m (2011: £nil) and prior year tax adjustments £0.9m (2011: £0.1m) divided by the weighted average number of shares in issue. Diluted underlying earnings per share represents underlying earnings per share as stated above, adjusted for the effects of potentially dilutive shares.

Chairman's statement

Anpario performed strongly in the year to 31 December 2012, both in the UK and Internationally, again delivering an excellent set of results. This outturn demonstrates the quality of our strategy, built on delivering performance through a combination of organic growth and selective acquisitions. The results include a maiden nine month contribution from Meriden Animal Health Limited ("Meriden"), which was acquired at the end of March 2012. Meriden's performance has been most encouraging and in line with our expectations; the business has added its leading natural product brand to our extensive range while also extending our global market share. The acquisition of Meriden was financed entirely from Anpario's own cash resources and was immediately earnings enhancing.

Our focus continues to be on delivering organic growth through carefully and selectively building Anpario's presence in those regions and countries which offer the greatest potential for the Group. This plan encompasses the recruitment of local account managers and establishing subsidiaries or joint ventures locally to support our distribution network.

Financial Review

Profit after tax for the year to 31 December 2012 increased by 24 per cent to £2.1m (2011: £1.7m) on sales up by 22 per cent at £23.5m (2011: £19.2m). Underlying earnings per share[2] increased by 49% to 13.32p (2011: 8.94p) and diluted underlying earnings per share[2] increased by 44% to 12.73p (2011: 8.87p). There was also advance in gross profit, which was ahead by 33% to £7.7m (2011: £5.8m) reflecting the contribution from Meriden's portfolio, production efficiencies and a richer product mix in the UK.

Adjusted EBITDA[1] advanced by 39% to £3.1m (2011: £2.2m), while like-for-like adjusted EBITDA (excluding Meriden) improved 18% to £2.6m (2011: £2.2m). An impairment of £0.7m has been recognised in the accounts in respect of capitalised legacy expenditure on the development of Aquatice, our aquaculture brand. This relates to uncertainty over the generation of future economic benefit deriving from certain aspects of expenditure incurred prior to March 2009. Legal and professional costs of £0.4m have been incurred in respect of the acquisition of Meriden and purchasing the non-controlling interest in our South African subsidiary. The Group has benefited from prior year tax adjustments totalling £0.9m relating to the use of losses and research and development tax credits.

The balance sheet remains strong and debt free with a year end cash balance of £3.7m (2011: £4.4m) after a net cash outlay of £2.6m to acquire Meriden and associated costs.

The Board is pleased to recommend a final dividend of 3p per share, an increase of 25% over the previous year's payment of 2.4p. Shareholder approval will be sought at the Annual General Meeting ("AGM"), to be held on 27 June 2013, to pay the final dividend on 28 July 2013 to shareholders on the register on 5 July 2013.

Operations – International Agriculture

Significant growth was achieved during the year by our operations in the key markets of Latin America and Asia Pacific which, along with the Middle East, have produced double digit percentage advances in profitability compared with the previous twelve months. These territories, including China, will continue to be regions of priority as the combination of their size, population growth, increasing economic affluence and demand for meat protein, offer great potential for our agricultural sector.

China is the Group's number one priority country, where poultry production is greater than Europe's output and pig production is double that of Europe. Our subsidiary in China delivered sales growth of 122% compared with the level of the previous year. This subsidiary is now making a positive contribution and generating cash for the Group. The Kiotechagil brand is now firmly established in the five key Chinese provinces that we have focused on since launch. In 2013 the business will continue to concentrate on increasing market penetration, as well as selective expansion into other provinces. In addition, the Optivite brand will be introduced to China in order to target a different market segment using a separate distribution channel. Solid foundations have now been built and we look forward to further success in this crucial market.

The Middle East remains an important market and we are heartened by a number of sound performances in that region which have been achieved despite the political uncertainty in some countries. European markets continue to be challenging as economic growth remains generally low with little early prospect of improvement. We are striving to build Anpario's business in Europe through innovation, marketing and a relentless focus on growth and margin opportunities. Responding to regional issues is a feature of being a global business and as can be seen in the Group's financial results, the resilience of our business is underpinned by its broad geographic spread and the stability of the global agricultural sector as a whole.

A feature of our international expansion has been our strategy of building local presence in key territories. We have embarked on a process of regionalisation whereby account management teams are now organised to focus on a specific area. Working with our partners and distribution network we are establishing local operations where appropriate. This approach is enabling the Group to be much closer to its customers and end markets, allowing us to better understand the local market and through short lines of communication, respond rapidly to opportunities and changing circumstances. In addition, the Group will increasingly concentrate its resources on those countries that offer the greatest potential for sales and profit growth, thereby improving the management of these high potential markets. We have already experienced success as a result of these changes which is reinforcing our efforts to accelerate the process.

The Group also has an additional presence in China through Meriden's distributor based in Guangzhou. Meriden China has strong representation with the top twenty feed mills and has continued to grow its business. Our central technical team has been working with Meriden to develop some new products to help broaden its range. The initial testing ground has been with the Meriden Australia joint venture, where some new products have recently been launched. Meriden is performing well and has opened up new markets on the African continent.

Our aquaculture interests, formerly a separate division developing and marketing the Aquatice® brand, have now been combined with those of Meriden. This logical development will be more financially efficient and allow greater sales focus as Aquatice® is marketed alongside Meriden's Orego-Stim®, Aquatract and Phyconomix. Customer trials are continuing with all three brands in South East Asia and although significant sales growth is some way off, we do believe farmers will gradually adopt these innovative products into their fish farm feeding regimes.

Operations - UK Agriculture

This Division has made excellent progress throughout the year with growth in sales and gross profit reflecting the repositioning of the business to focus on value-added products. Towards the end of the year, the Division took steps to target the home-mix market more aggressively by recruiting specific resource to provide a focused service and support for home-mix customers. Entry into this market will help to diversify the revenue stream and strengthen our product and service offering.

Economic pressures within the UK organic animal feed market have persisted and year-on-year industry processing numbers fell by 20%. Vitrition, our Organic Division, has defied the trend and through strong control of its cost base has capitalised on operational improvements and specific targeting to successfully broaden and diversify its customer base. The Division delivered an exceptional set of results, with operating profit increasing by 70%. Vitrition is a leading player in this market and is committed to supplying the organic meat production industry and consolidating its market share.

Central operations

The efficiency improvements implemented over the past two years in our UK production plant have further enhanced operational gearing and, coupled with volume increases, the Group has significantly benefited from these changes. Further modest investment is currently being made in the UK with the introduction of a process control and inventory management system, which will streamline our production process further and automate certain functions.

Product development for all the brands is on-going and a feature of our growth strategy; it is expected to underpin the momentum of our trading businesses as the pipeline of new products is selectively and carefully launched into the market. This process has already begun and is showing promise as some of these new products start to increase their contribution to Group sales. In addition, there has been restructuring of the technical team to make it better able to support the sales teams and end users.

Marketing of our products and trading brands is extremely important in the global agricultural market and having absorbed Meriden's marketing expertise, the decision has been taken to strengthen and expand the marketing function. A recruitment programme is now underway to appoint a brand manager for each of the Group's trading brands. These brand managers will work closely with the sales teams to raise the profile of our marketing activities and consequently increase customer awareness of what we have to offer markets around the globe.

Chairman's statement continued

Outlook

The Group has a made a strong start to the current year with sales growth across all divisions. Our focus continues to drive organic growth by aggressively pursuing market share in key target regions and capitalising on the operational gearing that our scalable production plants offer. Whilst geopolitical and financial concerns remain, the resilience of our business, with its geographic spread, will help to offset these regional factors. The Group is very well positioned to capitalise on the opportunities in all its markets. The balance sheet remains strong with no debt and the cash generative nature of the business allows us to make those selective investments and earnings enhancing acquisitions which will drive progress and continue to enhance shareholder value.

Richard S Rose
Chairman
17 April 2013

Directors' report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2012.

Directors

The Directors during the year under review and up to the date of signing the financial statements were:

Richard S Rose
Richard P Edwards
David M A Bullen
Karen L Prior
Peter A Lawrence

Richard H Scragg resigned as a director on 15 June 2012.

Principal activities

The principal activities of the Group and Company in the year under review were those of the production and supply of animal feed additives.

Results and dividends

The consolidated income statement for the year is set out on page 12.

The profit for the year after tax was £2.1m (2011: £1.7m). The Directors propose a final dividend of 3.0p per share (2011: 2.4p).

Substantial shareholdings

At 12 April 2013, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital:

	Ordinary shares	% held
ISIS EP LLP	2,898,576	14.7%
Unicorn Asset Management Limited	2,257,986	11.5%
Royal Trust Corp of Canada Custodians	1,483,880	7.5%
Artemis Investment Management LLP	1,479,917	7.5%
Amati Global Investors Limited	1,377,891	7.0%
Investec Wealth & Investment Limited	1,248,123	6.3%
Downing LLP	727,856	3.7%
Barclays Stockbrokers Limited	637,794	3.2%

Review of the business and future developments

A full review of the year, together with an indication of future developments, is given in the Chairman's statement on pages 4 to 6.

Principal risks and uncertainties

The Directors present below their review of the principal risks and uncertainties facing the business. If any of the following risks materialise, the Group's business, financial condition, prospects and share price could be materially and adversely affected.

The Directors consider the following risks, along with specific financial risks outlined in note 2.22 to the financial statements, are the most significant but not necessarily the only ones associated with the Group and its businesses:

(a) Competition
The Group operates in competitive global markets and there are no assurances that the Group's competitiveness will improve or that it will win any additional market share from any of its competitors or maintain existing market shares. We review our pricing and take action to control our cost base to ensure that we remain as competitive as possible and protect our margins. Failure to do this may result in materially lower margins and loss of market share.

(b) Dependence on key customers
The Group is dependent on a number of customers and distributors in each of the territories it sells to. The loss of one or more of its key customers could result in lower than expected sales and potential bad debt exposure. The Group seeks to minimise reliance on key territories and individual customers and distributors by increasing geographic spread and market penetration.

(c) Prices of raw materials
The Group's profitability may be reduced due to increases in the price of raw materials and commodities, which can experience price volatility, caused by the price of oil, demand and specific commodity market and currency fluctuations. To mitigate this risk the Group closely monitors margins and seeks to pass on increased costs to its customers; a number of suppliers are used in order to secure the best raw material prices.

Directors' report continued

(d) Exchange rates
The Group's competitiveness, profitability and net assets may be affected by significant currency fluctuations. The Group seeks to minimise the impact through implementation of a Board approved hedging policy and entering into financial instrument contracts in respect of anticipated exposures.

Key performance indicators

The key performance indicators ("KPIs") for the Group are those that communicate the financial performance and strength of the Group, as a whole, to shareholders. In addition, other key non-financial performance indicators are also used by management in running and assessing the performance of the individual businesses within the Group. A summary of the KPIs is as follows:

	2012	2011
	£000	£000
Financial		
Revenue	**23,509**	19,198
Gross profit	**7,660**	5,755
Adjusted EBITDA	**3,109**	2,241
Non-financial		
Health and safety - major accidents reportable to the Board in the year	**nil**	nil

The Group also regards growth of business in key target markets and the on-going achievement of product registrations and quality assurance accreditations as major KPIs.

Share Capital

On 1 November 2012 the Company sold 137,958 of its own Ordinary shares of 23p each ("Ordinary Shares") at a price, net of transaction costs, of 111.6p per Ordinary Share. The shares were originally purchased in the market for 70.7p each and had been held in treasury. The resulting profit has been taken to the Share Premium Account. A Special Resolution will be proposed at our AGM to renew the Directors' limited authority last granted in 2012 to repurchase Ordinary shares in the market.

Group research and development activities

The Group is continually researching into and developing new products. Details of expenditure incurred and impaired or written off during the year are shown in the notes to the financial statements.

Creditors payment policy

The Company agrees terms and conditions for its business transactions with its suppliers and payments are made on these terms, subject to the terms and conditions being met by the suppliers. Trade payables at the year end amounted to 77 days (2011: 67 days) of average supplies for the year against terms agreed with our suppliers.

Internal financial control

The Board of Directors is responsible for the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the companies concerned and the risks to which they are exposed. This provides reasonable, but not absolute, assurance against material misstatement or loss. Strict financial and other controls are exercised by the Group over its subsidiary companies by day-to-day supervision of the businesses by the Directors.

Corporate governance

The Company's shares are traded on the Alternative Investment Market ("AIM"), of the London Stock Exchange and the Company is therefore not required to report on compliance with the UK Corporate Governance Code. The Directors support the UK Corporate Governance Code and are implementing many of the recommendations which are relevant to a business the size of Anpario plc.

Charitable and political contributions

There were no charitable donations made in the year (2011: £nil). There were no donations made to political parties (2011: £nil).

Directors' interests

The Directors' interests in the shares of the Company were as stated below:

	Ordinary shares of 23p each	
	31 Dec 2012	31Dec 2011
R S Rose	**31,057**	31,057
R P Edwards	**62,681**	42,681
D M A Bullen	**-**	-
K L Prior	**40,001**	20,000
P A Lawrence	**27,950**	27,950
R H Scragg	**-**	144,288

There has been no change in the Directors' interests between 31 December 2012 and 16 April 2013.

Richard H Scragg resigned as a director on 15 June 2012.

Directors' remuneration

Director	Emoluments and compensation		Post-employment benefits	
	2012 £000	2011 £000	**2012 £000**	2011 £000
R S Rose	**23**	20	**-**	-
R P Edwards	**282**	106	**7**	13
D M A Bullen	**283**	136	**9**	7
K L Prior	**239**	117	**7**	5
P A Lawrence	**28**	26	**-**	-
R H Scragg	**11**	27	**-**	-

Emoluments and compensation includes salary, bonus and benefits in kind. Bonus payments are paid in respect of the achievement of trading performance, organic growth and acquisition targets.

Enterprise Management Incentive Scheme

Under the Company's Enterprise Management Incentive Scheme and Unapproved Share Scheme the following Directors have the right to acquire Ordinary shares of 23p each as follows:

	Option price (pence per share)	**31 Dec 2012**	31 Dec 2011
R S Rose	161.00	**21,739**	21,739
	115.00	**21,739**	21,739
R P Edwards	69.00	**99,378**	99,378
	31.74	**63,011**	63,011
D M A Bullen	80.50	**21,739**	21,739
	31.74	**32,608**	32,608
	69.00	**105,682**	105,682
K L Prior	69.00	**130,432**	130,432
P A Lawrence	169.74	**21,739**	21,739
	115.00	**21,739**	21,739
R H Scragg	86.25	**-**	21,739

Joint Share Ownership Plan

The Joint Share Ownership Plan ("JSOP") and the Kiotech International plc Employees Shares Trust ("the Trust") were established and approved by resolution of the Non-Executive Directors on 26 September 2011. The JSOP provides for the acquisition by employees, including Executive Directors, of beneficial interests as joint owners (with the Trust) of Ordinary Shares in the Company upon the terms of a Joint Ownership Agreement ("JOA").

The terms of the JOA provide, inter alia, that if jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating employee receives an amount equal to any growth in the market value of the Jointly Owned Shares since the time of issue of these shares, less a "carrying cost" (equivalent to simple interest at 4.5 per cent per annum on the initial market value of the shares), and the Trust receives the initial market value of the jointly owned shares plus the carrying cost.
The beneficiaries and their interests in the JSOP shares are as follows:

	2012	2011
R P Edwards	**609,781**	609,781
D M A Bullen	**612,143**	612,143
K L Prior	**261,956**	261,956

Directors' report continued

Stockbrokers

FinnCap is the Company's stockbroker and nominated adviser.

The closing share price on 31 December 2012 was 130.5p (2011: 81.0p per share).

Independent auditors

A resolution proposing that PricewaterhouseCoopers LLP be reappointed will be put to the Annual General Meeting.

Indemnities

By virtue of, and subject to, Article 172 of the current Articles of Association of the Company, the Company has granted an indemnity to every Director, alternate Director, Secretary or other officer of the Company. Such provisions remain in force at the date of this report. The Group has arranged appropriate insurance cover for any legal action against the Directors and officers.

Statement of Directors' responsibilities

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 prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Statement of disclosure to auditors

So far as the Directors are aware;

(a) there is no relevant audit information of which the Company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Karen L Prior FCA
Company Secretary
17 April 2013

Independent auditors' report to the members of Anpario plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Anpario plc for the year ended 31 December 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent Company balance sheets, the Consolidated and Parent Company statements of changes in equity, the Consolidated and Parent Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2012 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
17 April 2013

Consolidated income statement
for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Revenue	3	**23,509**	19,198
Cost of sales		**(15,849)**	(13,443)
Gross profit		**7,660**	5,755
Administrative expenses		**(4,910)**	(3,880)
Exceptional items	5	**(1,157)**	(88)
Operating profit		**1,593**	1,787
Finance income	8	**39**	39
Finance cost of contingent consideration	8	**(110)**	-
Profit before income tax		**1,522**	1,826
Income tax credit/(expense)	11	**582**	(150)
Profit for the year from continuing operations		**2,104**	1,676
Profit for the year attributable to:			
Owners of the parent		**2,104**	1,667
Non-controlling interests		**-**	9
Profit for the year		**2,104**	1,676

The Consolidated income statement has been prepared on the basis that all operations are continuing operations.

Basic earnings per share	9	**11.62p**	9.22p
Diluted earnings per share	9	**11.11p**	9.15p

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Parent Company income statement. The profit for the Parent Company for the year was £1,734,000 (2011: £1,696,000).

Consolidated statement of comprehensive income
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit for the year	**2,104**	1,676
Exchange difference on translating foreign operations	**24**	(42)
Total comprehensive income for the year	**2,128**	1,634
Attributable to the owners of the parent:	**2,128**	1,635
Non-controlling interests	**-**	(1)
Total comprehensive income for the year	**2,128**	1,634

The notes on pages 16 to 45 form part of these financial statements.

Consolidated and parent company balance sheets
as at 31 December 2012

		Group		Company	
	Notes	**2012 £000**	2011 £000	**2012 £000**	2011 £000
Intangible assets	12	**9,076**	7,161	**6,553**	7,161
Property, plant and equipment	13	**2,784**	2,840	**2,769**	2,837
Investments in subsidiaries	14	**-**	-	**4,299**	233
Deferred tax assets	20	**228**	318	**228**	318
Non-current assets		**12,088**	10,319	**13,849**	10,549
Inventories	15	**1,632**	1,088	**1,213**	971
Trade and other receivables	16	**6,993**	4,439	**6,507**	4,466
Cash and cash equivalents	17	**3,694**	4,357	**1,484**	4,185
Current assets		**12,319**	9,884	**9,204**	9,622
Total assets		**24,407**	20,203	**23,053**	20,171
Called up share capital	23	**4,555**	4,555	**4,555**	4,555
Share premium		**3,884**	3,828	**3,884**	3,828
Other reserves	25	**(496)**	(695)	**(494)**	(669)
Retained earnings	24	**9,942**	8,264	**9,676**	8,378
Equity attributable to owners of the parent company		**17,885**	15,952	**17,621**	16,092
Non-controlling interest		**-**	50	**-**	-
Total equity		**17,885**	16,002	**17,621**	16,092
Trade and other payables	19	**425**	-	**425**	-
Deferred tax liabilities	20	**1,044**	994	**776**	994
Non-current liabilities		**1,469**	994	**1,201**	994
Trade and other payables	18	**4,912**	3,207	**4,197**	3,085
Current income tax liabilities		**141**	-	**34**	-
Current liabilities		**5,053**	3,207	**4,231**	3,085
Total liabilities		**6,522**	4,201	**5,432**	4,079
Total equity and liabilities		**24,407**	20,203	**23,053**	20,171

The notes on pages 16 to 45 form part of these financial statements.
The financial statements on pages 12 to 45 were approved by the Board and authorised for issue on 17 April 2013.

D M A Bullen
Chief Executive Officer

K L Prior FCA
Group Finance Director

Company Number: 03345857

Consolidated and parent company statements of changes in equity for the year ended 31 December 2012

Group	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2011	4,209	2,957	5,054	2,517	51	14,788
Profit for the year	-	-	-	1,667	9	1,676
Currency translation differences	-	-	(32)	-	(10)	(42)
Total comprehensive income for the year	-	-	(32)	1,667	(1)	1,634
Issue of share capital	346	871	-	-	-	1,217
Purchase of treasury shares	-	-	(166)	-	-	(166)
Joint share ownership plan	-	-	(1,210)	-	-	(1,210)
Share-based payment adjustments	-	-	100	-	-	100
Release of special reserve to retained earnings	-	-	(4,441)	4,441	-	-
Dividends relating to 2010	-	-	-	(361)	-	(361)
Transactions with owners	346	871	(5,717)	4,080	-	(420)
Balance at 31 December 2011	**4,555**	**3,828**	**(695)**	**8,264**	**50**	**16,002**
Profit for the year	-	-	-	2,104	-	**2,104**
Currency translation differences	-	-	24	-	-	**24**
Total comprehensive income for the year	-	-	24	2,104	-	**2,128**
Sale of treasury shares	-	56	97	-	-	**153**
Share-based payment adjustments	-	-	78	-	-	**78**
Dividends relating to 2011	-	-	-	(436)	-	**(436)**
Acquisition of interest in subsidiary from non-controlling interest	-	-	-	10	(50)	**(40)**
Transactions with owners	-	56	175	(426)	(50)	**(245)**
Balance at 31 December 2012	**4,555**	**3,884**	**(496)**	**9,942**	**-**	**17,885**

Company	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2011	4,209	2,957	5,048	2,602	-	14,816
Profit for the year	-	-	-	1,696	-	1,696
Total comprehensive income for the year	-	-	-	1,696	-	1,696
Issue of share capital	346	871	-	-	-	1,217
Purchase of treasury shares	-	-	(166)	-	-	(166)
Joint share ownership plan	-	-	(1,210)	-	-	(1,210)
Share-based payment adjustments	-	-	100	-	-	100
Release of special reserve to retained earnings	-	-	(4,441)	4,441	-	-
Dividends relating to 2010	-	-	-	(361)	-	(361)
Transactions with owners	346	871	(5,717)	4,080	-	(420)
Balance at 31 December 2011	**4,555**	**3,828**	**(669)**	**8,378**	**-**	**16,092**
Profit for the year	-	-	-	1,734	-	**1,734**
Total comprehensive income for the year	-	-	-	1,734	-	**1,734**
Sale of treasury shares	-	56	97	-	-	**153**
Share-based payment adjustments	-	-	78	-	-	**78**
Dividends relating to 2011	-	-	-	(436)	-	**(436)**
Transactions with owners	-	56	175	(436)	-	**(205)**
Balance at 31 December 2012	**4,555**	**3,884**	**(494)**	**9,676**	**-**	**17,621**

The notes on pages 16 to 45 form part of these financial statements.

Consolidated and parent company statements of cash flows for the year ended 31 December 2012

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Cash generated from operating activities	**1,740**	2,451	**355**	2,418
Income tax refunded/(paid)	**430**	(436)	**598**	(431)
Net cash generated from operating activities	**2,170**	2,015	**953**	1,987
Acquisition of subsidiary, net of cash acquired	**(2,276)**	-	**(3,150)**	-
Purchases of property, plant and equipment	**(117)**	(474)	**(115)**	(474)
Proceeds from disposal of property, plant and equipment	**18**	11	**18**	11
Payments to acquire intangible fixed assets	**(166)**	(212)	**(162)**	(212)
Interest received	**39**	39	**38**	39
Net cash used by investing activities	**(2,502)**	(636)	**(3,371)**	(636)
Purchase of treasury shares	**-**	(166)	**-**	(166)
Sale of treasury shares	**153**	-	**153**	-
Acquisition of shares by JSOP	**-**	(1,210)	**-**	(1,210)
Proceeds from issuance of shares	**-**	1,217	**-**	1,217
Dividend paid to company's shareholders	**(436)**	(361)	**(436)**	(361)
Repayment of borrowings	**-**	(3)	**-**	(3)
Acquisition of interest in subsidiary from non-controlling interest	**(40)**	-	**-**	-
Net cash used in financing activities	**(323)**	(523)	**(283)**	(523)
Net (decrease)/increase in cash and cash equivalents	**(655)**	856	**(2,701)**	828
Effect of exchange rate changes	**(8)**	(30)	**-**	-
Cash and cash equivalents at the beginning of the year	**4,357**	3,531	**4,185**	3,357
Cash and cash equivalents at the end of the year	**3,694**	4,357	**1,484**	4,185

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Cash generated from operating activities				
Profit before income tax	**1,522**	1,826	**1,042**	1,842
Net finance cost/(income)	**71**	(39)	**72**	(39)
Depreciation, amortisation and impairment	**1,005**	301	**933**	294
Loss/(profit) on disposal of property, plant and equipment	**2**	(1)	**2**	(1)
Share-based payments	**78**	100	**78**	100
Changes in working capital:				
Inventories	**(330)**	98	**(242)**	71
Trade and other receivables	**(1,192)**	788	**(2,041)**	754
Trade and other payables	**584**	(622)	**511**	(603)
Cash generated from operating activities	**1,740**	2,451	**355**	2,418

The notes on pages 16 to 45 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2012

1 General information

Anpario plc ("the Company") and its subsidiaries (together "the Group") produce and distribute natural feed additives for animal health, hygiene and nutrition.

The Company is traded on the London Stock Exchange AIM market and is incorporated and domiciled in the UK. The address of its registered office is Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Group has presented its financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as endorsed by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 a period of the revision and future periods if the revision affects both current and future periods.

The principal accounting policies of the Group are set out below, and have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 December 2012.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the

2.2 Basis of consolidation continued

acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue on despatch of goods to the customer.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are included in the profit or loss for the period.

(a) Functional and presentational currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and presentational currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as part of the fair value gain or loss.

Notes to the financial statements continued
for the year ended 31 December 2012

2.5 **Foreign currency translation** continued

(c) Group companies

The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

2.6 **Intangible assets**

(a) Patents, trademarks and registrations

Separately acquired patents, trademarks and registrations are shown at historical cost. Patents, trademarks and registrations have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of patents, trademarks and registrations over their estimated useful lives of 5 to 20 years.

(b) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses and is allocated to the appropriate cash-generating unit for the purpose of impairment testing. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

(c) Development costs

Development costs are stated at cost less accumulated amortisation and impairment. Development costs are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. The assets are amortised when available for use on a straight-line basis over the period over which the Group expects to benefit from these assets. Research expenditure is written off to the income statement in the year in which it is incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product so that it will be available for use;
- management intends to complete the product and use or sell it;
- there is an ability to use or sell the product;
- it can be demonstrated how the product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the product are available; and

2.6 Intangible assets continued

- the expenditure attributable to the product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the product include the development employee costs and an appropriate portion of relevant overheads.

(d) Brands
Brands are stated at cost less accumulated amortisation and impairment. Brand names acquired in a business combination are recognised at fair value based on an expected royalty value at the acquisition date. Useful lives of brand names are estimated and amortised over 20 years, except where they are deemed to have an indefinite life and consequently are not amortised. Brands with an indefinite useful life are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. However, they are allocated to appropriate cash-generating units and subject to impairment testing on an annual basis. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

(e) Customer relationships
Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships are deemed to have a finite useful life and are carried at original fair value less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of 10 years.

2.7 Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, if so; the asset's recoverable amount is estimated. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For intangible assets that are not yet available for use, goodwill or other intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation and or amortisation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

2.8 Investments

Investments in subsidiaries are stated at cost less provision for diminution in value.

2.9 Joint ventures

The Group's interests in jointly controlled entities are proportionately consolidated. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Notes to the financial statements continued
for the year ended 31 December 2012

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Land is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Buildings	50 years or period of lease if shorter
Plant and machinery	3-10 years
Fixtures, fittings and equipment	3-10 years

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment and an impairment loss is recognised in the income statement where appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business.

2.12 Trade receivables

Trade receivables are recognised and carried at original invoice amounts less an allowance for any amount estimated to be uncollectable.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.15 Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, although these have not been designated as qualifying cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value and gains or losses recognised in the income statement.

2.16 Leasing and hire purchase

The Group has entered into hire purchase contracts and leases certain property, plant and equipment.

Assets obtained under finance leases and hire purchase contracts, where the Group has substantially all the risks and rewards of ownership are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in borrowings net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

2.16 Leasing and hire purchase continued

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.17 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.18 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Share-based payments
The group issues equity-settled share-based payments and shares under the Joint Share Ownership Plan ("JSOP") to certain employees. These are measured at fair value and along with associated expenses are recognised as an expense in the income statement with a corresponding increase (net of expenses) in equity. The fair values of these payments are measured at the dates of grant using appropriate option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards.

Notes to the financial statements continued
for the year ended 31 December 2012

2.19 Employee benefits continued

subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met. Proceeds received on the exercise of share options are credited to share capital and share premium.

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

(b) Pension obligations

The Group operates a defined contribution pension scheme and contributes a percentage of salary to individual employee schemes. Pension contributions are recognised as an expense as they fall due and the Group has no further payment obligations once the contributions have been paid.

2.20 Equity

Share capital is determined using the nominal value of Ordinary shares that have been issued. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The share premium account includes any premiums received on the initial issuing of the share capital. Any transaction costs associated with the issue of shares are deducted from the share premium account, net of any related income tax benefits.

The premium arising on the issue of consideration shares to acquire a business is credited to the merger reserve.

Amounts arising on the restructuring of equity and reserves to protect creditor interests are credited to the special reserve.

Exchange differences arsing on the consolidation of foreign operations are taken to the translation reserve.

The share-based payment reserve is credited with amounts charged to the income statement in respect of the movements in the fair value of equity-settled share-based payments and shares issued under the JSOP.

The JSOP shares reserve arises when the Company issues equity share capital under the JSOP, which is held in trust by The Kiotech International plc Employees' Share Trust ("the Trust"). The interests of the Trust are consolidated into the Group's financial statements and the relevant amount treated as a reduction in equity.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Financial risk management

The Group is exposed to a number of financial risks, including credit risk, liquidity risk, exchange rate risk and capital risk.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with financial institutions. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has an established credit policy under which each new customer is analysed for creditworthiness before the Group's payment and delivery terms and conditions are offered. Where possible, risk is minimised through settlement via letters of credit and purchase of credit insurance. The Group's investment policy restricts the investment of surplus cash to interest bearing deposits with banks and building societies with high credit ratings.

(b) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Group's reputation.

Notes to the financial statements continued
for the year ended 31 December 2012

2.22 Financial risk management continued

(c) Exchange rate risk
The Group's principal functional currency is Pounds Sterling. However, during the year the Group had exposure to Euros, US Dollars and other currencies. The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure and put in place forward contracts as considered appropriate to mitigate the risk.

(d) Capital risk
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2.23 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

(a) Estimated impairment value of intangible assets
The Group tests annually whether intangible assets have suffered any impairment. Impairment provisions are recorded as applicable based on Directors' estimates of recoverable values.

(b) Income taxes
The Group is subject to income taxes predominately in the United Kingdom but also in other jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated queries by the tax authorities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different for the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.24 Impact of accounting standards and interpretations

At the date of authorisation of these financial statements, the following standards, amendments and interpretations to existing standards are mandatory for the first time for the accounting year ended 31 December 2012:

		Effective from
IFRS 1 (amended 2010)	'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'	1 July 2011
IFRS 7 (amended 2011)	'Transfer of Assets'	1 July 2011

The adoption of these standards and interpretations has not had a significant impact on the Group.

2.24 Impact of accounting standards and interpretations continued

At the date of authorisation of these financial statements, the following standards, amendments and interpretations were in issue but not yet effective:

		Effective from
IFRIC 20 (issued 2011)	'Stripping Costs in the Production Phase of a Surface Mine'	1 January 2013
IAS 1 (amended 2011)	'Presentation of Items of Other Comprehensive Income'	1 July 2012
IAS 12 (amended 2010)	'Deferred Tax: Recovery of Underlying Assets'	1 January 2013
IAS 19 (amended 2011)	'Employee Benefits'	1 January 2013
IAS 27 (issued 2011)	'Separate Financial Statements'	1 January 2014
IAS 28 (issued 2011)	'Investments in Associates and Joint Ventures'	1 January 2014
IAS 32 (amended 2011)	'Offsetting Financial Assets and Financial Liabilities'	1 January 2014
IFRS 1 (amended 2012)	'Government Loans'	1 January 2013
IFRS 7 (amended 2011)	'Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013
IFRS 9 (issued 2009) and subsequent amendments (issued 2011)	'Financial Instruments'	*1 January 2015
IFRS 10 (issued 2011)	'Consolidated Financial Statements'	1 January 2014
IFRS 11 (issued 2011)	'Joint Arrangements'	1 January 2014
IFRS 12 (issued 2011)	'Disclosures of Interests in Other Entities'	1 January 2014
IFRS 13 (issued 2011)	'Fair Value Measurement'	1 January 2013

* Not yet endorsed by the EU.

A review of the impact of these standards, amendments and interpretations continues. At this stage the Directors do not believe that they will give rise to any significant financial impact.

There are a number of minor amendments to other standards which are part of the International Accounting Standards Board's annual improvements project issued on 17 May 2012. The improvements comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2013. No material changes to Accounting Policies are expected as a result of these amendments.

In 2012, the Group did not early adopt any new or amended standards and does not plan to early adopt any of the standards issued but not yet effective.

Notes to the financial statements continued

for the year ended 31 December 2012

3 Segment information

All revenues from external customers are derived from the sale of goods in the ordinary course of business to the agricultural markets and are measured in a manner consistent with that in the income statement.

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective.

Management considers adjusted EBITDA to assess the performance of the operating segments, which comprises profit before interest, tax, depreciation and amortisation adjusted for share-based payments and exceptional items.

Inter-segment revenue is charged at prevailing market prices.

	UK and Eire £000	International £000	Total £000
Year ended 31 December 2012			
Total segmental revenue	6,874	17,114	**23,988**
Inter-segment revenue	-	(479)	**(479)**
Revenue from external customers	6,874	16,635	**23,509**
Adjusted EBITDA	305	2,804	**3,109**
Depreciation, amortisation and impairment charges	(26)	(979)	**(1,005)**
Income tax credit	97	485	**582**
Total assets	7,352	17,055	**24,407**
Total liabilities	(1,529)	(4,993)	**(6,522)**
Year ended 31 December 2011			
Total segmental revenue	6,704	12,871	19,575
Inter-segment revenue	-	(377)	(377)
Revenue from external customers	6,704	12,494	19,198
Adjusted EBITDA	340	1,901	2,241
Depreciation, amortisation and impairment charges	(55)	(246)	(301)
Income tax expense	(22)	(128)	(150)
Total assets	7,311	12,892	20,203
Total liabilities	(1,415)	(2,786)	(4,201)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2012 £000	2011 £000
Adjusted EBITDA for reportable segments	**3,109**	2,241
Depreciation, amortisation and impairment charges	**(1,005)**	(213)
Share-based payment charges	**(99)**	(153)
Finance income	**39**	39
Finance cost of contingent consideration	**(110)**	-
Closure and restructuring costs	**(55)**	(88)
Acquisition costs	**(357)**	-
Profit before tax	**1,522**	1,826

The entity is domiciled in the UK.

3 Segment information continued

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is £11,857,000 (2011: £9,998,000) and the total of these assets located in other countries is £3,000 (2011: £3,000).

Share-based payment charges of £99,000 (2011: £153,000) includes £21,000 (2011: £53,000) of professional fees that have been expensed during 2012.

4 Expenses by nature

	2012 £000	2011 £000
Changes in inventories of finished goods	(100)	(65)
Raw materials and consumables used	13,077	10,798
Employee expenses (note 7)	3,416	2,828
Research and development expenditure	6	46
Transportation expenses	1,735	1,359
Other operating expenses	2,209	1,848
Operating lease payments	46	52
Depreciation, amortisation and impairment charges	1,005	301
Share-based payment charges	99	153
Acquisition costs	357	50
Loss on foreign exchange transactions	66	41
Total cost of sales, distribution and administrative expenses	**21,916**	17,411

5 Exceptional items

	2012 £000	2011 £000
Closure and restructuring costs	55	88
Acquisition costs	357	-
Impairment provision	745	-
	1,157	88

The Group has continued the closure and restructure of locations and functions, incurring costs in the year of £55,000 (2011: £88,000).

An impairment of £745,000 has been recognised in the accounts in respect of capitalised expenditure on the development of Aquatice, our aquaculture brand, relating to costs incurred prior to March 2009.

Legal and professional costs of £357,000 have been incurred in respect of the acquisition of Meriden and purchasing the non-controlling interest in our South African subsidiary.

6 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors:

Group	2012 £000	2011 £000
Fees payable to Company's auditor for the audit of Parent Company and Consolidated financial statements	43	31
Fees payable to Company's auditor for other services:		
The audit of Company subsidiaries	8	-
Tax compliance service	13	13
	64	44

Notes to the financial statements continued
for the year ended 31 December 2012

7 Employees

Number of employees
The average monthly number of employees including Directors during the year was:

	2012 Number	2011 Number
Group		
Production	**29**	30
Administration	**27**	21
Sales and Technical	**32**	23
Total average headcount	**88**	74

Company		
Production	**29**	30
Administration	**19**	20
Sales and Technical	**17**	16
Total average headcount	**65**	66

Employment costs	2012 £000	2011 £000
Group		
Wages and salaries	**3,045**	2,485
Social security costs	**257**	233
Other pension costs	**114**	110
Share-based payment charges	**99**	153
	3,515	2,981

8 Finance (cost)/income

	2012 £000	2011 £000
Interest receivable on short-term bank deposits	**39**	39
Finance income	**39**	39
Unwinding of discount on contingent consideration	**(110)**	-
Finance cost of contingent consideration	**(110)**	-
Net finance (cost)/income	**(71)**	39

The unwinding of the discount on the contingent consideration is not a borrowing related cost however, it is required to be classified as finance cost. Further details are included in note 29.

9 Earnings per share

	2012	2011
Weighted average number of shares in issue (000's)	**18,110**	18,085
Adjusted for effects of dilutive potential Ordinary shares (000's)	**832**	139
Weighted average number for diluted earnings per share (000's)	**18,942**	18,224
Profit attributable to owners of the Parent (£000's)	**2,104**	1,667
Basic earnings per share	**11.62p**	9.22p
Diluted earnings per share	**11.11p**	9.15p

9 Earnings per share continued

	2012 £000	2011 £000
Underlying profit attributable to owners of the parent		
Profit attributable to owners of the parent	**2,104**	1,667
Exceptional items	**1,157**	88
Unwinding of discount on contingent consideration	**110**	-
Prior year tax adjustments	**(959)**	(138)
Underlying profit	**2,412**	1,617
Underlying earnings per share	**13.32p**	8.94p
Diluted underlying earnings per share	**12.73p**	8.87p

10 Dividend payable

	2012 £000	2011 £000
2010 final dividend paid: 2.0p per 23p share	**-**	361
2011 final dividend paid: 2.4p per 23p share	**436**	-
	436	361

A dividend in respect of the year ended 31 December 2012 of 3.0p per share, amounting to a total dividend of £562,000 is to be proposed at the Annual General Meeting on 27 June 2013. These financial statements do not reflect this dividend payable.

11 Income tax (credit)/expense

	2012 £000	2011 £000
Current tax		
Current tax on profits for the year	**191**	247
Adjustment for prior years	**(618)**	(118)
Total current tax	**(427)**	129
Deferred tax		
Origination and reversal of temporary differences	**186**	41
Adjustment for prior years	**(341)**	(20)
Total deferred tax (note 20)	**(155)**	21
Income tax (credit)/expense	**(582)**	150

Adjustments in respect of prior years represents the recognition of previously unrecognised losses and benefits from enhanced research and development tax credits.

The tax on the Company's profit before tax, differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

Factors affecting the (credit)/charge for the year	2012 £000	2011 £000
Profit before tax	**1,522**	1,826
Tax at domestic rates applicable to profits in the respective countries - 24.5% (2011: 26.5%)	**373**	484
Tax effects of:		
Non-deductible expenses	**180**	104
Capital allowances	**-**	(41)
Research and development tax credits	**(222)**	(266)
Prior year tax adjustments	**(959)**	(138)
Other tax adjustments	**46**	7
Tax (credit)/charge	**(582)**	150

Corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year.

Notes to the financial statements continued
for the year ended 31 December 2012

11 Income tax (credit)/expense continued

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and planned to be effective from 1 April 2013, the relevant deferred tax balances have been re-measured.
Deferred tax balances at the year end have been measured at 23%.

Further reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes propose to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

12 Intangible assets

Group	Goodwill	Brands	Customer releationships	Patents, trademarks and registrations	Development costs	Total
Cost	£000	£000	£000	£000	£000	£000
As at 1 January 2011	4,144	1,501	176	59	1,280	7,160
Additions	-	-	-	5	207	212
As at 31 December 2011	4,144	1,501	176	64	1,487	7,372
Additions	-	-	-	31	135	166
Acquisition of subsidiary (note 29)	1,346	709	510	21	-	2,586
As at 31 December 2012	**5,490**	**2,210**	**686**	**116**	**1,622**	**10,124**
Accumulated amortisation/impairment						
As at 1 January 2011	-	-	18	9	126	153
Charge for the year	-	-	18	7	-	25
Impairment provision	-	-	-	-	33	33
As at 31 December 2011	-	-	36	16	159	211
Charge for the year	-	27	55	10	-	92
Impairment provision	-	-	-	-	745	745
As at 31 December 2012	**-**	**27**	**91**	**26**	**904**	**1,048**
Net book value						
As at 31 December 2012	**5,490**	**2,183**	**595**	**90**	**718**	**9,076**
As at 31 December 2011	4,144	1,501	140	48	1,328	7,161
As at 1 January 2011	4,144	1,501	158	50	1,154	7,007

Company	Goodwill	Brands	Customer releationships	Patents, trademarks and registrations	Development costs	Total
Cost	£000	£000	£000	£000	£000	£000
As at 1 January 2011	4,144	1,501	176	59	1,280	7,160
Additions	-	-	-	5	207	212
As at 31 December 2011	4,144	1,501	176	64	1,487	7,372
Additions	-	-	-	27	135	162
As at 31 December 2012	**4,144**	**1,501**	**176**	**91**	**1,622**	**7,534**

12 Intangible assets continued

	Goodwill £000	Brands £000	Customer releationships £000	Patents, trademarks and registrations £000	Development costs £000	Total £000
Accumulated amortisation/impairment						
As at 1 January 2011	-	-	18	9	126	153
Charge for the year	-	-	18	7	-	25
Impairment provision	-	-	-	-	33	33
As at 31 December 2011	-	-	36	16	159	211
Charge for the year	-	-	17	8	-	26
Impairment provision	-	-	-	-	745	745
As at 31 December 2012	**-**	**-**	**53**	**24**	**904**	**981**
Net book value						
As at 31 December 2012	**4,144**	**1,501**	**123**	**67**	**718**	**6,553**
As at 31 December 2011	4,144	1,501	140	48	1,328	7,161
As at 1 January 2011	4,144	1,501	158	50	1,154	7,007

Goodwill is allocated to the Group's cash-generating units ("CGU's") identified according to trading brand. The recoverable amount of a CGU is determined based on value-in-use calculations.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond a five-year period are extrapolated using estimated growth rates of 1.5% per annum (2011: 1.5%).

The discount rate used of 12% (2011: 12%) is pre-tax and reflects specific risks relating to the operating segments.

Goodwill is allocated as follows:

Goodwill	
Acquisition of Kiotechagil operations	3,552
Acquisition of Optivite operations	592
As at 31 December 2011	**4,144**
Acquisition of Meriden operations	1,346
As at 31 December 2012	**5,490**

Brands relate to the fair value of the Optivite brands acquired in the year ended 31 December 2009 and Meriden brands acquired in the year ended 31 December 2012. These are deemed to have between 20 years and an indefinite useful life due to the inherent intellectual property contained in the products, the longevity of the product lives and global market opportunities. Brands are assessed for impairment with goodwill in the annual impairment review.

Amortisation of brands, customer relationships and patents, trademarks and registrations is included in administrative expenses, totalling £92,000 (2011: £25,000) for the Group and £25,000 (2011: £25,000) for the Company.

The carrying amount of development costs of a range of products has been reduced to its recoverable amount through recognition of an impairment provision during the year of £745,000 (2011: £33,000), this relates to uncertainty over the generation of future economic benefit deriving from certain aspects of expenditure incurred prior to March 2009. The provision, included within adminstrative expenses, was based on managment forecasts of the remaining development costs and expected future economic benefits arising to the Group.

Notes to the financial statements continued
for the year ended 31 December 2012

13 Property, plant and equipment

Group Cost	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
As at 1 January 2011	1,862	514	473	2,849
Reclassification	98	78	(176)	-
Additions	47	369	58	474
Disposals	-	(21)	-	(21)
As at 31 December 2011	2,007	940	355	3,302
Additions	27	70	20	117
Acquisition of subsidiaries (note 29)	-	-	15	15
Disposals	-	(110)	(3)	(113)
As at 31 December 2012	**2,034**	**900**	**387**	**3,321**
Accumulated depreciation/impairment				
As at 1 January 2011	9	120	101	230
Reclassification	11	27	(38)	-
Charge for the year	28	94	33	155
Disposals	-	(11)	-	(11)
Impairment provision	88	-	-	88
As at 31 December 2011	136	230	96	462
Charge for the year	26	98	44	168
Disposals	-	(82)	(11)	(93)
As at 31 December 2012	**162**	**246**	**129**	**537**
Net book value				
As at 31 December 2012	**1,872**	**654**	**258**	**2,784**
As at 31 December 2011	1,871	710	259	2,840
As at 1 January 2011	1,853	394	372	2,619

Company Cost	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
As at 1 January 2011	1,862	435	470	2,767
Reclassification	98	78	(176)	-
Additions	47	369	58	474
Disposals	-	(18)	-	(18)
As at 31 December 2011	2,007	864	352	3,223
Additions	27	69	19	115
Disposals	-	(44)	-	(44)
As at 31 December 2012	**2,034**	**889**	**371**	**3,294**

13 Property, plant and equipment continued

Accumulated depreciation/impairment	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
As at 1 January 2011	9	60	89	158
Reclassification	11	27	(38)	-
Charge for the year	28	87	33	148
Disposals	-	(8)	-	(8)
Impairment provision	88	-	-	88
As at 31 December 2011	136	166	84	386
Charge for the year	26	96	41	163
Disposals	-	(24)	-	(24)
As at 31 December 2012	**162**	**238**	**125**	**525**
Net book value				
As at 31 December 2012	**1,872**	**651**	**246**	**2,769**
As at 31 December 2011	1,871	698	268	2,837
As at 1 January 2011	1,853	375	381	2,609

Held within land and buildings is an amount of £700,000 (2011: £700,000) in respect of non-depreciable land.

During 2011 an exercise was undertaken to reclassify certain assets between categories.

In 2011, a closure and restructing cost, being a provision for impairment of £88,000, was made against the value of a long leasehold property which is no longer required in the normal course of business. The property remains in property, plant and equipment as current market conditions mean it is uncertain as to whether the property will be sold or rented.

14 Investment in subsidiaries

Company	Unlisted investments £000
Cost	
As at 1 January 2011 and at 31 December 2011	2,625
Acquisition of subsidiaries (note 29)	4,066
As at 31 December 2012	**6,691**
Provisions for diminution in value	
As at 1 January 2011 and 31 December 2011	2,392
Charge for the year	-
As at 31 December 2012	**2,392**
Net book value	
As at 31 December 2012	**4,299**
As at 31 December 2011	233
As at 1 January 2011	233

Notes to the financial statements continued
for the year ended 31 December 2012

14 Investment in subsidiaries continued

Holdings of more than 20 per cent

The Company holds more than 20 per cent of the share capital of the following companies:

Company	Country of registration or incorporation	Principal activity	Percentage held	Shares held Class
Anpario UK Limited	England and Wales	Dormant	100	Ordinary
Kiotech Limited	England and Wales	Dormant	100	Ordinary
Aquatice Limited	England and Wales	Dormant	100	Ordinary
Agil Limited	England and Wales	Dormant	100	Ordinary
Kiotechagil Limited	England and Wales	Dormant	100	Ordinary
Optivite Limited	England and Wales	Dormant	100	Ordinary
Optivite International Limited	England and Wales	Dormant	100	Ordinary
Anpario Ireland Limited	Ireland	Dormant	100	Ordinary
Kiotechagil (Shanghai) Agriculture Science and Technology Limited	China	Technology Services	100	Ordinary
Optivite Animal Nutrition Private Limited	India	Technology Services	100	Ordinary
Optivite Latinoamerica SA de CV	Mexico	Technology Services	98	Ordinary
Optivite SA (Proprietary) Limited	South Africa	Technology Services	100	Ordinary
Meriden Animal Health Limited	England and Wales	Technology Services	100	Ordinary
Meriden Trading Pty Limited	Australia	Technology Services	50	Ordinary

Anpario Ireland Limited was incorporated on 12 January 2012 with one hundred subscriber shares of €1.

On 1 January 2012 the Group increased its holding in Optivite SA (Proprietary) Limited from 60% to 100%. Refer to note 28 for further details.

The Group has a 50% interest in a joint venture, Meriden Trading Pty Limited. The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement.

	2012 £000	2011 £000
Current assets	86	-
Total assets	**86**	-
Current liabilities	117	-
Total liabilities	**117**	-
Net liabilities	**(31)**	-
Income	138	-
Expenses	161	-
Profit after income tax	**(23)**	-

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

15 Inventories

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Raw materials and consumables	**1,131**	752	**1,008**	752
Finished goods and goods for resale	**501**	336	**205**	219
	1,632	1,088	**1,213**	971

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £12,977,000 (2011: £10,733,000) for the Group and £10,569,000 (2011: £10,239,000) for the Company.

16 Trade and other receivables

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade receivables	**6,509**	4,207	**4,863**	3,815
Less: provision for impairment of trade receivables	**(109)**	(55)	**(102)**	(51)
Trade receivables - net	**6,400**	4,152	**4,761**	3,764
Receivables from subsidiary undertakings	**-**	-	**1,411**	454
Receivables from joint ventures	**107**	-	**-**	-
Taxes	**216**	106	**153**	88
Prepayments and accrued income	**270**	181	**182**	160
	6,993	4,439	**6,507**	4,466

The ageing analysis of net trade receivables is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Up to 3 months	**4,783**	3,327	**3,842**	2,865
3 to 6 months	**1,426**	799	**813**	725
Over 6 months	**191**	26	**106**	174
Trade receivables - net	**6,400**	4,152	**4,761**	3,764

As of 31 December 2012 trade receivables of £1,037,000 (2011: £880,000) for the Group and £793,000 (2011: £854,000) for the Company were past due but not impaired. These relate to longstanding customers for who there are no recent history of default. The ageing analysis of these receivables is as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Up to 3 months	**907**	710	**694**	698
3 to 6 months	**89**	157	**68**	150
Over 6 months	**41**	13	**31**	6
	1,037	880	**793**	854

Notes to the financial statements continued

for the year ended 31 December 2012

16 Trade and other receivables continued

As of 31 December 2012 trade receivables of £109,000 (2011: £55,000) for the Group and £102,000 (2011: £51,000) for the Company were impaired and fully provided for. The individually impaired receivables mainly related to historic debt for which recovery is still being sought. The Group mitigates its exposure to credit risk by extensive use of credit insurance and letters of credit to remit amounts due. The ageing of these trade receivables is as follows:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
3 to 6 months	**7**	-	**-**	-
Over 6 months	**102**	55	**102**	51
	109	55	**102**	51

Movement on the Group provision for impairment of trade receivables as follows:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
At 1 January	**55**	244	**51**	230
Provisions for receivables created	**91**	12	**84**	8
Amounts written off as unrecoverable	**(26)**	(155)	**(22)**	(155)
Amounts recovered during the year	**(11)**	(46)	**(11)**	(32)
At 31 December	**109**	55	**102**	51

The carrying amounts of net trade and other receivables are denominated in the following currencies:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Pounds Sterling	**3,164**	2,415	**3,150**	2,415
Euros	**1,622**	669	**873**	669
US Dollars	**1,416**	697	**738**	680
Other currencies	**198**	371	**-**	-
At 31 December	**6,400**	4,152	**4,761**	3,764

The other classes within trade and other receivables do not contain impaired assets.

17 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by Group companies. The carrying amount of these assets approximates to their fair value.

18 Trade and other payables (current)

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade payables	**3,334**	2,469	**2,604**	2,305
Amounts due to subsidiary undertakings	**-**	-	**103**	89
Taxes and social security costs	**201**	139	**172**	139
Other payables	**614**	-	**603**	-
Accruals and deferred income	**763**	599	**715**	552
	4,912	3,207	**4,197**	3,085

Included within 'Other payables' above is £601,000 (2011: £nil) in respect of contingent consideration arising on the acquisition of Meriden.

19 Trade and other payables (non-current)

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Other payables	**425**	-	**425**	-
	425	-	**425**	-

Non-current 'Other payables' relates to contingent consideration arising on the acquisition of Meriden.

20 Deferred income tax

Group	**2012 £000**	2011 £000
At 1 January	**676**	655
Arising on acquisition of Meriden (note 29)	**295**	-
Income statement charge (note 11)	**(155)**	21
At 31 December	**816**	676

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	**Fair value gains £000**	**Losses £000**	**Total £000**
At 1 January 2011	496	448	(289)	655
Income statement charge (note 11)	71	(21)	(29)	21
At 31 December 2011	567	427	(318)	676
Income statement charge (note 11)	(192)	(53)	90	(155)
Arising on acquisition of Meriden (note 29)	2	293	-	295
At 31 December 2012	**377**	**667**	**(228)**	**816**

Classified as:	**£000**
Deferred income tax asset	**(228)**
Deferred income tax liability	**1,044**

Notes to the financial statements continued
for the year ended 31 December 2012

20 Deferred income tax continued

Corporation tax is calculated at 24.5% (2011: 26.5%) of the estimated assessable profit for the year.

During the year, as a result of the change in the UK corporation tax rate from 24% to 23% that was substantively enacted on 3 July 2012 and planned to be effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Deferred tax balances at the year end have been measured at 23%.

Further reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes propose to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, is not recognised in these financial statements. The impact of this change on the deferred tax position of the Group is not expected to be material.

A deferred tax asset has been recognised for losses carried forward on the grounds that sufficient future taxable profit is forecast to be realised.

Losses

The Group and Company have unutilised tax losses totalling £nil (2011: £1,712,000).

Company	2012 £000	2011 £000
At 1 January	**676**	655
Income statement charge	**(128)**	21
At 31 December	**548**	676

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	Fair value gains £000	Losses £000	Total £000
At 1 January 2011	496	448	(289)	655
Income statement charge	71	(21)	(29)	21
At 31 December 2011	567	427	(318)	676
Income statement charge	(165)	(53)	90	(128)
At 31 December 2012	**402**	**374**	**(228)**	**548**

Classified as:	£000
Deferred income tax asset	**(228)**
Deferred income tax liability	**776**

21 Capital commitments

The Group had authorised capital commitments as at 31 December 2012 as follows:

	2012 £000	2011 £000
Property, plant and equipment	**134**	-
	134	-

22 Financial commitments

At 31 December 2012 the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2012 £000	2011 £000
Less than one year	**57**	37
Between one and five years	**59**	39
Greater than five years	**1**	-
	117	76

The lease expenditure charged to the income statement during the year is disclosed in note 4.

23 Called up share capital

	2012 £000	2011 £000
Authorised		
86,956,521 Ordinary shares of 23p each	**20,000**	20,000
1,859,672 'A' shares of 99p each	**1,841**	1,841
	21,841	21,841
Alloted, called up and fully paid		
19,805,572 (2011: 18,299,952) Ordinary shares of 23p each	**4,555**	4,209
Issue of Ordinary shares of 23p each to JSOP	**-**	341
Options excercised Ordinary shares of 23p each	**-**	5
	4,555	4,555

On 27 September 2011 and 12 December 2011 the Company respectively issued 587,742 and 896,138 Ordinary shares of 23p at the market price to the Trustees of The Kiotech International plc Employees' Share Trust. On 28 October 2011 21,739 Ordinary shares of 23p each were issued pursuant to the exercise of employee share options.

Notes to the financial statements continued

for the year ended 31 December 2012

24 Retained earnings

	Group £000	Company £000
At 1 January 2011	2,517	2,602
Profit for the year	1,667	1,696
Dividends relating to 2010	(361)	(361)
Transfer from special reserve	4,441	4,441
At 31 December 2011	**8,264**	**8,378**
Profit for the year	2,104	1,734
Dividends relating to 2011	(436)	(436)
Acquisition of interest in subsidiary from non-controlling interest (note 28)	10	-
At 31 December 2012	**9,942**	**9,676**

A Special reserve of £4,441,000 was established following a reduction in capital and Court order on 21 July 2008. Following the satisfaction of the provisions of the Court order this amount was released to retained earnings in 2011 and as such forms part of the Company's distributable reserves.

25 Other reserves

Other reserves comprise:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Treasury shares	**(69)**	(166)	**(69)**	(166)
Joint Share Ownership Plan	**(1,210)**	(1,210)	**(1,210)**	(1,210)
Merger reserve	**228**	228	**228**	228
Share-based payment reserve	**557**	479	**557**	479
Translation reserve	**(2)**	(26)	**-**	-
	(496)	(695)	**(494)**	(669)

On 26 January 2011 the Company purchased in the market 235,000 of its own Ordinary shares of 23p each for 70.7p each and held these in treasury. On 1 November 2012 the company sold 137,958 of its own Ordinary shares of 23p each for 111.6p each.

Details of the Joint Share Ownership Plan ("JSOP") established in 2011 are set out in note 26.

26 Share-based payments

Movements in the number of share options outstanding are as follows:

	Weighted average exercise price (p)	**Shares 2012 000**	Weighted average excercise price (p)	Shares 2011 000
Outstanding at 1 January	81	**946**	76	1,826
Granted during the year	89	**150**	82	60
Modified by awards under JSOP	-	**-**	67	(896)
Exercised during the year	-	**-**	32	(22)
Forfeited or cancelled during the year	-	**-**	86	(22)
Outstanding at 31 December	82	**1,096**	81	946
Excercisable at 31 December		**832**		340

Share options outstanding at the end of the year have the following expiry dates and weighted average exercise prices:

	Weighted average exercise price (p)	**Shares 2012 000**	Weighted average excercise price (p)	Shares 2011 000
2015	165	**44**	165	44
2016	99	**223**	99	223
2017	104	**65**	104	65
2018	32	**96**	32	96
2019	68	**262**	68	262
2020	79	**196**	79	196
2021	76	**60**	76	60
2022	89	**150**	-	-
		1,096		946

On 30 June 2011 21,739 options were forfeited following a redundancy and on 28 October 2011 21,739 options were exercised. On 5 October 2011 options totalling 60,000 were awarded under the Company's Enterprise Management Incentive Scheme ("EMIS").

On 9 July 2012 150,000 options were awarded under the Company's EMIS.

Under the terms of the Company's JSOP, on 27 September 2011, the Company issued 587,742 Ordinary shares of 23p to the Executive Directors at a price of 85.5p per share. On 12 December 2011 a further 896,138 Ordinary shares of 23p were issued to the Executive Directors at a price of 79p per share as a modification to the existing benefits under the Company's EMIS and Unapproved Share Scheme.

Notes to the financial statements continued

for the year ended 31 December 2012

26 Share-based payments continued

The fair value of services received in return for share options granted and the shares which have been issued into the joint beneficial ownership of the participating Executive Directors and the Trustee of The Kiotech International plc Employees' Share Trust is calculated based on appropriate valuation models.

The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of the grant. The charge for the year in respect of share options granted and associated expenses amounts to £99,000 (2011: £153,000) of which £21,000 (2011: £53,000) is related to professional fees that have been expensed during the year.

The weighted average fair value of options granted during the year was determined based on the following assumptions using the Black-Scholes pricing model.

Plan	EMIS
Grant date	9 July
Number of options granted (000)	150
Grant price (p)	88.5
Exercise price (p)	88.5
Carrying cost (per annum)	N/A
Vesting period (years)	2
Option expiry (years)	10
Expected volatility of the share price	25%
Dividends expected on the shares	2.71%
Risk-free rate	0.69%
Fair value (p)	14.10

27 Related party transactions

Group and Company

The following transactions were carried out with related parties:

P A Lawrence, Chairman of ECO Animal Health Group plc, is a Non-Executive Director of the Company and £27,625 (2011: £26,000) was paid to ECO Animal Health Group plc in respect of his services and expenses.

Electro Switch Limited, a company controlled by close family members of the Chairman, R S Rose, received the sum of £20,000 (2011: £20,000).

Amounts due to related parties at 31 December 2012 were, ECO Animal Health Group plc £6,500 (2011: £7,800), Electro Switch Limited £2,000 (2011: £2,000).

27 Related party transactions continued

Key management comprises the Directors of Anpario plc and their emoluments are as follows:

	2012 £000	2011 £000
Short-term employment benefits	**838**	407
Post employment benefits	**23**	25
Share-based payments	**39**	80
	900	**512**

A breakdown of the emoluments by Director is included in the Director's report, on page 7.

Company

The following transactions were carried out with related parties:

	2012 £000	2011 £000
Sales of goods:		
Subsidiaries	**479**	377
Purchases of goods:		
Subsidiaries	**7**	-
Purchases of services:		
Subsidiaries	**-**	8

Year end balances with related parties:

Receivables from related parties (note 16):		
Subsidiaries	**1,411**	454
Payables to related parties (note 18):		
Subsidiaries	**103**	89

28 Transactions with non-controlling interest

On 1 January 2012, Optivite SA (Proprietary) Limited ("Optivite SA") acquired the 40% non-controlling interest for a purchase consideration of £40,000 and holds these shares in treasury. The Group therefore now holds 100% of the share capital of Optivite SA. The carrying value of the non-controlling interest in Optivite SA on the date of acquisition was £50,000. The Group therefore de-recognised non-controlling interests of £50,000 and recorded an increase in equity attributible to owners of the Parent of £10,000.

Notes to the financial statements continued

for the year ended 31 December 2012

29 Business combinations

On 29 March 2012, the Group acquired 100% of the share capital of Meriden Animal Health Limited ("Meriden"). The acquisition brings together another strong trading brand to the Anpario Group, broadening its product technology and increasing Anpario's global market share in the feed additive sector.

On completion, the fair value of the net assets and liabilities of Meriden equalled £2,720,000 and consequently gives rise to goodwill on the transaction of £1,346,000. The acquired business contributed revenues of £4,017,000 and net profit after tax of £410,000 to the Group for the period from 30 March 2012 to 31 December 2012. Had Meriden been consolidated from 1 January 2012, the consolidated income statement would show pro-forma revenue of £24,492,000 and profit of £2,167,000.

Acquisition related costs of £357,000 have been expensed in the Consolidated income statement for the period ended 31 December 2012.

Details of net assets acquired and goodwill are as follows:

	£000
Cash paid	3,150
Contingent consideration	916
Total consideration	**4,066**

The assets and liabilities as at 29 March 2012 arising from the acquisition are as follows:

	Fair value £000	Acquiree's carrying value £000
Cash and cash equivalents	874	874
Property, plant and equipment	15	15
Brands	709	-
Customer relationships	510	-
Trademarks	21	21
Inventories	217	217
Trade and other receivables	1,371	1,371
Trade and other payables	(566)	(566)
Corporation tax	(136)	(136)
Deferred tax liabilities	(295)	(2)
Fair value of assets	2,720	**1,794**
Goodwill	1,346	
Total purchase consideration	**4,066**	

Purchase consideration settled in cash	3,150
Cash and cash equivalents	(874)
Cash outflow on acquisition	**2,276**

29 Business combinations continued

The contingent consideration arrangement requires the Group to pay in cash to the former owners of Meriden up to £1,000,000 based on Meriden's profit before tax for two years. In addition and dependent on certain performance criteria, a further variable consideration, fair valued at £125,000 on acquisition, is to be satisfied by either the issue of 159,236 Ordinary shares of Anpario or the cash equivalent.

The fair value of the overall contingent arrangement of £916,000 was estimated by applying the income approach.

The fair value estimates are based on a discount rate of 14%. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between £nil and £1,210,000.

As of 31 December 2012, there was an increase of £110,000 in the income statement, reflecting the unwinding of the discount on the contingent consideration.

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Anpario plc, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Board of Anpario plc considers all of the proposed resolutions to be in the best interests of shareholders as a whole and accordingly recommends that shareholders vote in favour of all the resolutions proposed.

Notice of Annual General Meeting ("AGM")

Notice is hereby given that the AGM of Anpario plc will be held at the offices of FinnCap, 60 New Broad Street, London, EC2M 1JJ on Thursday 27June 2013, at 10.30 am for the following purposes:

Resolution 1

To receive the Directors' Report and the Financial Statements for the year ended 31 December 2012.

Resolution 2

To declare a final dividend of 3.00p per Ordinary share payable on 28 July 2013 to shareholders on the register at close of business on 5 July 2013.

Resolution 3

To re-elect Richard P Edwards as a Director, who retires by rotation.

Resolution 4

To re-elect Richard S Rose as a Director, who retires by rotation.

Resolution 5

To re-elect PricewaterhouseCoopers LLP as auditors and to authorise the Directors to agree the auditors' remuneration.

And

To consider and if thought fit, pass the following resolutions of which, resolution 6 will be proposed as an ordinary resolution of the Company and resolutions 7 and 8 as special resolutions of the Company.

Resolution 6

That pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,495,877 provided that (unless previously revoked varied or renewed) such authority to expire at the conclusion of the next AGM of the Company save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

Resolution 7

That subject to the passing of resolution 6 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 6 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):

(i) to holders of Ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary shares held by them; and

(ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £226,648 and (unless previously revoked varied or renewed) this power shall expire at the conclusion of the next AGM of the Company save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

Resolution 8

That pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693(4) of the Companies Act 2006) of Ordinary shares of 23p each in the capital of the Company (Ordinary shares) provided that:

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 1,970,853;

(b) the minimum price (excluding expenses) which may be paid for an Ordinary share is 23p;

(c) the maximum price (excluding expenses) which may be paid for an Ordinary share is not more than the higher of:

(i) an amount equal to 105% of the average of the middle market quotations for an Ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days before the purchase is made; and

(ii) an amount equal to the higher of the price of the last independent trade of an Ordinary share and the highest current independent bid for an Ordinary share on the trading venue where the purchase is carried out;

(d) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 September 2014; and

(e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority.

By Order of the Board

Karen Prior FCA
Company Secretary
17 April 2013

Notice of Annual General Meeting continued

Notes to the Notice of Annual General Meeting ("AGM")

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821390.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
   - completed and signed;
   - sent or delivered to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719232;
   - alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com;
   - and received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

     In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

   Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821 390.

   If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719 232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 17 April 2013 the Company's issued share capital comprised 19,805,572 Ordinary shares of 23p each. The Company holds 97,042 Ordinary shares of 23p each as treasury shares. Each Ordinary share carries the right to one vote at an AGM of the Company and, therefore excluding shares held as treasury shares the total number of voting rights in the Company as at 17 April 2013 is 19,708,530.

Explanatory Notes on the Resolutions to be sent to Shareholders

Resolution 1: Report and Accounts

The Directors must present their report and the annual accounts to the meeting. This gives shareholders the opportunity to ask questions on the content before voting on the resolution.

Resolution 2: Dividends

Subject to shareholder approval, a final dividend of 3.00p per Ordinary share payable to ordinary shareholders on 5 July 2013 has been recommended by the Directors for the year ended 31 December 2012. The final dividend cannot exceed the amount recommended by the directors.

Resolution 3-4: Directors

The Company's Articles of Association require one third of the Directors to retire and submit themselves for election each year. Richard P Edwards and Richard S Rose must, therefore, retire and submit themselves to re-election at this AGM. There are no Directors of the Company who are eligible to submit themselves for re-election having been appointed since the last AGM.

Resolution 5: Appointment of Auditors and Remuneration of the Auditors

An ordinary resolution will be proposed to re-appoint PricewaterhouseCoopers LLP as the Company's auditors to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company; and to authorise the Directors to determine the remuneration payable to the auditors.

Resolution 6: Directors' Authority to Allot Shares

This resolution seeks a renewal of the existing shareholder approval for the Directors to be authorised to allot shares. Under the provisions of Section 551 of the Companies Act 2006, the Directors are not permitted to allot shares unless authorised to do so by the shareholders. This power will last until the conclusion of the next AGM of the Company in 2014.

Resolution 7: Directors' Power to Disapply Pre-emption Rights

This resolution, which will be proposed as a special resolution, supplements the directors' authority to allot shares in the Company proposed by resolution 6. Section 561 of the Companies Act 2006 requires a company proposing to allot equity securities (which includes selling shares held in treasury) for cash to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes Ordinary shares (the only class of share capital the Company has at present) but does not include shares issued under employee share schemes. If resolution 7 is passed, the requirement imposed by Section 561 will not apply to allotments by the Directors in two cases:-

1. in connection with a rights (or similar) issue, where strict application of the principle in Section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and

Notice of Annual General Meeting continued

2. allotments of shares for cash up to a total nominal value of £226,648 (representing 5% of the Company's issued share capital at 17 April 2013). This gives the Directors flexibility to take advantage of business opportunities as they arise, whilst the 5% limit ensures that existing shareholders' interests are protected in accordance with guidelines issued by institutional investors' bodies.

This authority will expire at the conclusion of the next AGM except in so far as commitments to allot shares have been entered into before that date.

Resolution 8: Company's Authority to Purchase Shares

In some circumstances, companies can find it advantageous to use surplus funds to make market purchases of their own shares. Shares purchased in this way may either be cancelled (thus reducing the total number of shares in issue and potentially increasing future earnings on the remaining shares) or held as treasury shares in accordance with the Companies Act 2006.

This resolution, which will be proposed as a special resolution, seeks to renew the existing authority for the Company to purchase its own shares in the market. The maximum price at which the shares may be purchased is 105% of the average of the middle market values of those shares for the five business days before the purchase is made.

Purchases of shares under the proposed authority are required by the AIM Rules for Companies of the London Stock Exchange to be made in compliance with the Model Code. Accordingly, the Company would not exercise the authority at a time when the Directors would be precluded from dealing in the Company's shares. Specifically, purchases would not be made within the 60 days preceding the announcement of the interim or final results.

This proposal should not be taken as an indication that the Company would purchase shares at any particular price or to imply any opinion on the part of the Directors as to the market or other value of the Company's shares.

The Companies Act 2006 enables certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares in accordance with that Act. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of those shares.

Further, no dividend or distribution of the Company's assets may be made to the Company in respect of those shares whilst held in treasury.

Accordingly, if the Directors exercise the authority conferred by resolution 8, the Company will have the option of holding those shares in treasury rather than cancelling them.

As at the date of this document, the Company had 19,805,572 shares in issue. This resolution seeks authority to purchase a maximum of 1,970,853 shares, representing approximately 10% of the current issued share capital less shares held in treasury.

Company information

Directors

Richard S Rose
Non-Executive Chairman

Richard P Edwards
Executive Vice-Chairman

David M A Bullen
Chief Executive Officer

Karen L Prior
Group Finance Director

Peter A Lawrence
Non-Executive Director

Company Secretary

Karen L Prior

Company Number

Registered in England 03345857

Registered Office and Head Office

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Telephone: 01909 537380

Website

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PricewaterhouseCoopers LLP
Chartered Accountants and Statutory
Auditors
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Sheffield, S1 2ET
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Bankers

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Nominated Adviser and Broker

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Registrars

Share Registrars Limited
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Stock Exchange

London
Code: ANP

nourishing nature

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