Anpario

Nature's Answer

Anpario plc
Annual Report 2017




Orego-Stim - Naturally More Profitable

Anpario's "Naturally More Profitable" campaign has been launched to convey the company's commitment to using natural, high quality ingredients in their flagship Eubiotic product, Orego-Stim.

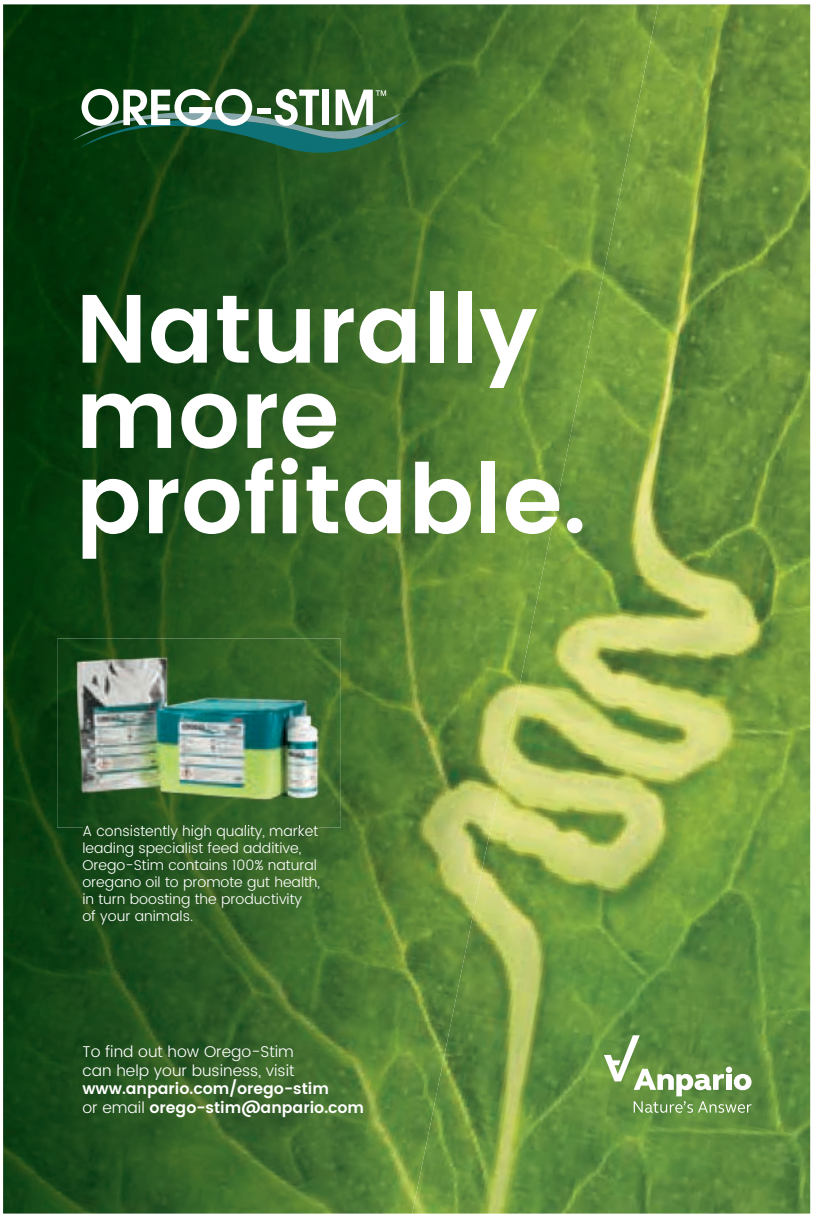
Orego-Stim is an oregano essential oil based product that works in the gastrointestinal tract to support animal health, leading to more productive and hence more profitable livestock.

The "Naturally More Profitable" campaign involves a series of print and online adverts and social media which will be seen globally. The campaign will also be carried across exhibition stands and conferences. The focus is a strong visual of an oregano leaf with an animal gut worked into the veins.

The campaign was launched to raise the profile of Anpario's quality product. Orego-Stim was one of the first phytogenic products of its kind. Produced only for Anpario, the organically grown oregano essential oil is extracted by steam distillation and subjected to numerous rigorous quality checks.

Anpario is proud of its British manufacturing and Orego-Stim is preserved in unique foil packaging to ensure consistent high quality in every batch, with extended shelf life allowing product to be shipped around the world.

Orego-Stim improves animals overall health and production by promoting optimum gut health and is integral in Anpario's commitment to review, reduce and replace antibiotic usage, responsibly.



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Strategic report

Anpario plc, the international producer and distributor of natural animal feed additives for animal health, nutrition and biosecurity is pleased to announce its full year results for the twelve months to 31 December 2017.

Financial highlights

- 20% increase in revenue to £29.2m (2016: £24.3m)
- 25% rise in gross profits to £14.3m (2016: £11.4m)
- 10% improvement in adjusted EBITDA[1] to £5.1m (2016: £4.6m)
- Proposed final dividend of 4.5p (2016: 5.5p) per share, total dividend for the year 6.5p (2016: 5.5p) an increase of 18%
- Cash balances of £13.6m at the year-end (2016: £11.1m)

Operational highlights

- Sales growth achieved across all regions
- Implementation of our strategy starting to deliver planned benefits
- Wholly-owned subsidiaries set up in Thailand and Indonesia
- Australian distributor, acquired in early 2017, performing well

Peter Lawrence, Chairman, commented:

"The Company is maintaining the progress of last year. However, as Anpario is an international business it is not immune to the effects of currency movements. The recent strengthening of sterling against some major currencies has created a headwind and we are cautiously watching the movement in raw material prices which might be mitigated by both our production automation and route to market. Our strong balance sheet and reliable cash generation provide Anpario with a platform to invest in growth for the future and to seek out selective earning enhancing acquisitions. Overall, I remain optimistic and look forward with confidence to reporting further progress in our interim results."

[1] Adjusted EBITDA represents profit for the period before tax £3.403m (2016: £2.680m) adjusted for: share based payments £0.259m (2016: £0.210m); net finance income £0.042m (2016: £0.059m); depreciation, amortisation and impairment charges of £0.825m (2016: £0.559m) and exceptional items of £0.627m (2016: £1.221m).

Strategic report (continued)

Chairman's statement

Anpario delivered a very strong performance for the twelve months to 31 December 2017 with growth in both revenue and profit. These results endorse our strategy of recruiting regional commercial teams and unifying our brands under the Anpario name. It is encouraging to see sales growth across all our regions and improved gross margin as the proportion of sales direct to the end user has increased through using our wholly-owned subsidiaries. Moreover, our average sales price has risen as the proportion of sales of higher value added products has increased reflecting the success of our more targeted sales initiatives.

The integration of our Australian distributor is now complete and the business is performing well. Our subsidiary in Thailand, established during the period, has now made its first sales to end users in that country.

The Board is recommending a final dividend of 4.5 pence per share making a total of 6.5 pence per share for the year, an increase of 18%. This dividend, payable on 27 July to shareholders on the register on 13 July, will be Anpario's tenth consecutive year of increased dividend payments to shareholders and continues to reflect the Company's confidence in the future and its ability to generate cash.

Financial review

Revenues for the year increased by 20% to £29.2m (2016: £24.3m) with strong growth across all regions. This significant progression is justification for, and the realisation of, the efforts of all staff and the investment made over the past two years to redirect the strategy and push the Group forward.

Gross profits have advanced by 25% to £14.3m (2016: £11.4m). Despite underlying raw material price inflation, we have been able to maintain our overall Group margins through increased volumes and a higher proportion of end customer sales.

To support the revenue growth and strategic initiatives, administrative expenses have risen by 36% to £10.4m (2016: £7.6m). This increase is primarily through higher employment and associated costs. Foreign exchange losses during the year totalled £0.6m. This compares with a gain of £0.2m in 2016 and represents an adverse variance of £0.8m. When the impact of foreign exchange is excluded, the comparative increase in underlying and continuing administrative expenses of 25% was lower.

Adjusted EBITDA, increased by 10% to £5.1m (2016: £4.6m), this positive advance was after taking into account currency effects.

Exceptional items in the year totalled £0.6m (2016: £1.2m), which have been incurred as part of the restructuring of the business, which we consider is substantially complete.

Profit before income tax has increased significantly by 27% to £3.4m (2016: £2.7m). Basic earnings per share increased by 15% to 14.66 pence per share (2016: 12.79 pence) and diluted earnings per share increased by 13% to 14.17 pence per share (2016: 12.58 pence).

The balance sheet is strong and debt free, with positive net cash generated from operating activities of £5.2m (2016: £3.8m). An overall net cash increase after investment and dividend payments of £2.5m (2016: £1.7m), resulting in a year-end cash balance of £13.6m (2016: £11.1m).

On 3 February 2017, the Group acquired the business and inventory of our Australian distributor, Cobbett. The initial cash outflow was £0.5m, with a further contingent consideration amount of £0.2m provided for. In the period since acquisition, the business has contributed revenues of £0.9m and profit before tax of £0.1m.

Operations

All regions delivered sales growth during the period with particularly strong performances in South East Asia, China, Middle East and the United States. Growth achieved in the United States was from a low base; however, the region now accounts for 7% of Group revenue and 10% of gross profit reflecting the high proportion of sales direct to the end user. Overall, organic sales growth totalled £4.0m. This advance reflects our strategy of transforming Anpario's sales channels to getting closer to the end user and increasing the proportion of higher value added products.

The United States continued to be the standout performer where sales have accelerated in the dairy sector and to organic egg layers and supplying poultry integrators for both conventional and antibiotic free production. Orego-Stim and our feed safety products are being well received by customers, who are benefitting from the significant

return on investment and the products help to achieve sustainable antibiotic free production. The United States presents a significant opportunity and we are actively recruiting a number of new sales people to build sales across this very large market. Inevitably, these overhead costs will be incurred before additional revenue is generated, however, we are confident on delivery over the coming year.

China benefited from the relaunch of Orego-Stim and this product accounts for around a quarter of our Chinese business. Anpario is the only supplier of Orego-Stim in China but currently sells under the Meriden-Stim brand. Litigation has continued with a former distributor over the trademark ownership, which we successfully regained in a recent court judgement. However, this has now been referred to the Court of Appeal. China's sales were modestly affected by delays in renewing local registrations but this issue was resolved towards the end of the period.

The integration of Cobbett and its rebranding as Anpario Australia is complete. Group finance and information systems have been installed, which give our finance and operation teams in the UK head office full visibility of how the business is progressing. A new regional manager has been appointed and is developing relationships with the extensive customer base.

In South East Asia, our wholly owned subsidiary in Thailand started trading and has now achieved its first sales direct to key end users. Two additional regional account managers have also been appointed to help drive sales growth.

Latin America achieved sales growth of 8% during the period with the two key markets, Brazil and Mexico, delivering strong performances. A change of team in Brazil combined with selling direct to the end users has helped to drive a turnaround there. Sales to customers in Chile and Peru were affected by changing distributors in those countries; we expect the benefit of these changes to come through during 2018.

The Middle East returned to growth with strong performances from Israel and Turkey and the start of sales in Kuwait. Sales in Egypt were impacted towards the end of the year as avian influenza hit production. We continue to build our sales force in the region including appointing a ruminant specialist in the United Arab Emirates.

Sales to Europe increased by 9%. The United Kingdom and Ireland were particularly good markets with sales ahead by 16% compared to the previous year. The principal reason for this excellent performance was the general improvement in the dairy sector and our initiatives focused on selling our range of gut health products and mycotoxin binders.

Production

The investment in our production plant in Manton Wood in recent years has improved productivity and enabled a quicker throughput of our products. We have also recently made modifications to enable us to produce smaller pack sizes, often requested by specific customers, and we intend to evaluate further opportunities where we can market smaller liquid and powder pack sizes.

We have been experiencing some raw material price increases, especially where there has been a disruption in production of specific raw materials. Anpario has strong relationships with its suppliers and although we have not been able to counter the price rises we have ensured continuity of supply. We have passed some increases on to customers but we believe our investment in automation and growth in direct business will help us to mitigate the effect of these input price rises and to maintain our margins.

Innovation and development

We have now completed the recruitment of our central technical team and its members have been designing and running trials to support the development of our product range. In addition to the zinc oxide trials mentioned at the half year; further trials include fertility improvement in dairy cows using Optomega and the use of Orego-Stim in relation to the development of coccidial immunity following vaccination. These trials have been undertaken in leading institutions around the world.

We have recently recruited a corporate development director to direct our strategic marketing plans and to help our sales teams when launching new products and to more effectively communicate the benefits to customers.

Strategic report (continued)

Board

I would like to welcome Richard Wood to the Board, he joined as Senior Independent Director in November 2017. We look forward to working with Richard and benefiting from his experience in the global animal health sector having built Genus plc into one of the world's leading animal genetics companies.

People

Anpario's growth and development is a reflection of its people across the globe. They are motivated by a desire to be leaders in their markets, delivering excellence to customers and helping build an international business that is known for its quality and success. Their commitment and dedication is greatly appreciated.

Outlook

The Company is maintaining the progress of last year. However, as Anpario is an international business it is not immune to the effects of currency movements. The recent strengthening of sterling against some major currencies has created a headwind and we are cautiously watching the movement in raw material prices which, as I mentioned above, might be mitigated by both our production automation and route to market. Our strong balance sheet and reliable cash generation provide Anpario with a platform to invest in growth for the future and to seek out selective earning enhancing acquisitions. Overall, I remain optimistic and look forward with confidence to reporting further progress in our interim results.

Peter A Lawrence
Chairman
7 March 2018

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:

Financial

	2017	2016
	£000	£000
Revenue	**29,241**	24,340
Gross profit	**14,346**	11,445
Adjusted EBITDA (note 3)	**5,072**	4,611
Adjusted earnings per share (note 8)	**16.74p**	16.90p
Net assets	**30,522**	28,537
Cash generated	**2,500**	1,652
Cash and cash equivalents	**13,559**	11,112

Non-financial

Health and safety – major accidents reportable to the Board in the year nil (2016: 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 other KPIs.

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 the notes to the financial statements, are the most significant but not necessarily the only ones associated with the Group and its businesses:

- **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.
- **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. Where possible, risk is mitigated through settlement by letters of credit and purchase of credit insurance.
- **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 costs and seeks to pass on increases to its customers; a number of suppliers are used in order to secure the best raw material prices.

Strategic report (continued)

Principal risks and uncertainties continued

- **EU referendum decision**
  The UK's referendum result on European Union (EU) membership has created uncertainty surrounding the nature of our trading relationship with EU countries. Depending on the outcome of the exit negotiations there could potentially be duties charged on goods we import from the EU and effectively increased prices to our EU customers through any duties imposed on their purchases from our operations in the UK. Anpario has been proactively engaged in understanding the potential scenarios and drawing up plans to mitigate any future risks to the business.
- **Exchange rates**
  The Group's competitiveness, profitability and net assets may be affected by significant currency fluctuations. The Group seeks to mitigate the impact through implementation of a Board approved hedging policy and entering into financial instrument contracts in respect of anticipated exposures.
- **Intellectual property risk**
  The commercial success of the Group and its ability to compete effectively with other companies depend, amongst other things, on its ability to obtain and maintain product registrations and trademarks to provide protection for the Group's intellectual property rights. The failure to obtain product registrations and trademark protection may have a material adverse effect on the Group's ability to conduct and develop its business. The Group seeks to reduce this risk by ensuring registrations are in place and regularly maintained as required in each jurisdiction that it exports to; seeking trademark protection for the Group's brands and products as considered appropriate; maintaining confidentiality agreements regarding Group know-how and technology; and monitoring the registration of patents and trademarks by other parties.
- **Regulatory requirements**
  The Group's products are subject to national regulatory requirements in every country that its products are sold. These can be subject to sudden and unpredictable changes and can therefore affect the Group's ability to sell products in certain countries. The Group has clearly established quality systems and procedures in place to obtain required regulatory approvals and always strives to meet or exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations. The compliance and legal teams remain constantly updated in respect of proposed and actual changes in order to ensure that the business is equipped to deal with, and adhere to, such changes. Where any changes are identified, which could affect our ability to continue to market and sell any of our products, a response team is created in order to mitigate such risk and to retain effective communication with the relevant regulators.

Anpario's strategy for growth

Anpario is an international producer and distributor of high performance natural feed additives for animal health, hygiene and nutrition. Our products work in harmony with the natural aspects of the animal's biology; and Anpario's expertise is focused on intestinal and animal health, and utilizing this understanding to improve animal performance and producer profitability.

Anpario supplies its customers with quality assured products manufactured in the United Kingdom and has an established global sales and distribution network in over 70 countries.

Anpario was built up through a combination of acquisitions and organic growth by establishing wholly owned subsidiaries in a number of key meat producing countries. The portfolio of products has been developed with the customer and the animal in mind, taking into account the life stages of the animal and the periods when they will be more challenged.

Anpario is well positioned to benefit from the trends in growth of the world's population, the increasing demand for meat and fish protein in developing countries and the tightening of global regulation which favours more natural feed additive solutions.

Our platform for growth

Sales channel management

- We target key markets that offer the greatest growth prospects and prioritise resources, time and investment
- We focus growth on the fastest developing regions and opportunities of Asia Pacific, Latin America and the United States
- In order to optimise our sales channels we have an experienced team of regional commercial directors to lead local sales teams who build closer relationships with major end users
- Wholly-owned subsidiaries have been set up in China, Brazil and the USA: the top three meat producing countries in the world, which account for over 50% of production output
- More recently, new subsidiaries have been set up in Thailand and Indonesia, and we acquired our Australian distributor in 2017
- We are building local commercial teams to service end users with both technical and commercial support for their production

Growth will fuel the self-financing of further initiatives within the subsidiaries and key regions

Differentiation

- We combine science and marketing to add value to our offering and drive differentiation from our competitors
- The portfolio of innovative products work in harmony with the natural aspects of the animal's biology to promote healthy growth
- Our technical team are highly qualified, the majority are PhDs or veterinarians
- Our expanding database of trials continues to demonstrate improvements in food conversion, productivity, weight gain and mortality reduction
- Anpario brought together cutting-edge product technologies and has a broad range of speciality feed additive products, including pioneering products such as 'Orego-Stim' and 'Salkil'
- Anpario's carrier technology is unique in allowing quick acting liquid active ingredients to be fed to the target animal in a dry, easy to handle, mixable form. Our competitive advantage in formulating liquid actives onto Anpario's carrier systems makes it easier for the feed-miller to work with and also for the animal to benefit from the active ingredients quickly and efficiently. The inert carrier also acts as a colonisation matrix on which indigenous probiotic organisms flourish, further encouraging the optimum balance of microflora in the gastro-intestinal tract
- Our production processes combined with specifically designed packaging ensures product consistency, quality and longevity of efficacy

Leveraging the innovations of our offering supports the sustainability of our growth and builds confidence in our brands

Efficiency

- We have unified our trading divisions into a single company umbrella brand strategy, this will enable the company to communicate more effectively and clearly in terms of our corporate vision, philosophy and values, as well as concentrating more marketing and research and development expenditure behind one brand
- Our portfolio has been divided into four product categories: Eubiotics, Feed Security, Feed Quality and Nutritional
- We maximise efficient use of our resources to generate continued, consistent and sustained value for our shareholders
- Recent investment in the production plant has improved our efficiency, operational gearing and speed of throughput enabling us to respond to customer demand more quickly
- We are profitable, cash generative, debt free and pay an increasing dividend

Driving efficiency throughout the organisation serves to accelerate the profitability of the Group

Strategic report (continued)

Our opportunity

Global population growth

- The world population is forecast to grow from 7bn to over 9bn by 2050
- There is an increasing growth of middle classes in the emerging markets
- The demand for meat protein continues to grow
- All these demands need to be met from a finite land resource
- Farming has to intensify significantly in order to satisfy these requirements

Legislation and food safety

- Intensification of livestock production
- Management and biosecurity practices are lagging, particularly in developing economies, increasing the risk of disease
- The resistance to antibiotics magnifies the risk of exposure
- Consumers demand improved levels of food safety including the removal of antibiotics from the food chain
- Legislation is tightening in many countries

Anpario

- Supplies natural alternatives to protect and improve performance of livestock
- Our diverse geographic reach enables us to get closer to our customers and generates significant upside
- Consolidating our acquisitions and establishing subsidiaries to control the sales channel has offered transformational scope
- Our innovative product portfolio will add value and fuel our growth

Governance

Corporate social responsibility

Anpario seeks to ensure a sustainable business, behaving socially, ethically and environmentally responsibly in relation to all its key stakeholders, including the communities in which the Group operates, its people and the environment. This is demonstrated through its:

- **Products and operations**
  Anpario supplies products to over 70 countries and provides products to enhance animal health and nutrition. Internal quality control ensures: the safety of its products; the operation of its manufacturing facilities to the highest standards; and the achievement of industry recognised quality standards. Responsible procurement policies are in place to source raw materials to high specification. We have an established Group health and safety policy and we are committed to achieving a safe and secure working environment in all our own locations.
- **Employees**
  Over 100 employees work for Anpario in the UK and its global operations. It is the Group's policy to involve colleagues in the business and to ensure that matters of concern to them, including the Group's aims and objectives and its financial performance, are communicated in an open way. Where appropriate, employees are offered the opportunity to become shareholders in order to promote active participation in, and commitment to, the Group's success. The provision of SAYE share schemes has resulted in 42 employees contributing to one or more of the current schemes in operation.

We encourage our employees to further develop their skills and provide appropriate training in order to support our people and grow organisational capabilities.

Anpario is an inclusive organisation where no one receives less favourable treatment on the grounds of gender, nationality, marital status, colour, race, ethnic origin, creed, sexual orientation or disability. The promotion of equal opportunities for all employees is regarded as an important Group priority. An analysis of Directors, senior managers and other employees by gender as at 7 March 2018 is as follows:

	Male	Female
Directors	3	1
Senior managers	8	9
Administration, Production, Sales and Technical staff	51	40
	62	50

Governance (continued)

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. The Board is committed to high standards of corporate governance. Anpario are committed to behaving professionally and responsibly to ensure the highest standards of honesty and integrity are maintained. Anpario also have a whistleblowing policy that is applicable to all our employees, other workers, our suppliers and those providing services to our organisation. A copy of our code of conduct is available on our website, http://www.anpario.com/code-of-conduct/.

- **The Board**
  The Board of Directors is collectively responsible and accountable to shareholders for the long-term success of the Company. The Board provides leadership within a framework of prudent and effective controls designed to enable risk to be assessed and managed.

  The Board regularly reviews the operational performance and plans of the Company and determines the Company's strategy, ensuring that the necessary financial and human resources are in place in order to meet the Company's objectives. The Board also sets the Company's values and standards, mindful of its obligations to shareholders and other stakeholders.

  The Board meets formally at least four times per annum. All Board members receive agendas and comprehensive papers prior to each Board meeting. The Finance Director is also the Company Secretary and is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are adhered to.

  All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

  The Board delegates its authority for certain matters to its Audit, Remuneration and Nomination Committees. The Board approves and reviews the terms of reference of each of the Committees which are available on the Company's website, http://www.anpario.com/aim-26/.

  In addition to formal Board and Committee meetings, ad hoc decisions of the Board and Committees are taken after discussion throughout the financial year as necessary through the form of written resolutions.

- **Directors' attendance**
  All Directors in office at the time of the various meetings were in attendance for all of the meetings convened between 9 March 2017 and 7 March 2018. A list of the meetings convened during the year is set out below.

	Number of meetings convened	Full attendance of meeting
Board meetings	4	Yes
Audit Committee meetings	2	Yes
Remuneration Committee meetings	2	Yes
Nomination Committee meeting	1	Yes

- **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.

  The Group's control environment is the responsibility of the Company's Directors and managers at all levels. The Board is therefore responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. No control system can provide absolute protection against material misstatement or loss, but it is designed to manage rather than eliminate the risk of failure to achieve business objectives and to provide the Directors with reasonable assurance that problems should be identified on a timely basis and dealt with appropriately.

- **Internal financial control** continued
  Due to the size of the Group, the Executive Directors are able to monitor performance and evaluate and manage on a continual basis the risks faced by the Group.

  The key procedures that have been established to provide effective internal control, including over the financial reporting process and the preparation of consolidated financial statements include a formalised reporting structure which includes the setting of detailed annual budgets and key performance indicators which are updated on a regular basis to form forecasts. These are reviewed at both management and Board meetings where all key aspects of the business are discussed including comparison of actual performance against budgets and forecasts;

  - detailed monthly reports to the Executive Board and quarterly reports to the Board;
  - defined authorisation levels for: expenditure; the placing of orders and contracts; and signing authorities;
  - segregation of accounting duties to control major financial risks;
  - daily cash movements are reconciled and monitored by the finance department and the Group's cash flow is monitored;
  - weekly updates on key statistics including sales, production and margin analysis from the Group's reporting systems.

- **Audit Committee**
  The Audit Committee is comprised of the two Non-Executive Directors and is chaired by Peter A Lawrence. It meets at least twice each financial year with the external auditors and considers any issues that are identified during the course of their audit work. The Board is satisfied that the Committee members have recent and relevant financial experience.

  The Committee met twice during the year-ended 31 December 2017 with full attendance by the Committee members. Meetings are also attended, by invitation, by the Finance Director and the external auditors and other management.

  The Committee regularly reviews its terms of reference and makes recommendations to the Board for any changes as appropriate. The current terms of reference are available on the Company's website.

  The Committee reviews the independence of the external auditors, Deloitte LLP on an annual basis. It receives a detailed audit plan, from Deloitte LLP, identifying their assessment of the key risks. The Committee assesses the effectiveness of the audit process in addressing these matters through the reporting it receives from Deloitte LLP at both the half-year and year-ends.

- **Shareholders**
  Communications with shareholders are given high priority. Following the announcement of the Company's half-year and full-year results, the Directors, normally represented by the Chief Executive Officer and the Finance Director, make detailed business presentations to institutional shareholders and investment analysts. The Chairman meets or has contact with major shareholders as necessary. Feedback directly from shareholders and via the Company's advisers after these regular analyst and shareholder meetings ensures that the Board understands shareholder views. The Directors between them hold a significant number of shares in the Company which also ensures that their interests are fully aligned with those of other shareholders. The Board uses the AGM to communicate with both private and institutional investors and welcomes their attendance.

- **Remuneration Committee**
  Directors' remuneration is determined by the Remuneration Committee which is comprised of the two Non-Executive Directors and is chaired by Richard K Wood. It meets at least once each financial year. The Committee met twice during the year-ended 31 December 2017 with full attendance by the Committee members. The policy for the current and future financial years for the remuneration and incentivisation of the Executive Directors is:

  - to ensure that individual rewards and incentives are aligned with the performance of the Group and interest of shareholders;

Governance (continued)

- **Remuneration Committee** continued
  - to ensure that performance-related elements of remuneration constitute a significant proportion of an Executive's remuneration package; and
  - to maintain a competitive remuneration package which enables the Group to attract, retain and incentivise Executives of the calibre required. All of the Executive Directors have service contracts with the Company. The notice period of all Executive Directors' service contracts is twelve months.

The key components of Executive remuneration are:

- **Salary**
  The purpose is to provide a competitive base salary for the market in which the Company operates to attract and retain Executives of a suitable calibre. Salaries are usually reviewed annually, although interim reviews will be undertaken if considered appropriate. Salary levels are determined taking into account a range of factors, which may include:
  - underlying Group performance;
  - role, experience and individual performance;
  - competitive salary levels and market forces; and
  - pay and conditions elsewhere in the Group.
- **Benefits package**
  The purpose is to provide broadly market competitive benefits as part of the total remuneration package. Executive Directors receive benefits in line with market practice, and these include principally life insurance, permanent health insurance, private medical insurance and a company car.
- **Pension benefits**
  The purpose is to provide an appropriate level of retirement benefit or cash allowance equivalent. Executive Directors are eligible to participate in an approved personal pension. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.
- **Performance bonus**
  The purpose is to incentivise Executive Directors to deliver annual business performance and achieve wider Group objectives. Awards are based on annual performance against key financial and strategic targets and/or the delivery of personal objectives. Pay-out levels are determined by the Remuneration Committee, after the year-end, based on performance against those targets.
- **Share incentives**
  The purpose is to directly align Directors' interests with those of shareholders. Share options and jointly owned shares have been issued to Executives and other senior managers under management incentive schemes over a number of years. The usual vesting period is three years or on a change of control, if earlier. Interests in these schemes are disclosed below.
- **Sharesave scheme**
  To create alignment with the Group and promote a sense of ownership. Executive Directors are entitled to participate in a tax qualifying all employee Sharesave scheme under which they may make monthly savings contributions over a period of three years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% of the market value of shares at the date of grant.

Directors' remuneration report

Directors' remuneration

	Emoluments and compensation		Post-employment benefits	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Director				
R S Rose	**40**	60	**–**	–
P A Lawrence	**40**	40	**–**	–
R P Edwards	**412**	297	**–**	–
D M A Bullen	**–**	230	**–**	18
K L Prior	**299**	208	**8**	13
R K Wood	**6**	–	**–**	–

Emoluments and compensation includes salary, bonus, benefits and compensation for loss of office.

R S Rose resigned as Non-Executive Chairman on 1 September 2017. R K Wood was appointed as Senior Independent Director on 1 November 2017.

Remuneration of D M A Bullen as shown above is included in exceptional items note 25. Remuneration relating to Share-Based payments is disclosed in note 26.

Directors' interests

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

	Ordinary shares of 23p each	
Director	**31 Dec 2017**	31 Dec 2016
R S Rose	**–**	31,057
P A Lawrence	**63,350**	27,950
R P Edwards	**206,687**	202,723
K L Prior	**206,800**	202,836

There has been no change in the Directors' interests between 31 December 2017 and 7 March 2018.

Management incentive schemes

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

Director	Option Price (pence per share)	**31 Dec 2017**	31 Dec 2016
R P Edwards	158.50	**80,000**	80,000
	227.04	**–**	3,964
	290.00	**42,400**	42,400
	224.13	**4,015**	4,015
	334.00	**2,694**	–
K L Prior	158.50	**80,000**	80,000
	227.04	**–**	3,964
	290.00	**42,400**	42,400
	224.13	**4,015**	4,015
	334.00	**2,694**	–

Directors' remuneration report (continued)

Share plan limits

Anpario have applied a limit to the total number of new shares which may be issued under awards under the CSOP, SAYE, JSOP and under any other incentive plans which might involve the issue of new shares. That limit will be the total number of new shares over which future awards may be made, when added to the total number of shares issued and issuable under awards granted on 16 September 2016 and any awards which are outstanding as at that date shall not exceed 16.3% of the total of the number of shares in issue from time to time.

Joint Share Ownership Plan

Anpario also announces that, on 20 September 2017, it has allotted 125,018 new Ordinary shares. The Ordinary shares have been issued at a subscription price of 375 pence per Ordinary share, being the closing price of an Ordinary share on 19 September 2017, pursuant to The Anpario plc Employees' JSOP (the "Plan").

The Ordinary shares have been issued into the respective joint beneficial ownership of (i) the participating Executive Director, Karen Prior and (ii) the trustee of the Trust upon and subject to the terms of joint ownership agreements ("JOAs") respectively entered into between the Director, the Company and the Trustee. The subscription price has been paid by the Trust out of funds advanced to it by the Company.

£475,000 was advanced to the Trust in order that the shares were issued fully paid. To this extent the transaction was effectively cash neutral to the Company. These transactions resulted in an obligation by the Trust to settle the £475,000 advanced by the Company.

In addition, 49,982 existing Ordinary Shares, which as previously described had been acquired by the Trustee on the exercise of conversion options in respect of shares formerly held in joint ownership, have been transferred by the Trustee, for no consideration, into the respective joint beneficial ownership of (i) each of the participating Executive Directors named below and (ii) the Trustee upon and subject to the terms of the JOAs respectively entered into between the Director concerned, the Company and the Trustee.

The terms of the JOAs 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 Director receives an amount equal to any growth in the market value of the jointly owned Ordinary shares above the initial market value (375 pence per share), less a "carrying cost" (equivalent to simple interest at 4.5 per cent per annum on the initial market value) and the Trust receives the initial market value of the jointly owned shares plus the carrying cost. Jointly owned Ordinary shares will become vested if the participant remains with the Company for a minimum period of 3 years.

The beneficiaries and their interests in the JSOP shares are as follows:

	2017	2016
R P Edwards	**1,350,000**	1,350,000
K L Prior	**1,200,000**	1,200,000

Directors' report

The Directors present their annual report and audited consolidated financial statements for the year-ended 31 December 2017.

Results and dividends

The profit for the year after tax from continuing operations was £3.0m (2016: £2.6m). The Directors propose a final dividend of 4.5p per share (2016: 5.5p) making a total of 6.5p per share for the year (2016: 5.5p), amounting to a total dividend of £1.4m (2016: £1.2m).

Directors

The Directors during the year under review were:

Peter A Lawrence	Non-Executive Director/Non-Executive Chairman
Richard P Edwards	Chief Executive Officer
Karen L Prior	Group Finance Director
Richard S Rose	Non-Executive Chairman (resigned 1 September 2017)
Richard K Wood	Senior Independent Director (appointed 1 November 2017)

The Board regards the Non-Executive Directors as being independent. The biographies and roles of all Directors and their roles on the Audit, Remuneration and Nomination Committees are set out at the end of this report.

Details of the Directors' interests in the shares of the Company are provided in the Directors' remuneration report.

Substantial shareholdings

At 2 March 2018, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital:

	Ordinary Shares (000)	% held
Royal Trust Corp of Canada Custodians	2,650	11.5
Unicorn Asset Management Limited	2,046	8.8
Downing LLP	1,610	7.0
Livingbridge VC LLP	1,399	6.0
Investec Wealth & Investment Limited	1,110	4.8
Allianz Global Investors GmbH	1,100	4.8
Schroder Investment	804	3.5
Miton Group plc	761	3.3
Hargreaves Lansdown Asset Mgt	739	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.

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.

Share capital

During the year 30,068 (2016: 295,734) Ordinary shares of 23p each were issued pursuant to the exercise of share options. During the year the Company issued 225,018 (2016: 718,295) Ordinary shares of 23p at market price to the Trustees of The Anpario plc Employees' Share Trust. A Special Resolution will be proposed at our AGM to renew the Directors' limited authority last granted in 2017 to repurchase Ordinary shares in the market. The Company holds 143,042 (2016: 143,042) Ordinary shares of 23p in treasury.

Independent auditors

PricewaterhouseCoopers LLP ceased to hold office as the Company's auditors and Deloitte LLP have been appointed as the Company's auditors following the passing of a resolution at the last AGM.

Directors' report (continued)

Stockbrokers
Peel Hunt LLP is the Company's stockbroker and nominated adviser.

The closing share price on 31 December 2017 was 397.5p per share (2016: 288.5p per share).

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.

Financial risk management
Details of the Company's financial risk management policy are set out in note 2.21 of the financial statements.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group 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:

- there is no relevant audit information of which the Company's auditors are unaware; and
- 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.

By order of the Board

Karen L Prior
Company Secretary
7 March 2018

Independent auditors' report to the members of Anpario plc

Report on the audit of the financial statements

Opinion

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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

We have audited the financial statements of Anpario plc (the 'parent company') and its subsidiaries (the 'Group') 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 cash flow statement; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Existence and valuation of brands; and • Revenue recognition on export sales.
Materiality	The materiality that we used for the Group financial statements was £200,000 which was determined on the basis of 5% of normalised profit before taxation adjusted to exclude restructuring costs and other exceptional items.
Scoping	Our full scope procedures included the UK entity which covered 92% of the total revenue for the Group and all of the Group's profit. We have undertaken specific procedures on balances in the overseas subsidiaries to address specific risks to the Group.

Independent auditors' report to the members of Anpario plc (continued)

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence and valuation of brands	
Key audit matter description	As new products are developed and existing product evolve there is a risk that existing brands are no longer in use and will not generate profits in the future and therefore if this was the case this would impact the valuation of these intangible assets. Given the level of profitability within the Group the risk of material misstatement is that the brands no longer exist after the Group's rebranding exercise. Brands have a net book value of £2.5m as at 31 December 2017 (2016: £2.5m) as noted in note 11. Those charged with governance have described the judgements and assumptions that they have applied in the accounting policies and note 11 of the financial statements. Following the Group's successful rebranding there is risk that historic development and brand costs are no longer intangible assets that provide a future economic benefit to the Group. As, the carrying values of these intangible assets are contingent on future cashflows there is a risk of material misstatement that the value of these assets is impaired if the cash flows do not meet the expectations of the Group. Management is required to make judgements in assessing future cashflows that include assumptions surrounding growth rates, product sales and discount factors. A change in these assumptions may result in an impairment to the carrying value of intangible assets and goodwill.
How the scope of our audit responded to the key audit matter	• We have evaluated the design and implementation of the key controls relating to the assessment of the carrying value of these intangible assets. • We have utilised specialists in assessing the appropriateness of the methodology applied by management in calculating the value in use for each intangible. • We challenged management's assumptions used in the impairment model including specifically the cash flow projections by sensitising against current run rates and benchmarking the discount rate that has been applied. • We tested the integrity of management's model and supporting calculations for the impairment review.
Key observations	We concur with the treatment of other intangibles and the corresponding amounts of amortisation and are satisfied that the assumptions used in the impairment model are within a suitable range. As products associated with these brands continue to generate positive margins we have found no issues surrounding the existence of these intangibles.

Revenue recognition on export sales	
Key audit matter description	The Group makes a significant amount of export sales and is an area of continued focus as outlined in the Director's strategy for growth included within the strategic report. As outlined in note 3, £22.5m (76.8%) of revenue is generated outside of Europe. These are either conducted directly with an end user of through a distributor network. The terms of the sales can vary from customer to customer and as such there is a risk of material misstatement that revenue is not recognised when the risks and rewards of items have been transferred.
How the scope of our audit responded to the key audit matter	• We conducted a walkthrough and assessed the design and implementation of controls and reviews undertaken to ensure that revenue is recognised in the correct period. • Key commercial terms have been reviewed for a sample of customers outlining when the risks and rewards have been transferred to the client. • A sample of despatches made either side of the year end were traced through to when revenue had been recognised and to the contractual terms to assess whether it corresponded to when the risks and rewards had been transferred to the customer.
Key observations	We are satisfied that the revenue recognised in the current period is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£200,000	£170,000
Basis for determining materiality	5% of normalised pre-tax profit.	5% of pre-tax profit.
Rationale for the benchmark applied	We have assessed the use of a headline measure to be appropriate as this continues to be a key driver of the business's value, is a critical component of the financial statements and a key metric that management use to monitor the performance of the business and communicate this to shareholders. We have normalised this for exceptional items as these are largely in relation to the implementation of a new global strategy and are non-recurring in nature.	We have assessed the use of a headline measure to be appropriate as this continues to be a key driver of the business's value, is a critical component of the financial statements and a key metric that management use to monitor the performance of the business and communicate this to shareholders.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditors' report to the members of Anpario plc (continued)

An overview of the scope of our audit

The full scope audit was in relation to the UK entity. As the overseas subsidiaries act as distribution channels for the UK entity these were not deemed to be significant. The UK entity comprises 78% of the Group's total external revenue and generates all of the Group's profit. Excluding intercompany balances the UK entity equates to 92% of the Group's total assets.

There are no other areas of sub consolidation within the Group. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. Due to the nature of the Group we have undertaken specific procedures on certain balances within the overseas subsidiaries specifically in relation to the entities in China and USA. Audit work to respond to the risks of material misstatement in these subsidiaries was performed directly by the audit engagement team. The specific tests conducted on these balances were undertaken at a component materiality that was 40% of the Group's materiality.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in respect of these matters.**

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and or the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • 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.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	**We have nothing to report in respect of these matters.**

Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, UK
7 March 2018

Consolidated income statement

for the year ended 31 December 2017

	Notes	**2017 £000**	2016 £000
Revenue	3	**29,241**	24,340
Cost of sales		**(14,895)**	(12,895)
Gross profit		**14,346**	11,445
Administrative expenses		**(10,358)**	(7,603)
Exceptional items	25	**(627)**	(1,221)
Operating profit		**3,361**	2,621
Finance income	7	**42**	59
Profit before income tax		**3,403**	2,680
Income tax expense	10	**(418)**	(100)
Profit for the year		**2,985**	2,580
Profit attributable to:			
Owners of the parent		**2,985**	2,580
Profit for the year		**2,985**	2,580
Basic earnings per share	8	**14.66p**	12.79p
Diluted earnings per share	8	**14.17p**	12.58p

Consolidated statement of comprehensive income

for the year ended 31 December 2017

	2017 £000	2016 £000
Profit for the year	**2,985**	2,580
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translating foreign operations	**109**	(87)
Cashflow hedge movements (net of deferred tax)	**162**	37
Total comprehensive income for the year	**3,256**	2,530
Attributable to the owners of the parent	**3,256**	2,530

The notes on pages 26 to 55 form part of these financial statements.

Consolidated and parent company balance sheets

for the year ended 31 December 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**£000**	£000	**£000**	£000
Intangible assets	11	**10,820**	10,132	**10,249**	10,123
Property, plant and equipment	12	**3,347**	3,539	**3,300**	3,474
Investment in Subsidiaries	13	**–**	–	**5,393**	4,565
Deferred tax assets	18	**447**	286	**164**	50
Non-current assets		**14,614**	13,957	**19,106**	18,212
Inventories	14	**3,088**	2,246	**2,028**	1,658
Trade and other receivables	15	**5,720**	6,719	**9,922**	9,213
Derivative financial instruments	28	**220**	14	**220**	14
Cash and cash equivalents	16	**13,559**	11,112	**12,142**	10,392
Current assets		**22,587**	20,091	**24,312**	21,277
Total assets		**37,201**	34,048	**43,418**	39,489
Called up share capital	21	**5,350**	5,291	**5,350**	5,291
Share premium		**10,330**	9,515	**10,330**	9,515
Other reserves	23	**(5,406)**	(5,112)	**(3,257)**	(2,854)
Retained earnings	22	**20,248**	18,843	**20,968**	18,560
Total equity		**30,522**	28,537	**33,391**	30,512
Deferred tax liabilities	18	**1,044**	1,014	**1,044**	1,014
Non-current liabilities		**1,044**	1,014	**1,044**	1,014
Trade and other payables	17	**5,348**	4,351	**8,729**	7,820
Current income tax liabilities		**287**	146	**254**	143
Current liabilities		**5,635**	4,497	**8,983**	7,963
Total liabilities		**6,679**	5,511	**10,027**	8,977
Total equity and liabilities		**37,201**	34,048	**43,418**	39,489

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 £3,988,000 (2016: £3,113,000).

The notes on pages 26 to 55 form part of these financial statements.

The financial statements on pages 22 to 55 were approved by the Board and authorised for issue on 7 March 2018.

Richard P Edwards
Chief Executive Officer

Karen L Prior
Group Finance Director

Company Number: 03345857

Consolidated and parent company statements of changes in equity for the year ended 31 December 2017

Group	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	**5,058**	**7,613**	**(3,374)**	**17,287**	**26,584**
Profit for the year	–	–	–	2,580	2,580
Currency translation differences	–	–	(87)	–	(87)
Cash flow hedge reserve	–	–	37	–	37
Total comprehensive income for the year	–	–	(50)	2,580	2,530
Issue of share capital	233	1,902	–	–	2,135
Deferred tax regarding share-based payments	–	–	(128)	–	(128)
Joint share ownership plan	–	–	(1,760)	–	(1,760)
Share-based payment adjustments	–	–	200	–	200
Dividends	–	–	–	(1,024)	(1,024)
Transactions with owners	233	1,902	(1,688)	(1,024)	(577)
Balance at 31 December 2016	**5,291**	**9,515**	**(5,112)**	**18,843**	**28,537**
Profit for the year	–	–	–	2,985	**2,985**
Currency translation differences	–	–	109	–	**109**
Cash flow hedge reserve	–	–	162	–	**162**
Total comprehensive income for the year	–	–	271	2,985	**3,256**
Issue of share capital	59	815	–	–	**874**
Deferred tax regarding share-based payments	–	–	71	–	**71**
Joint share ownership plan	–	–	(825)	–	**(825)**
Share-based payment adjustments	–	–	189	–	**189**
Dividends	–	–	–	(1,580)	**(1,580)**
Transactions with owners	59	815	(565)	(1,580)	**(1,271)**
Balance at 31 December 2017	**5,350**	**10,330**	**(5,406)**	**20,248**	**30,522**

Company	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2016	**5,058**	**7,613**	**(1,203)**	**16,471**	**27,939**
Profit for the year	–	–	–	3,113	3,113
Cash flow hedge reserve	–	–	37	–	37
Total comprehensive income for the year	–	–	37	3,113	3,150
Issue of share capital	233	1,902	–	–	2,135
Deferred tax regarding share-based payments	–	–	(128)	–	(128)
Joint share ownership plan	–	–	(1,760)	–	(1,760)
Share-based payment adjustments	–	–	200	–	200
Dividends	–	–	–	(1,024)	(1,024)
Transactions with owners	233	1,902	(1,688)	(1,024)	(577)
Balance at 31 December 2016	**5,291**	**9,515**	**(2,854)**	**18,560**	**30,512**
Profit for the year	–	–	–	3,988	**3,988**
Cash flow hedge reserve	–	–	162	–	**162**
Total comprehensive income for the year	–	–	162	3,988	**4,150**
Issue of share capital	59	815	–	–	**874**
Deferred tax regarding share-based payments	–	–	71	–	**71**
Joint share ownership plan	–	–	(825)	–	**(825)**
Share-based payment adjustments	–	–	189	–	**189**
Dividends	–	–	–	(1,580)	**(1,580)**
Transactions with owners	59	815	(565)	(1,580)	**(1,271)**
Balance at 31 December 2017	**5,350**	**10,330**	**(3,257)**	**20,968**	**33,391**

The notes on pages 26 to 55 form part of these financial statements.

Consolidated and parent company statements of cash flows for the year ended 31 December 2017

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Cash generated from operating activities	**5,583**	3,957	**5,159**	3,822
Income tax paid	**(349)**	(159)	**(349)**	(147)
Net cash generated from operating activities	**5,234**	3,798	**4,810**	3,675
Investment in Subsidiary	**(514)**	–	**(828)**	(51)
Purchases of property, plant and equipment	**(151)**	(729)	**(146)**	(667)
Proceeds from disposal of tangible and intangible assets	**44**	4	**1**	4
Payments to acquire intangible assets	**(624)**	(831)	**(622)**	(828)
Interest received	**42**	59	**66**	73
Net cash used in investing activities	**(1,203)**	(1,497)	**(1,529)**	(1,469)
Joint share ownership plan	**(825)**	(1,760)	**(825)**	(1,760)
Proceeds from issuance of shares	**874**	2,135	**874**	2,135
Dividend paid to Company's shareholders	**(1,580)**	(1,024)	**(1,580)**	(1,024)
Net cash used in financing activities	**(1,531)**	(649)	**(1,531)**	(649)
Net increase in cash and cash equivalents	**2,500**	1,652	**1,750**	1,557
Effect of exchange rate changes	**(53)**	123	**–**	–
Cash and cash equivalents at the beginning of the year	**11,112**	9,337	**10,392**	8,835
Cash and cash equivalents at the end of the year	**13,559**	11,112	**12,142**	10,392

	Group		Company	
	2017	2016	**2017**	2016
Cash generated from operating activities	**£000**	£000	**£000**	£000
Profit before income tax	**3,403**	2,680	**4,435**	3,429
Net finance income	**(42)**	(59)	**(66)**	(73)
Depreciation, amortisation and impairment	**825**	1,130	**796**	1,349
Loss/(Profit) on disposal of tangible and intangible assets	**19**	(4)	**19**	(4)
Share-based payments	**189**	200	**189**	200
Fair value adjustment to derivatives	**(44)**	–	**(44)**	–
Changes in working capital:				
Inventories	**(855)**	(218)	**(370)**	(327)
Trade and other receivables	**965**	55	**(696)**	(1,239)
Trade and other payables	**1,123**	173	**896**	487
Cash generated from operating activities	**5,583**	3,957	**5,159**	3,822

The notes on pages 26 to 55 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2017

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. The presentation currency of the Group is pounds sterling. For details of the basis of consolidation see note 2.2.

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, IFRS IC 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 financial statements of the Company and its Subsidiaries drawn up to 31 December 2017.

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

2.2 Basis of consolidation continued

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 when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods in accordance with the relevant contractual incoterms;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

- 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.
- 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 2017

2.5 Foreign currency translation continued

- 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

- Patents, trademarks and registrations
  Separately acquired patents, trademarks and registrations are shown at historical cost. Patents, trademarks and registrations have finite useful lives 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.
- 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.
- 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.

  Where appropriate, once development work has been completed the asset(s) generated may be reclassified to another intangible asset category and be subjected to the relevant accounting treatment as defined in this note.

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

2.6 Intangible assets continued

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

- 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 10 to 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.

- 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 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.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the average cost 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.

Notes to the financial statements continued

for the year ended 31 December 2017

2.11 Trade receivables

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

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14 Derivative financial instruments

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, these have been designated as qualifying cash flow hedges.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place).

2.15 Leasing

The Group has entered into leases on certain property, plant and equipment.

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.

2.16 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.

2.17 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 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.

2.17 **Taxation** continued

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, 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.

2.18 **Employee benefits**

- Share-based payments

  The Group issues equity-settled share-based payments and shares under the Joint Share Ownership Plan ("JSOP") and Company Share Option Plan ("CSOP") 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 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.

  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.

Notes to the financial statements continued

for the year ended 31 December 2017

2.18 Employee benefits continued

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 financial statements.

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 charge will be treated as a cash-settled transaction.

- 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.

2.19 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 arising 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 Anpario 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.

2.20 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.

2.21 Financial risk management

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

- 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.

- 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.

2.21 Financial risk management continued

- 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 hedging instruments as considered appropriate to mitigate the risk.

- 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.

2.22 Critical accounting estimates

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:

- 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.

2.23 Impact of accounting standards and interpretations

There are no new standards and interpretations which materially impact the current year financial statements.

A number of new standards and amendments to standards and interpretations are effective for annual years beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. These have been set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted subject to EU endorsement. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is yet to assess the impact of IFRS 15.

Notes to the financial statements continued

for the year ended 31 December 2017

2.23 Impact of accounting standards and interpretations continued

IFRS 16, 'Leases', replaces the current guidance in IAS 17. IFRS 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. Under IFRS 16 lessees have to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for almost all lease contracts. In the income statement lessees will have to present interest expense on the lease liability and depreciation on the right-of-use asset. As under IAS 17, the lessor has to classify leases as either finance or operating, depending on whether substantially all of the risk and rewards incidental to ownership of the underlying asset have been transferred. For both lessees and lessors IFRS 16 adds significant new, enhanced disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted, subject to EU endorsement, but only in conjunction with IFRS 15, 'Revenue from contracts with customers'. The Group is yet to assess the impact of IFRS 16.

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. Following recent changes, including the appointment of regional commercial directors and the opening of additional regional offices, Anpario has made adjustments to its segmental reporting structure. All previous values have been restated in line with the new structure.

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 or in accordance with local transfer pricing regulations.

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Year ended 31 December 2017						
Total segmental revenue	6,013	12,461	10,967	3,984	–	33,425
Inter-segment revenue	–	–	(4,184)	–	–	(4,184)
Revenue from external customers	6,013	12,461	6,783	3,984	–	29,241
Adjusted EBITDA	1,818	3,775	2,641	1,528	(4,690)	5,072
Depreciation and amortisation	(13)	(10)	–	–	(802)	(825)
Net finance income	1	1	–	2	38	42
Share-based payments	–	–	–	–	(259)	(259)
Exceptional items	(36)	(254)	(3)	(42)	(292)	(627)
Profit before tax	1,770	3,512	2,638	1,488	(6,005)	3,403
Income tax	17	(31)	–	(1)	(403)	(418)
Profit for the period	1,787	3,481	2,638	1,487	(6,408)	2,985
Total assets					37,201	37,201
Total liabilities					(6,679)	(6,679)

3 Segment information continued

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Year ended 31 December 2016						
Total segmental revenue	4,491	10,351	8,450	2,953	–	26,245
Inter-segment revenue	–	–	(1,905)	–	–	(1,905)
Revenue from external customers	4,491	10,351	6,545	2,953	–	24,340
Adjusted EBITDA	1,373	3,507	2,510	1,247	(4,026)	4,611
Depreciation and amortisation	(10)	(6)	(3)	–	(540)	(559)
Net finance income	–	1	–	–	58	59
Share-based payments	–	–	–	–	(210)	(210)
Exceptional items	(93)	(107)	–	(32)	(989)	(1,221)
Profit before tax	1,270	3,395	2,507	1,215	(5,707)	2,680
Income tax	156	29	–	(3)	(282)	(100)
Profit for the period	1,426	3,424	2,507	1,212	(5,989)	2,580
Total assets					34,048	34,048
Total liabilities					(5,511)	(5,511)

The entity is domiciled in the UK.

Share-based payment charges of £259,000 (2016: £210,000) includes £70,000 (2016: £10,000) of professional fees that have been expensed during 2017.

4 Profit for the year

Profit for the year has been arrived at after charging/(crediting) the following items:

	2017 £000	2016 £000
Cost of inventories recognised as an expense	**11,693**	9,908
Employee expenses (note 6)	**6,087**	4,866
Share-based payment charges	**259**	210
Depreciation of property, plant and equipment	**327**	261
Amortisation of intangible assets	**498**	298
Impairment of intangible assets	**–**	571
Loss/(gain) on disposal of tangible and intangible assets	**19**	(4)
Net foreign exchange losses/(gains)	**642**	(98)
Research and development expenditure	**24**	16
Acquisition, closure and restructuring	**627**	649
Other expenses	**5,704**	5,042
Total cost of sales, distribution and administrative expenses	**25,880**	21,719

In addition to research and development expenditure noted above, amounts included in employee expenses above totalling £610,000 (2016: £481,000) relate to our specialist technical team remuneration costs. The team includes specialists in poultry, swine, ruminant & aquaculture species. Out of this we have capitalised internal costs of £62,000 and expended a further £191,000 on external trials in respect of current development projects.

Notes to the financial statements continued

for the year ended 31 December 2017

5 Auditors' remuneration

PricewaterhouseCoopers LLP ceased to hold office as the Company's auditors and Deloitte LLP have been appointed as the Company's auditors following the passing of a resolution at the last AGM. During the year the Group obtained the following services from the Company's auditors:

	2017 £000	2016 £000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	**57**	56
Fees payable to Company's auditors for other services:		
The audit of Company Subsidiaries	**–**	–
Tax advisory service	**–**	7
Other non-audit services	**–**	–
Total fees payable to Company's auditors	**57**	63

6 Employees

Number of employees

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

Group	**2017 Number**	2016 Number
Production	**25**	24
Administration	**25**	21
Sales and Technical	**61**	56
Total average headcount	**111**	101

Company	**2017 Number**	2016 Number
Production	**25**	24
Administration	**18**	17
Sales and Technical	**40**	38
Total average headcount	**83**	79

In addition to employees, Anpario also engages various sales and technical specialists on a consultancy basis in several countries.

Employment costs

Group	**2017 £000**	2016 £000
Wages and salaries	**5,412**	4,250
Social security costs	**530**	472
Other pension costs	**145**	144
Share-based payment charges	**259**	210
Total employment costs	**6,346**	5,076

Company	**2017 £000**	2016 £000
Wages and salaries	**4,096**	3,458
Social security costs	**337**	326
Other pension costs	**132**	134
Share-based payment charges	**259**	210
Total employment costs	**4,824**	4,128

7 Finance income

	2017 £000	2016 £000
Interest receivable on short-term bank deposits	**42**	59
Total finance income	**42**	59

8 Earnings per share

	2017	2016
Weighted average number of shares in issue (000s)	**20,361**	20,166
Adjusted for effects of dilutive potential Ordinary shares (000s)	**709**	340
Weighted average number for diluted earnings per share (000s)	**21,070**	20,506
Profit attributable to owners of the Parent (£000s)	**2,985**	2,580
Basic earnings per share	**14.66p**	12.79p
Diluted earnings per share	**14.17p**	12.58p

	2017 £000	2016 £000
Profit attributable to owners of the Parent	**2,985**	2,580
Exceptional items (net of tax)	**544**	1,113
Prior year tax adjustments	**(121)**	(285)
Adjusted profit attributable to owners of the Parent	**3,408**	3,408
Adjusted earnings per share	**16.74p**	16.90p
Diluted adjusted earnings per share	**16.17p**	16.62p

9 Dividend payable

	2017 £000	2016 £000
2015 final dividend paid: 5.0p per 23p share	**–**	1,024
2016 final dividend paid: 5.5p per 23p share	**1,152**	–
2017 interim dividend paid: 2.0p per 23p share	**428**	–
Total dividends paid	**1,580**	1,024

A final dividend in respect of the year ended 31 December 2017 of 4.5p per share, amounting to a total dividend of £1.0m, is to be proposed at the Annual General Meeting on 28 June 2018. These financial statements do not reflect this dividend payable.

Notes to the financial statements continued

for the year ended 31 December 2017

10 Income tax expense

	Group	
	2017	2016
Income tax expense charged to the income statement	**£000**	£000
Current tax		
Current tax on profits for the year	**633**	436
Adjustment for prior years	**(137)**	(27)
Total current tax	**496**	409
Deferred tax		
Origination and reversal of temporary differences	**(94)**	(51)
Adjustment for prior years	**16**	(258)
Total deferred tax (note 18)	**(78)**	(309)
Total income tax expense charged to the income statement	**418**	100

	Group	
	2017	2016
Income tax expense credited directly to equity	**£000**	£000
Current tax		
Current tax on profits for the year	**(4)**	(53)
Total current tax	**(4)**	(53)
Deferred tax		
Origination and reversal of temporary differences	**(68)**	170
Adjustment for prior years	**–**	11
Total deferred tax (note 18)	**(68)**	181
Total income tax expense (credited)/charged directly to equity	**(72)**	128

Adjustments in respect of prior years represent the benefits from enhanced research and development tax credits.

10 Income tax expense continued

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

Factors affecting the charge for the year	**2017 £000**	2016 £000
Profit before tax	**3,403**	2,680
Tax at the UK domestic rate of 19.25% (2016: 20.00%)	**655**	535
Tax effects of:		
Non-deductible expenses	**104**	187
Losses not recognised for deferred tax	**182**	182
Research and development tax credits	**(332)**	(300)
Prior year tax adjustments	**(121)**	(285)
Tax credit recognised directly in equity	**3**	53
Other tax adjustments	**(73)**	(272)
Income tax expense	**418**	100

Corporation tax is calculated at 19.25% (2016: 20.00%) of the estimated assessable profit for the year.

Further reductions to the UK tax rate were announced as part of the Finance Act 2016. The tax rate reduced to 19.00% from 1 April 2017 and will further reduce to 17.00% from 1 April 2020. These changes have been enacted by the balance sheet date and considered when measuring the deferred tax balances.

Notes to the financial statements continued

for the year ended 31 December 2017

11 Intangible assets

Group	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and licenses £000	Total £000
Cost							
As at 1 January 2016	5,490	2,210	686	688	2,817	–	11,891
Reclassifications	–	558	–	–	(994)	436	–
Additions	–	–	–	368	378	85	831
Disposal	–	–	–	(8)	(3)	–	(11)
Foreign exchange	–	–	–	2	–	–	2
As at 31 December 2016	5,490	2,768	686	1,050	2,198	521	12,713
Additions	470	43	100	307	249	68	1,237
Disposal	–	(43)	–	(10)	–	–	(53)
Foreign exchange	–	–	–	(1)	–	–	(1)
As at 31 December 2017	**5,960**	**2,768**	**786**	**1,346**	**2,447**	**589**	**13,896**
Accumulated amortisation and impairment							
As at 1 January 2016	–	134	297	138	1,154	–	1,723
Reclassifications	–	38	–	–	(61)	23	–
Charge for the year	–	55	68	102	571	73	869
Disposal	–	–	–	(8)	(3)	–	(11)
As at 31 December 2016	–	227	365	232	1,661	96	2,581
Charge for the year	–	83	78	166	97	74	498
Disposal	–	–	–	(3)	–	–	(3)
As at 31 December 2017	**–**	**310**	**443**	**395**	**1,758**	**170**	**3,076**
Net book value							
As at 31 December 2017	**5,960**	**2,458**	**343**	**951**	**689**	**419**	**10,820**
As at 31 December 2016	5,490	2,541	321	818	537	425	10,132
As at 1 January 2016	5,490	2,076	389	550	1,663	–	10,168

The charge above includes £nil (2016: £571,000) in respect of exceptional impairment of development expenditure.

The reclassification to brands represents newly generated product brands from development projects and the amount reclassified to software and licenses relates to various recently completed systems improvements.

11 Intangible assets continued

Company	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Software and licenses £000	Total £000
Cost							
As at 1 January 2016	5,490	2,121	559	676	2,814	–	11,660
Reclassifications	–	558	–	–	(994)	436	–
Additions	–	–	–	365	378	85	828
As at 31 December 2016	5,490	2,679	559	1,041	2,198	521	12,488
Additions	–	–	–	305	249	68	622
Disposal	–	–	–	(10)	–	–	(10)
As at 31 December 2017	**5,490**	**2,679**	**559**	**1,336**	**2,447**	**589**	**13,100**
Accumulated amortisation and impairment							
As at 1 January 2016	–	45	170	130	1,151	–	1,496
Reclassifications	–	38	–	–	(61)	23	–
Charge for the year	–	55	68	102	571	73	869
As at 31 December 2016	–	138	238	232	1,661	96	2,365
Charge for the year	–	83	69	166	97	74	489
Disposal	–	–	–	(3)	–	–	(3)
As at 31 December 2017	**–**	**221**	**307**	**395**	**1,758**	**170**	**2,851**
Net book value							
As at 31 December 2017	**5,490**	**2,458**	**252**	**941**	**689**	**419**	**10,249**
As at 31 December 2016	5,490	2,541	321	809	537	425	10,123
As at 1 January 2016	5,490	2,076	389	546	1,663	–	10,164

The reclassification to brands represents newly generated product brands from development projects and the amount reclassified to software and licenses relates to various recently completed systems improvements.

Goodwill is allocated to the Group's cash-generating units ("CGUs") 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 2.5% per annum (2016: 1.5%).

The discount rate used of 12% (2016: 12%) is pre-tax and reflects specific risks relating to the operating segments.

Based on the calculations of the recoverable amount of each CGU, no impairment to goodwill was identified.

The Group has conducted a sensitivity analysis on the impairment test of each CGU and the group of units carrying value. A cut in the annual growth rate of 17.5 percentage points to a negative growth of minus 15 percentage points would cause the carrying value of goodwill to equal its recoverable amount.

Notes to the financial statements continued

for the year ended 31 December 2017

11 Intangible assets continued

Goodwill is allocated as follows:

	£000
Goodwill	
Acquisition of Kiotechagil operations	3,552
Acquisition of Optivite operations	592
Acquisition of Meriden operations	1,346
As at 31 December 2016	**5,490**
Acquisition of Cobbett business (note 27)	470
As at 31 December 2017	**5,960**

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 with indefinite useful lives are assessed for impairment with goodwill in the annual impairment review as described above.

Amortisation and impairment of intangible assets is included in administrative expenses, totalling £498,000 (2016: £869,000) for the Group and £489,000 (2016: £869,000) for the Company.

12 Property, plant and equipment

Group	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2016	2,171	1,357	522	–	4,050
Additions	9	568	51	101	729
Disposals	–	(26)	(30)	–	(56)
Foreign exchange	–	5	2	–	7
As at 31 December 2016	2,180	1,904	545	101	4,730
Transfer of assets in construction	–	178	–	(178)	–
Additions	1	39	34	77	151
Disposals	–	(29)	(148)	–	(177)
Foreign exchange	–	(4)	(1)	–	(5)
As at 31 December 2017	**2,181**	**2,088**	**430**	**–**	**4,699**
Accumulated depreciation and impairment					
As at 1 January 2016	245	456	280	–	981
Charge for the year	31	149	81	–	261
Disposals	–	(26)	(30)	–	(56)
Foreign exchange	–	4	1	–	5
As at 31 December 2016	276	583	332	–	1,191
Charge for the year	32	214	81	–	327
Disposals	–	(22)	(142)	–	(164)
Reclassification	–	3	(3)	–	–
Foreign exchange	–	(2)	–	–	(2)
As at 31 December 2017	**308**	**776**	**268**	**–**	**1,352**
Net book value					
As at 31 December 2017	**1,873**	**1,312**	**162**	**–**	**3,347**
As at 31 December 2016	1,904	1,321	213	101	3,539
As at 1 January 2016	1,926	901	242	–	3,069

12 Property, plant and equipment continued

Company	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2016	2,171	1,337	519	–	4,027
Additions	9	535	22	101	667
Disposals	–	(26)	(27)	–	(53)
As at 31 December 2016	2,180	1,846	514	101	4,641
Additions	1	39	29	77	146
Transfer of assets in construction	–	178	–	(178)	–
Disposals	–	(29)	(148)	–	(177)
As at 31 December 2017	**2,181**	**2,034**	**395**	**–**	**4,610**
Accumulated depreciation and impairment					
As at 1 January 2016	245	442	277	–	964
Charge for the year	31	146	79	–	256
Disposals	–	(26)	(27)	–	(53)
As at 31 December 2016	276	562	329	–	1,167
Charge for the year	32	201	74	–	307
Disposals	–	(22)	(142)	–	(164)
As at 31 December 2017	**308**	**741**	**261**	**–**	**1,310**
Net book value					
As at 31 December 2017	**1,873**	**1,293**	**134**	**–**	**3,300**
As at 31 December 2016	1,904	1,284	185	101	3,474
As at 1 January 2016	1,926	895	242	–	3,063

Held within land and buildings is an amount of £700,000 (2016: £700,000) in respect of non-depreciable land.

Notes to the financial statements continued

for the year ended 31 December 2017

13 Investment in subsidiaries

Company	Unlisted investments £000
Cost	
As at 1 January 2016	7,130
Investment in Subsidiaries	51
As at 31 December 2016	7,181
Investment in Subsidiaries	828
As at 31 December 2017	**8,009**
Provisions for diminution in value	
As at 1 January 2016	2,392
Provisions for diminution in value	224
As at 31 December 2016 and 31 December 2017	**2,616**
Net book value	
As at 31 December 2017	**5,393**
As at 31 December 2016	4,565
As at 1 January 2016	4,738

The increase in investment in 2017 relates partly to the acquisition of the business of Cobbett Pty Ltd and the remainder in new subsidiaries PT. Anpario Biotech Indonesia and Anpario (Thailand) Ltd. The increase in investment in 2016 is in Anpario Saúde e Nutrição Animal Ltda. At the end of 2016, it was determined that a provision for diminution of value of £224,000 was required in relation to the investment in Anpario Saúde e Nutrição Animal Ltda to reflect the fair value of the investment.

13 Investment in subsidiaries continued

Full list of investments

The Group holds share capital in the following Companies which are accounted for as Subsidiaries.

Company	Country of registration or incorporation	Principal activity	Percentage held	Shares held class
Directly held				
Anpario (Shanghai) Biotech Co., Ltd. Room 703, No. 777 Zhao Jia Bang Road, Shanghai, China	China	Technology Services	100	Ordinary
Anpario Inc 104 South Main Street, Greenville, SC 29601, United States of America	US	Technology Services	100	Ordinary
Anpario Pty Ltd Level 17, 383 Kent Street, Sydney, NSW, 2000	Australia	Technology Services	100	Ordinary
Anpario Saúde e Nutrição Animal Ltda Rua Brigadeiro Henrique Fontenelle, 745 - room 4, Parque São Domingos, São Paulo, 05125-000, Brazil	Brazil	Technology Services	100	Ordinary
Anpario (Thailand) Ltd 65/152 Chamnan Phenjati Building Floor 18, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310	Thailand	Technology Services	100	Ordinary
PT. Anpario Biotech Indonesia Gedung 18 Office Park Iantai Mezz-unit F2, Jl., TB Simatupang Kav. 18, Jakarta 12520	Indonesia	Technology Services	100	Ordinary

The following Companies are all directly held, with 100% holding of Ordinary shares, registered in England and Wales and dormant. The registered address for all of these Companies is Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom.

Anpario UK Limited
Meriden Animal Health Limited
Orego-Stim Limited
Optivite Limited
Optivite International Limited
Aquatice Limited
Agil Limited
Kiotechagil Limited
Kiotech Limited

Indirectly held				
Meriden (Shanghai) Animal Health Co., Ltd. Room 703, No. 777 Zhao Jia Bang Road, Shanghai, China	China	Technology Services	100	Ordinary
Optivite Animal Nutrition Private Limited 1103-04 Windsor Apartment, T-28, Shastri Apartment, Andheri - West Mumbai Mumbai City MH 400053, India	India	Dormant	100	Ordinary
Optivite Latinoamericana SA de CV 20 Boulevard de la Industria, Cuautitlan-Izcalli, Mexico, 54716, Mexico	Mexico	Technology Services	98	Ordinary
Optivite SA (Proprietary) Limited PO Box 578, Cape Town 8000, South Africa	South Africa	Technology Services	100	Ordinary

The Group has no associates or joint-ventures.

Notes to the financial statements continued

for the year ended 31 December 2017

14 Inventories

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Raw materials and consumables	**1,689**	1,382	**1,689**	1,382
Finished goods and goods for resale	**1,399**	864	**339**	276
Total inventories	**3,088**	2,246	**2,028**	1,658

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £11,693,000 (2016: £9,908,000) for the Group.

15 Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade receivables	**5,282**	6,388	**4,605**	5,847
Less: provision for impairment of trade receivables	**(82)**	(282)	**(82)**	(282)
Trade receivables-net	**5,200**	6,106	**4,523**	5,565
Receivables from Subsidiary undertakings	**–**	–	**5,108**	3,215
Other receivables	**75**	120	**8**	64
Taxes	**244**	266	**86**	156
Prepayments and accrued income	**201**	227	**197**	213
Total trade and other receivables	**5,720**	6,719	**9,922**	9,213

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

The ageing analysis of net trade receivables is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Up to 3 months	**4,639**	5,305	**4,007**	4,802
3 to 6 months	**518**	719	**516**	717
Over 6 months	**43**	82	**–**	46
Trade receivables-net	**5,200**	6,106	**4,523**	5,565

As at 31 December 2017 trade receivables of £698,000 (2016: £566,000) for the Group and £456,000 (2016: £528,000) for the Company were past due but not impaired. These relate to longstanding customers where there is no recent history of default. The ageing analysis of these receivables is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Up to 3 months	**655**	477	**456**	475
3 to 6 months	**–**	62	**–**	53
Over 6 months	**43**	27	**–**	–
	698	566	**456**	528

15 Trade and other receivables continued

As at 31 December 2017 trade receivables of £82,000 (2016: £282,000) for the Group and £82,000 (2016: £282,000) 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	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
3 to 6 months	**–**	108	**–**	108
Over 6 months	**82**	174	**82**	174
	82	282	**82**	282

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

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
As at 1 January	**282**	201	**282**	201
Provisions for receivables created	**14**	170	**14**	170
Amounts written off as unrecoverable	**(109)**	(29)	**(109)**	(29)
Amounts recovered during the year	**(105)**	(60)	**(105)**	(60)
As at 31 December	**82**	282	**82**	282

Included in the amounts written off as unrecoverable are debtors outstanding at the time of the original purchase of Meriden totalling £71,000, this was witheld from the consideration payable to the vendors. This amount has now been written off and offset against the contingent consideration payable (note 17), and as such had no impact on the Group results.

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

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Pounds sterling	**1,679**	2,020	**1,679**	2,018
Euros	**585**	626	**585**	626
US dollars	**2,521**	3,092	**2,259**	2,921
Other currencies	**415**	368	**–**	–
As at 31 December	**5,200**	6,106	**4,523**	5,565

16 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.

17 Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade payables	**2,601**	2,380	**2,516**	2,300
Amounts due to subsidiary undertakings	**–**	–	**4,075**	4,084
Taxes and social security costs	**129**	153	**103**	91
Other payables	**312**	169	**202**	93
Accruals and deferred income	**2,306**	1,649	**1,833**	1,252
Total trade and other payables	**5,348**	4,351	**8,729**	7,820

Notes to the financial statements continued

for the year ended 31 December 2017

17 Trade and other payables continued

Included within 'Other payables' above is acquisition related contingent consideration, as outlined below. The remaining contingent consideration arising on the acquisition of Meriden has been released as it is no longer payable, this was offset against outstanding debtors from the time of the original purchase (note 15), per the terms of the sale agreement, and as such had no impact on the Group results.

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Arising on the acquisition of Meriden Animal Health Ltd	**–**	71	**–**	71
Arising on the acquisition of the business of Cobbett Pty Ltd	**152**	–	**152**	–
Total contingent consideration	**152**	71	**152**	71

18 Deferred income tax

Group	**2017 £000**	2016 £000
As at 1 January	**728**	870
Income statement credit (note 10)	**(78)**	(309)
Deferred tax (credited)/charged directly to equity	**(68)**	181
Foreign exchange	**15**	(14)
As at 31 December	**597**	728

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	**Fair value gains £000**	**Cashflow hedge £000**	**Losses £000**	**Other timing difference £000**	**Total £000**
As at 1 January 2016	683	493	–	(23)	(283)	870
Income statement credit (note 10)	(70)	(92)	–	(133)	(14)	(309)
Deferred tax credited directly to equity	–	–	–	–	181	181
Foreign exchange	–	–	–	(14)	–	(14)
As at 31 December 2016	613	401	–	(170)	(116)	728
Income statement (credited)/ charged (note 10)	(58)	60	–	(17)	(63)	(78)
Deferred tax charged/ (credited) directly to equity	–	–	28	–	(96)	(68)
Foreign exchange	–	–	–	15	–	15
As at 31 December 2017	**555**	**461**	**28**	**(172)**	**(275)**	**597**

Classified as:	
Deferred income tax asset	**(447)**
Deferred income tax liability	**1,044**

Further reductions to the UK tax rate were announced as part of the Finance Act 2016. The tax rate reduced to 19% from 1 April 2017 and will further reduce to 17% from 1 April 2020. These changes have been enacted by the balance sheet date and considered when measuring the deferred tax balances.

18 Deferred income tax continued

A deferred tax asset has been recognised for US tax losses carried forward on the grounds that sufficient future taxable profits are forecast to be realised. A reduction to the US tax rate was enacted on 22 December 2017. This reduction in rate to 21% has been considered when measruing the deferred tax balance. No deferred tax asset is recognised in respect of losses incurred in other overseas subsidiaries, due to the uncertainty surrounding the timing of the utilisation of those losses.

Company	**2017 £000**	2016 £000
As at 1 January	**964**	908
Income statement credit	**(16)**	(126)
Deferred tax (credited)/charged directly to equity	**(68)**	182
As at 31 December	**880**	964

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	**Fair value gains £000**	**Cashflow hedge £000**	**Losses £000**	**Other timing difference £000**	**Total £000**
As at 1 January 2016	683	493	–	(23)	(245)	908
Income statement (credit)/charge	(70)	(92)	–	23	13	(126)
Deferred tax credited directly to equity	–	–	–	–	182	182
As at 31 December 2016	613	401	–	–	(50)	964
Income statement (credit)/charge	(58)	60	–	–	(18)	(16)
Deferred tax charged/ (credited) directly to equity	–	–	28	–	(96)	(68)
As at 31 December 2017	**555**	**461**	**28**	**–**	**(164)**	**880**

Classified as:	
Deferred income tax asset	**(164)**
Deferred income tax liability	**1,044**

19 Capital commitments

The Group had authorised capital commitments as at 31 December 2017 as follows:

	2017 £000	2016 £000
Property, plant and equipment	**–**	31
Total capital commitments	**–**	31

20 Financial commitments

At 31 December 2017 the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Less than one year	**63**	49
Between one and five years	**63**	44
Greater than five years	**–**	–
Total financial commitments	**126**	93

Notes to the financial statements continued

for the year ended 31 December 2017

21 Called up share capital

	2017 £000	2016 £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
Allotted, called up and fully paid		
23,006,276 (2016: 21,992,247) Ordinary shares of 23p each	**5,291**	5,058
Options exercised Ordinary shares of 23p each	**59**	233
23,261,362 (2016: 23,006,276) Ordinary shares of 23p each	**5,350**	5,291

During the year 255,086 (2016: 1,014,029) Ordinary shares of 23 pence each were issued pursuant to employee share plans.

22 Retained earnings

	Group £000	**Company £000**
As at 1 January 2016	17,287	16,471
Profit for the year	2,580	3,113
Dividends	(1,024)	(1,024)
As at 31 December 2016	18,843	18,560
Profit for the year	2,985	3,988
Dividends	(1,580)	(1,580)
As at 31 December 2017	**20,248**	**20,968**

23 Other reserves

Other reserves comprise:

	Group		**Company**	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Treasury shares	**(185)**	(185)	**(185)**	(185)
Joint Share Ownership Plan	**(7,210)**	(6,385)	**(7,210)**	(6,385)
Merger reserve	**228**	228	**228**	228
Unrealised reserve	**–**	–	**2,021**	2,021
Share-based payment reserve	**1,713**	1,453	**1,713**	1,453
Cash flow hedge	**176**	14	**176**	14
Translation reserve	**(128)**	(237)	**–**	–
Total other reserves	**(5,406)**	(5,112)	**(3,257)**	(2,854)

24 Share-based payments

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

	Weighted average exercise price (p)	**Shares 2017 000**	Weighted average exercise price (p)	Shares 2016 000
Outstanding at 1 January	227	**793**	196	979
Granted during the year	337	**73**	233	218
Lapsed during the year	232	**(87)**	234	(108)
Exercised during the year	205	**(30)**	127	(296)
Outstanding at 31 December	238	**749**	227	793
Exercisable at 31 December		**323**		188

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 2017 000**	Weighted average exercise price (p)	Shares 2016 000
2017	–	**–**	227	37
2020	224	**78**	224	78
2021	334	**45**	–	–
2022	89	**3**	89	8
2023	159	**160**	159	180
2024	244	**160**	245	195
2025	285	**135**	284	155
2026	238	**140**	238	140
2027	343	**28**	–	–
Total outstanding share options		**749**		793

Anpario have applied a limit to the total number of new shares which may be issued under awards under the CSOP, SAYE, JSOP and under any other incentive plans which might involve the issue of new shares. That limit will be the total number of new shares over which future awards may be made, when added to the total number of shares issued and issuable under awards granted on 16 September 2016 and any awards which are outstanding as at that date shall not exceed 16.3% of the total of the number of shares in issue from time to time.

During the year options totalling 72,754 (2016: 218,132) were awarded under a number of incentive schemes listed in the schedule below and 30,068 (2016: 295,734) options were exercised.

During the year, on 14 July 2017, under the Joint Share Ownership Plan the company issued 100,000 shares at 23p each to key management personnel at a price of 342.5p per share.

During the year, on 20 September 2017, under the Joint Share Ownership Plan the company issued 175,000 shares at 23p each to an Executive Director at a price of 375p per share. This included a transfer of 49,982 shares which were already held within the Trust.

Notes to the financial statements continued

for the year ended 31 December 2017

24 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 Anpario 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 £259,000 (2016: £210,000) of which £70,000 (2016: £10,000) 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	CSOP	JSOP	Unapproved	JSOP	SAYE
Grant date	01 Jul	14 Jul	14 Jul	20 Sep	21 Nov
Number of options granted (000)	17	100	10	175	45
Grant price (p)	342.5	342.5	342.5	375.0	417.5
Exercise price (p)	342.5	388.7	342.5	425.6	334.0
Carrying cost (per annum)	–	4.5%	–	4.5%	–
Vesting period (years)	3	3	3	3	3
Option expiry (years)	10.0	10.0	10.0	10.0	3.5
Expected volatility of the share price	20%	20%	20%	20%	20%
Dividends expected on the shares	2.04%	2.04%	2.04%	1.87%	1.68%
Risk-free rate	0.38%	0.38%	0.38%	0.50%	0.54%
Fair value (p)	37.7	23.6	37.6	26.9	91.2

25 Exceptional Items

	2017	2016
	£000	£000
Acquisition costs	**112**	58
Closure and restructuring costs	**515**	305
Payments made to former director	**–**	287
Development cost impairment	**–**	571
Total exceptional items	**627**	1,221

The implementation of strategic growth initiatives, including putting in place a new senior management structure and new direct investment in operations in key target markets, has resulted in non-recurring and exceptional costs of £627,000 (2016: £650,000). In view of the nature and size of these items, they have not been included in the adjusted profit measures and neither have legal costs incurred in successful and abortive acquisitions.

In 2016, an impairment of £571,000 was recognised in the accounts in respect of historic capitalised expenditure on the development of our pheromone attractants for aquaculture under the Aquatice brand. These costs were incurred pre 2013 and whilst we still have some ongoing trials for Aquatice it represents a very small part of the Anpario business. The pheromone technology has unrealised commercial potential; however, the outlook remains unclear. We believe that in view of this uncertainty it is appropriate to recognise this cost as exceptional.

26 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 £40,000 (2016: £40,000) was paid to ECO Animal Health Group plc in respect of his services and expenses. In 2017, £nil (2016: £12,338) was received from ECO Animal Health Group plc in respect of pension commitments to a former employee.

There was £4,000 due to Eco Animal Health Group plc at 31 December 2017 (2016: £4,000).

Key management comprises the Directors of Anpario plc; excluding P A Lawrence as noted above, the remaining Directors emoluments are as follows:

	2017 £000	2016 £000
Short-term employment benefits	**757**	795
Post employment benefits	**8**	31
Share-based payments	**178**	123
Total	**943**	949

Company

The following transactions were carried out with related parties:

	2017 £000	2016 £000
Sales of goods:		
Subsidiaries	**4,184**	1,905
Purchase of services:		
Related parties	**48**	48

Year-end balances with related parties:

	2017 £000	2016 £000
Receivables from related parties (note 15):		
Subsidiaries	**5,108**	3,215
Payables to related parties (note 17):		
Subsidiaries	**4,075**	4,084
Related parties	**4**	4

Notes to the financial statements continued

for the year ended 31 December 2017

27 Business Combinations

On 3 February 2017, the Group acquired the business and inventory of Cobbett Pty Ltd ("Cobbett"). Cobbett has been Anpario's distributor since 1987 and the acquisition is in line with our strategy to strengthen sales and distribution channels and develop closer relationships with end users of our products.

On completion, the fair value of the net assets and liabilities of Cobbett equalled £228,000 and consequently gives rise to goodwill on the transaction of £470,000. The acquired business contributed revenues of £922,000 and a net profit before tax of £113,000 to the Group for the period from 3 February 2017 to 31 December 2017.

A contingent consideration arrangement exists that requires the Group to pay in cash, to the former owners of Cobbett, up to AUD 300,000 (£184,000) after one year, based on certain performance criteria being met. This has been revalued at the year end based on latest estimates, resulting in a reduction of the expected liability of AUD 37,000 (£32,000).

Details of net assets acquired and goodwill are as follows:

	£000
Purchase consideration	429
Inventory	85
Contingent consideration	184
Total consideration	**698**

The assets and liabilities at 3 February 2017 arising from the acquisition are as follows:

	Fair value £000	**Acquiree's carrying value £000**
Brands	43	
Customer relationships	100	
Inventory	85	85
Fair value of assets	**228**	**85**
Goodwill	470	
Total purchase consideration	**698**	
Cash outflow on acquisition		**514**

28 Derivative financial instruments

The Group's finance function is responsible for managing financial risks, including currency risk. The Group seeks to minimise the effects of these risks using various methods, including entering into currency forward and option contracts. Where applicable these are designated as cash flow hedges against highly probable forecast foreign currency sales. If cash flow hedge accounting is not applicable then the value is taken through profit or loss.

Included within other comprehensive income is the movement in the cash flow hedge reserve as outlined below:

Cashflow hedge movements (net of deferred tax)	**2017 £000**	2016 £000
Change in value of cash flow hedges	**190**	37
Deferred tax liability	**(28)**	–
	162	37

The fair value of the cash flow hedges, along with other forward contracts held at fair value through profit or loss, are financial assets as outlined below:

Financial assets	**2017 £000**	2016 £000
Cash flow hedges	**149**	14
Financial assets at fair value through profit or loss	**71**	–
	220	14

The financial instruments in place are to mitigate the risks associated with future US dollar sales receipts. The details of the notional amounts, hedged rate and spot rate at 31 December 2017 are outlined below:

	2017	2016
Notional amount (US dollars 000s)	**3,600**	4,800
Weighted average hedged rate of financial instruments	**1.2560**	1.2590
Spot rate at 31 December	**1.3503**	1.2332

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 who specialises in advising on the acquisition of shares and other securities.

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 save that you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you sell or have sold or otherwise transferred only part of your holding of shares, you should retain this document and the accompanying proxy form.

This document is being sent to you solely for the purpose of convening the Annual General Meeting referred to below and to provide information to you as a member of the Company to help you to decide how to cast your vote in respect of the resolutions to be proposed at the meeting. No reliance may be placed on this document for any other purpose.

Notice of Annual General Meeting ("AGM")

Notice is hereby given that the AGM of Anpario plc will be held at the Company's offices, Unit 5, Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS on Thursday 28 June 2018, at 2.00 pm to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolutions 7 and 8 which will be proposed as special resolutions of the Company.

Resolution 1

To receive the accounts for the year ended 31 December 2017, together with the reports of the Directors and of the auditors thereon.

Resolution 2

To declare a final dividend of 4.5p per Ordinary share payable on 27 July 2018 to shareholders on the register at close of business on 13 July 2018.

Resolution 3

To re-elect Peter A Lawrence as a Director, who retires by rotation.

Resolution 4

To re-elect Richard K Wood as a director who, having been appointed since the last AGM, offers himself for re-election.

Resolution 5

To re-appoint Deloitte LLP as auditors and to authorise the Directors to agree the auditors' remuneration.

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 ("Rights"):

(a) up to an aggregate nominal amount of £1,754,866; and

(b) up to an additional aggregate nominal amount of £1,754,866 provided that such Rights are offered by way of a rights issue to holders of Ordinary shares of 23p each in the capital of the Company ("Ordinary shares") on the register of members at such record date(s) as the Directors may determine, where the shares or equity securities respectively attributable to the interests of the holders of Ordinary shares are proportionate (as nearly as may be practicable) to the respective number of Ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter;

and provided that:

i. such authority shall, unless revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 28 September 2019, 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; and

ii. this resolution revokes and replaces all unexercised authorities previously granted to the Directors in accordance with Section 551 of the Companies Act 2006 to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

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 of 23p each in the capital of the Company ("Ordinary shares") 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;

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £531,778

and provided that:

(1) this power shall, unless previously revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 28 September 2019, 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; and

Notice of Annual General Meeting continued

Resolution 7 continued

(2) this resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if Section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

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 2,312,077;

(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, unless revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 28 September 2019; 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 and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

Recommendation

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.

By Order of the Board

Karen L Prior
Company Secretary
7 March 2018

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 (excluding non-business days) before the time of the AGM shall be entitled to attend and vote at the AGM.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the AGM and you should have received a proxy form with this notice of AGM. 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 AGM to represent you. Details of how to appoint the Chairman of the AGM 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 AGM 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 during normal office opening hours.
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 AGM.

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 The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR or by facsimile transmission to 01252 719232;
   - alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com; and
   - in any case received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the AGM.

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).

Notice of Annual General Meeting continued

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 821390 during normal office opening hours.

   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 by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR or by facsimile transmission to 01252 719232. 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 an 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 AGM.

   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 AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 7 March 2018 the Company's issued share capital comprised 23,263,815 Ordinary shares of 23p each of which 143,042 Ordinary shares were held in treasury. With the exception of treasury shares each Ordinary share carries the right to one vote at an AGM of the Company and, therefore, the total number of voting rights in the Company as at 7 March 2018 was 23,120,773.

Explanatory Notes on the Resolutions to be sent to Shareholders

Resolution 1: Annual Report

The Directors must present the annual accounts (together with their report and the auditors' report) to the Annual General Meeting. This gives shareholders the opportunity to ask questions on the content before voting on the resolution. The accounts and report are all contained in the Company's Annual Report.

Resolution 2: Dividends

Subject to shareholder approval, a final dividend of 4.5p per Ordinary share payable on 27 July 2018 to Ordinary shareholders has been recommended by the Directors for the year ended 31 December 2017. The final dividend cannot exceed the amount recommended by the Directors.

Resolutions 3 and 4: Directors

The Company's Articles of Association require one third of the Directors to retire and submit themselves for election each year. Under the Articles, this year it is the turn of Peter A Lawrence to retire and submit himself to re-election at this year's AGM.

Richard K Wood is eligible to submit himself 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 Deloitte 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 shareholder approval for the Directors to be authorised under the provisions of Section 551 of the Companies Act 2006 to allot shares or grant such subscription or conversion rights up to a maximum aggregate nominal value of £3,509,732 representing approximately two-thirds of the existing share capital, but subject to the proviso that half of such sum (being shares with an aggregate nominal value of £1,754,866) may only be allotted in connection with a rights issue or similar pre-emptive share issue. This power will last until the conclusion of the next AGM of the Company or, if earlier, until 28 September 2019.

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) 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:

i. 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

ii. allotments of shares for cash up to a total nominal value of £531,778 (representing approximately 10% of the Company's issued share capital at 7 March 2018). This gives the Directors flexibility to take advantage of business opportunities as they arise, whilst the 10% 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 of the Company or, if earlier, until 28 September 2019, except in so far as commitments to allot shares have been entered into before that date.

Notice of Annual General Meeting continued

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 governed by the Market Abuse Regulation and by the AIM Rules for Companies of the London Stock Exchange and to comply with its obligations, the Company adheres to a dealing code. The Company would not exercise the authority at a time when the Directors would be precluded from dealing in the Company's shares under its dealing code. 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 the Company 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 7 March 2018, the Company had 23,263,815 Ordinary shares in issue of which 143,042 Ordinary shares were held in treasury. This resolution seeks authority to purchase a maximum of 2,312,077 shares, representing approximately 10% of the issued share capital as at 7 March 2018, excluding the Ordinary shares held in treasury.

Company information

Company Number

Registered in England and Wales 03345857

Registered Office and Head Office

Manton Wood Enterprise Park
Worksop
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Telephone: 01909 537380

Company Secretary

Karen L Prior

Stock Exchange

London
Code: ANP

Website

www.anpario.com

Registrars

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Nominated Adviser and Broker

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Board of Directors

Richard P Edwards, B Eng (Hons), C Eng, MBA.

Chief Executive Officer (N)

Richard Edwards joined the Board in December 2006 as Chief Executive following the acquisition of Agil. He was appointed Executive Vice-Chairman in April 2011 with specific responsibility for implementing acquisition strategy. In January 2016, Richard was appointed to the position of CEO.

Richard has extensive general management and corporate strategy experience gained in the sales and distribution sector both in the UK and internationally. Previously he was Director and General Manager of WF Electrical, a £140 million turnover division of Hagemeyer (UK) plc, a distributor of industrial products, and gained significant experience in corporate development at Saint Gobain UK building materials business.

Karen L Prior, BSc (Hons), FCA.

Group Finance Director

Karen joined the board in October 2009 as Group Finance Director. Previously, Karen has had roles as Finance Director of Town Centre Securities PLC, a listed property group and UK Finance Director of Q-Park, where she was instrumental in its establishment and growth in the UK.

Karen has also been Financial Controller of train builders Bombardier Transportation and spent 10 years of her early career with Ernst and Young specialising in providing audit and business services to entrepreneurial businesses.

Peter A Lawrence, MSc, BSc, DIC, ACGI.

Non-Executive Chairman (A, N, R)

Peter joined the Board in August 2005 as a Non-Executive Director and became Non-Executive Chairman in 2017. Peter is the founder of ECO Animal Health Group plc where he is now the Non-Executive Chairman having been an Executive Director ever since its formation in 1972. Peter is the Non-Executive Chairman of Baronsmead Venture Trust plc, Amati VCT plc and Amati AIM VCT plc, he is also an Executive Director of Algatechnologies Ltd.

Richard K Wood

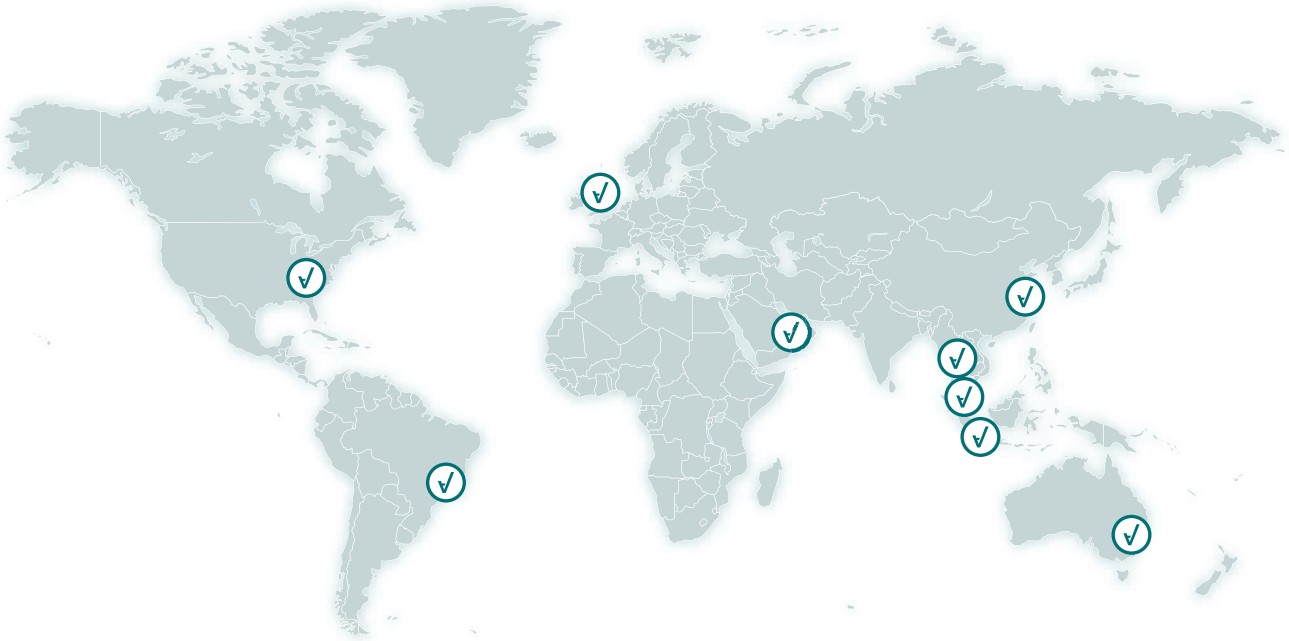
Senior Independent Director (A, N, R)

Richard joined the Board in November 2017 as a Senior Independent Director. Richard has considerable global animal health experience having built Genus plc from a small company privatised by the government, into a world leading animal genetics company. More recently, Richard was a senior independent non-executive director of Avon Rubber plc and was also chairman of Ocean Harvest Technology Inc., a small manufacturer of therapeutic animal feeds using seaweeds.

Richard has previously held the position of Chairman at Atlantic Pharmaceuticals plc, Innovis (a sheep genetics company) and Silent Herdsman Limited (Farming Technology).

Key A: Audit Committee N: Nomination Committee R: Remuneration Committee

The Terms of Reference of the Audit, Nomination and Remuneration Committees are available on the Company's website: www.anpario.com/aim-26/



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