

Livestock Improvement Corporation Limited (LIC)

INTERIM FINANCIAL STATEMENTS

for the Six Months Ended 30 November 2009



**Consolidated Interim Income Statement
for the six months ended 30 November 2009**

<i>In thousands of New Zealand dollars</i>	Note	6 months to 30 Nov 2009 <i>Unaudited</i>	6 months to 30 Nov 2008 <i>Unaudited</i>	12 months to 31 May 2009 <i>Audited</i>
Revenue	1	94,727	105,454	150,296
Other income		46	741	980
Purchased materials		(10,151)	(11,087)	(18,358)
Staff expenses		(35,510)	(39,020)	(66,015)
Depreciation		(2,586)	(3,363)	(5,299)
Amortisation		(1,788)	(771)	(3,193)
Impairment		-	-	(3,503)
Share of loss of equity accounted associate		-	-	(21)
Other expenses		(14,752)	(16,602)	(33,844)
Earnings before finance activities, taxation and fair value adjustments		29,986	35,352	21,042
Finance income		344	1,456	2,153
Finance expenses		(1,046)	(442)	(489)
Fair value adjustments-biological assets	2	-	-	12,465
Earnings before taxation		29,284	36,366	35,171
Tax expenses on fair value adjustments - biological assets		-	-	(3,739)
Tax expenses - other		(9,327)	(10,986)	(6,759)
Total tax expense		(9,327)	(10,986)	(10,498)
Profit for the period		19,957	25,380	24,672
Earnings per share				
Basic and diluted earnings per investment share (NZD)		0.676	0.860	0.836

Supplementary note to the Income Statement

Profit for the period	19,957	25,380	24,672
Gain on fair value of biological assets	-	-	(12,465)
Tax effect on gain on fair value of biological assets	-	-	3,739
Underlying net earnings excluding biological assets and tax there on	19,957	25,380	15,947

¹ LIC is a very seasonal business, revenue from the first six months of the year is not equal to half of the full year's revenue.

² Fair value adjustment of biological assets relates to the revaluation of the elite breeding bull and stag teams.

**Consolidated Interim Statement of Comprehensive Income
for the six months ended 30 November 2009**

In thousands of New Zealand dollars

	6 months to 30 Nov 2009 <i>Unaudited</i>	6 months to 30 Nov 2008 <i>Unaudited</i>	12 months to 31 May 2009 <i>Audited</i>
Profit/(loss) for the period	19,957	25,380	24,672
Other comprehensive income			
Foreign currency translation differences for foreign operations	(56)	(294)	(174)
Effective portion of changes in fair value of cash flow hedges	(94)	-	93
Net change in fair value of available for sale financial assets	-	-	131
Revaluation of property plant and equipment	-	-	(2,543)
Other comprehensive income for the period, net of income tax	(150)	(294)	(2,493)
Total comprehensive income for the period	19,806	25,086	22,179
Attributable to:			
Owners of the company	19,806	25,086	22,179
Non-controlling interest	-	-	-
Total comprehensive income for the period	19,806	25,086	22,179

**Consolidated Interim Balance Sheet
as at 30 November 2009**

In thousands of New Zealand dollars

	As at 30 Nov 2009 <i>Unaudited</i>	As at 30 Nov 2008 <i>Unaudited</i>	As at 31 May 2009 <i>Audited</i>
Assets			
Fixed assets	65,516	78,313	64,997
Intangible assets	21,811	14,232	22,252
Biological assets	74,914	62,428	74,914
Investments & derivatives	8,065	11,069	8,114
Related party loans	-	-	-
Total non-current assets	170,306	166,042	170,277
Cash and cash equivalents	9,698	17,792	18,034
Inventories	6,685	5,067	7,421
Biological assets	1,187	874	1,003
Investments & derivatives	-	-	10,696
Trade and other receivables	56,465	63,854	15,023
Non-current assets held for sale	-	1,245	-
Other current assets	495	1,157	1,091
Total current assets	74,529	89,989	53,266
Total assets	244,834	256,031	223,543
Equity			
Share capital	58,464	58,464	58,464
Reserves	28,129	30,532	28,280
Retained earnings	99,986	93,116	92,411
Total equity	186,579	182,112	179,155
Liabilities			
Provisions	4,406	3,559	4,406
Deferred tax liability	23,984	18,945	24,058
Total non-current liabilities	28,390	22,504	28,464
Co-operative control shares	4,680	4,077	4,054
Trade and other payables	10,409	12,239	7,876
Short term borrowings	4,013	22,110	-
Provision for tax	8,144	8,927	1,482
Provisions	2,620	4,062	2,512
Total current liabilities	29,865	51,415	15,924
Total liabilities	58,255	73,919	44,388
Total equity and liabilities	244,834	256,031	223,543



Director

Date: 10 February 2010



Director

Date: 10 February 2010

**Consolidated Interim Statement of Cash Flows
for the six months ended 30 November 2009**

<i>In thousands of New Zealand dollars</i>	Note	6 months to 30 Nov 2009 <i>Unaudited</i>	6 months to 30 Nov 2008 <i>Unaudited</i>	12 months to 31 May 2009 <i>Audited</i>
Net cash from/(used in) operating activities	6			
Cash provided from:				
Receipts from customers		53,432	58,783	152,619
Finance income received		357	1,257	2,101
		53,788	60,040	154,720
Cash applied to:				
Payments to suppliers and employees		(56,879)	(67,194)	(124,339)
Finance expense paid		(542)	(101)	(203)
Income tax paid		(2,737)	(1,882)	(3,415)
		(60,158)	(69,177)	(127,958)
		(6,369)	(9,137)	26,763
Net cash from/(used in) investing activities				
Cash provided from:				
Sale of term investments		10,603	-	-
Sale of shares		63	-	-
Sale of biological assets		229	-	24
Sale of other non-current assets		-	2,704	2,704
Sale of property, plant and equipment		93	55	1,771
		10,989	2,759	4,499
Cash applied to:				
Acquisition of term investments		-	-	(10,603)
Acquisition of shares		-	(3)	(27)
Acquisition of intangibles		(2,204)	(149)	(2,928)
Acquisition of property, plant and equipment		(2,396)	(5,622)	(7,295)
Acquisition of biological assets		(236)	(29)	(204)
		(4,837)	(5,803)	(21,057)
		6,152	(3,044)	(16,558)
Net cash from/(used in) financing activities				
Cash provided from:				
Shares paid up		1,104	880	880
Short term borrowings		4,000	10,010	-
		5,104	10,890	880
Cash applied to:				
Repurchase of co-operative shares		(480)	(516)	(539)
Dividends paid to shareholders of the Group		(12,381)	(6,690)	(6,690)
Interest paid on co-operative shares		(410)	(285)	(285)
		(13,271)	(7,491)	(7,514)
		(8,167)	3,399	(6,634)
Net increase/(decrease) in cash balances		(8,384)	(8,782)	3,570
Cash balances at beginning of period		18,034	14,406	14,406
Effect of exchange rate changes on cash held		48	68	57
Closing cash balances		9,698	5,692	18,034

**Consolidated Interim Statement of Changes in Equity
for the six months ended 30 November 2009**

Attributable to equity holders of the Parent

In thousands of New Zealand dollars

	LIC investment shares	Foreign currency translation reserve	Foreign currency hedge reserve	Available for sale asset reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 June 2008	58,464	297	-	-	30,477	74,426	163,664
Total comprehensive income for the period							
Profit	-	-	-	-	-	25,380	25,380
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	(294)	-	-	-	-	(294)
Revaluation of property plant and equipment	-	-	-	-	52	-	52
Total other comprehensive income	-	(294)	-	-	52	-	(242)
Total comprehensive income for the period	-	(294)	-	-	52	25,380	25,138
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(6,690)	(6,690)
Total contributions by and distributions to owners	-	-	-	-	-	(6,690)	(6,690)
Balance at 30 November 2008	58,464	3	-	-	30,529	93,116	182,112
Balance at 1 June 2008	58,464	297	-	-	30,477	74,426	163,664
Total comprehensive income for the period							
Profit	-	-	-	-	-	24,672	24,672
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	(174)	-	-	-	-	(174)
Effective portion of changes in fair value of cash flow hedges	-	-	93	-	-	-	93
Net change in fair value of available for sale financial assets	-	-	-	131	-	-	131
Revaluation of property plant and equipment	-	-	-	-	(2,543)	-	(2,543)
Total other comprehensive income	-	(174)	93	131	(2,543)	-	(2,493)
Total comprehensive income for the period	-	(174)	93	131	(2,543)	24,672	22,179
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(6,690)	(6,690)
Total contributions by and distributions to owners	-	-	-	-	-	(6,690)	(6,690)
Balance at 31 May 2009	58,464	123	93	131	27,934	92,411	179,155

**Consolidated Interim Statement of Changes in Equity (continued)
for the six months ended 30 November 2009**

Attributable to equity holders of the Parent

In thousands of New Zealand dollars

	LIC investment shares	Foreign currency translation reserve	Foreign currency hedge reserve	Available for sale asset reserve	Revaluation reserve	Retained earnings	Total equity
Balance at 1 June 2009	58,464	123	93	131	27,934	92,411	179,155
Total comprehensive income for the period							
Profit	-	-	-	-	-	19,957	19,957
Other comprehensive income							
Foreign currency translation differences for foreign operations	-	(56)	-	-	-	-	(56)
Effective portion of changes in fair value of cash flow hedges	-	-	(94)	-	-	-	(94)
Total other comprehensive income	-	(56)	(94)	-	-	-	(150)
Total comprehensive income for the period	-	(56)	(94)	-	-	19,957	19,806
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	-	-	(12,381)	(12,381)
Total contributions by and distributions to owners	-	-	-	-	-	(12,381)	(12,381)
Balance at 30 November 2009	58,464	67	(2)	131	27,934	99,986	186,579

Notes to the Consolidated Financial Statements

1. Accounting entity

Livestock Improvement Corporation Limited ('LIC' or the 'Parent') is a company domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1993, and listed on the Alternative Board of the New Zealand Stock Exchange Limited ('NZAX'). The Parent is an issuer for the purpose of the Financial Reporting Act 1993 and its financial statements comply with that Act. The consolidated Financial Statements comprise the Parent and its subsidiaries.

2. Accounting policies

These Financial Statements have been prepared in accordance with NZ equivalent to International Accounting Standard 34. The Interim Financial Statements should be read in conjunction with the annual report for the year ended 31 May 2009. The accounting policies applied are consistent with those used in the comparative period (the six months to 30 November 2008) and in the (audited) annual report for the year ended 31 May 2009. There have been no changes in accounting policies during the interim period.

Certain comparative information has been reclassified in order to provide a more consistent basis for comparison.

Notes to the Consolidated Financial Statements

3. Operating Segments

Information about reportable segments

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. These business units offer different products and services, and are managed separately due to the different support, biological and technological requirements. For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Genetics. Includes the provision of bovine and cervine genetic breeding material and related services predominately to dairy and deer farmers.
- Herd Testing. The provision of herd testing and animal recording for pastoral farmers.
- Farm Software. Includes the provision of data recording and farm management information services.

	Genetics			Herd Testing			Farm Software			Other			Total		
	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009
	<i>Unaudited</i>			<i>Unaudited</i>			<i>Unaudited</i>			<i>Unaudited</i>			<i>Unaudited</i>		
<i>In thousands of New Zealand dollars</i>															
External revenues	58,952	65,443	70,836	8,286	9,295	21,614	14,903	13,533	24,386	12,632	17,924	33,460	94,773	106,195	150,296
Inter-segment revenue	740	716	2,008	-	-	-	-	-	-	-	-	61	740	716	2,070
Reportable segment profit before income tax	31,106	34,495	29,175	1,681	2,285	6,459	6,127	5,408	9,850	(8,929)	(6,836)	(20,917)	29,986	35,352	24,567

Notes to the Consolidated Financial Statements

3. Operating Segments (continued) Reconciliation of reportable segment profit or loss

<i>In thousands of New Zealand dollars</i>	6 months to 30 Nov 2009 Unaudited	6 months to 30 Nov 2008 Unaudited	12 months to 31 May 2009 Unaudited
Total profit or loss for reportable segments	29,986	35,352	24,567
Unallocated amounts:			
Other corporate income/ expenses	(702)	680	1,277
Impairment	-	-	(3,503)
Dividends	-	334	387
Share of loss of equity accounted investees	-	-	(21)
Fair value adjustments-biological assets	-	-	12,465
Consolidated profit before income tax	<u>29,284</u>	<u>36,366</u>	<u>35,171</u>

Changes to the basis of segmentation are reflective of the requirements of NZIFRS 8. There have been no changes to the measurement basis for the segment profit or loss since 31 May 2009.

4. Seasonal nature of business

LIC's business, particularly the Parent's artificial breeding business, is highly seasonal. November results, since they incorporate the majority of the artificial breeding revenues, but not a similar proportion of total costs, are not indicative of the second half result nor, therefore, the full year result.

5. Property, plant and equipment

<i>In thousands of New Zealand dollars</i>	6 months to 30 Nov 2009 Unaudited	6 months to 30 Nov 2008 Unaudited	12 months to 31 May 2009 Audited
Acquisitions	2,396	5,119	5,824
Disposals	534	3,368	6,471

Notes to the Consolidated Financial Statements

6. Reconciliation of the profit for the period with the net cash from operating activities

<i>In thousands of New Zealand dollars</i>	6 months to 30 Nov 2009 Unaudited	6 months to 30 Nov 2008 Unaudited	12 months to 31 May 2009 Audited
Profit for the period	19,957	25,380	24,672
Adjustments for:			
Depreciation	2,586	3,363	5,299
Amortisation of intangible assets	1,788	771	3,193
Impairment of goodwill	-	-	440
Share of loss in associate	-	-	21
Change in deferred taxation	(74)	177	5,290
Change in fair value of biological assets	-	-	(12,465)
Impairment of Investments	-	-	3,063
Loss on sale of property, plant and equipment	-	45	-
Gain on sale of property, plant and equipment	(44)	(432)	(626)
	4,256	3,924	4,215
Change in inventories (increase)/decrease	736	(399)	(2,752)
Change in trade receivables (increase)/decrease	(41,442)	(46,585)	2,246
Change in Co-Operative Shares increase/(decrease)	625	364	341
Change in assets held for sale (increase)/decrease	-	1,007	2,252
Change in biological assets (increase)/decrease	(184)	(30)	(159)
Change in Other Current Assets (increase)/decrease	596	62	128
Change in trade and other payables increase/(decrease)	2,533	85	(4,278)
Change in provisions increase/(decrease)	6,770	9,753	1,809
Items reclassified to/from Investing/Financing activities	(215)	(2,698)	(1,711)
	(30,581)	(38,441)	(2,124)
Net cash from operating activities	(6,369)	(9,137)	26,763

7. Capital commitments

At 30 November 2009, LIC has capital commitments to purchase plant and equipment of \$121,661. (As at 30 November 2008: \$590,000; at 31 May 2009: \$661,000)

8. Events subsequent to reporting date

There have been no significant events subsequent to the reporting date.

9. Related parties

Transactions with key management personnel

Key management personnel compensation comprised:

<i>In thousands of New Zealand dollars</i>	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009
Short term employee benefits	1,639	1,542	2,803
Defined Contribution Superannuation Plans	42	39	79
Termination Payments	-	-	101
	1,681	1,581	2,983

<i>In thousands of New Zealand dollars</i>	Transaction value			Balance outstanding		
	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009	6 months to 30 Nov 2009	6 months to 30 Nov 2008	12 months to 31 May 2009
Sale of goods and services						
Sale of goods and services to directors and key management personnel	303	302	385	194	163	13

Notes to the Consolidated Financial Statements

10. Audit

In accordance with the Financial Reporting Act 1993 these Financial Statements are not required to be audited. In line with previous years these Financial Statements have not been audited.

11. Contingent liability

In the normal course of business LIC is subject to claims against it. All claims are contested and defended. No provision has been made in these financial statements, as directors expect that the possibility of any outflow in settlement is remote. There has been no change in the contingent assets or liabilities since 31 May 2009.

12. Equity securities

479,880 Co-operative Control Shares have been repurchased during the period.

1,104,143 Co-operative Control Shares have been issued during the period.

13. Dividend

On 22 July 2009, LIC declared a dividend inclusive of imputation credits of 12.36c per Co-operative Control Share and 60.39c per Investment Share. These dividends were paid to shareholders on 21 August 2009.

14. Net tangible assets per investment share

As at 30 November 2009 net tangible assets per investment Share were \$5.58 (as at 30 November 2008 they were \$5.69).