Anpario

Nature's Answer

Anpario plc
Annual Report 2019

OREGO-STIM™
Nature's Answer from **Anpario**

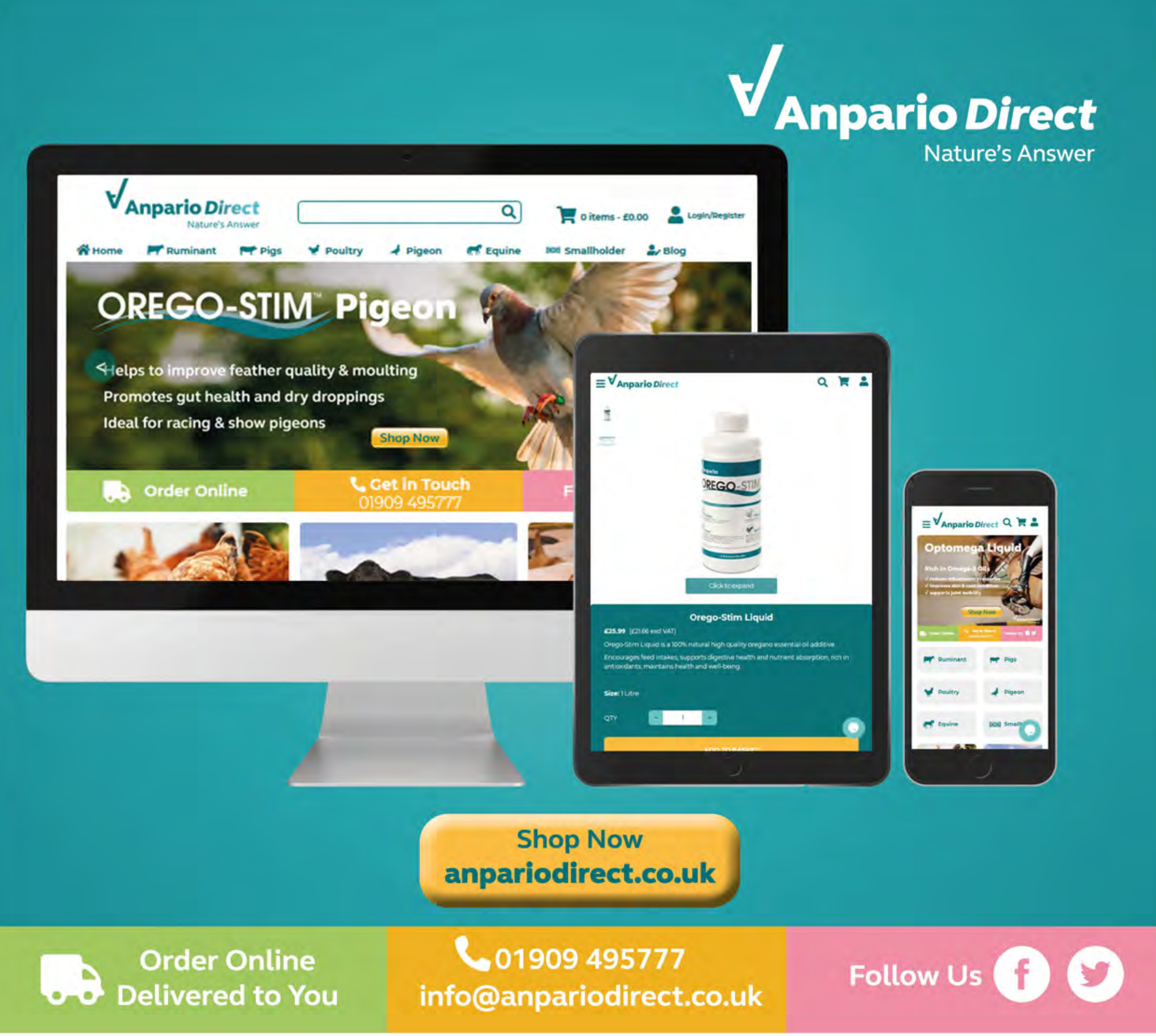
Optomega PLUS™
Nature's Answer from **Anpario**

Salgard™
Nature's Answer from **Anpario**

pHorce™
Nature's Answer from **Anpario**

Anpro™
Nature's Answer from **Anpario**

Salkil™
Nature's Answer from **Anpario**



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Highlights

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 2019.

Financial highlights

- 3% increase in revenue to £29.0m (2018: £28.3m)
- 7% increase in gross profit to £14.5m (2018: £13.5m)
- 6% improvement in adjusted EBITDA[1] to £5.7m (2018: £5.3m)
- Diluted earnings per share down 5% to 17.61p (2018: 18.53p)
- Proposed final dividend of 5.5p (2018: 5.0p) per share, total dividend for the year 8.0p (2018: 7.2p) an increase of 11%
- Cash balances of £13.8m at the year end (2018: £12.9m)

Operational highlights

- Strong performance in Latin America and the Middle East
- Improved second half performance in Asia despite the impact to Anpario from African Swine Fever
- German subsidiary set up
- £1m investment in automated bottling plant completed
- Launch of Anpario Direct online channel to smaller farm customers

Peter Lawrence, Chairman, commented:

"The Board is encouraged by the performance in the second half of 2019 driven by strong trading in Latin America and the Middle East, and a welcome recovery in sales in our Asia region. It is also pleasing that the recent targeting of China's poultry industry has helped to reduce the impact of African Swine Fever (ASF) on our business there. Costs continue to be managed closely and our strategy to market higher value-added products and develop more direct routes to market has helped to improve gross margins.

The outbreak and subsequent spread of Covid-19 (coronavirus) is causing concerns to all industries. Anpario's regional sales network is enabling the Group to continue to support local customers and at this stage, we are confident we can manage any disruption which may be temporary in nature. Currently, there are travel restrictions to certain countries and a number of industry trade events have been cancelled. There may be some disruptions to shipping around the world but as most of our raw material supplies come from Europe, we expect to be able to fulfil orders effectively. With governmental financial support offered to the agriculture industry to ensure continuity of food supplies, Anpario is well positioned to take full advantage of the situation during the recovery period from Covid-19 and beyond and continue its work worldwide, in establishing natural additives for biosecure, efficient and profitable protein production to feed the world's fast growing population. While we have not yet experienced any material impact on our business, we continue to monitor the situation closely."

1 Adjusted EBITDA represents operating profit for the year £4.297m (2018: £4.473m) adjusted for: share based payments and associated costs £0.124m (2018: £0.118m); loss on disposal of property £0.061m (2018: £nil); foreign exchange losses £0.332m (2018: £0.238m gain); foreign exchange hedging gains £0.274m (2018: £0.003m); and depreciation, amortisation and impairment charges of £1.140m (2018: £0.992m).

Chairman's statement

Anpario is pleased to report a solid performance with underlying growth achieved in a difficult year for global agriculture markets challenged by extreme weather conditions, animal diseases and political uncertainty.

Group sales for the year to 31 December 2019 grew by 3% to £29.0m. The strong recovery experienced in Latin America and the Middle East during the first half was maintained, and there was a second half recovery in Asia.

China continues to be affected by African Swine Fever ("ASF") however the effect on Anpario is limited as our sales in that country comprise some 8% of total sales. The decision to enter the poultry industry in China two years ago coupled with our business development initiatives focused on poultry products in the wider Asia region, have helped offset the impact of ASF. The United States – China trade dispute has not been helpful and has affected agricultural markets in the United States depressing the level of trading.

Gross profit improved by £1m with an 8% increase in gross profit per tonne as a result of selling higher value-added products. The proportion of sales direct to end users continues to grow reflecting our strategic focus to work more closely with customers and major distributors.

The £1m investment in the automated bottling plant at Manton Wood was completed during the period and all previously toll-manufactured products have now been brought in-house.

Anpario Direct's online channel was launched in the UK to smaller farm customers as well as the equine and pigeon markets. It is our intention to offer Anpario Direct in a number of other geographic markets during 2020. Our product offering has been developed to include smaller package sizes suited to both the direct online channel and customers who prefer to work with them.

Costs continue to be managed closely and our financial strength enables the Group to invest in its multi-channel offering, regional sales teams and product development initiatives. Sales of our three main value-added product ranges, phytogenics, mycotoxin binders and acid-based eubiotics, grew during the year as product brands such as Orego-Stim®, Anpro® and pHorce® became more widely adopted by customers.

The Board is recommending a final dividend of 5.5 pence per share (2018: 5.0 pence) making a total of 8.0 pence per share for the year (2018: 7.2 pence), an increase of 11%. This dividend, payable on 31 July to shareholders on the register on 17 July, continues to reflect the Board's continued confidence in the Group and its ability to generate cash.

Americas

Latin America delivered a very strong performance with sales growth of 39% compared with the same period last year. Further progress has been made with our customers helping to drive growth in Brazil to 123% compared to last year. Argentina also experienced a recovery from a poor 2018 with sales growth of 78%.

The initial results of extensive trials undertaken with North Carolina State University on improved egg laying performance when using Orego-Stim®, have been well received in Brazil, with indications of improved production through additional eggs per laying hen and more consistent egg sizes.

Our second largest market in Latin America is Mexico which achieved 30% sales growth. We have been developing our business in a number of other Central American countries and have also been targeting the aquaculture market, which is beginning to exhibit some early promise following recent product registrations.

Some of our Latin American customers are supplying the Chinese market to help overcome the shortfall resulting from African Swine Fever. We believe these sales will continue and therefore continue to deliver good growth.

US growth slowed in the second half with sales flat compared with the same period last year. The US agriculture market has been affected by the US – China trade dispute and a poor dairy industry, which has seen the bankruptcy of America's largest dairy producer. Anpario's US business experienced a decline in lower value-added acidifier sales but encouragingly, continues to grow Orego-Stim® and other premium brands such as Anpro®. We have recently strengthened and expanded our sales team in the US as this represents our largest sales region and provides an opportunity for future growth working with some of the world's largest food producers.

Anpario's success in the USA has come from the poultry and dairy sectors and we are now investing in additional sales resource to target the swine sector. Recent extensive trials with one of the leading swine veterinary companies in the country showed that our phytogenic formulations support sows in delivering more pigs at weaning stage, using less feed and reducing the need for other types of antimicrobial interventions. These USA trials match our experience in similar trials performed in China and the UK giving us a strong platform to target the USA swine market where antibiotic free production continues to increase in momentum.

Asia

In China sales declined 9% compared to the same period last year with gross profit down only 5%, this is a very creditable performance, given the impact of ASF. This performance arises from our decision, two years ago, to target the Chinese poultry market. More recently we have accelerated our efforts which has helped to diversify our business in China. We have had success in selling our acid based eubiotic products for both broilers and layers and, in particular, pHorce® which is our high strength low inclusion acidifier on a unique carrier matrix.

The positive results in the USA for swine performance and intestinal health will benefit our Chinese customers as they start to re-stock with improved biosecurity and housekeeping to produce pork to meet strong domestic demand following ASF.

The Anpario Direct team is working closely with our Chinese colleagues to launch some of our products on one of China's leading Internet platforms. This will target the smaller users of these products such as pigeon enthusiasts, which is a large and valuable market segment.

S E Asia delivered a strong recovery in the second half, ending the year with sales only 8% below the same period last year. In the first half, the region was down 30%. If the non-core and low margin product sales to the Philippines, a market we exited in 2018 are excluded, then sales declined by just 2% and gross profit increased by 3% for the region. Thailand, Bangladesh and Taiwan experienced the strongest performances with sales growth of 83%, 45% and 55% respectively. It is encouraging that in countries where we have formed new subsidiaries and local sales teams such as Thailand and Indonesia, sales and profit growth is starting to accelerate as we build relationships and take Anpario's products direct to end users. The weakest country was South Korea, where the local swine market was badly affected by the USA – China trade dispute.

We have launched our new Anpro® mycotoxin binder range in Asia. These products have been shown to outperform our competitors' products. We have developed a new natural pellet binder in our Mastercube ™ range for the aquaculture market in Asia, which has superior performance over urea-formaldehyde, a substance customers are moving away from due to its formaldehyde toxicity characteristics.

Australasia saw a small decline in sales compared to last year's outstanding performance. The main markets of Australia and New Zealand increased by 13% and 15% respectively. This growth was offset by Papua New Guinea, where a significant customer had financial difficulties which has impacted sales, all amounts outstanding have been recovered. Australia is experiencing severe climatic conditions, including drought, which is making conditions for agriculture extremely tough especially in the dairy and beef cattle industries. However, our subsidiary has a number of business development initiatives underway including targeting the pet food industry. In addition, we recently launched a more direct sales channel to target the smaller farmers and other niche segments such as pigeons and the backyard layer market.

The Middle East and Africa

Middle East and Africa delivered a strong performance with sales growth of 19% compared with the same period last year with major contributions from Iraq, Israel, Syria and the UAE. Growth was driven by increased sales of Orego-Stim® as customers look to reduce and ultimately replace antibiotics and seek out performance benefits to improve the profitability of their operations. Other products which contributed to growth included Mastercube ™ and Genex ® our pellet binder and phyto-acid combination product. Turkey continued to disappoint due to the challenging economic situation and Saudi Arabia experienced difficult trading conditions.

We launched a natural insecticide to combat red mite and other insects, supplying applicators for dusting grain silos and poultry houses. Red mite is becoming an increasing problem around the world especially in free range layers, where they are more susceptible to insect infestation as the birds have more freedom to roam around in cage free systems.

The geopolitical tensions in the region present challenges, so we are also focusing on new territories, which we hope will help offset any headwinds.

Europe

Sales in Europe declined by 5% reflecting withdrawal from low margin non-core business. Excluding this lost business, which in total accounted for almost £1m in sales during 2018, the region delivered underlying growth. In general, the UK market was stable and we have recently seen an increase in demand for our organic acid products for feed and raw material hygiene applications where we have been able to supply customers with a quick turnaround as they seek to decontaminate raw material imports. Territories that delivered strong performances included Belgium and Italy, the latter benefiting from our ability to supply products in smaller package sizes for which we are being increasingly asked by our customers.

The Anpario Direct online platform is increasing its presence and customers order online not only through the website but also via social media sites such as Facebook and Twitter. We have recently agreed a deal with a disinfectant company to market one of their products on our website enabling their sales team to offer a simple, fast and efficient way for their smaller farm customers to order. These customers will also be able to purchase the whole range on the Anpario Direct platform. We hope to expand other supplier relationships as we seek to broaden the range in line with our online value proposition.

A German subsidiary has been incorporated and recently recruited a business manager to help establish our direct sales presence in other German speaking markets. Our strategy is to develop direct end user relationships through account management but supported by the Anpario Direct online platform to target the smaller farmer segment. This is similar in characteristics to the UK and we intend to launch the German Anpario Direct version towards the end of this year.

Brexit

We are closely monitoring the next stage of negotiations as well as providing input to various government departments while putting contingency arrangements in place. Anpario's products and processes comply with European Union regulations and Anpario will continue to supply the same high standard of products to all jurisdictions around the world. The ideal outcome is that both the UK and EU agree to an equivalence or common arrangement for agricultural products, similar to the way we currently supply our USA subsidiary and its customers. In the event that such arrangements are not achieved, then we shall work with our EU customers and suppliers to minimise any disruption.

Innovation and development

The recent launch of Anpro® has seen early successes in the USA and Europe with extensive global registrations underway. Our new aqua product is gaining acceptance in targeted Latin American markets. Groundbreaking development of a new dietary supplement for calves focused on antibiotic reduction and gut health benefits has resulted in a patent filing.

Our product development activity continues apace with new formulations and extensive trial work with leading universities and producers to demonstrate the capabilities of our technology in delivering health, production and ultimately performance benefits for customers. These capabilities include being able to reduce and replace antibiotics as part of a biosecurity solution. Our customers face many challenges and by understanding their business better we can help them continuously improve their outputs and meet the increasing demands of the consumer.

People

This has been a challenging year, yet it is testament to the Anpario way of working and to our staff across the globe that we have been able to deliver sales and profit growth and still invest in our people and initiatives to support future growth. The commitment and dedication of all our people is greatly appreciated.

Outlook

There has been a solid start to trading in the current year and we look forward to implementing a number of business development initiatives to maintain this momentum. Investing and developing our sales and marketing channels around the world remains a priority, as does finding an earnings enhancing and complementary acquisition. Our strong balance sheet and cash generation provide Anpario with the confidence to grow its business across the many markets we serve and also the financial strength to capitalise on any opportunities which may arise provided they are aligned with our strategy.

The outbreak and subsequent spread of Covid-19 (coronavirus) is causing concerns to all industries. Anpario's regional sales network is enabling the Group to continue to support local customers and at this stage, we are confident we can manage any disruption which may be temporary in nature. Currently, there are travel restrictions to certain countries and a number of industry trade events have been cancelled. There may be some disruptions to shipping around the world but as most of our raw material supplies come from Europe, we expect to be able to fulfil orders effectively. With governmental financial support offered to the agriculture industry to ensure continuity of food supplies, Anpario is well positioned to take full advantage of the situation during the recovery period from Covid-19 and beyond and continue its work worldwide, in establishing natural additives for biosecure, efficient and profitable protein production to feed the world's fast growing population. While we have not yet experienced any material impact on our business, we continue to monitor the situation closely.

Anpario is at the forefront of changing attitudes to intensive farming around the world using natural ingredients. The demand for our products is expected to continue to increase due to their effects of enhancing biosecurity, replacing non therapeutic antibiotics and improving production efficiency which is exactly what is now expected from consumers and farmers. As ever, with a global business there are a number of challenges but the quality and ambition of our employees and our return to sales growth gives me confidence that we can successfully build on last year's result.

Peter Lawrence
Chairman
18 March 2020

Financial review

	Note	2019 £000	restated[1] 2018 £000
Revenue	3	**29,046**	28,277
Gross Profit		**14,510**	13,542
Adjusted EBITDA	6	**5,680**	5,342
Profit before tax		**4,394**	4,555
Diluted adjusted earnings per share	12	**18.61p**	17.33p
Net assets		**35,554**	33,148
Net cash from operating activities		**3,970**	2,689
Cash and cash equivalents		**13,842**	12,912

Revenues for the year rose by 3% to £29.0m (2018: £28.3m). Prior year sales included £0.4m of non-core and low margin business to the Philippines, the negative impact of this planned strategic withdrawal was offset by realised foreign exchange gains.

Gross profit was 7% higher than last year at £14.5m (2018: £13.5m), with gross margins increasing to 50% (2018: 48%). Margins were helped by a number of factors including the focus on marketing higher value-added products and withdrawing from low-margin business, developing more direct routes to market that contribute higher margins and the benefit of cost savings from reduced use of external manufacturers.

Total administrative expenses rose during the year by £1.1m. Excluding foreign exchange amounts, the underlying increase was £0.5m (6%). This included increases of £0.2m in employment costs and £0.1m in marketing costs as we continue to invest in our sales channels to support future sales growth.

Depreciation charges in the year increased by £0.1m, this relates to previously completed plant-automation projects and the completion in the second half of the year of the £1m investment in a bottling plant. The positive impact of which are being seen through the reduction in external manufacturing costs and the ability to extend our product range and reach new customers and markets with enhanced packaging options.

The increase in the value of sterling during the year has impacted the income statement as realised exchange gains £0.1m (2018: losses £0.2m) have been materially outweighed by unrealised losses £0.5m (2018: gains £0.4m). These uncrystallised amounts primarily arise on the revaluation of unsettled trading balances and intercompany debtors at spot rates at period ends and are generated by the investments in subsidiaries such as USA, Brazil, Indonesia and Thailand to better access direct supply channels. The GBPUSD exchange rate at 31 December 2019 was 1.3268 (2018: 1.2760).

The scale and volatility of recent foreign exchange movements from one reporting date to the next can cause difficulty for the user of these financial statements in assessing the underlying operational performance of the Group in the period. Accordingly, these financial statements include amendments to the calculation of adjusted EBITDA, adjusted profit and adjusted earnings per share, prior year comparatives have been restated and more information is contained in note 6.

Foreign exchange risk is extensively monitored and strategies and actions taken to mitigate its short and long-term impacts. At the year end the Group has recognised a £0.5m financial asset (2018: £nil), of which £0.3m (2018: £nil) has been recognised in the income statement. This is in relation to hedges in place against changes in the value of future US dollar sales receipts totalling $18.6m (2018: $2.4m). This consists of a number of hedging contracts that extend into 2022 with further detail provided in note 19. Also during the year, the Group took steps to reduce the income statement exposure to foreign exchange risk from intercompany debtors by converting balances owed by the US Subsidiary into equity.

Adjusted EBITDA for the year increased by 6% to £5.7m (2018: £5.3m) and diluted adjusted earnings per share increased by 7% to 18.61p per share (2018: 17.33p). Conversely, in large part due to the £0.6m adverse swing in foreign exchange charges, profit before tax fell by £0.2m to £4.4m (2018: £4.6m) and basic earnings per share fell 7% to 18.10p per share (2018: 19.54p).

The balance sheet remains strong and debt free, with a year end cash balance of £13.8m (2018: £12.9m).

The Board is recommending a final dividend of 5.5 pence per share (2018: 5.0 pence) making a total of 8.0 pence per share for the year (2018: 7.2 pence), an increase of 11%.

Key performance indicators - Non-financial

Health and safety – there were no major accidents reportable to the Board in the year (2018: 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.

1 *Prior period comparatives have been restated following the adoption of IFRS 16 as disclosed in note 29.*

Board of Directors

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 from which he retired in March 2019 as 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 and Amati AIM VCT plc.

Richard K Wood, BSc, C Eng.

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) and was interim Chairman of ECO Animal Health Group plc in early 2019.

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

Chief Executive Officer (N)

Richard Edwards joined the Board in November 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.

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/.*

Our business model and strategy

Business model

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 customer 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. Seizing these opportunities is how Anpario intends to deliver long-term shareholder value.

Our business model is based on:

- **Products** - high quality efficacious products presented well;
- **Channel** - control the sales channel to ensure we develop strong technical and commercial relationships with the end users of Anpario products;
- **Story** - powerful value add proposition demonstrating the financial and performance benefits of our product solutions;
- **Branding** - build an impeccable Anpario brand which global customers can trust as having innovative, high quality and effective solutions for customers;
- **Quality** - throughout supply chain and manufacturing processes; and
- **Efficiency** - efficient automated production with high operational gearing.

Strategy

Regional focus

Developing local commercial and technical relationships across the world.

Delivered through:
- regional sales structure;
- local language speakers;
- resource that understands local market needs and challenges; and
- closer relationships with key end customers.

Future plans:
- rollout of Anpario Direct to other suitable territories; and
- further selective recruitment of high calibre regional resource.

Actions in 2019:
- launch of Anpario Direct in the UK market to target the smaller farm segment;
- Indonesia import licence obtained to enable commencement of direct supplies; and
- set up of new subsidiary operations to serve local markets.

Technical & products

Add value by developing products that help overcome the challenges of modern day farming.

Delivered through:
- scientific research and development, working closely with the end customers' meat protein operations, to help improve gut function leading to improved animal performance;
- support the producer through prevention rather than treatment; and
- help the customer meet disease and regulatory challenges.

Future plans:
- continue to retain and recruit technical and animal production experts;
- continued investment in research and development working closely with key global customers and respected institutions; and
- look for product opportunities which broaden our range and species opportunities.

Actions in 2019:
- further research and development of Orego-Stim in helping to support gut health and improve productivity through disease challenge;
- launch of Orego-stim milk supplementation for dairy calves in reducing development of anti-microbial resistance;
- extensive pullet layer trials at North Carolina State University showing encouraging results;
- development of a new product Orego-Stim® TD – "top dress" and trials demonstrate feed supplemented with Orego-Stim® improves sow and weaned piglet performance development; and
- further aquaculture trials in Latin America of new aqua products.

Acquisitions

Growth through complementary and earnings enhancing acquisitions.

Delivered through:
- successful integration to derive both operational and financial synergies;
- specific searches to identify suitable targets in the specialty feed additive market; and
- applying strict acquisition and valuation criteria; targets must either complement our current product range, offer market consolidation opportunities or strengthen our sales and distribution channels.

Future plans:
- continue active search for acquisition opportunities within defined criteria.

Actions in 2019:
- evaluated a number of acquisition opportunities; and
- updated Board strategy on acquisition target criteria.

Operations

High quality, consistent and efficient manufacturing.

Delivered through:
- automated production facilities;
- key industry quality accreditations; and
- quality supply partners.

Future plans:
- evaluating further production investment opportunities;
- continued expansion of packaging options; and
- developing enhanced production contingency plans.

Actions in 2019:
- automated liquid bottling plant; and
- production in smaller pack sizes.

Corporate governance

Chairman's introduction

The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. Anpario applies the Quoted Companies Alliance Corporate Governance Code ("QCA Code").

Anpario offers natural solutions to the food farming industry which work in harmony with the natural aspects of an animal's biology to promote healthy growth at the least cost to the environment and the producer. Our products enable the production of top quality protein that partners future farming practice around the world. This objective and our engagement with stakeholders, ensures that we act in a manner that is responsible and beneficial to all.

The board and staff at the Company are committed to behaving professionally and responsibly to ensure that the highest standards of honesty, integrity and corporate governance are maintained. Enshrining these values through the Company's culture, objectives and processes is essential to support the success of the Company in creating long-term shareholder value.

Principle 1: Our strategy and business model to promote long-term value for shareholders

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. Seizing these opportunities is how Anpario intends to deliver long-term shareholder value. More information is included in the Strategic Report.

Anpario has specific resource and processes in place to proactively identify and manage risk to protect the continued growth and long-term future that is possible as outlined above. Our annual report details specific financial and non-financial risks and uncertainties facing the business and measures in place to mitigate them.

Principle 2: Understanding and meeting shareholder needs and expectation

Communications with shareholders are given high priority and Anpario recognises the importance and value in reciprocal and open communication with its many investors. This is key to ensure alignment between the motivations and expectations of our shareholders and our strategy and business model.

This communication takes place in many forms to serve different purposes. Our Interim Statements and Annual Reports contain detailed information for shareholders to understand our performance, strategy and future plans. Between these disclosures, the Company also issues RNS announcements, as required, which serve to keep shareholders updated about regulatory matters or changes that they should be notified of. These RNS announcements, as well as wider news articles about the Company, are available on our website *www.anpario.com/investor/*

The Annual General Meeting ("AGM") is the main opportunity for all shareholders to engage with Anpario. Shareholders are notified in advance of the date and location of the meeting as well as the resolutions that are to be voted on. At the meeting, the Board and key personnel give a presentation about the most recent published results and our strategy; they are also available to answer any questions that shareholders may have.

The Directors actively seek to build strong relationships with institutional investors and investment analysts. Presentations are given immediately following Interim Statement and Annual Report announcements. Feedback directly from shareholders via the Company's advisers after these regular analyst and shareholder meetings ensures that the Board understands shareholder views. The Board as a whole are kept informed of the views and concerns of major shareholders and are made aware of any significant investment reports from analysts.

Shareholders are encouraged to contact the Company should they have any questions or concerns and can do so using a dedicated email address *investor@anpario.com*. This is actively used by our Shareholders and successfully enables them to engage with the Board in addition to attaining assistance on individual shareholder specific matters with which we may be able to help. The Chairman and other Directors will meet or have contact with major shareholders as necessary.

The Executive Directors hold shares and participate in incentive plans in the Company which ensures that their interests are fully aligned with those of other shareholders.

Principal 3: Corporate social responsibilities and wider stakeholders

Anpario seeks to ensure a sustainable business, behaving socially, ethically and environmentally responsibly and engaging with all of its key stakeholders, including the communities in which the Company operates, its people and the environment. As we evolve our business model and strategy we ensure that we identify any new stakeholders and seek to understand them alongside existing stakeholders. Some of the key stakeholders are discussed below.

Employees

Anpario is an inclusive organisation where everyone is treated equally irrespective of gender, nationality, marital status, colour, race, ethnic origin, creed, sexual orientation or disability. Employees embody Anpario's key values of "Integrity,Teamwork, Innovation and Leadership".

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 and permitted, employees are offered the opportunity to become shareholders in order to promote active participation in, and commitment to, the Group's success.

The Employee handbook which applies globally and includes detailed policies and guides for employees which cover:

- **Behaviour** – Equal Opportunities and Dignity at Work, Anti-Bribery and Anti-Corruption, Communications and Privacy;
- **Family** – Parental, Dependents, Maternity, Paternity, Flexible working, Adoption;
- **General** – Grievance, Whistle blowing, Discrimination and Bullying, and Disciplinary; and
- **Safety** – Health and Safety handbook, Occupational Health Policy, Drug and Alcohol abuse.

Specific training is given to all employees in respect of key policies including online training videos on the Company's intranet and appropriate health and safety training.

Employees are encouraged to further develop their skills and the Group will provide appropriate training in order to support our people and grow organisational capabilities. Anpario currently:

- has several apprentices places;
- recruits graduates and doctorates in disciplines such as biosciences, accountancy, law and HR;
- works closely with several global universities on joint scientific initiatives;
- provides ongoing professional training support, extensive coaching and management development programmes; and
- provides financial and study leave for professional and work related qualifications.

The Company has a bonus scheme in place for its employees with targets aligned with shareholders as appropriate to their roles and responsibilities.

Anpario supports local community initiatives and employee charity work including supporting a local school to care for chickens.

An analysis of Directors, senior managers and other employees by gender as at 31 December 2019 is as follows:

	Male	Female
Directors	3	1
Production	23	3
Administration	9	13
Sales and Technical	35	28
Total	**70**	**45**

Environment

The Group recognises the importance of good environmental controls. It is the Group's policy to comply with environmental legislation currently in place, adopt responsible sustainable practices and give consideration to minimising the impact of its operations on the environment.

Material supply:

- fish & marine oils used for our products are processed by-products from farmed fish productions for human consumption or sourced from suppliers certified for sustainable fishing;
- raw materials used within products are primarily common minerals in high grade quality from plentiful natural resources; and
- pre-used reconditioned & cleaned intermediate bulk containers are used for packaging & supply of bulk liquids.

Environmental controls & good practices:

- 90% of carrier and materials are supplied in bulk and added directly into production to minimise packaging waste and labour requirements;
- 100% liquid bulk ingredients are stored in bunded storage silos; liquid bulk deliveries are accepted only when the site drainage system is blocked with a bung to prevent accidental spills from entering into the general sewerage system;

- a dust extraction system is used to minimise dust in the production area and prevent dust from being emitted into the environment;
- manufacturing processes generate 2.5% of the production volume as product and material waste due to manufacturing and cleaning activities. This product and material waste is collected by a waste contractor to be environmentally recycled as far as possible;
- digital marketing brochures are created that can easily be emailed or viewed via the website as opposed to being printed and posted out;
- travel is managed to ensure trips are multi-purpose or alternatively using telephones, Skype and conference centres and webinars; and
- a paperless office policy is encouraged.

Sustainability

Anpario's responsibilities

All of Anpario's activities are dedicated to providing innovative solutions which contribute to sustainable development of new products, protecting precious resources and enabling farmers to produce healthy and productive food producing animals. Through our cutting-edge natural products, innovations and collaborations, Anpario:

- seeks to contribute to feeding a growing global population in a world with finite resources;
- contributes to the more efficient use of feed ingredients to reduce environmental footprints and ensures responsibly produced food;
- creates good health and nutrition from feed to farm; and
- helps to prevent and manage animal diseases that can destroy animals, livelihoods and food supplies.

Our innovative products work in harmony with the animals' biology to promote healthy growth and demonstrate value:

- to the animals fed directly through all life stages;
- indirectly to their progeny; and
- ultimately within the human food chain.

Sustainability embedded into company culture

Our people are passionate about sustainability. Our team are motivated to create programmes to lead and educate consumers because of the global challenges facing the world health, food sources and biosecurity.

Through our initiatives and education programmes we work closely with external vets and nutritionists to help, and where possible, responsibly reduce, remove and replace antibiotics by changing animal diets to include our products. Anpario are committed to extensive field trial work over several months and years to find cost effective solutions for farmers.

The Anpario 'Green Team', with representatives from all departments, initiate improved ways of working which are more sustainable for our environment.

Anpario's sustainable development goals

Sustainable development should meet the needs of the present without compromising the ability of future generations to meet their own needs. Our global responsibility is inherent throughout our company values and reflected in Anpario's own goals. These are in tune with the United Nations 17 Sustainable Development Goals (SDGs).

Goal 2: Zero hunger
Agriculture and fisheries can provide nutritious food for all and generate decent incomes, while supporting people-centered rural development and protecting the environment. Anpario's products work in tune with nature's inherent processes within each of the animal species to support production of safe and affordable food for a growing population and can help to:

- conserve, protect and enhance natural resources;
- improve rural livelihood, equity and social well-being through productive farming; and
- enhance resilience of people, communities and ecosystems.

Goal 3: Good health and well-being
The misuse of antibiotics in agricultural production is a significant threat to veterinary and human health. Anpario provides products and guidance to support farmers to:

- improve animal gut health;
- defend against mycotoxin;
- reduce and where possible remove the unnecessary use of antibiotics; and
- safeguard the use of antibiotics for effective treatment of sick animals.

We are leading in work in collaboration with major feed producers to successfully reduce the unnecessary use of antibiotics and other substances such as zinc oxide and urea-formaldehyde to promote optimal animal health and welfare. Anpario has spearheaded the 4 R's campaign globally to **Review, Reduce** and **Replace** antibiotics **Responsibly** to help manage gut health and support healthier livestock through the use of natural products.

Goal 12: Responsible consumption and production
Anpario's products help improve biosecurity and prevent animal diseases, which can eliminate significant animal populations, leading to devastating losses of food producing animals (e.g. Coccidiosis, Necrotic Enteritis, Porcine Epidemic Diarrhoea (PEDv), and African Swine Fever (ASF). Anpario's products are proven to work effectively alongside vaccines to aid in disease control.

Goal 6: Clean water and sanitation
Clean water is vital to both animal and human health. Our product portfolio includes a highly efficacious effervescent water-soluble tablet (Credence) that kills harmful moulds, fungi, bacteria and viruses in water as a cost effective one-step process on farm.

Goal 13: Climate action
Our products help farmers to feed more nutritious diets with a lower environmental footprint to their animals which reduce negative environmental impacts such as:

- nutrient loss;
- greenhouse gas and ammonia emissions; and
- degradation of ecosystems.

Goal 14: Life below water
Our 100% natural, aquaculture products work on the same principles as for land animals and are effective for shrimp and other farmed fish such as Salmon and Tilapia. We work with aquaculture experts on new formulations for sustainable fish production.

Impact of Anpario's products

Anpario has a substantial portfolio of proven products that make a difference to animal and ultimately human health. Some of our key innovations and animal health programmes with significant qualitative and measurable benefits which are working to achieve SDG's include:

- ***Antibiotic free and pathogen control***

  The solution to eliminating antibiotic dependency requires programmes that are multifaceted in their approach combining biosecurity, management and nutrition. Anpario's gut health products have beneficial effects including: reduction of E.coli; increased levels of lactobacillus creating a favourable microbial environment and increase in levels of energy sources (propionate and butyrate); improved animal strength, body weight gain and reduction in mortality rate. This results in reduced energy costs and improved dietary utilisation, aiding animal performance and helping to ensure they are more robust and better able to resist pathogen challenges.

  Anpario phytogenic products contain natural oregano oil with actives carvacrol and thymol which are natural antimicrobials. It regulates gut microbiota; has anti-inflammatory and antioxidant properties, and stimulates appetite for efficient feed conversion. Its benefits are proven in fighting intestinal diseases such as coccidiosis in poultry and ileitis in pigs, which infects 96% of US and 90% of EU pig farms.

  Anpario's market leading acid-based gut health products comprise of organic acids blended on a unique mineral carrier system using our sophisticated proprietary blending processes. They work inside the gastrointestinal tract of the animal and promote the proliferation of beneficial bacteria, enabling it to develop a well-balanced gut microflora population (lactobacillus) which naturally decreases the number of viable enteropathogens, such as Salmonella, E Coli, and Campylobacter. Proven to increase breeder fertility, hatchability and egg weight, and also progeny have been found to have significantly increased weight gain and improved feed conversion rate.

- ***Mycotoxin binders***

  Mycotoxins are toxic chemicals produced by moulds. Their presence in animal feed can have a detrimental effect including: reduced growth rates; lower fertility and abortions; impaired resistance and secondary infections; kidney and liver toxicities resulting in organ failure; and potentially death. Products such as Anpro® range have demonstrated efficacy when independently tested over various species and generate many positive health benefits.

- ***Zinc oxide replacement***

  Traditionally, zinc oxide has been included at high levels in a piglet's diet under veterinary prescription, to control E. coli infections which cause post-weaning scours and has been linked to environmental pollution and antibiotic resistance. Anpario eubiotic products can support piglet performance in the absence of therapeutic levels of zinc oxide and increase the amount of pig meat produced per year for the unit.

Suppliers, customers and regulators

Anpario supplies products to many countries and aims to enhance animal health and nutrition. Internal quality control ensures: the safety of its products; transparency and traceability.

Anpario sources 100% natural oregano oil which is organically grown and produced in a carbon neutral European factory.

Anpario retain key industry quality accreditations in particular UFAS and FEMAS certifications. The Group is committed to achieving a safe and secure working environment in all locations operating an established Group health and safety policy applicable to all employees. Other measures include:

- responsible procurement policies are in place to source raw materials to high specification and rigorous quality standards. Anpario seeks to partner suppliers operating to highest standards of honesty and integrity. These ethics include through responsible procurement and due diligence, ensuring: suppliers operate rigorous quality standards and comply with all applicable ethical labour and, trade laws and regulations, including the requirements of The Modern Slavery Act 2015;
- the operation of manufacturing facilities to the highest standards; compliance with recognised quality standards; and a safe and secure working environment in all our locations;
- compliance with environmental legislation and responsible practices minimising the impact of its operations on the environment;
- absolute transparency and traceability of raw materials and compliance with international regulations; and
- zero tolerance of bribery and corruption.

The Group adopts a clear Code of Conduct setting out the behaviour expected from all employees and business partners (including suppliers, customers, consultants, agents and representatives). It shall not knowingly take any actions which violate any applicable national and international anti-bribery and corruption legislation, including the UK Bribery Act 2010.

Principle 4: Effective risk management

Anpario has specific resource and processes in place to proactively identify and manage risk to protect the continued growth and long-term future. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Company and that they balance exploiting opportunities and protecting against threats. The Risk management section of this annual report details specific financial and non-financial risks and uncertainties facing the business and where possible the measures in place to mitigate them.

Risk management and control

Effective risk analysis is fundamental to the execution of Anpario's business strategy and objectives.

Our risk management and control processes are designed to make management of risk an integrated part of the organisation. The framework is used to identify, evaluate, mitigate and monitor significant risks; and to provide reasonable but not absolute assurance that the Group will be successful in achieving its objectives.

The focus is on significant risks that, if they materialise, could substantially and adversely affect the Group's business, viability, prospects and share price.

The requirement for an Internal Audit function is to be kept under review.

Risk management process

We recognise that a level of risk taking is inherent within a commercial business; our risk management process is designed to identify, evaluate and mitigate the risks and uncertainties we face.

The CEO is the ultimate Risk Manager. The Board establishes our risk appetite; oversees the risk management and internal control framework and monitors the Group's exposure to principal risks.

The Executive Management Board (EMB) owns the risk management process and is responsible for managing specific risks. The EMB members are also responsible for embedding rigorous risk management in operational processes and performance management and review.

The EMB members are responsible for the risk analysis, controls and mitigation plans for their individual section of the business.

The Audit Committee reviews the effectiveness of the risk management process and the internal control framework and ensures appropriate executive ownership for all key risks.

These processes ensure that all Directors receive detailed reports from management and are able to discuss the risks, controls and mitigations in place and therefore satisfy themselves that key risks are being effectively managed.

Internal control framework

Anpario's internal control framework is designed to ensure the:

- effectiveness and efficiency of business operations;
- reliability of financial reporting;
- compliance with all applicable laws and regulations; and
- assignment of Authority and Responsibility.

Anpario's values underpin the control framework and it is the Board's aim that these values drive the behaviours and actions of all employees. The key elements of the control framework are:

Management structure

The Board sets formal authorisation levels and controls that allow it to delegate authority to the EMB and other Managers in the Group. The management structure has clearly defined reporting lines and operating standards.

Strategy and business planning

- Anpario has a strategic plan which is developed by the EMB and endorsed by the Board;
- Business objectives and performance measures are defined annually, together with budgets and forecasts; and
- Monthly business performance reviews are conducted at both Group and business unit levels.

Policies and procedures

Our key financial, legal and compliance policies and procedures that apply across the Group are:

- Code of Conduct;
- levels of designated authorities and approvals;
- Ways of Working (WOWs);
- Anti-Bribery and Corruption Policy;
- GDPR and Privacy Policy; and
- due diligence processes including rigorous sanctions checks.

Operational controls

Our operational control processes include:

- **Product pipeline review:** product pipeline is reviewed regularly to consider new product ideas and determine the fit with our product portfolio. We assess if the products in development are progressing according to plan and evaluate the expected commercial return on new products;
- **Lifecycle management:** lifecycle management activities are managed and reviewed for our key products to meet the changing needs of our customers, environmental and regulatory standards;
- **Quality assurance:** a manufacturing facility with an established Quality Management System operating under FEMAS and UFAS and designed to ensure that all products are manufactured to a consistently high standard in compliance with all relevant regulatory requirements;
- **Product registration:** a robust system operated by our regulatory team to ensure all products are correctly registered within the jurisdiction in which they are sold; and
- **Pricing:** a pricing structure which is managed and monitored to provide equitable pricing for all customer groups and compliance with regulatory authorities.

Financial controls

Our financial controls are designed to prevent and detect financial misstatement or fraud. This provides reasonable, but not absolute, assurance against material misstatement or loss. They include:

- a formalised reporting structure which incorporates the setting of detailed annual budgets and key performance indicators which are updated on a regular basis to form forecasts;
- management and Board meetings where all key aspects of the business are presented, reviewed and discussed including comparison of current and historical performance as well as budgets and forecasts;
- defined authorisation levels for expenditure; the placing of orders and contracts; and signing authorities;
- transactional level controls operated on a day-to-day basis;
- daily reconciliation and monitoring of cash movements by the finance department and the Group's cash flow is monitored;
- segregation of accounting duties;
- reconciliation and review of financial statements and judgements;
- internal and external training to ensure staff are aware of the latest standards and best practice; and
- membership of professional bodies and compliance with associated code of ethics.

Corporate governance continued

Principle 5: The Board

Executive Directors

Name	Role	Qualifications	Key Committees Audit	Nom.	Rem.
Richard Edwards	Chief Executive Officer	*B Eng (Hons), C Eng, MBA.*	-	M	-
Karen Prior	Group Finance Director	*BSc (Hons), FCA.*	-	-	-

Independent Non-Executive Directors

Name	Role	Qualifications	Key Committees Audit	Nom.	Rem.
Peter Lawrence	Non-Executive Chairman	*MSc, BSc, DIC, ACGI.*	C	C	M
Richard Wood	Senior Independent Director	*BSc, C Eng.*	M	M	C

Audit = Audit Committee, Nom. = Nomination Committee, Rem. = Remuneration Committee C = Chair, M = Member

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 ensure strong corporate governance and 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.

Full details and biographies of the Board are available on our website, the Board comprises of two independent Non-Executive Directors and two Executive Directors.

The Board considers that Peter Lawrence and Richard Wood are independent. In Peter Lawrence's case the Board has specifically considered his length of service on the Board and determined that in terms of interest, perspective and judgement he remains independent.

All Directors are subject to reappointment by shareholders at the first AGM 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, *www.anpario.com/aim-26/.*

The Board meets formally at least four times per annum. All Board members receive agendas and comprehensive papers prior to each Board meeting. The Group 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.

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.

All Directors in office at the time of the various committee meetings were in attendance for all of the meetings convened between 7 March 2019 and 18 March 2020. 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	1	Yes

The Chief Executive Officer works full time for the Group. The Group Finance Director is contractually employed for a four day week, however, additional hours are worked to ensure the roles and responsibilities of the position are fully met. The Non-executive Directors have commitments outside of Anpario plc. They are summarised on the Board biographies available from *www.anpario.com/investor/aim-26/.* All the Non-Executive Directors give the appropriate amount of time required to fulfil their responsibilities to Anpario.

Principal 6: Ensuring Directors have between them the necessary up-to-date experience, skills and capabilities

The Nomination Committee aims to ensure that composition of the Board reflects appropriate balance of skills and experience required to ensure long-term shareholder value and manage risk. Details of the role of the Nomination Committee and the activities it performs in relation to these matters is included in the "Maintaining governance structures" section later on in this document.

The Board biographies available on the website give an indication of their breadth of skills and experience. Each member of the Board takes responsibility for maintaining their own skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

Principal 7: Evaluating board performance

The performance of the Board is evaluated formally on an annual basis, following the conclusion of the annual Audit and finalisation of the Annual Report. The Chairman leads this process which looks at the effectiveness of both the Board as a unit and its individual members.

When addressing overall Board performance the factors considered, include but are not limited to, underlying group financial performance, the success of new strategy implementation and the effectiveness of risk and control measures. This process further looks at the performance of each member and considers their individual successes, commitment and alignment to the overall Group strategy. As appropriate, it will also look to confirm that members have maintained their independence.

The Nomination Committee is responsible for determining Board level appointments, details of its role and terms of reference are provided later in this document. The Executive Board members determine the appointments to the Executive Management team, in line with Board approval procedures.

Succession planning is a key part in ensuring the long-term success of the Company. The Executive team ensure that potential successors are in place within the business and are given the required support and guidance to develop further. At the required time, it is the Nomination Committee's role to make decisions about future appointments to the Board.

Principle 8: Promoting a corporate culture based on ethical values and behaviours

Anpario has a strong ethical culture, the Board is responsible for setting and promoting this throughout our processes and behaviours. The policies related to these matters are regularly reviewed and updated and distributed to employees and other stakeholders as appropriate. Further, specific training is given to keep staff updated on relevant changes, these sessions are often recorded for future reference and new staff.

A copy of our Code of Conduct is available on our website, *www.anpario.com/code-of-conduct/.* Anpario has stated policies on Corporate Social Responsibility and Anti-Bribery and Anti-Corruption and a whistleblowing policy that is applicable to all our employees, other workers, our suppliers and those providing services to our organisation.

Principal 9: Maintaining governance structures

Anpario is confident that the governance structures in place in the Company are appropriate for its size and individual circumstances whilst ensuring they are fit for purpose and support good decision making by the Board.

The Board defines a series of matters reserved for its decision. These include strategy, finance, corporate governance, approval of significant capital expenditure, appointment of key personnel and compliance with legal and regulatory requirements.

There is clear segregation of responsibility within the Board. The Non-Executive Chairman is responsible for providing leadership to and managing the business of the Board, in particular ensuring strong corporate governance policies and values. The role of Chief-Executive Officer is concerned with the formulation and implementation of the strategy of the Company and is responsible for all operational aspects of the business. The role of the Group Finance Director is to provide strategic and financial guidance and to develop the necessary policies and procedures to ensure sound financial management and control of the Company. The Group Finance Director also acts as Company Secretary and is further responsible for advising on corporate governance matters and ensuring compliance with relevant legislative and legal requirements.

Details of the key committees are set out below, the terms of reference for each are available on our website as part of the committee section of the AIM 26 disclosures *www.anpario.com/aim-26/.*

Audit Committee

Details are contained within the Audit Committee Report section of this Annual Report.

Remuneration Committee

Details are contained within the Remuneration Committee Report section of this Annual Report.

Nomination Committee

The Nomination Committee is comprised of the two Non-Executive Directors and the Chief Executive Officer and is chaired by Peter Lawrence. Meetings are held as required by the Chairman. The role of the committee is as follows:

- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- give full consideration to succession planning for Directors and other senior executives taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- keep up to date and informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
- review and approve selection procedures for potential Board members, whether executive or non-executive, whether for immediate appointment to the Board or after a probationary period;
- be responsible for identifying and nominating for approval of the Board, candidates to fill Board vacancies as they arise;
- ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings;
- ensure that following appointment to the Board, Directors undergo an appropriate induction programme; and
- make recommendations to the Board on membership of the Board's committees, in consultation with the chair of such committees; the reappointment of any non-executive at the conclusion of their specified term of office; the reappointment by shareholders of Directors under the Company's rotation requirements taking into account the need for progressive refreshing of the Board.

Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment.

For the appointment of a Chairman, the committee shall produce a job specification, including the time commitment expected. A proposed Chairman's other significant commitments should be disclosed to the Board before appointment and any changes to the Chairman's commitments should be reported to the Board as they arise.

Prior to the appointment of a Director, the proposed appointee should be required to disclose any other business interests that may result in a conflict of interests and be required to report any future business interests that could result in a conflict of interest.

Principal 10: Communicating governance and performance matters with shareholders and wider stakeholders

Communications with shareholders are given high priority and we proactively promote engagement through a range of measures. More details of which are provided earlier in this document about how Anpario seek to engage with and understand Shareholders and wider Stakeholders.

The most recent AGM took place on 27 June 2019, full details of which are included in the 2018 annual report available from our Website. The results of the AGM are set out below. None of the resolutions had a significant number of votes cast against it.

No.	Resolution	Result
1	Accept Financial Statements and Statutory Reports	Passed
2	Approve Final Dividend	Passed
3	Re-elect Richard Edwards as Director	Passed
4	Re-appoint Deloitte LLP as Auditors	Passed
5	Authorise Issue of Equity with Pre-emptive rights	Passed
6	Authorise Issue of Equity without Pre-emptive rights	Passed
7	Authorise Market Purchase of Ordinary Shares	Passed

Our Company website includes historical Annual Reports and Interim Statements; both in RNS format as part of its News section, and the published documents are available from
www.anpario.com/investor/annual-reports/.
Included within these documents are the notices of previous AGMs, the results of which are released as RNS announcements and can be found in the News Releases section of our website
www.anpario.com/investor/

Directors' report

The Directors present their Annual Report and audited consolidated financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year after tax was £3.7m (2018: £4.0m). The Directors propose a final dividend of 5.5p per share (2018: 5.0p) making a total of 8.0p per share for the year (2018: 7.2p), amounting to a total dividend of £1.7m (2018: £1.5m).

Directors

The Directors during the year under review and subsequently and up to the date of this report were:

Peter A Lawrence	Non-Executive Chairman
Richard P Edwards	Chief Executive Officer
Karen L Prior	Group Finance Director
Richard K Wood	Senior Independent Director

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 earlier in this report.

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

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 note 4 of the Group financial statements.

Share capital

During the year 50,000 (2018: 41,853) Ordinary shares of 23p each were issued pursuant to the exercise of share options. During the year the Company issued 100,000 (2018: nil) 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 2019 to make market purchases of Ordinary shares in the capital of the Company.

As at 31 December 2019, the Company holds 143,042 (2018: 143,042) Ordinary shares of 23p in treasury.

On 5 February 2020, the Company announced a Share Buyback Programme. On 12 March 2020 the Company completed the Buyback Programme and in total purchased 297,346 additional Ordinary shares of 23p to be held in treasury, taking the total number of treasury shares to 440,388 shares.

Substantial shareholdings

At 28 February 2020, analysis of the share register showed the following holdings of 3 per cent or more of its issued share capital:

	Ordinary Shares (000)	% held
RBC Wealth Management	2,750	11.8
Unicorn Asset Management	2,433	10.4
Investec Wealth & Investment	2,378	10.2
Gresham House	1,399	6.0
Downing	1,124	4.8
BlackRock Investment Management	1,073	4.6
BMO Global Asset Management	769	3.3
Hargreaves Lansdown Asset Management	763	3.3
Interactive Investor	724	3.1

Independent auditor

The auditor, Deloitte LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

Stockbrokers

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

The closing share price on 31 December 2019 was 340p per share (2018: 325p 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.

The Directors' report was approved by the Board of Directors on 18 March 2020 and is signed on its behalf by:

Karen Prior
Company Secretary

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 period. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company 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 UK Accounting Standards 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 will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 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 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of disclosure to auditor

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

This responsibility statement was approved by the Board of Directors on 18 March 2020 and is signed on its behalf by:

Karen Prior
Company Secretary

Report of the Remuneration Committee

Introduction

On behalf of the Remuneration Committee, I am pleased to present the Remuneration Report for the year ended 31 December 2019. The Committee seeks to provide a framework that is aligned to the strategy and values of the Company and to the interests of shareholders. It recognises the need to recruit, retain and appropriately incentivise high calibre directors and managers to deliver the Company's strategy.

Overview

The Remuneration Committee is responsible for reviewing the performance of Executive Directors as well as determining the scale and structure of their remuneration, their terms and conditions of service and the grant of share awards, having due regard to the interests of shareholders.

The Committee is also responsible for reviewing the overall policy in respect of remuneration of all other employees of the Company and establishing the Company's policy and operation of share incentive schemes.

In determining the remuneration of senior executives, the Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Committee also makes recommendations to the Board concerning the allocations of options to executives under the long-term incentive plan and for the administration of the scheme.

The terms of reference of the Remuneration committee can be found on the Company's website www.anpario.com/aim-26/.

Composition and meetings

The Remuneration Committee comprises Richard Wood, Senior Non-Executive Director and Committee Chairman, and Peter Lawrence, Non-Executive Chairman of the Board. Executive Directors are invited to attend meetings as required if thought advantageous for consideration of a particular agenda item. The Remuneration Committee meets as necessary to fulfil its objectives but as a minimum, at least once a year. The committee met once during the year ended 31 December 2019 with full attendance by the Committee members.

AIM requirements

As an AIM company, Anpario plc, is not required to comply with schedule 8 of the large and medium-sized companies' regulations 2008. However, it is moving towards this full level of reporting and disclosures in this report reflect this.

Directors' remuneration

The remuneration of the Chairman and each Director during the year ended 31 December 2019 is set out in the tables below. The detail contained in this summary has been expanded this year, as such the prior year figures have been re-presented.

	Salary 2019 £000	Pension 2019 £000	Benefits 2019 £000	Bonus* 2019 £000	Share-based payments 2019 £000	Total 2019 £000
Executive Directors						
R P Edwards	209	-	2	-	34	**245**
K L Prior	146	-	15	-	43	**204**
Non-Executive Directors						
P A Lawrence	40	-	-	-	-	**40**
R K Wood	35	-	-	-	-	**35**
Total	**430**	**-**	**17**	**-**	**77**	**524**

The comparative figures for the previous year are shown below.

	Salary 2018 £000	Pension 2018 £000	Benefits 2018 £000	Bonus* 2018 £000	Share-based payments 2018 £000	Total 2018 £000
Executive Directors						
R P Edwards	209	-	11	133	55	**408**
K L Prior	146	-	13	99	58	**316**
Non-Executive Directors						
P A Lawrence**	40	-	-	-	-	**40**
R K Wood	35	-	-	-	-	**35**
Total	**430**	**-**	**24**	**232**	**113**	**799**

** The bonuses to Directors are determined and paid after the publication of annual results, so the above figures are awards made for the previous financial year. No bonus has been accrued for 2019.*

*** The payment of the Chairman's remuneration changed during 2018 and is now paid as a salary directly as an employee of Anpario plc. Previously these amounts were paid to ECO Animal Health Group plc. For clarity and consistency, the salary figure above includes these amounts.*

Key activities

During the year, the Committee:

- reviewed the salary and bonus arrangements to the Executive Directors and approved cost of living increases, where appropriate, for staff. No cost of living adjustment has been made for Executive and Non-Executive Directors;
- reviewed the allocation of issued share capital for all incentive schemes;
- reviewed proposals for the grant of share related incentive schemes; and
- approved recommended proposals for short-term bonus incentives.

Remuneration policy and advisors

The objectives of the remuneration policy are to ensure that the overall remuneration of senior executives is aligned with the performance of the Company and preserves an appropriate balance of annual profit delivery and longer term shareholder value.

The Committee keeps the remuneration policy, in particular the need for share ownership guidelines for Executive Directors, regularly under review and will take action whenever deemed necessary to ensure that remuneration is aligned with the overall strategic objectives of the Company.

The Committee seeks advice, if appropriate, from independent advisors where required on remuneration related matters.

Long term incentive plans

The Executive Directors receive remuneration under three long term incentive plans: Enterprise Management Scheme ("EMI" which is now closed; Joint Share Ownership Plan ("JSOP"); and Save As You Earn Scheme ("SAYE").

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

	Option Price (pence per Share)	31 Dec 2019	31 Dec 2018
R P Edwards	158.50	**80,000**	80,000
	290.00	**42,400**	42,400
	224.13	**4,015***	4,015
	334.00	**2,694**	2,694
K L Prior	158.50	**80,000**	80,000
	290.00	**42,400**	42,400
	224.13	**4,015***	4,015
	334.00	**2,694**	2,694

* *These right to purchase these shares was exercised on 5 February 2020, and as of 18 March 2020 they have added to the respective Directors' interests as listed in relevant section on next page.*

Report of the Remuneration Committee continued

Joint Share Ownership Plan

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

The terms of the 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, 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 Directors interests in the JSOP shares are as follows:

	2019	2018
R P Edwards	**1,350,000**	1,350,000
K L Prior	**1,200,000**	1,200,000

Directors' interests

The interests of the Directors who served during the period, as at 31 December 2019, in the ordinary shares of the Company were as follows: -

	Ordinary shares of 23p each	
	31 Dec 2019	**31 Dec 2018**
P A Lawrence	**63,350**	63,350
R P Edwards	**206,687**	206,687
K L Prior	**211,800**	206,800

On 5 June 2019, Karen Prior purchased 5,000 ordinary shares of 23p each in the Company ("Ordinary Shares") at a price of 356.5p.

Directors' interests between 31 December 2019 and 18 March 2020 have changed, reflecting the exercise by Richard Edwards and Karen Prior of SAYE options of 224.13p per share totalling 4,015 shares each. As such at the 18 March 2020, Directors' interests are as follows, Richard Edwards 210,702 and Karen Prior 215,815.

Non-Executive Directors and Chairman

Remuneration of the Non-Executive directors is determined by the Chairman and the Chief Executive Officer. The Non-Executive Directors are not entitled to annual bonuses or employee benefits and their fees are subject to annual review.

The Chairman's remuneration is determined by Remuneration Committee in conjunction with the Chief Executive Officer. However, the Chairman is not entitled to vote on the matter.

Each of the Chairman and Non-Executive Director have a letter of appointment stating their annual fee and termination terms.

The Chairman and Non-Executive Director appointments are for a period of three years from the date of the letter of appointment. The appointments are terminable on three months written notice at any time by either the Company or the Non-Executive Director.

Executive Directors

The Executive Directors remuneration is determined by the Committee. They are eligible to participate in a discretionary annual bonus scheme which is based on annual target profit measures and corporate activities including acquisitions and disposals aligned with shareholder returns.

The Executive Directors are also eligible to participate in the employee long term incentive plans as mentioned above.

Richard Edwards

Richard Edwards is engaged as Chief Executive Officer of the Company under a service agreement dated 5 November 2006. His appointment is terminable by the Company on 12 months' written notice and the Executive on 6 months' notice.

Karen Prior

Karen Prior is engaged as Group Finance Director of the Company under a service agreement dated 1 October 2009. Her appointment is terminable by the Company on 12 months' written notice and the Executive on 6 months' notice.

Richard Wood
Chairman, Remuneration Committee
18 March 2020

Audit Committee report

Composition and meetings of the Audit Committee

The Audit Committee is comprised of the two Non-Executive Directors, whom the Board considers to be independent and is chaired by Peter Lawrence. Meetings are also attended, by invitation, by the Finance Director, external auditors and other management as appropriate.

The Committee 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 2019 with full attendance by the Committee members.

Role, responsibilities and terms of reference

The Audit Committee's role is to assist the Board in the effective discharge of its responsibilities for financial reporting and internal control. The Audit Committee's responsibilities include:

Financial reporting

Monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them focusing particularly on:

- the consistency of and any changes to accounting policies and practices;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor; and
- the clarity of disclosure in the Company's financial reports and the context in which statements are made.

Internal controls and risk management

- Keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

Compliance, whistleblowing and fraud

- Review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- review the Company's systems and controls for the detection of fraud and prevention of bribery.

External audit

Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required. Oversee the relationship with the external auditor including (but not limited to):

- recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assessing annually the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship as a whole, including the provision of any non-audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
- monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner;
- assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services;
- discuss with the external auditor(s) before the audit commences the nature and scope of the audit, and

ensure co-ordination where more than one audit firm is involved;

- review the findings of the audit, discussing any major issues which arose during the audit, any problems and reservations arising from the Interim and Final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary); and
- review the external auditor's management letter and management's response.

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.

Independence of external auditor

The Committee reviews the independence of the external auditor, 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.

Peter Lawrence
Chairman, Audit Committee
18 March 2020

Risk management

We have examined in detail key risks and evaluated the likelihood and potential impact. These risks are the most significant but not necessarily the only ones associated with the Group and its businesses. In common with all businesses, we face risks of a generic nature, for example failure of projects, foreign exchange, supply chain disruption and the recruitment, development and retention of employees. The following table shows some of the risks that are more specific to our business together with details of the controls and mitigation in place to manage our exposure. More information on our risk management framework can be found in the Corporate governance section.

1. Market risk

Risks

- Gaining market entry for products and access to end users.
- Competition from global operators.
- M & A activity resulting in market consolidation.
- Human movement restrictions e.g. COVID-19, SARS.
- Animal diseases e.g. African Swine Fever, Avian Influenza, PEDv.
- Climate and environmental changes.
- IP theft e.g. trademark infringements.

Potential impact

- Lower sales revenue and profit.
- Reduction in customers or target customers.
- Loss of market share.
- Loss of market.

Control and mitigation

- Establishing a global marketing strategy with clearly defined product and species related goals for each region.
- Regular monitoring of sales budgets and sales prospects by the management and the Board.
- Effective disaster planning communicated on a timely basis.
- Regional and species diversity and an extensive range of products with new product development and launches.
- A clear and effective marketing strategy communicating the benefits of Anpario's sustainable solutions.
- Close customer engagement, relationships to understand and address their needs.
- Global trademark watches and pre-emptive legal action.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	Increasing

2. Political and economic risk

Risks

- Brexit outcome still unknown - transition period until end 2020.
- Exchange rate fluctuations.
- Geopolitical risks including political and economic instability.
- Bad debts or trade disputes.

Potential impact

- Volatility in markets. Supply chain: delays, additional costs, tariffs or lack of continuity. Regulatory changes.
- Unable to sell or transport finished goods to EU. Unable to import goods from EU.
- Border delays.
- Reduced revenue, increased costs and lower profitability.

Control and mitigation

- Established a cross functional team to assess and monitor Brexit impact.
- Increased inventory of EU sourced raw materials.
- Extended terms provided to EU distributors to ensure supply in short term.
- Limiting and hedging of foreign currency exposure.
- Wide geographic diversity reduces dependency in a single country or region.
- Rigorous customer and supplier due diligence and monitoring of regional and customer exposures.
- Use of credit insurance and letters of credit.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	No change

3. Product development risk

Risks

- Failure to deliver new products due to lack of innovation, pipeline delays or products not meeting commercial expectations.
- Failed or aborted trials during development or customer acceptance stages.
- Lack of significant financial, R&D and other resources.

Potential impact

- Reduction in competitiveness in the market. Lost opportunities.
- A succession of trial failures could adversely affect our ability to deliver shareholder expectations.
- Our market position in key areas could be affected, resulting in reduced revenues and profits.
- Where we are unable to develop and launch a product this would result in impairment of intangible assets.
- Valuable resources may be wasted.

Control and mitigation

- Continual monitoring and review of the life-cycle and potential return from current products. Different regions have markets that are at different points in development.
- Potential new development projects are evaluated from a commercial, financial and technical perspective. The pipeline is reviewed regularly by the Board. Regular updates are provided to the Board.
- Each research project or trial is managed by qualified technical managers. Projects and trials are monitored to ensure that they are completed on time, deliver expected outcomes and provide useable data. Final review and evaluation to ensure learning.
- Multiple studies are conducted to assess the effects of the product on target species.
- In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	Decreasing

4. Production and quality risk

Risks

- Plant closures due to major accident or incident or disaster.
- Health and Safety issues.
- Reliance on 3rd party manufacturers.
- Inadequate or poor adherence to quality systems allow faulty product to reach customer.
- Defective raw materials.
- Defective plant and equipment in our manufacturing facility.

Potential impact

- Loss of production for a significant period e.g. more than one month potentially leading to loss of sales.
- Accidents, fatality leading to possible closure or fine.
- Poor product quality or product contamination.
- Damage to customer relationship, reputation and financial loss.

Control and mitigation

- All products can be produced at approved toll manufacturers in the UK. Business interruption and property insurance policies arranged.
- Business Continuity Plan in place.
- Third party advisor utilised and strict management controls enforced. Employers' liability insurance arranged.
- Continued investment in automation has improved product consistency and quality.
- Supplier accreditation, UFAS and FEMAS certification, HACCP and Trading Standards compliance. Public and product liability insurance arranged.

Risk rating	Trend
Likelihood **Low** Impact **Medium**	No change

5. Systems risk

Risks

- IT or communications failure, due to, accident or sabotage.
- Cyber-attack.
- Data breach.

Potential impact

- Unable to operate.
- Criminal attack could be aimed at stealing money, extortion, fraud, data theft etc.
- GDPR imposes heavy financial penalties, plus reputational damage.

Control and mitigation

- Regular back up of data, third party provider for storage and system support.
- Firewall, regular back up of data, crime and cyber insurance in place.
- Continual review and strengthening of processes, controls and security.
- Information Policy, Privacy Policy, Breach Notification Policy and Disaster Recovery Plan in place.
- Staff and partner awareness communication and training.

Risk rating	Trend
Likelihood **Medium** Impact **High**	Increasing

6. Legislation, regulatory and non-compliance risk

Risks

- Changing market, legislative and regulatory needs.
- Failure to comply with export controls and sanctions.
- Failure to comply with anti-bribery and corruption legislation.
- Non-compliance with tax, legal or regulatory obligations.
- Failure to comply with regulatory requirements.

Potential impact

- Loss of market presence and or share.
- Litigation against Anpario, potential fines and reputational damage.
- Financial penalties, reputational damage, unable to operate in certain jurisdictions.
- Prevented from trading with countries even though our products are exempt from sanctions.

Control and mitigation

- Vigilance and monitoring of all appropriate notifications to ensure compliance and pre-emptive actions.
- Clear communicated policies and Code of Conduct issued to all employees and partners.
- Internal training and awareness communications.
- Support from external experts in all countries in which we operate.
- Due diligence is carried out on all customers, directors and shareholders.
- Sanction checking processes are implemented.

Risk rating	Trend
Likelihood **Medium** Impact **Medium**	No change

Risk management

What has been successful?

The implementation of our direct customer sales strategy, set up of new subsidiaries and launch of new products has mitigated global challenges, reduced key customer reliance and created a platform for future growth.

During 2019 we have:

- established new operations:
  - established subsidiaries in Mexico and Germany;
  - gained export licences for Indonesia;
  - launch of Anpario Direct to access end users in UK; and

  - new global registrations obtained for Anpro and Optomega plus.

- innovated, developed and created new products;
- conducted successful trials with a number of well-known universities;
- progressed international product registrations; and
- successfully implemented a liquid bottling plant to bring manufacturing in-house.

We continually endeavour to improve our key control processes. During 2019 we have:

- updated our Business Continuity Plan designed to ensure that critical functions and services undertaken by Anpario are able to continue under all circumstances; and
- developed and coached key managers and staff.

What can be improved?

We will continue to review our internal control framework and improve our risk management capabilities. We will revise our processes in response to new or emerging risks and to any improvements recommended by management, external auditors and advisors.

Brexit contingency planning

In the absence of clarity on post Brexit trading arrangements, we set out below some of the key steps being taken to plan for and mitigate any disruption resulting from changes to the way in which we currently conduct business. Anpario has been proactively engaged in understanding the potential scenarios and drawing up plans to mitigate any future risks to the business. We have appointed a steering group of experienced cross-functional professional managers who are working together with our stakeholders to manage the process and challenges we face.

Business continuity

Anpario is a global business with a long history of both exporting and importing from EU and non-EU countries. We have Anpario subsidiaries in ten countries with representation in every continent. We continually review, explore options and implement planning decisions to optimise this representation and recruit key management to ensure continuity and growth of the business. The Group seeks to minimise reliance on key territories and individual customers and distributors by increasing geographic spread and market penetration.

We have incorporated a wholly owned subsidiary in Germany as part of our Brexit strategy; this will give us a base within the EU if we need it for manufacturing, warehousing, product registration or other purpose.

Import of raw materials and packaging

Anpario import a significant proportion of raw materials and packaging from the EU. We potentially face congestion in ports and temporary import delays by customs agents and freight forwarders struggling with new or unclear legislation in 2021.

In 2019, the value of raw materials and packaging purchased from the EU 27 was £5.2m representing 43% of total purchasing. Our EU partners are equally concerned to ensure that supply chains are not disrupted. Meetings and discussions have therefore been ongoing with key suppliers regarding planning for Brexit implications and potential outcomes. We have received assurances from our acid supplier that buffer stocks will be stored in the UK.

Where possible, we have purchased key raw materials and these are already in stock at our premises and a third party warehouse. We hold approximately one-month's raw material requirements. Anpario also imports goods from other territories outside of the EU and has a long history of dealing with import freight clearance and working with agents who provide effective professional customs clearance services. If necessary, this will enable us to purchase raw materials and packaging from alternative suppliers outside the EU.

Export of Anpario products

Anpario is a long established business, which has developed through exports and currently supplies more than 70 countries across the world. In 2019, £3.4m, approximately 12% of our sales were to EU 27 countries. We continue to review sales strategy and resources to create expansion across all regions and target growth territories both within and outside the EU.

Product regulatory requirements

All Anpario products conform to current EU standards and we expect this to continue. Our products are on the EU register of safe to use and do not require registration in EU. There is a risk that we may have to register products or that a certificate of free sale will be required after Brexit.

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 liaise closely with government bodies who oversee the industry standards such as DEFRA and 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 will be dedicated to mitigate such risk and to retain effective communication with the relevant regulators.

Trade tariffs

In the absence of a trade agreement between the EU and the UK, trade tariffs may be applied on goods we import from the EU, which could affect future prices of Anpario products. They may also increase prices to our EU customers by the addition of any duties imposed on their purchases from our operations in the UK. We already continually review our pricing and will take action to control our cost base and to ensure that we remain as competitive as possible. We will communicate any potential impact to our customers directly and as soon as possible if they are likely to be affected.

Brexit contingency planning continued

Exchange rate

Anpario's businesses could be affected by significant currency fluctuations. As a consequence of Anpario's extensive international dealings, Board approved hedging policies have been in place for many years. We have a number of options in place to sell USD/buy GBP. Exchange rates are continually monitored and action will be taken as far as possible to mitigate negative effects and anticipated exposures through implementation of our hedging policy and entering into financial instrument contracts.

Employees

We have EU citizens based in the UK who have been employed for a number of years; they have applied, or will be applying, for settled status. The deadline to apply under the EU Settlement Scheme to continue living in the UK is 30 June 2021. We do not anticipate any difficulties caused by the lack of free movement. We also employ people in several EU countries under direct local employment contracts.

Conclusion

Whilst it is not currently possible to fully understand and gauge the future obstacles facing UK & EU businesses we have continually been very active in making our views known to senior government ministers.

We are also actively working with government departments such as the Department for International Trade and DEFRA on issues such as trade barriers and regulations.

Anpario will continue to monitor developments and take whatever steps are necessary to protect our operations and minimise any disruption to our business. The final agreement between the UK and the EU may impose tariffs and additional administrative burden on our business but the UK will be able to conclude Free Trade Agreements with other countries that will provide us with opportunities in other markets.

Independent auditors' report to the members of Anpario plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Anpario plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the related notes 1 to 46.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 Financial Reporting Council's (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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • The existence of intangible assets relating to product brands Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used for the group financial statements was £220k (2018: £228k) which was determined on the basis of 5% of profit before taxation.
Scoping	Our full scope procedures included the UK entity, which covered 70% of the total revenue for the group and 97% of profit before taxation generated by profit making entities.
Significant changes in our approach	There have been no significant changes in our audit approach for the current year.

Independent auditors' report to the members of Anpario plc
continued

4. 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.**

5. 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.

5.1. Existence and valuation of intangible assets in relation to product brands

Key audit matter description	The Group has material balances for brands and development of new brands of £4.0m (2018: £3.7m). These relate to the fair value of previously acquired brands or developed product technologies. Included within this balance is £1.5m in relation to the Optivite brand, which has an indefinite useful life. When performing an assessment over the commercial viability of the products, management is required to make judgements over the future performance of the products to which these brands relate. These judgements determine whether development costs are eligible for capitalisation and whether existing assets should be impaired. There is also a potential for fraud through manipulation in relation to the assessment made by management in order to support the existence of the intangible. Further details are included within the critical accounting estimates and judgements note in note 2 and the intangibles note (note 13) to the financial statements.
How the scope of our audit responded to the key audit matter	• We have obtained an understanding of relevant controls relating to the assessment over the existence of these intangible assets. • We have assessed the commercial viability of brands in the development phase by considering the market environment for the proposed product. • We have tested that capitalised costs meet the eligibility criteria to be recognised. • We have assessed the level of sales and gross profits achieved historically in relation to the carrying value of the existing brands to consider any reduced appetite for such products. • We have considered the commercial rationale for the Optivite asset with an indefinite useful life and the market potential for the product. • We have assessed the forecasts for the future performance of existing brands.
Key observations	Our full scope procedures included the UK entity, which covered 70% of the total revenue for the group and 97% of profit before taxation generated by profit making entities.

6. Our application of materiality

6.1. 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	£220k (2018: £228k)	£209k (2018: £205k)
Basis for determining materiality	5% of pre-tax profit	Parent company materiality equates to 3.8% of this entity's pre-tax profit, which is capped at 95% of group materiality.
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. This 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 assessed the use of a headline measure to be appropriate as this continues to be a key driver of the business's value. This 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.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the low level of uncorrected misstatements identified in previous audits.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £9k (2018: £11k), 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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The group operates predominantly in the UK with a number of distribution entities around the world in locations such as Asia, the US and Australia. A full scope audit was performed on the UK entity, which represents 70% (2018: 78%) of the group's total external revenue.

Audit work to respond to the risks of material misstatement, including the consolidation, was performed directly by the group 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 entity in the USA. Audit work to respond to the risks of material misstatement in these subsidiaries was undertaken at a component materiality that was 50% (2018: 40%) of the group's materiality. Component materiality ranged between £97k and £209k in the current year.

8. 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.

Independent auditors’ report to the members of Anpario plc
continued

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.

9. Responsibilities of directors

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

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

10. 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 FRC’s website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

11. 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 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.

12. Matters on which we are required to report by exception

12.1. 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.

12.2 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 this matter.

13. 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.

Matthew Hughes BSc (Hons) ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom

18 March 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 £000	restated [1] 2018 £000
Revenue	3	**29,046**	**28,277**
Cost of sales		(14,536)	(14,735)
Gross profit		**14,510**	**13,542**
Administrative expenses		(10,213)	(9,069)
Operating profit	4	**4,297**	**4,473**
Depreciation and amortisation		1,140	992
Adjusting items	6	243	(123)
Adjusted EBITDA	6	**5,680**	**5,342**
Net finance income	9	97	82
Profit before tax		**4,394**	**4,555**
Income tax	10	(679)	(552)
Profit for the year		**3,715**	**4,003**
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translating foreign operations		(121)	(3)
Cashflow hedge movements (net of deferred tax)		125	(184)
Total comprehensive income for the year		**3,719**	**3,816**
Basic earnings per share	12	18.10p	19.54p
Diluted earnings per share	12	17.61p	18.53p
Adjusted earnings per share	12	19.13p	18.28p
Diluted adjusted earnings per share	12	18.61p	17.33p

1 *Prior period comparatives have been restated following the adoption of IFRS 16 as disclosed in note 29. This footnote has been referenced throughout the notes to the accounts.*

The notes on pages 42 to 82 form part of these financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 £000	restated [1] 2018 £000
Intangible assets	13	11,517	11,373
Property, plant and equipment	14	4,011	3,710
Right-of-use assets	15	184	196
Deferred tax assets	16	744	641
Derivative financial instruments	19	362	-
Non-current assets		**16,818**	**15,920**
Inventories	17	4,102	4,031
Trade and other receivables	18	5,539	5,328
Derivative financial instruments	19	119	6
Cash and cash equivalents	20	13,842	12,912
Current assets		**23,602**	**22,277**
Total assets		**40,420**	**38,197**
Lease liabilities	21	(121)	(115)
Deferred tax liabilities	16	(1,384)	(1,182)
Non-current liabilities		**(1,505)**	**(1,297)**
Trade and other payables	22	(3,206)	(3,426)
Lease liabilities	21	(67)	(83)
Derivative financial instruments	19	(2)	(11)
Current income tax liabilities		(86)	(232)
Current liabilities		**(3,361)**	**(3,752)**
Total liabilities		**(4,866)**	**(5,049)**
Net assets		**35,554**	**33,148**
Called up share capital	23	5,394	5,360
Share premium		10,849	10,423
Other reserves	24	(5,650)	(5,449)
Retained earnings	25	24,961	22,814
Total equity		**35,554**	**33,148**

1 *Prior period comparatives have been restated following the adoption of IFRS 16 as disclosed in note 29. This footnote has been referenced throughout the notes to the accounts.*

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 £4,814,000 (2018: £5,099,000).

The financial statements of pages 38 to 82 were approved by the Board and authorised for issue on 18 March 2020.

The notes on pages 42 to 82 form part of these financial statements.

Richard Edwards
Chief Executive Officer
Company Number: 03345857

Karen Prior
Group Finance Director

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Note	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-con-trolling interest £000	Total equity £000
Balance at 1 Jan 2018		**5,350**	**10,330**	**(5,406)**	**20,248**	**-**	**30,522**
IFRS 16 Adjustment	29	-	-	-	(5)	-	(5)
Balance at 1 Jan 2018 - restated[1]		**5,350**	**10,330**	**(5,406)**	**20,243**	**-**	**30,517**
Profit for the period		-	-	-	4,003	-	4,003
Currency translation differences		-	-	(3)	-	-	(3)
Cash flow hedge reserve	19	-	-	(184)	-	-	(184)
Total comprehensive income for the year		-	-	(187)	4,003	-	3,816
Issue of share capital	23	10	93	-	-	-	103
Share-based payment adjustments	26	-	-	167	-	-	167
Deferred tax regarding share–based payments		-	-	(23)	-	-	(23)
Final dividend relating to 2017		-	-	-	(965)	-	(965)
Interim dividend relating to 2018	11	-	-	-	(467)	-	(467)
Transactions with owners		10	93	144	(1,432)	-	(1,185)
Balance at 31 Dec 2018		**5,360**	**10,423**	**(5,449)**	**22,814**	**-**	**33,148**
Profit for the period		-	-	-	3,715	-	3,715
Currency translation differences		-	-	(121)	-	-	(121)
Cash flow hedge reserve	19	-	-	125	-	-	125
Total comprehensive income for the year		-	-	4	3,715	-	3,719
Issue of share capital	23	34	426	-	-	-	460
Joint Share Ownership Plan	26	-	-	(320)	-	-	(320)
Share-based payment adjustments	26	-	-	104	-	-	104
Deferred tax regarding share-based payments		-	-	11	-	-	11
Final dividend relating to 2018	11	-	-	-	(1,048)	-	(1,048)
Interim dividend relating to 2019	11	-	-	-	(520)	-	(520)
Transactions with owners		34	426	(205)	(1,568)	-	(1,313)
Balance at 31 Dec 2019		**5,394**	**10,849**	**(5,650)**	**24,961**	**-**	**35,554**

1 *Prior period comparatives have been restated following the adoption of IFRS 16 as disclosed in note 29. This footnote has been referenced throughout the notes to the accounts.*

The notes on pages 42 to 82 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2019

	Note	2019 £000	restated [1] 2018 £000
Operating profit for the year		4,297	4,473
Depreciation, amortisation and impairment	4	1,140	992
Loss on disposal of property, plant and equipment	14	70	13
Share-based payments	7	104	167
Fair value adjustment to derivatives		(332)	32
Operating cash flows before changes in working capital		**5,279**	**5,677**
Increase in inventories		(174)	(900)
(Increase)/decrease in trade and other receivables		(281)	401
Decrease in trade and other payables		(101)	(1,816)
Changes in working capital		**(556)**	**(2,315)**
Cash generated by operations		**4,723**	**3,362**
Income tax paid		(753)	(673)
Net cash from operating activities		**3,970**	**2,689**
Investment in subsidiary		-	(132)
Purchases of property, plant and equipment	14	(894)	(695)
Proceeds from disposal of property, plant and equipment		147	-
Payments to acquire intangible assets	13	(775)	(1,106)
Interest received	9	106	87
Net cash used in investing activities		**(1,416)**	**(1,846)**
Joint share ownership plan	26	(320)	-
Proceeds from issuance of shares		460	103
Cash payments in relation to lease liabilities		(134)	(124)
Operating lease interest paid		(9)	(5)
Dividend paid to Company's shareholders		(1,568)	(1,432)
Net cash used in financing activities		**(1,571)**	**(1,458)**
Net increase in cash and cash equivalents		**983**	**(615)**
Effect of exchange rate changes		(53)	(32)
Cash and cash equivalents at the beginning of the year		12,912	13,559
Cash and cash equivalents at the end of the year		**13,842**	**12,912**

1 *Prior period comparatives have been restated following the adoption of IFRS 16 as disclosed in note 29. This footnote has been referenced throughout the notes to the accounts.*

The notes on pages 42 to 82 form part of these financial statements.

Strategic report

Governance

Financial statements

Shareholder information

Notes to the financial statements
for the year ended 31 December 2019

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. Anpario plc is a public company traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and is incorporated in the United Kingdom and registered in England and Wales. The address of its registered office is Unit 5 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 have been prepared on the historical cost basis, except for financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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.

The Company has taken advantage of the exemption provided in section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

2.2. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries drawn up to 31 December 2019.

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 remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured 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

On 1 January 2018, the Group adopted IFRS 15 'Revenue from Contracts with Customers', which did not result in a classification or measurement adjustment to retained earnings on transition or a restatement of comparative information.

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.

Revenue is derived principally from the sales of goods and in some instances the goods are sold on Cost and Freight (CFR) or Cost, Insurance and Freight (CIF) Incoterms. When goods are sold on a CFR or CIF basis, the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which Anpario has lost control of the goods. Revenue is recognised when the performance obligations have been satisfied, which is once control of the goods has transferred from Anpario to the buyer. Anpario considers revenue related to the shipping and insurance service element of the contract to be immaterial and does not consider there to be separate performance obligations.

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.

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

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.

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 on a straight-line basis and included in administrative expenses in the income statement, 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 and included in administrative expenses in the income statement.

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 and included in administrative expenses in the income statement.

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 and included in administrative expenses in the income statement.

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.

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

Software and licenses

Software and licenses are stated at cost less accumulated amortisation 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. Amortisation is calculated using the straight-line method to allocate the cost of software and licenses over their estimated useful lives of 5 to 7 years and included in administrative expenses in the income statement.

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 using the straight-line method, as follows:

Buildings .... *50 years or period of lease if shorter*

Plant and machinery .... *3–10 years*

Fixtures, fittings and equipment .... *3–10 years*

Assets in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

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 weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

2.11. Trade receivables

The Group applies the simplified approach when using the expected credit loss (ECL) impairment model for trade receivables. Under the simplified approach the Group always measures the loss allowance at an amount equal to the lifetime ECL for trade receivables.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

The ECL's are updated each reporting period to reflect changes in credit risk since initial recognition.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

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 at bank and short-term deposits that are readily convertible into cash.

2.14. Financial instruments

The Group's principal financial instruments comprise derivatives and cash and cash equivalents. These financial instruments are used to manage currency exposures, funding and liquidity requirements. Other financial instruments which arise directly from the Group's operations includes trade and other receivables (note 18) and trade and other payables (note 22). The main risks arising from the Group's financial instruments and related policies are detailed in note 2.21.

The Group uses the following valuation hierarchy to determine the carrying value of financial instrument that are measured at fair value:

Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

2.15. Derivative financial instruments

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments', which replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard has been applied retrospectively, but did not result in a material change to the Group's accounting policies or a restatement of prior period financial assets and liabilities.

The Group designates certain hedging instruments, which include derivatives, in respect of foreign currency risk, as cash flow hedges. 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.

IFRS 9 removes the requirement to demonstrate hedge effectiveness between a range of 80-125% and instead requires that you can demonstrate an economic relationship between the hedged item and hedging instrument. 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).

There has been no material impact on adoption of IFRS 9.

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.

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.

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 and reserves

Share capital

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.

Share premium

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.

Treasury shares

Treasury shares represents shares in Anpario plc that are held by the Company.

Joint Share Ownership Plan

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.

Merger reserve

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

Special reserve

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

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective as cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised only when the hedged transaction impacts the profit or loss.

Share-based payment 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.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into the Parent Company's functional currency, being pounds sterling, are recognised directly in the foreign exchange reserve.

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.

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. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of equity of the Group, comprising issued capital, reserves and retained earnings as disclosed in notes 23 to 25. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends payable to shareholders, return capital to shareholders or issue new shares.

2.22. Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

2.23. Critical accounting judgements and key sources of estimation uncertainty

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. Following the assessment of the recoverable amount of goodwill and intangibles of the Group that totalled £11.5m as per note 13 of the financial statements, the Directors consider the recoverable amount of goodwill and intangibles to be supported by their value in use calculation. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board. Whilst the Group is able to manage aspects of costs, the revenue projections are inherently uncertain due to the short term nature of business and unstable market conditions driven by external factors. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 13.

The Directors do not consider there to be any key judgements.

2.24. Impact of accounting standards and interpretations

New and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The Group has applied IFRS 16 using the full retrospective approach, with restatement of the comparative information. The date of initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. Details of these new requirements are described in note 2.22. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described in note 29.

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16 for all leases the Group:

- recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

3. Operating segments

Management has determined the operating segments based on the information that is reported internally to the Chief Operating Decision Maker, the Board of Directors, to make strategic decisions. The Board considers the business from a geographic perspective and is organised into four geographical operating divisions: Americas, Asia, Europe, Middle-East and Africa (MEA) and Head Office.

All revenues from external customers are derived from the sale of goods and services in the ordinary course of business to the agricultural markets and are measured in a manner consistent with that in the income statement. Inter-segment revenue is charged at prevailing market prices or in accordance with local transfer pricing regulations.

for the year ended 31 Dec 2019	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	6,802	11,009	12,545	4,323	-	34,679
Inter-segment revenue	-	-	(5,633)	-	-	(5,633)
Revenue from external customers	**6,802**	**11,009**	**6,912**	**4,323**	**-**	**29,046**
Depreciation and amortisation	(4)	(71)	-	(4)	(1,061)	(1,140)
Net finance income	-	(3)	-	2	98	97
Profit before income tax	**1,268**	**3,717**	**3,051**	**1,377**	**(5,019)**	**4,394**

for the year ended 31 Dec 2018	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Total segmental revenue	5,703	11,563	12,341	3,614	-	33,221
Inter-segment revenue	-	-	(4,944)	-	-	(4,944)
Revenue from external customers	**5,703**	**11,563**	**7,397**	**3,614**	**-**	**28,277**
Depreciation and amortisation	(7)	(12)	-	-	(973)	(992)
Net finance income	-	1	-	2	79	82
Profit before income tax	**1,437**	**3,765**	**2,971**	**1,099**	**(4,717)**	**4,555**

4. Operating profit

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

	Note	2019 £000	restated [1] 2018 £000
Cost of inventories recognised as an expense		10,932	11,510
Employment costs	7	5,785	5,588
Share-based payment charges		124	118
Amortisation of intangible assets		629	552
Depreciation of property, plant and equipment		375	319
Depreciation of right-of-use assets		136	121
Loss on disposal of tangible and intangible assets		70	13
Net foreign exchange losses/(gains)		280	(275)
Research and development expenditure		23	45
Other expenses		6,395	5,813

Our specialist technical team includes experts in poultry, swine, ruminant and aquaculture species. During the year we have capitalised internal costs of £302,000 (2018: £275,000) and expended a further £149,000 (2018: £453,000) on external trials in respect of current development projects.

5. Auditor's remuneration

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

	2019 £000	2018 £000
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	61	58
Fees payable to Company's auditor for other services:		
The audit of Company Subsidiaries	9	8
Total fees payable to Company's auditor	**70**	**66**

6. Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group.

The Board considers that adjusted EBITDA is the most appropriate profit measure by which users of the financial statements can assess the ongoing performance of the Group. EBITDA is a commonly used measure in which earnings are stated before net finance income, amortisation and depreciation. The Group makes further adjustments to remove items that are non-recurring or are not reflective of the underlying operational performance either due to their nature or the level of volatility.

The Group have determined in the year that it would further benefit the users of these financial statements to make adjustments for foreign exchange and disposals of property. For comparability, the prior year figures also reflect this change.

	2019 £000	restated [1] 2018 £000
Operating profit	**4,297**	**4,473**
Share-based payments	124	118
Loss on disposal of property	61	-
Foreign exchange losses/(gains)	332	(238)
Foreign exchange hedging - Fair value movements	(274)	(3)
Total adjustments	**243**	**(123)**
Adjusted operating profit	**4,540**	**4,350**
Depreciation and amortisation	1,140	992
Adjusted EBITDA	**5,680**	**5,342**

	2019 £000	restated [1] 2018 £000
Adjusted operating profit	**4,540**	**4,350**
Income tax expense	(679)	(552)
Income tax impact of adjustments	66	(55)
Adjusted profit after tax	**3,927**	**3,743**

7. Employment costs

	Note	2019 £000	2018 £000
Wages and salaries		4,987	4,808
Social security costs		586	590
Other pension costs		212	190
Share-based payment charges	26	124	118
Employment costs		**5,909**	**5,706**

8. Number of employees

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

	2019 £000	2018 £000
Directors	4	4
Production	28	25
Administration	20	21
Sales and Technical	62	62
Average headcount	**114**	**112**

In addition to employees, sales and technical specialists are engaged on a consultancy basis in several countries.

9. Net finance income

	2019 £000	restated [1] 2018 £000
Interest receivable on short-term bank deposits	106	87
Finance income	**106**	**87**
Operating lease interest paid	(9)	(5)
Finance costs	**(9)**	**(5)**
Net finance income	**97**	**82**

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10. Income tax

	Note	2019 £000	restated [1] 2018 £000
Current tax on profits for the year		662	732
Adjustment for prior years		(46)	(99)
Current tax		**616**	**633**
Origination and reversal of temporary differences		27	(50)
Adjustment for prior years		36	(31)
Deferred tax	16	**63**	**(81)**
Income tax expense charged to the income statement		**679**	**552**

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

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

	2019 £000	restated [1] 2018 £000
Profit before tax	**4,394**	**4,555**
Tax at the UK domestic rate	**835**	**865**
Non-deductible expenses	66	33
Losses not recognised for deferred tax	189	232
Research and development tax credits	(310)	(363)
Prior year tax adjustments	(10)	(130)
Tax credit recognised directly in equity	(24)	(24)
Difference in tax rates	(90)	(87)
Other tax adjustments	23	26
Tax adjustments	**(156)**	**(313)**
Income tax expense charged to the income statement	**679**	**552**

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. The latest UK government budget announcement stated that planned reductions to the tax rate will no longer occur and the rate will remain at 19%, this is not enacted at the balance sheet date and the balance sheet position as at 31 December 2019 is a tax rate of 17% effective from 1 April 2020.

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised in other comprehensive income.

	Note	2019 £000	restated [1] 2018 £000
Current tax on profits for the year		(8)	(15)
Current tax		**(8)**	**(15)**
Origination and reversal of temporary differences		23	39
Deferred tax	16	**23**	**39**
Income tax recognised in other comprehensive income		**15**	**24**

11. Dividends

Amounts recognised as distributions to equity holders for the year ended 31 December:

	2019 pence	2019 £000	2018 pence	2018 £000
Interim dividend per share - Paid	**2.50p**	**520**	**2.20p**	**467**
Final dividend per share - Paid	-	-	5.00p	1,048
Final dividend per share - Proposed	5.50p	1,144	-	-
Final dividend per share	**5.50p**	**1,144**	**5.00p**	**1,048**
Total dividend per share	**8.00p**	**1,664**	**7.20p**	**1,515**

The proposed final dividend is subject to approval by the shareholders at the AGM and has not been included as a liability in these financial statements.

Under the Joint Share Ownership Plan ("JSOP") the proceeds of dividends received on jointly owned shares will be divided between the employees and the Trust according to any growth in the market value. Dividend amounts due to the Trust are waived. The calculation of the split is made at the time of payment and the estimated dividend amount shown above includes an estimate of the amounts to be waived.

12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2019	restated [1] 2018
Profit for the year (£000's)	3,715	4,003
Weighted average number of shares in issue	20,529,625	20,481,580
Number of dilutive shares	570,500	1,121,146
Weighted average number for diluted earnings per share	21,100,125	21,602,726
Basic earnings per share	**18.10p**	**19.54p**
Diluted earnings per share	**17.61p**	**18.53p**

The calculation of the basic and diluted earnings per share is based on the following data:

	Note	2019	restated [1] 2018
Adjusted profit attributable to owners of the Parent (£000's)	6	3,927	3,743
Weighted average number of shares in issue		20,529,625	20,481,580
Number of dilutive shares		570,500	1,121,146
Weighted average number for diluted earnings per share		21,100,125	21,602,726
Adjusted earnings per share		**19.13p**	**18.28p**
Diluted adjusted earnings per share		**18.61p**	**17.33p**

13. Intangible assets

	Goodwill £000	Brands £000	Customer relationship £000	Patent Trademarks & registrations £000	Development Costs £000	Software & Licenses	Total £000
Cost							
As at 1 January 2018	5,960	2,768	786	1,346	2,447	589	13,896
Additions	-	-	-	291	716	99	1,106
Reclassifications	-	664	-	-	(664)	-	-
Foreign exchange	-	-	-	(1)	-	-	(1)
As at 31 December 2018	5,960	3,432	786	1,636	2,499	688	15,001
Additions	-	-	-	323	432	20	775
Reclassifications	-	241	-	-	(242)	-	(1)
Disposals	-	-	-	(172)	(1,823)	-	(1,995)
Foreign exchange	-	-	-	(1)	-	-	(1)
As at 31 December 2019	**5,960**	**3,673**	**786**	**1,786**	**866**	**708**	**13,779**
Accumulated amortisation							
As at 1 January 2018	-	310	443	395	1,758	170	3,076
Charge for the year	-	84	79	240	65	84	552
As at 31 December 2018	-	394	522	635	1,823	254	3,628
Charge for the year	-	155	78	281	-	115	629
Disposals	-	-	-	(172)	(1,823)	-	(1,995)
As at 31 December 2019	**-**	**549**	**600**	**744**	**-**	**369**	**2,262**
Net book value							
As at 1 January 2018	5,960	2,458	343	951	689	419	10,820
As at 31 December 2018	5,960	3,038	264	1,001	676	434	11,373
As at 31 December 2019	**5,960**	**3,124**	**186**	**1,042**	**866**	**339**	**11,517**

The reclassification to Brands represents newly generated Product Brands from development projects.

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 (2018: 2.5%).

The discount rate used of 12% (2018: 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 8.5 percentage points to a negative growth of minus 6 percentage points would cause the carrying value of goodwill to equal its recoverable amount.

Goodwill is allocated as follows:

	£000
Acquisition of Kiotechagil operations	3,552
Acquisition of Optivite operations	592
Acquisition of Meriden operations	1,346
Acquisition of Cobbett business	470
Goodwill as at 31 December 2018 and 31 December 2019	**5,960**

Brands primarily relate to the fair value of previously acquired brands. The Optivite brand was acquired in 2009 and has a net book value at 31 December 2019 of £1,501,000 (2018: £1,501,000). The Meriden brand was acquired in 2012 and has a net book value at 31 December 2019 of £434,000 (2018: £469,000). 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.

14. Property, plant and equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2018	2,181	2,088	430	-	4,699
Additions	-	82	59	554	695
Disposals	-	(33)	(1)	-	(34)
As at 31 December 2018	2,181	2,137	488	554	5,360
Additions	1	187	181	525	894
Transfer of assets in construction	-	1,078	1	(1,079)	-
Disposals	(325)	(106)	(85)	-	(516)
Foreign exchange	-	-	(2)	-	(2)
As at 31 December 2019	**1,857**	**3,296**	**583**	**-**	**5,736**
Accumulated depreciation					
As at 1 January 2018	308	776	268	-	1,352
Charge for the year	32	217	70	-	319
Disposals	-	(20)	(1)	-	(21)
As at 31 December 2018	340	973	337	-	1,650
Charge for the year	31	265	79	-	375
Disposals	(118)	(103)	(78)	-	(299)
Foreign exchange	-	-	(1)	-	(1)
As at 31 December 2019	**253**	**1,135**	**337**	**-**	**1,725**
Net book value					
As at 1 January 2018	1,873	1,312	162	-	3,347
As at 31 December 2018	1,841	1,164	151	554	3,710
As at 31 December 2019	**1,604**	**2,161**	**246**	**-**	**4,011**

Held within land and buildings is an amount of £500,000 (2018: £700,000) in respect of non-depreciable land. During the year the Group has disposed of property that had not been in use for a number of years following the closure of offices previously used by Kiotechagil. This property had been in use by a charity rent free in return for reduced business rates. The property had a net book value of £207,000 and a loss of £61,000 has been recognised in the income statement.

Notes to the financial statements continued
for the year ended 31 December 2019

15. Right-of-use assets

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Total £000
Cost				
As at 1 January 2018	279	119	33	431
Additions	196	15	7	218
Modification to lease terms	(71)	-	-	(71)
Disposals	-	(28)	(12)	(40)
As at 31 December 2018	404	106	28	538
Additions	148	-	-	148
Modification to lease terms	(27)	5	-	(22)
Disposals	(221)	(64)	-	(285)
As at 31 December 2019	**304**	**47**	**28**	**379**
Accumulated depreciation				
As at 1 January 2018	179	88	19	286
Charge for the year	82	30	9	121
Modification to lease terms	(26)	-	-	(26)
Disposals	-	(28)	(12)	(40)
Foreign exchange	1	-	-	1
As at 31 December 2018	236	90	16	342
Charge for the year	117	12	7	136
Disposals	(221)	(64)	-	(285)
Foreign exchange	2	-	-	2
As at 31 December 2019	**134**	**38**	**23**	**195**
Net book value				
As at 1 January 2018	100	31	14	145
As at 31 December 2018	168	16	12	196
As at 31 December 2019	**170**	**9**	**5**	**184**

16. Deferred tax

	Note	2019 £000	restated [1] 2018 £000
As at 1 January		541	597
Income statement charge/(credit)	10	63	(81)
Deferred tax charged directly to equity	10	23	39
Foreign exchange		13	(14)
As at 31 December		**640**	**541**

	Note	Accelerated tax allowances £000	Fair value gains £000	Cashflow hedge £000	Losses £000	Other timing differences £000	Total £000
As at 1 January 2018		555	461	28	(172)	(275)	597
Income statement credit	10	78	87	-	(103)	(143)	(81)
Deferred tax charged directly to equity		-	-	(27)	-	66	39
Foreign exchange		-	-	-	(14)	-	(14)
As at 31 December 2018		633	548	1	(289)	(352)	541
Income statement charge	10	172	3	-	(61)	(51)	63
Deferred tax charged directly to equity		-	-	27	-	(4)	23
Foreign exchange		-	-	-	13	-	13
As at 31 December 2019		**805**	**551**	**28**	**(337)**	**(407)**	**640**

	2019 £000	restated [1] 2018 £000
Deferred income tax asset	(744)	(641)
Deferred income tax liability	1,384	1,182
Net deferred income tax liability	**640**	**541**

Included in 'Other timing differences' above is £307,000 (2018: £253,000) that relates to the tax impact of the elimination of intercompany unrealised profit held in inventory.

The latest 2020 UK government budget announcement stated that planned reductions to the tax rate will no longer occur and the rate will remain at 19%, this is not enacted at the balance sheet date and the balance sheet position as at 31 December 2019 is a tax rate of 17% effective from 1 April 2020.

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. 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.

17. Inventories

	2019 £000	2018 £000
Raw materials and consumables	1,996	1,933
Finished goods and goods for resale	2,106	2,098
Inventory	**4,102**	**4,031**

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £10,932,000 (2018: £11,510,000).

18. Trade and other receivables

	2019 £000	2018 £000
Trade receivables - gross	**5,127**	**4,871**
Less: expected credit losses (IFRS 9)	(111)	-
Less: provision for impairment (IAS 39)	-	(247)
Trade receivables - net	**5,016**	**4,624**
Taxes	163	276
Other receivables	46	52
Prepayments	314	376
Total trade and other receivables	**5,539**	**5,328**

The carrying amount of gross trade receivables are denominated in the following currencies:

	2019 £000	2018 £000
Pounds sterling	1,690	1,611
US dollars	2,021	1,821
Euros	435	603
Other currencies	981	836
Trade receivables - gross	**5,127**	**4,871**

No interest is charged on trade receivables if balances are paid in full and to terms, there has been no interest charged in the current or previous financial year. There is no security against outstanding balances.

For 2019, the Group has applied the simplified approach to provisioning for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provisioning for all trade receivables. The provisions for impairment calculated under IAS 39 are not materially different, and accordingly there are no transition adjustments to the prior year.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL expected credit loss . The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group will also, using this and all other information available, make specific judgements about receivables which may need to be individually assessed for impairment. Where required these are marked as Credit Impaired amounts and detailed analysis undertaken to assess the amount likely to be recovered including consideration of the effect of credit enhancements.

The Group seeks to mitigate credit risk, in so far as possible, through the use of credit insurance. The Group has historically suffered low levels of credit losses, whilst there are no guarantees on future performance, the credit losses experienced in the past have come from customers that we were unable to obtain specific credit insurance for. The credit insurance in place allows for the recovery of 90% of trading debt with a customer according to a pre-agreed insured limit. The Group sometimes trades beyond this credit insured limit according to internal approval procedures.

Accordingly, the Group have segmented customers according to their credit insurance status. The following table details the risk profile of trade receivables based on the Group's provision matrix and individual assessments as at 31 December 2019. The expected loss rates are the same for the Group and Company.

	Not past due £000	1-60 days past due £000	61-120 days past due £000	>121 days past due £000	Credit impaired £000	Total £000
Specifically insured customers	3,520	275	-	3	-	3,798
Uninsured customers	1,058	19	12	4	-	1,093
Credit impaired	-	-	-	-	212	212
Trade receivables - gross	**4,578**	**294**	**12**	**7**	**212**	**5,103**
Expected loss rates:						
Specifically insured customers	*0%*	*0%*	*1%*	*4%*	-	*0%*
Uninsured customers	*0%*	*1%*	*13%*	*42%*	-	*1%*
Credit impaired	-	-	-	-	*49%*	*49%*
Specifically insured customers	1	-	-	-	-	1
Uninsured customers	3	-	2	2	-	7
Credit impaired	-	-	-	-	103	103
Expected credit losses	**4**	**-**	**2**	**2**	**103**	**111**
Trade receivables - net	**4,574**	**294**	**10**	**5**	**109**	**4,992**

The movement on the prior year's provision for impairment under IAS 39 and current year's ECL under IFRS 9 are as follows:

	Collectively assessed £000	Individually assessed £000	Total £000
As at 1 January	-	82	82
Provisions for receivables created	-	234	234
Amounts written off as unrecoverable	-	(69)	(69)
As at 31 December 2018 (IAS 39)	**-**	**247**	**247**
Provisions for receivables created	8	11	19
Amounts written off as unrecoverable	-	(49)	(49)
Amounts recovered during the year	-	(100)	(100)
Foreign exchange (losses) and gains	-	(6)	(6)
As at 31 December 2019 (IFRS 9)	**8**	**103**	**111**

Notes to the financial statements continued
for the year ended 31 December 2019

19. Financial instruments and risk management

Carrying amount of financial instruments

As at 31 December 2019	Note	Measured at amortised cost £000	Measured at fair value through other comprehensive income £000	Measured at fair value through profit or loss £000	Total £000
Derivative financial instruments		-	154	208	362
Non-current		**-**	**154**	**208**	**362**
Trade and other receivables	18	5,539	-	-	5,539
Derivative financial instruments		-	-	119	119
Cash and cash equivalents	20	13,842	-	-	13,842
Current		**19,381**	**-**	**119**	**19,500**
Financial assets		**19,381**	**154**	**327**	**19,862**
Lease liabilities	21	(121)	-	-	(121)
Non-current		**(121)**	**-**	**-**	**(121)**
Trade and other payables	22	(3,206)	-	-	(3,206)
Derivative financial instruments	19	-	(2)	-	(2)
Lease liabilities	21	(67)	-	-	(67)
Current		**(3,273)**	**(2)**	**-**	**(3,275)**
Financial liabilities		**(3,394)**	**(2)**	**-**	**(3,396)**

As at 31 December 2018	Note	Measured at amortised cost £000	Measured at fair value through other comprehensive income £000	Measured at fair value through profit or loss £000	Total £000
Derivative financial instruments		-	-	-	-
Non-current		**-**	**-**	**-**	**-**
Trade and other receivables	18	5,328	-	-	5,328
Derivative financial instruments		-	1	5	6
Cash and cash equivalents	20	12,912	-	-	12,912
Current		**18,240**	**1**	**5**	**18,246**
Financial assets		**18,240**	**1**	**5**	**18,246**
Lease liabilities	21	(115)	-	-	(115)
Non-current		**(115)**	**-**	**-**	**(115)**
Trade and other payables	22	(3,426)	-	-	(3,426)
Derivative financial instruments	19	-	(11)	-	(11)
Lease liabilities	21	(83)	-	-	(83)
Current		**(3,509)**	**(11)**	**-**	**(3,520)**
Financial liabilities		**(3,624)**	**(11)**	**-**	**(3,635)**

Fair values of financial instruments

Financial instruments are measured in accordance with the accounting policy set out in note 2.14. Derivative financial instruments, consisting of foreign exchange forward and options contracts, are considered Level 2. The carrying value of the financial instruments is deemed to be approximate to fair value.

Credit risk

The only financial instrument deemed to be subject to credit risk is trade receivables, note 18 details these amounts and the estimation of the maximum exposure to credit risk at the end of the year.

Liquidity risk

The Group maintains cash balances and monitors working capital to ensure it has sufficient available funds for operations and planned investment activity.

Excluding those related to working capital, the only non-derivative financial liability relates to lease liabilities, disclosed in note 21. Derivative financial liabilities are minimal and detailed in the exchange rates risk section below.

Currently management consider liquidity risk to be minimal.

Exchange rate risk

The Group is exposed to foreign currency exchange rate risk mainly as a result of trade receivables and intercompany balances that will be settled in US dollars.

The Group seeks to minimise the effects of exchange rate risk using various methods, including entering into foreign 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.

	2019 £000	2018 £000
Change in value of cash flow hedges	152	(211)
Deferred tax (liability)/asset	(27)	27
Cash flow hedge movements (net of deferred tax)	**125**	**(184)**

The financial instruments in place are to mitigate the risks associated with net future US dollar receipts. The Group uses two types of hedging instrument, fixed forwards and participating forwards. The fixed forward contracts are fixed agreements to exchange currency at the hedged rate. The participating forwards provide protection at the hedged rate, each contract is divided into monthly windows, at the end of each month the Group has the right but not the obligation to sell at the hedged rate, however if spot trades below the barrier rate in the month then the Group must sell USD at the hedged rate. This means that Anpario has protection at the hedged rate, but may also benefit from exchange between the barrier rate and hedged rate. The details of the notional amounts, hedged rate and spot rate at 31 December are outlined below.

19. Financial instruments and risk management continued

	2019	2018
GBPUSD spot rate at 31 December	**1.3268**	**1.2760**
Fixed forward contracts		
Weighted average forward rate	1.3295	-
Maturing in the next year (Notional amount in US dollars 000's)	1200	-
Notional amount (US dollars 000's)	**1,200**	**-**
Participating forward contracts		
Weighted average forward rate	1.2993	1.3050
Weighted average barrier rate	1.1839	1.2050
Maturing in the next year (Notional amount in US dollars 000's)	6,348	2,400
Maturing between one and two years (Notional amount in US dollars 000's)	7,548	-
Maturing between two and three years (Notional amount in US dollars 000's)	3,474	-
Notional amount (US dollars 000's)	**17,370**	**2,400**

20. 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.

As at 31 December 2019, the Group held £388,000 (2018: £nil) of cash which was restricted in its use. This restriction was temporary and was lifted on the 6 January 2020.

21. Lease Liabilities

At 31 December the Group had lease liabilities with maturities as follows:

	2019 £000	2018 £000
Less than one year	121	115
Current lease liabilities	**121**	**115**
Between one and five years	67	83
Non-current lease liabilities	**67**	**83**
Lease Liabilities	**188**	**198**

22. Trade and other payables

	2019 £000	2018 £000
Trade payables	2,119	2,374
Taxes and social security costs	112	119
Other payables	186	144
Accruals and deferred income	789	789
Trade and other payables	**3,206**	**3,426**

23. Called up share capital

	Note	Number	£000
Authorised			
Ordinary shares of 23p each		86,956,521	20,000
'A' Shares of 99p each		1,859,672	1,841
Authorised share capital			**21,841**
Ordinary shares of 23p each - Allotted, called up and fully paid			
As at 1 January 2018		23,261,362	5,350
Shares issued pursuant to employee share plans	26	41,853	10
As at 31 December 2018		23,303,215	5,360
Shares issued pursuant to employee share plans	26	150,000	34
As at 31 December 2019		**23,453,215**	**5,394**

24. Other reserves

	2019 £000	2018 £000
Treasury shares	185	185
Joint Share Ownership Plan	7,530	7,210
Merger reserve	(228)	(228)
Share-based payment reserve	(1,972)	(1,857)
Cash flow hedge reserve	(117)	8
Translation reserve	252	131
Other reserves	**5,650**	**5,449**

25. Retained earnings

	£000
As at 1 January 2018	20,248
IFRS 16 Adjustment	(5)
As at 1 January 2018 - restated	20,243
Profit for the year	4,003
Dividends	(1,432)
As at 31 December 2018 - restated	22,814
Profit for the year	3,715
Dividends	(1,568)
As at 31 December 2019	**24,961**

26. Share-based payments

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

	Number of options 2019	Weighted average exercise price (p) 2019	Number of options 2018	Weighted average exercise price (p) 2018
Outstanding at 1 January	793,033	253	749,086	238
Granted during the year	-	-	94,500	376
Lapsed during the year	(101,741)	327	(8,700)	343
Exercised during the year	(50,000)	262	(41,853)	245
Outstanding at 31 December	**641,292**	**241**	**793,033**	**253**
Exercisable at 31 December	**514,127**	**222**	**418,800**	**223**

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

	Number of options 2019	Weighted average exercise price (p) 2019	Number of options 2018	Weighted average exercise price (p) 2018
2020	55,327	224	75,679	224
2021	30,165	334	45,354	334
2023	160,000	159	160,000	159
2024	124,000	244	144,000	244
2025	84,800	290	114,800	287
2026	140,000	238	140,000	238
2027	10,000	343	68,700	350
2028	37,000	403	44,500	402
Total outstanding share options	**641,292**	**241**	**793,033**	**253**

The range of exercise prices of outstanding share options at the year end was 159p to 428p (2018: 159p to 428p).

During the year, on 11 March 2019, under the Joint Share Ownership Plan the company issued 100,000 shares at 23p each to key management personnel at a price of 330p per share

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 employees 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 £124,000 (2018: £118,000) of which a charge of £20,000 (2018: £49,000 credit) relates to professional fees.

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

Plan	JSOP
Grant date	11 Mar
Number of options granted	100,000
Grant price (p)	330.0
Exercise price (p)	374.6
Carrying cost (per annum)	4.5%
Vesting period (years)	3
Option expiry (years)	10
Expected volatility of the share price	20.0%
Dividends expected on the shares	2.2%
Risk-free rate	0.7%
Fair value (p)	23.2

27. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

P A Lawrence, former Chairman of ECO Animal Health Group plc, is a Non-Executive Director of the Company and £nil (2018: £16,667) was paid to ECO Animal Health Group plc in respect of his services and expenses. During 2018 this arrangement was changed and P A Lawrence is now remunerated through salary payments from Anpario plc. There was £nil due to Eco Animal Health Group plc at 31 December 2019 (2018: £nil).

28. Capital commitments

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

	2019 £000	2018 £000
Property, plant and equipment	41	373
Capital commitments	**41**	**373**

29. Prior year restatement

IFRS 16 Leases has been adopted by the Group. The standard has been applied from 1 January 2019, the comparatives for prior periods have been restated accordingly. IFRS16 requires operating leases to be capitalised on the statement of financial position. Anpario has applied the full retrospective approach and as such at the end of 2018 fixed assets increased by £0.2m being the present value of future lease obligations with a corresponding increase in liabilities of £0.2m. The impact on the profit before tax in the Consolidated Income Statement is not material and the cash flow impact is nil. The tables below detail the full impact of the restatement.

Statement of comprehensive income	As reported year ended 31 Dec 2018 £000	IFRS 16 adjustments £000	Restated year ended 31 Dec 2018 £000
Revenue	**28,277**	**-**	**28,277**
Gross profit	**13,541**	**1**	**13,542**
Administrative expenses	(9,076)	7	(9,069)
Operating profit	**4,465**	**8**	**4,473**
Net finance income	87	(5)	82
Profit before income tax	**4,552**	**3**	**4,555**
Profit for the year	**4,000**	**3**	**4,003**

Adjusted EBITDA	As reported year ended 31 Dec 2018 £000	IFRS 16 adjustments £000	Changes to adjusted EBITDA calculation £000	Restated year ended 31 Dec 2018 £000
Operating profit	**4,465**	**8**	**-**	**4,473**
Share-based payments	118	-	-	118
Foreign exchange losses/(gains)	-	-	(238)	(238)
Foreign exchange hedging - Fair value movements	-	-	(3)	(3)
Depreciation and amortisation	871	121	-	992
Adjusted EBITDA	**5,454**	**129**	**(241)**	**5,342**

Consolidated statement of financial position	As reported year ended 31 Dec 2018 £000	IFRS 16 adjustments £000	Restated year ended 31 Dec 2018 £000
Right-of-use assets	-	196	196
Total assets	**38,001**	**196**	**38,197**
Lease liabilities	-	(115)	(115)
Non-current liabilities	**(1,182)**	**(115)**	**(1,297)**
Lease liabilities	-	(83)	(83)
Current liabilities	**(3,669)**	**(83)**	**(3,752)**
Net assets	**33,150**	**(2)**	**33,148**
Retained earnings	22,816	(2)	22,814
Total equity	**33,150**	**(2)**	**33,148**

Consolidated statement of cash flows	As reported year ended 31 Dec 2018 £000	IFRS 16 adjustments £000	Restated year ended 31 Dec 2018 £000
Operating profit for the year	4,465	8	4,473
Depreciation, amortisation and impairment	871	121	992
Net cash from operating activities	**2,560**	**129**	**2,689**
Net cash used in investing activities	**(1,846)**	**-**	**(1,846)**
Cash payments in relation to lease liabilities	-	(124)	(124)
Operating lease interest paid	-	(5)	(5)
Net cash used in financing activities	**(1,329)**	**(129)**	**(1,458)**
Net increase in cash and cash equivalents	(615)	-	(615)
Cash and cash equivalents at the end of the year	**12,912**	**-**	**12,912**

30. Post balance sheet events

Anpario is pleased to announce that following the purchase of ordinary shares on 12 March 2020, the Company's £1.0 million share buyback programme as announced on 5 February 2020 was completed.

In aggregate, between 5 February 2020 and 12 March 2020, the Company repurchased 297,346 ordinary shares at a volume weighted average price of 336.31 pence per share, taking the total number of treasury shares to 440,388.

Company statement of financial position
as at 31 December 2019

	Note	2019 £000	2018 £000
Intangible assets	35	10,966	10,811
Property, plant and equipment	36	3,988	3,689
Right-of-use assets		85	151
Investment in subsidiaries	37	9,598	5,393
Deferred tax assets	38	100	99
Derivative financial instruments		395	-
Non-current assets		**25,132**	**20,143**
Inventories	39	2,406	2,458
Trade and other receivables	40	9,954	11,471
Derivative financial instruments		86	6
Cash and cash equivalents		11,665	11,580
Current assets		**24,111**	**25,515**
Total assets		**49,243**	**45,658**
Lease liabilities		(20)	(87)
Deferred tax liabilities	38	(1,384)	(1,182)
Non-current liabilities		**(1,404)**	**(1,269)**
Trade and other payables	41	(6,909)	(7,025)
Lease liabilities		(67)	(65)
Derivative financial instruments		(2)	(11)
Current income tax liabilities		(117)	(170)
Current liabilities		**(7,095)**	**(7,271)**
Total liabilities		**(8,499)**	**(8,540)**
Net assets		**40,744**	**37,118**
Called up share capital	42	5,394	5,360
Share premium		10,849	10,423
Other reserves	43	(3,377)	(3,297)
Retained earnings	44	27,878	24,632
Total equity		**40,744**	**37,118**

The Company profit for the year ended 31 December 2019 was £4,814,000 (2018: £5,099,000).

The financial statements were approved by the Board and authorised for issue on 18 March 2020.

Richard Edwards
Chief Executive Officer

Karen Prior
Group Finance Director

Company Number: 03345857

Company statement of of changes in equity

for the year ended 31 December 2019

	Note	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 Jan 2018		**5,350**	**10,330**	**(3,257)**	**20,968**	**33,391**
IFRS 16 Adjustment	29	-	-	-	(3)	(3)
Balance at 1 Jan 2018 - restated[1]		**5,350**	**10,330**	**(3,257)**	**20,965**	**33,388**
Profit for the period		-	-	-	5,099	5,099
Cash flow hedge reserve		-	-	(184)	-	(184)
Total comprehensive income for the year		-	-	(184)	5,099	4,915
Issue of share capital	42	10	93	-	-	103
Share-based payment adjustments	26	-	-	167	-	167
Deferred tax regarding share-based payments		-	-	(23)	-	(23)
Final dividend relating to 2017		-	-	-	(965)	(965)
Interim dividend relating to 2018	11	-	-	-	(467)	(467)
Transactions with owners		10	93	144	(1,432)	(1,185)
Balance at 31 Dec 2018		**5,360**	**10,423**	**(3,297)**	**24,632**	**37,118**
Profit for the period		-	-	-	4,814	4,814
Cash flow hedge reserve		-	-	125	-	125
Total comprehensive income for the year		-	-	125	4,814	4,939
Issue of share capital	42	34	426	-	-	460
Joint Share Ownership Plan	26	-	-	(320)	-	(320)
Share-based payment adjustments	26	-	-	104	-	104
Deferred tax regarding share-based payments		-	-	11	-	11
Final dividend relating to 2018	11	-	-	-	(1,048)	(1,048)
Interim dividend relating to 2019	11	-	-	-	(520)	(520)
Transactions with owners		34	426	(205)	(1,568)	(1,313)
Balance at 31 Dec 2019		**5,394**	**10,849**	**(3,377)**	**27,878**	**40,744**

Notes to the Company financial statements
for the year ended 31 December 2019

31. Significant accounting policies

Please refer to note 1 for full details of the Company's incorporation, registered office, operations and principal activity.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies, and critical accounting judgements and key sources of estimation uncertainty adopted are the same as those set out in notes 3 and 4 to the Group financial statements except as noted below. These have been applied consistently throughout the period and the preceding period.

In the current period the Company has applied a number of amendments to IFRS standards issued by the IASB that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

32. Profit for the period

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the period. Anpario plc reported a profit for the year ended 31 December 2019 of £4,814,000 (2018: £5,099,000).

The auditor's remuneration for audit and other services is disclosed within note 5 to the Group financial statements.

Dividends declared and paid during the financial period are disclosed in note 11 to the Group financial statements.

33. Employment costs

	Notes	2019 £000	2018 £000
Wages and salaries		3,103	3,253
Social security costs		355	388
Other pension costs		154	152
Share-based payment charges	26	124	118
Employment costs		**3,736**	**3,911**

34. Number of employees

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

	2019 £000	2018 £000
Directors	4	4
Production	28	25
Administration	14	14
Sales and Technical	31	34
Average headcount	**77**	**77**

35. Intangible assets

	Goodwill £000	Brands £000	Customer relationship £000	Patent Trademarks & registrations £000	Development Costs £000	Software & Licenses	Total £000
Cost							
As at 1 January 2018	5,490	2,679	559	1,336	2,447	589	13,100
Additions	-	-	-	289	716	99	1,104
Reclassifications	-	664	-	-	(664)	-	-
As at 31 December 2018	5,490	3,343	559	1,625	2,499	688	14,204
Additions	-	-	-	323	432	20	775
Reclassifications	-	241	-	-	(242)	-	(1)
Disposals	-	-	-	(172)	(1,823)	-	(1,995)
As at 31 December 2019	**5,490**	**3,584**	**559**	**1,776**	**866**	**708**	**12,983**
Accumulated amortisation							
As at 1 January 2018	-	221	307	395	1,758	170	2,851
Charge for the year	-	84	69	240	65	84	542
As at 31 December 2018	-	305	376	635	1,823	254	3,393
Charge for the year	-	155	68	281	-	115	619
Disposals	-	-	-	(172)	(1,823)	-	(1,995)
As at 31 December 2019	**-**	**460**	**444**	**744**	**-**	**369**	**2,017**
Net book value							
As at 1 January 2018	5,490	2,458	252	941	689	419	10,249
As at 31 December 2018	5,490	3,038	183	990	676	434	10,811
As at 31 December 2019	**5,490**	**3,124**	**115**	**1,032**	**866**	**339**	**10,966**

The reclassification to Brands represents newly generated Product Brands from Development projects.

More information about Goodwill can be found in note 13 to the financial statements.

36. Property, plant and equipment

	Land & buildings £000	Plant & machinery £000	Fixtures, fittings & equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2018	2,181	2,034	395	-	4,610
Additions	-	82	56	554	692
As at 31 December 2018	2,181	2,116	451	554	5,302
Additions	1	186	171	525	883
Transfer of assets in construction	-	1,078	1	(1,079)	-
Disposals	(325)	(84)	(85)	-	(494)
As at 31 December 2019	**1,857**	**3,296**	**538**	**-**	**5,691**
Accumulated depreciation					
As at 1 January 2018	308	741	261	-	1,310
Charge for the year	32	210	61	-	303
As at 31 December 2018	340	951	322	-	1,613
Charge for the year	31	265	71	-	367
Disposals	(118)	(81)	(78)	-	(277)
As at 31 December 2019	**253**	**1,135**	**315**	**-**	**1,703**
Net book value					
As at 1 January 2018	1,873	1,293	134	-	3,300
As at 31 December 2018	1,841	1,165	129	554	3,689
As at 31 December 2019	**1,604**	**2,161**	**223**	**-**	**3,988**

Held within land and buildings is an amount of £500,000 (2018: £700,000) in respect of non-depreciable land. During the year the Company has disposed of property that had not been in use for a number of years following the closure of offices previously used by Kiotechagil. This property had been in use by a charity rent free in return for reduced business rates. The property had a net book value of £207,000 and a loss of £61,000 has been recognised in the income statement.

37. Investment in subsidiaries

	Unlisted investments £000
Cost	
As at 1 January 2018 and 31 December 2018	8,009
Investment in Subsidiaries	4,205
As at 31 December 2019	**12,214**
Provisions for diminution in value	
As at 1 January 2018, 31 December 2018 and 31 December 2019	**2,616**
Net book value	
As at 1 January 2018 and 31 December 2018	5,393
As at 31 December 2019	**9,598**

Total investments in Subsidiaries in the year were £4,205,000 (2018: £nil). This primarily relates to a debt to equity conversion totalling £3,199,000 related to the US Subsidiary, Anpario Inc. Additional investment of £977,000 was made to Subsidiary, PT. Anpario Biotech Indonesia, to meet requirements for 100% foreign ownership. Other amounts were invested as part of the establishment of subsidiaries in Turkey, Mexico and Germany.

Full list of investments

The Group holds share capital in the following Companies which are accounted for as Subsidiaries, all of which have a principal activity of Technology Services and the Group holds 100% of the Ordinary Shares.

	Country of registration or incorporation
Directly held	
Anpario (Shanghai) Biotech Co., Ltd. Room 703, No.8 Dong An Road, Xu Hui District, Shanghai	China
Anpario Inc. 2 W. Washington Street, Suite 400, Greenville, SC 29601	US
Anpario Pty Ltd Level 17, 383 Kent Street, Sydney, NSW, 2000	Australia
Anpario Saúde e Nutrição Animal Ltda Rua Brigadeiro Henrique Fontenelle, 745 - room 4, Parque São Domingos, São Paulo, 05125-000	Brazil
Anpario (Thailand) Ltd 65/152 Chamnan Phenjati Building Floor 18, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310	Thailand
PT. Anpario Biotech Indonesia Gedung 18 Office Park Iantai Mezz- unit F2, Jl., TB Simatupang Kav. 18, Jakarta 12520	Indonesia
Anpario Malaysia Sdn. Bhd. Real Time Corporate Services Sdn. Bhd. Unit C-12-4, Level 12, Block C, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur	Malaysia
Anpario Latinoamerica SA de CV Av. Technologico Sur # 134 cas 4, Colonia Moderna, CP 76030, Queretaro	Mexico

Notes to the Company financial statements continued
for the year ended 31 December 2019

Anpario Turkey Hayvan Sağlığı ve Yem Katkıları İthalat İhracat Sanayi ve Ticaret Anonim Şirketi Barbaros Mahallesi Halk Cad. Palladium Residence, (A Blok) Apt. No: 8 A/3 Ataşehir/İstanbul	Turkey
Anpario GmbH c/o Startplatz, IM Mediapark 5, 50670 Cologne	Germany
Optivite International Limited - Company Number 0234608 * **Agil Limited** **Anpario UK Limited** **Aquatice Limited** **Kiotech Limited** **Kiotechagil Limited** **Meriden Animal Health Limited** **Orego-Stim Limited** **Optivite Limited** Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS	United Kingdom

Indirectly held

Meriden (Shanghai) Animal Health Co., Ltd. Room 703, No.8 Dong An Road, Xu Hui District, Shanghai	China
Optivite Animal Nutrition Private Limited 1103-04 Windsor Apartment, T-28, Shastri Apartment, Andheri - West Mumbai Mumbai City MH 400053	India
Optivite Latinoamericana SA de CV 20 Boulevard de la Industria, Cuautitlan-Izcalli, 54716	Mexico
Optivite SA (Proprietary) Limited PO Box 578, Cape Town 8000	South Africa

The Group has no associates or joint-ventures.

* Companies where the Directors have taken advantage of the exemption from having an audit of the entities' individual financial statements for the year ended 31 December 2019 in accordance with Section 479A of The Companies Act 2006.

38. Deferred tax

	2019 £000	2018 £000
As at 1 January	1,083	880
Income statement credit	178	164
Deferred tax charged directly to equity	23	39
As at 31 December	**1,284**	**1,083**

	Accelerated tax allowances £000	Fair value gains £000	Cashflow hedge £000	Other timing differences £000	Total £000
As at 1 January 2018	555	461	28	(164)	880
Income statement credit	78	87	-	(1)	164
Deferred tax charged directly to equity	-	-	(27)	66	39
As at 31 December 2018	633	548	1	(99)	1,083
Income statement credit	172	3	-	3	178
Deferred tax charged directly to equity	-	-	27	(4)	23
As at 31 December 2019	**805**	**551**	**28**	**(100)**	**1,284**

	2019 £000	2018 £000
Deferred income tax asset	(100)	(99)
Deferred income tax liability	1,384	1,182
Net deferred income tax liability	**1,284**	**1,083**

39. Inventories

	2019 £000	2018 £000
Raw materials and consumables	1,996	1,933
Finished goods and goods for resale	410	525
Inventory	**2,406**	**2,458**

40. Trade and other receivables

	2019 £000	2018 £000
Trade receivables - gross	**3,896**	**3,757**
Less: expected credit losses (IFRS 9)	(17)	-
Less: provision for impairment (IAS 39)	-	(37)
Trade receivables - net	**3,879**	**3,720**
Receivables from Subsidiary undertakings	5,744	7,277
Taxes	59	86
Other receivables	18	28
Prepayments	254	360
Total trade and other receivables	**9,954**	**11,471**

No interest is charged on trade receivables if balances are paid in full and to terms, there has been no interest charged in the current or previous financial year. There is no security against outstanding balances.

For 2019, the Company has applied the simplified approach to provisioning for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The provisions for impairment calculated under IAS 39 are not materially different, and accordingly there are no transition adjustments to the prior year. More information about how ECL is calculated is contained in note 18 to the Group financial statements.

The movement on the prior year's provision for impairment under IAS 39 and current year's ECL under IFRS 9 are as follows:

	Collectively assessed £000	Individually assessed £000	Total £000
As at 1 January 2018	-	82	82
Provisions for receivables created	-	24	24
Amounts written off as unrecoverable	-	(69)	(69)
As at 31 December 2018 (IAS 39)	**-**	**37**	**37**
Provisions for receivables created	6	11	17
Amounts written off as unrecoverable	-	(38)	(38)
Foreign exchange (losses) and gains	-	1	1
As at 31 December 2019 (IFRS 9)	**6**	**11**	**17**

41. Trade and other payables

	2019 £000	2018 £000
Trade payables	2,013	2,296
Amounts due to subsidiary undertakings	4,093	4,075
Taxes and social security costs	95	103
Other payables	57	54
Accruals and deferred income	651	497
Trade and other payables	**6,909**	**7,025**

There is no interest payable on trade payables and no security against outstanding balances.

42. Share capital

The movements in share capital are disclosed in note 23 to the Group financial statements.

43. Other reserves

	2019 £000	2018 £000
Treasury shares	185	185
Joint Share Ownership Plan	7,530	7,210
Merger reserve	(228)	(228)
Unrealised reserve	(2,021)	(2,021)
Share-based payment reserve	(1,972)	(1,857)
Cash flow hedge	(117)	8
Other reserves	**3,377**	**3,297**

44. Retained earnings

	£000
As at 1 January 2018	20,968
IFRS 16 Adjustment	(3)
As at 1 January 2018 - restated	20,965
Profit for the year	5,099
Dividends	(1,432)
As at 31 December 2018 - restated	24,632
Profit for the year	4,814
Dividends	(1,568)
As at 31 December 2019	**27,878**

45. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

P A Lawrence, Chairman of ECO Animal Health Group plc until March 2019, is a Non-Executive Director of the Company and £nil (2018: £16,667) was paid to ECO Animal Health Group plc in respect of his services and expenses. During 2018 this arrangement was changed and P A Lawrence is now remunerated through salary payments from Anpario plc. There was £nil due to Eco Animal Health Group plc at 31 December 2019 (2018: £nil).

The following transactions were carried out with related parties:

	Sale of goods		Purchase of services		Loan interest charged	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Subsidiaries	5,633	4,944	322	-	19	40
Related parties	-	-	-	20	-	-

The following amounts were outstanding at the reporting date:

	Note	2019 £000	2018 £000
Amounts owed by Subsidiaries	40	5,744	7,277
Amounts owed to Subsidiaries	41	4,093	4,075

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

46. Post balance sheet events

Details of post balance sheet events are contained in note 30 of the Group financial statements.

Company information

Company number

Registered in England and Wales 03345857

Registered office and head office

Manton Wood Enterprise Park
Worksop
Nottinghamshire
S80 2RS
England
Telephone: 01909 537380

Company secretary

Karen L Prior

Stock exchange

London
Code: ANP

Website

www.anpario.com

Registrars

Share Registrars Limited
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17 West Street
Farnham
Surrey
GU9 7DR
England
Telephone: 01252 821390

Statutory auditors

Deloitte LLP
1 City Square
Leeds
LS1 2AL
England

Bankers

Barclays Bank PLC

One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN
England

HSBC UK Bank PLC

Second Floor
Donington Court
Pegasus Business Park
Herald Way
Castle Donington
DE74 2BU
England

Nominated adviser and broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET
England
Telephone: 0207 418 8900

AGM

Anpario has published its Notice of AGM, which has been sent to shareholders who have elected to receive them and is available on the Company's website: www.anpario.com/investor/shareholder-notices/

The Board plans to hold the AGM at the registered office of Anpario plc, Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS on Thursday 25 June 2020, at 11.00 am.

To comply with the UK Government's Stay at Home Measures, it will not be possible for shareholders (or their proxies) to attend the AGM in person (unless prior to the AGM, the Stay at Home Measures have been relaxed or are no longer in force).

The Board will keep the situation under review and may need to make further changes to the arrangements relating to the meeting, including how it is conducted. In particular, shareholders should note that further legislation may come into force before the AGM which will have an impact on it. Shareholders should therefore continue to monitor the Company's website and announcements for any updates.

Offices in: Mexico, USA,Brazil, UK, Germany, Turkey, UAE,China
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