10 September 2014

Anpario plc (AIM: ANP)

Anpario plc, the international producer and distributor of natural feed additives for animal health, hygiene and nutrition is pleased to announce its interim results for the six months to 30 June 2014.

Financial and operational highlights[1]

Financial highlights

- 9% increase in underlying earnings per share[2] to 7.59p (2013: 6.99p)
- 6% rise in adjusted EBITDA[3] to £1.8m (2013: £1.7m)
- 5% improvement in gross profit to £4.7m (2013: £4.5m)
- 2% uplift in sales revenue to £13.1m (2013: £12.8m)
- Cash balances of £5.7m at 30 June 2014 (31 Dec 2013: £4.8m)

Operational highlights

- Strong revenue growth in the Americas and Asia of 67% and 13% respectively
- China subsidiary, as part of Asia, progresses with 34% growth in sales
- First and ongoing sales in the US pig market
- Recently launched products, pHorce and Ultrabond, increasing market penetration with volume growth

Richard S Rose, Chairman, commented:

"The Group delivered a good set of results for the six months to 30 June 2014 and continues to make sound progress implementing its strategy.

The healthy cash balance and continuing cash generative nature of the business leaves Anpario well positioned to finance further organic growth. In addition, the Group is also able to consider making selective investments and earnings enhancing acquisitions, should suitable opportunities arise. These factors, combined with the strong trading position, will drive progress and continue to enhance the value of Anpario for all its stakeholders."

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[1] *All prior-year values have been restated under IFRS 11 to reflect the use of the equity method accounting which has replaced proportionate consolidation, see notes to the financial statements.*

[2] *Underlying earnings per share represents profit for the period before: share based payments; impairment of acquisition intangibles; unwinding of discount on contingent consideration and prior year tax adjustments divided by the weighted average number of shares in issue.*

[3] *Adjusted EBITDA represents operating profit £1.6m (2013: £1.5m) adjusted for: share based payments £0.07m (2013: £0.04m); and depreciation, amortisation and impairment charges of £0.19m (2013: £0.15m).*

Chairman's Statement

The Group delivered a good set of results for the six months to 30 June 2014 and continues to make sound progress implementing its strategy. Anpario continued to develop sales in its target geographic regions by prioritising key brands and ensuring that the necessary sales and technical resource are in place locally. The growing success of the strategy is reflected in the results of our operations in Asia and the Americas, which were achieved despite currency headwinds.

Anpario continued to develop a greater international presence with particular emphasis on investing in major markets in Brazil, US and China, which delivered strong organic growth. Whilst the Group's approach is conservative and the respective timeframe requires patience, the outlook remains positive for the strategy to meet expectations.

Financial Review

In the six months to 30 June 2014 profit before tax increased by 5% to £1.6m (2013: £1.5m). Adjusted EBITDA rose by a similar percentage to £1.8m (2013: £1.7m).

Overall sales volume increased by 4% while revenue rose by 2% to £13.1m (2013: £12.8m). This result reflected the impact of the strengthening of Sterling in the period, which was further compounded by a change in the Group's currency mix due to the achievement of a 41% increase in US Dollar sales.

A consequence of the continued strategic focus on selling specialist feed additive products in to growth markets, coupled with the effect of operational gearing, has seen gross profits increase by 5% to £4.7m (2013: £4.5m) with gross margin itself improving to 35.8% (2013: 34.8%).

Overheads are running some 6% above the level of the same period last year as a result of the Group's investment in its international sales and technical teams to support further expansion in Brazil, China and the US.

Underlying earnings per share[2] increased by 9% to 7.59 pence per share (2013: 6.99 pence per share).

The balance sheet remains strong and debt free with further good cash generation. The Group's cash position remains stable with a cash balance of £5.7m (2013: £5.6m). Investments totalling £0.4m have continued, principally in systems, product development and protection of global brand and product trademarks.

Product development

Anpario is a leader in the growing global market for natural feed additives, which help to keep farm animals healthy; our target markets are poultry and pig producers with further potential opportunities in the ruminant sector. The additives assist farmers to achieve higher financial returns from their livestock by improving the health and feed efficiency of the animals.

The agricultural industry is very cautious about the introduction of new products. It takes time to satisfy potential customers of the safety and efficacy of new products and they typically require a trial period to test outcomes. Anpario works alongside its distributors to assist with trials so that potential customers can be assured of the product's performance and efficacy. Trials can take many months and need to satisfy the agriculture industry that new products are safe, reliable and performance enhancing.

The Group continues to strengthen its sales, marketing and technical capability in order to implement its strategy to build closer local relationships with customers. Technical and sales staff are being recruited in our major geographic regions. We have recently refreshed our key Optivite brand image to raise its profile in its major markets and support the launch of a number of new products such as Ultrabond and Optimax, which promote healthy digestion in animals. Further work is underway to reorganise the team around species and product specialisation to enhance the customers' proposition. These changes will bring us closer to customers by providing further local expertise in specific product areas within countries. It will also enable the marketing team to provide higher levels of technical and sales support during the lengthy trials process.

Operations – International Agriculture

The International Division made good progress in Asia and the Americas: volume and revenue advanced 14% and 13% respectively in Asia and 84% and 67% respectively in the Americas. The effective deployment of resources within these regions has facilitated greater access to these markets and achieved closer collaboration with our partners and customer base. The development within these areas is expected to continue.

However, the strong progress in these areas was counteracted with a 33% decline in sales in the Middle East and African regions due to the escalation of the adverse political situations. Restricted access to some territories and conflicts in others may continue for some time but we are ready to respond rapidly once local conditions permit.

Anpario's wholly owned subsidiary in China achieved sales growth of 34%, compared to the same period last year. This strong performance was delivered at a time when pork prices were relatively weak. Our operation in China is progressively expanding into a number of new provinces within the pig sector and will shortly enter the poultry and feed mill sectors, creating further opportunities.

In Asia Pacific, Group sales into the Philippines, South Korea, Australia and Vietnam all demonstrated double-digit growth. Other markets in the region, including Malaysia, have improved in recent months. With additional product registrations imminent in Indonesia, further progress is expected there before the end of the year.

The results from the product trials in Brazil have continued to generate sales and further value for our brands, in some cases demonstrating not only a performance improvement of the breeding stock, but also the progeny. The high returns on investment, through the combined benefits of disease management and performance improvement are leading some breeding companies to use our products in the feed to maximise the genetic potential of their animals. Awareness of these benefits is becoming more widespread in the region and we have achieved double-digit revenue growth in Argentina, Chile, Ecuador and Peru.

Our US subsidiary has launched Orego-Stim and has already secured repeat orders. This product is an appetite stimulant for pigs and is now being developed for product trials within the poultry sector. Feedback from the market has been very encouraging and further product launches are in the pipeline to offer the US market a comprehensive range of natural feed additives to take advantage of the changing regulations regarding antibiotic growth promoters.

Operations - UK Agriculture

The success of our strategy to reposition the business and to focus on value-added specialist feed additive products, is now taking hold, enabling the division to make excellent progress with double-digit growth in gross profit. The launch of a new toxin binder, Ultrabond, supplying the ruminant and pig home-mix sectors has been very well received. The positioning of our acidifier range to manage life stages from birth to breeding in the pig and poultry sectors has enabled the division to become a major force within the industry. Our organic animal feed division has also made good progress, improving strongly on last year's performance in a generally difficult market. This result has been achieved through robust operational management and we expect the improvement to be maintained.

Outlook

We are confident of maintaining the momentum of the first six months performance and expect the Group to meet market expectations for the year ended 31 December 2014. The healthy cash balance and continuing cash generative nature of the business leave Anpario well positioned to finance further organic growth. In addition, the Group is also able to consider making selective investments and earnings enhancing acquisitions, should suitable opportunities arise. These factors, combined with the strong trading position, will drive progress and continue to enhance the value of Anpario for all its stakeholders.

Richard S Rose
Chairman
10 September 2014

Unaudited consolidated income statement

for the six months ended 30 June 2014

	Notes	six months to 30/06/14 £000	restated[1] six months to 30/06/13 £000	restated[1] year ended 31/12/13 £000
Revenue	3	**13,109**	12,840	25,950
Cost of sales		**(8,421)**	(8,366)	(16,875)
Gross profit		**4,688**	4,474	9,075
Administrative expenses		**(3,102)**	(2,933)	(6,144)
Operating profit		**1,586**	1,541	2,931
Finance income		**27**	22	50
Finance cost of contingent consideration		**(21)**	(48)	(78)
Profit before income tax		**1,592**	1,515	2,903
Income tax expense		**(218)**	(289)	(329)
Profit for the period from continuing operations		**1,374**	1,226	2,574
Profit attributable to:				
Owners of the parent		**1,374**	1,226	2,574
Profit for the period		**1,374**	1,226	2,574

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

Basic earnings per share	4	**7.48p**	6.72p	14.10p
Diluted earnings per share	4	**6.78p**	6.30p	13.13p
Underlying earnings per share	4	**7.59p**	6.99p	13.15p
Diluted underlying earnings per share	4	**6.89p**	6.55p	12.25p

Unaudited consolidated statement of comprehensive income

for the six months ended 30 June 2014

	six months to 30/06/14	restated[1] six months to 30/06/13	restated[1] year ended 31/12/13
Profit for the period	**1,374**	1,226	2,574
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations	**(1)**	(11)	(17)
Total comprehensive income for the period	**1,373**	1,215	2,557
Attributable to the owners of the parent:	**1,373**	1,215	2,557
Total comprehensive income for the period	**1,373**	1,215	2,557

[1] *All prior-year values have been restated under IFRS 11 to reflect the use of the equity method accounting which has replaced proportionate consolidation.*

Unaudited consolidated balance sheet

as at 30 June 2014

	Notes	as at 30/06/14 £000	restated[1] as at 30/06/13 £000	restated[1] as at 31/12/13 £000
Intangible assets	5	**9,386**	9,132	9,302
Property, plant and equipment	6	**3,196**	2,926	3,054
Deferred tax assets		**204**	228	204
Non-current assets		**12,786**	12,286	12,560
Inventories		**1,585**	1,685	1,816
Trade and other receivables		**7,286**	6,159	6,979
Cash and cash equivalents		**5,698**	5,629	4,779
Current assets		**14,569**	13,473	13,574
Total assets		**27,355**	25,759	26,134
Called up share capital		**4,592**	4,565	4,573
Share premium		**3,973**	3,904	3,922
Other reserves		**(348)**	(476)	(345)
Retained earnings		**13,353**	11,199	11,979
Total equity		**21,570**	19,192	20,129
Deferred tax liabilities		**990**	1,034	1,000
Non-current liabilities		**990**	1,034	1,000
Trade and other payables		**4,358**	5,037	4,693
Current income tax liabilities		**437**	496	312
Current liabilities		**4,795**	5,533	5,005
Total liabilities		**5,785**	6,567	6,005
Total equity and liabilities		**27,355**	25,759	26,134

[1] *All prior-year values have been restated under IFRS 11 to reflect the use of the equity method accounting which has replaced proportionate consolidation.*

Unaudited consolidated statement of changes in equity

as at 30 June 2014

	Called up share capital	Share premium	Other reserves	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1st January 2013 restated[1]	**4,555**	**3,884**	**(497)**	**9,973**	**17,915**
Profit for the period	-	-	-	1,226	1,226
Currency translation differences	-	-	(11)	-	(11)
Total comprehensive income for the period	-	-	(11)	1,226	1,215
Issue of share capital	10	20	-	-	30
Share-based payment adjustments	-	-	32	-	32
Transactions with owners	10	20	32	-	62
Balance at 30 June 2013 restated[1]	**4,565**	**3,904**	**(476)**	**11,199**	**19,192**
Profit for the period	-	-	-	1,348	1,348
Currency translation differences	-	-	(6)	-	(6)
Total comprehensive income for the period	-	-	(6)	1,348	1,342
Issue of share capital	8	18	-	-	26
Share-based payment adjustments	-	-	137	-	137
Dividends relating to 2012	-	-	-	(568)	(568)
Transactions with owners	**8**	**18**	**137**	**(568)**	**(405)**
Balance at 31 December 2013 restated[1]	**4,573**	**3,922**	**(345)**	**11,979**	**20,129**
Profit for the period	-	-	-	1,374	1,374
Currency translation differences	-	-	(1)	-	(1)
Total comprehensive income for the period	-	-	(1)	1,374	1,373
Issue of share capital	19	51	-	-	70
Share-based payment adjustments	-	-	(2)	-	(2)
Transactions with owners	19	51	(2)	-	68
Balance at 30 June 2014	**4,592**	**3,973**	**(348)**	**13,353**	**21,570**

[1] *All prior-year values have been restated under IFRS 11 to reflect the use of the equity method accounting which has replaced proportionate consolidation.*

Unaudited consolidated statements of cash flows

for the six months ended 30 June 2014

	six months to 30/06/14 £000	restated[1] six months to 30/06/13 £000	restated[1] year ended 31/12/13 £000
Cash generated from operating activities	**1,338**	2,209	3,099
Income tax (paid)/refunded	**(91)**	57	(176)
Net cash generated from operating activities	**1,247**	2,266	2,923
Acquisition of subsidiary, net of cash acquired	**-**	-	(429)
Purchases of property, plant and equipment	**(271)**	(237)	(470)
Proceeds from disposal of property, plant and equipment	**19**	-	-
Payments to acquire intangible fixed assets	**(158)**	(112)	(401)
Interest received	**27**	22	50
Net cash used by investing activities	**(383)**	(327)	(1,250)
Proceeds from issuance of shares	**70**	30	56
Dividend paid to Company's shareholders	**-**	-	(568)
Net cash used in financing activities	**70**	30	(512)
Net increase in cash & cash equivalents	**934**	1,969	1,161
Effect of exchange rate changes	**(15)**	(6)	(48)
Cash and cash equivalents at the beginning of the period	**4,779**	3,666	3,666
Cash and cash equivalents at the end of the period	**5,698**	5,629	4,779

Cash generated from operating activities	six months to 30/06/14 £000	restated[1] six months to 30/06/13 £000	restated[1] year ended 31/12/13 £000
Profit before income tax	**1,592**	1,515	2,903
Net finance cost/(income)	**(6)**	26	28
Depreciation, amortisation and impairment	**186**	152	375
Share-based payments	**(2)**	32	169
Changes in working capital:			
Inventories	**214**	(78)	(230)
Trade and other receivables	**(321)**	877	82
Trade and other payables	**(325)**	(315)	(228)
Net cash generated from operating activities	**1,338**	2,209	3,099

[1] *All prior-year values have been restated under IFRS 11 to reflect the use of the equity method accounting which has replaced proportionate consolidation.*

Notes to the financial statements

1. General information

Anpario plc ("the Company") and its subsidiaries (together "the Group") manufacture and supply high performance natural feed additives for the agricultural market with products to improve the health and output of animals.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 30 June 2014.

The consolidated financial statements have been prepared on the basis of the accounting policies set out in the Group's financial statements for the year ended 31 December 2013, which are available on the Company's web site at www.anpario.com.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors on 9 May 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated interim financial information for the period ended 30 June 2014 is neither audited nor reviewed.

2.1.1 New accounting policies adopted

On 1 January 2014 the Group adopted new accounting policies where necessary to comply with amendments to IFRS. Accounting pronouncements considered by the Group as significant on adoption are:

Changes to the standards governing the accounting for subsidiaries, joint arrangements and associates, including the introduction of IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements” and IFRS 12, “Disclosure of Interests in Other Entities” and amendments to IAS 28, “Investments in Associates and Joint Ventures”. Under IFRS 11, the Group’s principal joint arrangements are incorporated into the consolidated financial statements using the equity method of accounting rather than proportionate consolidation. The consolidated financial statements have been restated on the adoption of IFRS 11; the other changes to the standards governing the accounting for subsidiaries, joint arrangements and associates do not have a material impact on the Group.

The previously reported comparative periods have been restated in the consolidated financial statements for the amendments to IFRS 11. The impact on key financial information is immaterial and a summary of the main changes are detailed in the following table.

		2013			**H1 2013**	
	as reported £000	adjustments £000	**restated £000**	as reported £000	adjustments £000	**restated £000**
Revenue	26,264	(314)	**25,950**	12,952	(112)	**12,840**
Gross profit	9,219	(144)	**9,075**	4,548	(74)	**4,474**
Administrative expenses	(6,306)	162	**(6,144)**	(3,016)	83	**(2,933)**
Operating profit	2,913	18	**2,931**	1,532	9	**1,541**
Profit before income tax	**2,885**	**18**	**2,903**	**1,506**	**9**	**1,515**

3. Segment information

	UK and Eire	International	Total
	£000	£000	£000
for the six months ended 30 June 2014			
Total segmental revenue	3,082	10,451	**13,533**
Inter-segment revenue	-	(424)	**(424)**
Revenue from external customers	3,082	10,027	**13,109**
Adjusted EBITDA	241	1,599	**1,840**
Depreciation, amortisation and impairment charges	(27)	(159)	**(186)**
Income tax	(42)	(176)	**(218)**
Total assets	7,857	19,498	**27,355**
Total liabilities	(1,429)	(4,356)	**(5,785)**
for the six months ended 30 June 2013			
Total segmental revenue	2,950	10,159	13,109
Inter-segment revenue	-	(269)	(269)
Revenue from external customers	2,950	9,890	12,840
Adjusted EBITDA	200	1,533	1,733
Depreciation, amortisation and impairment charges	(19)	(133)	(152)
Income tax expense	(21)	(268)	(289)
Total assets	8,882	16,877	25,759
Total liabilities	(2,373)	(4,194)	(6,567)
for the year ended 31 December 2013			
Total segmental revenue	6,314	20,358	26,672
Inter-segment revenue	-	(722)	(722)
Revenue from external customers	6,314	19,636	25,950
Adjusted EBITDA	312	3,185	3,497
Depreciation, amortisation and impairment charges	(44)	(331)	(375)
Income tax expense	(15)	(314)	(329)
Total assets	7,506	18,628	26,134
Total liabilities	(1,483)	(4,522)	(6,005)

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

	six months to 30/06/14 £000	six months to 30/06/13 £000	year ended 31/12/13 £000
Adjusted EBITDA for reportable segments	**1,840**	1,733	3,497
Depreciation, amortisation and impairment charges	**(186)**	(152)	(375)
Share-based payment charges	**(68)**	(40)	(191)
Finance income	**27**	22	50
Finance cost of contingent consideration	**(21)**	(48)	(78)
Profit before tax	**1,592**	1,515	2,903

4. Earnings per share

	six months to 30/06/14	six months to 30/06/13	year ended 31/12/13
Weighted average number of shares in issue (000's)	**18,370**	18,236	18,260
Adjusted for effects of dilutive potential ordinary shares (000's)	**1,881**	1,217	1,341
Weighted average number for diluted earnings per share (000's)	**20,251**	19,453	19,601
Profit attributable to owners of the Parent (£000's)	**1,374**	1,226	2,574
Basic earnings per share	**7.48p**	6.72p	14.10p
Diluted earnings per share	**6.78p**	6.30p	13.13p

	six months to 30/06/14 £000	six months to 30/06/13 £000	year ended 31/12/13 £000
Underlying profit attributable to owners of the parent			
Profit attributable to owners of the parent	**1,374**	1,226	2,574
Unwinding of discount on contingent consideration	**21**	48	78
Prior year tax adjustments	**-**	-	(250)
Underlying profit	**1,395**	1,274	2,402
Underlying earnings per share	**7.59p**	6.99p	13.15p
Diluted underlying earnings per share	**6.89p**	6.55p	12.25p

5. Intangible assets

Group	Goodwill	Brands	Customer relationships	Patents, trademarks and registrations	Development costs	Total
	£000	£000	£000	£000	£000	£000
Cost						
As at 1 January 2014	5,490	2,210	686	248	1,891	10,525
Additions	-	-	-	71	87	158
As at 30 June 2014	**5,490**	**2,210**	**686**	**319**	**1,978**	**10,683**
Accumulated amortisation/impairment						
As at 1 January 2014	-	62	159	40	962	1,223
Charge for the period	-	18	35	12	9	74
As at 30 June 2014	**-**	**80**	**194**	**52**	**971**	**1,297**
Net book value						
As at 30 June 2014	**5,490**	**2,130**	**492**	**267**	**1,007**	**9,386**
As at 1 January 2014	5,490	2,148	527	208	929	9,302

6. Property, plant and equipment

Group	Land and buildings	Plant and machinery	Fixtures, fittings and equipment	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
Cost					
As at 1 January 2014	2,032	1,073	464	163	3,732
Additions	-	44	61	166	271
Completed assets	105	-	-	(105)	-
Disposals	-	(43)	(68)	-	(111)
As at 30 June 2014	**2,137**	**1,074**	**457**	**224**	**3,892**
Accumulated depreciation/impairment					
As at 1 January 2014	185	309	184	-	678
Charge for the period	16	57	39	-	112
Disposals	-	(42)	(52)	-	(94)
As at 30 June 2014	**201**	**324**	**171**	**-**	**696**
Net book value					
As at 30 June 2014	**1,936**	**750**	**286**	**224**	**3,196**
As at 1 January 2014	1,847	764	280	163	3,054