

OPTOMEGA **PLUS**

One of the many positives of Optomega Plus in layer diets is that it substantially increases DHA levels in eggs. Consuming these eggs, high in omega 3, offers an easy way to reduce our risk of coronary heart disease, dementia and depression.

Optomega Plus also helps to increase fertility in dairy cows, by supporting the establishment and maintenance of pregnancy. Reproductive success increases a cow's longevity, which in turn increases life-long milk production.

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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 2018.

Financial highlights

- 34% advance in profit after tax to £4.0m (2017: £3.0m)
- 31% uplift in diluted earnings per share to 18.52p (2017: 14.17p)
- 8% improvement in adjusted EBITDA¹ to £5.5m (2017: £5.1m)
- Sales of £28.3m (2017: £29.2m)
- Proposed final dividend of 5.0p (2017: 4.5p) per share, total dividend for the year 7.2p (2017: 6.5p) an increase of 11%
- Cash balances of £12.9m at the year-end (2017: £13.6m)

Operational highlights

- Strong sales growth in US, Europe and Australasia markets
- New subsidiaries were incorporated in Mexico in 2018 and post-year end in Turkey
- Launch of:
 - Next generation of mycotoxin binders branded Anpro[®]
 - Omega 3 supplement delivering improved fertility benefits to dairy farmers

Peter Lawrence, Chairman, commented:

“Trading in the current year is ahead of the same point in 2018. However, we remain vigilant as there may be obstacles ahead due to Brexit and African Swine Fever, in particular. Our strong balance sheet and cash generation capability provide Anpario with a firm platform from which to invest in new products and to develop the exciting Anpario Direct opportunity.

Expanding profitable sales and distribution channels around the world remains our priority and the initiatives already implemented are gaining traction. This gives me confidence that we will return to sales growth as 2019 progresses.”

¹ Adjusted EBITDA represents profit for the period before tax £4.552m (2017: £3.403m) adjusted for: share based payments and associated costs £0.118m (2017: £0.259m); net finance income £0.087m (2017: £0.042m); depreciation, amortisation and impairment charges of £0.871m (2017: £0.825m) and exceptional items of £nil (2017: £0.627m).

Chairman's statement

Anpario has delivered another good set of results for the year to 31 December 2018 with increases in pre-tax profit, earnings per share and EBITDA, when compared with the previous year. This outturn has been achieved in a challenging trading environment, which has held back sales. The rapid spread of African Swine Fever (ASF) in China and the strengthening of the US dollar against currencies in which our customers trade, have influenced our performance but our focus on controlling costs whilst still implementing our development initiatives, has delivered encouraging results.

The proportion of total sales direct to end users continues to grow and reflects our strategic focus of working closely with our major partner distributors. The imminent launch of Anpario Direct, our internet sales channel, will take us into the small and medium sized farm enterprise segment. New investment in a fully automated liquid bottling plant and small packaging system, coupled with continued expansion of our regional commercial teams, will offer farming communities both an efficient and effective multi-channel service.

Profit before tax rose strongly by 34% to £4.6m (2017: £3.4m). Basic earnings per share increased by 33% to 19.53 pence per share (2017: 14.66 pence) and diluted earnings per share increased by 31% to 18.52 pence per share (2017: 14.17 pence). The Board is recommending a final dividend of 5.0 pence per share (2017: 4.5 pence) making a total of 7.2 pence per share for the year (2017: 6.5 pence), an increase of 11%. More detail of the financial performance of the Group is contained in the Financial Review that follows this statement.

Operations

The UK and Europe delivered a strong performance with sales growth of 9% compared with the same period last year. The recovery in milk prices helped strengthen demand for our mycotoxin binder range. Optomega Plus, our sustainable omega 3 supplement, that helps improve fertility in dairy cows, has been adopted by a number of dairy operators. Optomega Plus is also used as a supplement for enriching eggs with omega 3, bringing health benefits to human consumption.

Within Europe, Spain was a highlight, achieving a 29% sales increase, driven by the success of Orego-Stim[®], our 100% natural essential oil product to promote well-being leading to enhanced production. Austria and Poland both enjoyed strong sales performances with growth of 31% and 157% respectively, albeit from a lower base.

Sales of Orego-Stim[®] grew in the UK with a number of veterinary organisations recommending the product and leading poultry integrators using it. Our technical team has been researching its use in calves which may offer a further sales opportunity.

In the USA, sales increased by 31%, when compared with the previous year. Orego-Stim[®] sales contributed significantly to this advance. The product was adopted by a number of poultry integrators to support their antibiotic free programmes and to improve bird performance. New interest from organic farming has also been encouraging.

Our sales to the US dairy industry continued to grow in a market affected by low mycotoxin levels and cost pressures. Anpro[®] Advance, our superior next generation toxin binder, was launched with positive feedback. The product is highly effective at binding particularly difficult toxins. Our dairy business has been focused initially in the mid-west and eastern states but we have recently recruited sales personnel for the California region, which is the top producing dairy state and, also has a strong poultry sector.

During the first half of the year, China achieved a 7% increase in sales but this growth reversed in the second half, leaving the territory down 11% over the full year compared to last year. African Swine Fever was the principal cause of this reversal as it limited our ability to visit customers and the associated market contraction has financially strained some customers. It is expected that this situation will start to improve by the summer while major efforts are made to constrain the disease. In addition, the trade tariff issues between the United States and China continue to affect demand for our additives. Our focus is being redirected to poultry, broilers, layers and pigeons and there is potential for our products in ruminants.

Australia increased sales by 45% across our whole range, which is used in both swine and poultry markets where the move to reducing antibiotics benefits Orego-Stim[®] in particular.

Sales in Asia declined 10%, mainly because we decided to terminate non-core and low margin product sales in the Philippines; this accounted for almost half of the decline. Japan, South Korea and Vietnam all performed well.

Sales in Latin America declined 21%, when compared with the same period last year, although the second half saw an improving trend with a strong fourth quarter performance, especially in Brazil. Chile returned to sales growth having overcome the disruption caused by changing distributors and the

ensuing delay to product registrations. The period also benefitted from new sales into the aquaculture markets in Brazil and Ecuador, where we plan to extend our product range. A subsidiary in Mexico was established to build strong commercial relationships with the larger end users. Many of the Mexican and Brazilian integrators form part of the United States infrastructure, where they have subsidiaries and cross-shareholdings. Our new Mexican subsidiary will offer group-wide service and commercial deals across their businesses.

Across the Middle East, sales declined by 9%, due to a combination of geopolitical issues and the strengthening of the US dollar. It is pleasing to report that Egypt, Iraq and Saudi Arabia delivered double digit growth. Turkey experienced a decline in sales of 37%, partly as a result of one of its major integrators going bankrupt. As Turkey remains an important and large market opportunity, we have recently incorporated a wholly owned Turkish subsidiary and are recruiting additional local sales people to target veterinary customers.

Brexit

Anpario's products and processes comply with the required European Union regulations. In the event of the UK leaving the EU, we have plans in place with our EU suppliers to try to minimise any disruption. These arrangements include increasing raw material stock levels in the UK and supporting our European distributors with additional stock, which may increase working capital and storage costs, but this should not be material.

Production

We have progressively invested in automation to ensure the throughput and lead times for our powdered products meet customer demand, especially during peak periods. We are investing an additional £1 million in an automated bottling plant to give us the capability to manufacture and bottle the liquid versions of our products. Liquid formulations are increasing in popularity with customer groups such as vets, who are considering feed additives to replace banned antibiotics.

Market research indicates that the internet is used extensively by farmers to research health and production issues. Anpario Direct will offer specialist technical support to farmers using blogs, videos and knowledge transfer through its online platform. Anpario Direct's internet sales channel, initially for the UK market, will offer liquid products as the platform targets smaller farm enterprises and other niche segments such as equine and game birds. Production

changes are in place to manufacture smaller pack sizes for the powder products in the Anpario Direct range. By extending the product range and offering express delivery, our goal is to be the destination of choice for tech savvy farmers looking to purchase sophisticated products for animal health, nutrition and biosecurity.

Innovation and development

During the rapid transition to antibiotic free meat production, farmers are seeking alternatives that provide a better return on investment than the products they currently use. Orego-Stim[®] is the leading phytogenics brand in the market. It achieves consistent performance results, due to the action of its natural oregano oil and unique carrier system.

Trials have shown that Orego-Stim[®], on its own or in combination with vaccine, can assist birds to achieve their performance potential, following periods of intestinal stress, such as coccidiosis challenge.

Orego-Stim[®] does not affect vaccination programmes and may be complementary. Research into other disease vaccination programmes including ileitis is currently in progress. Disease control relies on oral vaccination of pigs at about 10 to 12 weeks of age or antibiotic medication.

A report from The National Animal Health Monitoring Service (NAHMS), a non-regulatory unit of the US Department of Agriculture, indicates that 96% of US swine and 90% of EU pig farms are infected by ileitis, which results in a considerable cost increase for producers. Orego-Stim[®] is highly cost effective in controlling this disease.

Our research into using our additives against infections such as Salmonella may present further opportunities for us and for farmers wanting to achieve antibiotic free production.

During the year, we launched our next generation of mycotoxin binders under the brand name Anpro[®]. We have undertaken an extensive programme of both in-vitro and in-vivo testing in poultry, swine and ruminant species during the past three years. Anpro[®] has been independently tested against the main competitor products and significantly outperformed the other toxin binders. Orego-Stim[®] and Anpro[®] are just two of the key product groups which are expected to drive the future growth of the Group.

People

Anpario's growth and development reflects the strength and diversity of its people across the globe. This year has been challenging and it is our staff who, in no small part, have delivered profit growth through

Chairman's statement continued

their hard work, diligence and belief in the Group. The customer care ethos and desire to produce the best quality products in the market is inherent in the motivation of the Anpario team. Their commitment and dedication is greatly appreciated.

Corporate Governance

The Board has adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") from 20 September 2018.

As Chairman, it is my responsibility to ensure the highest practicable standards of corporate governance are in place. Previously the Group was not required to, but closely followed, the recommendations on corporate governance as set out in both the UK Corporate Governance Code and the QCA code. The formal adoption of the QCA Code will serve as a vehicle with which we can improve communication to all stakeholders to increase their visibility of the high standards that are in place within the Group.

The Board and staff at Anpario 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 Group's culture, objectives and processes is essential to support the success of the Group in creating long-term shareholder value.

Outlook

Trading in the current year is ahead of the same point in 2018. However, we remain vigilant as there may be obstacles ahead due to Brexit and African Swine Fever, in particular. Our strong balance sheet and cash generation capability provide Anpario with a firm platform from which to invest in new products and to develop the exciting Anpario Direct opportunity.

Expanding profitable sales and distribution channels around the world remains our priority and the initiatives already implemented are gaining traction. This gives me confidence that we will return to sales growth as 2019 progresses.

Peter Lawrence

Chairman
6 March 2019

Financial Review

| | 2018 | 2017 |
|--------------------------------------|---------------|--------|
| | £000 | £000 |
| Revenue | 28,277 | 29,241 |
| Gross profit | 13,541 | 14,346 |
| Profit before tax | 4,552 | 3,403 |
| Adjusted EBITDA (note 3) | 5,454 | 5,072 |
| Adjusted earnings per share (note 8) | 18.90p | 16.74p |
| Net assets | 33,150 | 30,522 |
| Cash (absorbed)/generated | (615) | 2,500 |
| Cash and cash equivalents | 12,912 | 13,559 |

Profit before tax rose strongly by 34% to £4.6m (2017: £3.4m). Basic earnings per share increased by 33% to 19.53 pence per share (2017: 14.66 pence) and diluted earnings per share increased by 31% to 18.52 pence per share (2017: 14.17 pence).

There were no exceptional items in the year (2017: £0.6m). Previously these were incurred as part of the restructuring of the business, which we now consider to be complete.

Adjusted EBITDA, increased by 8% to £5.5m (2017: £5.1m). Adjusted earnings per share increased by 13% to 18.90 pence per share (2017: 16.74 pence).

Revenues for the year declined 3% to £28.3m (2017: £29.2m), principally because of our planned strategic withdrawal from non-core and low margin product sales in the Philippines but also through the impact of the strengthening of sterling against the US dollar when compared with the prior year. The Group has hedges in place to mitigate this risk, the benefit of which is realised through operating expenses.

Gross profit was 6% lower than last year at £13.5m (2017: £14.3m). This was the result of both the foreign exchange impact mentioned above and exceptional price inflation of a few key raw materials. Nevertheless, increased sales to direct end user segments in strategically important markets, helped to reduce the impact of these factors.

Administrative expenses fell during the year by £1.3m, without impeding our strategic development plans. Throughout the year, we continued to recruit selectively to enhance our regional sales teams consequently employment costs, excluding bonuses, rose 9%. We also increased our marketing efforts to raise our profile and revitalise our sales positioning and materials.

Included in administrative costs are net foreign exchange gains of £0.3m. These comprised the reversal of prior year losses and the benefit of effective hedging instruments, which offset some of the impact on revenue. Sales bonuses were reduced reflecting the sales performance.

Capital expenditure rose to £1.8m (2017: £0.8m) as a result of our risk reduction and cost improvement plan to bring more of our production in-house and to add a bottling plant for Anpario Direct sales. There was also an increase in research and development expenditure to accelerate the generation of new products.

Group inventory levels increased to £4.0m (2017: £3.1m), as we built raw material stock levels as part of Brexit contingency planning; the remainder was the result of increased sales in regions such as USA and Australia where the long transit times lead to higher inventory requirements.

The balance sheet remains strong and debt free, with a year-end cash balance of £12.9m (2017: £13.6m).

The Board is recommending a final dividend of 5.0 pence per share (2017: 4.5 pence) making a total of 7.2 pence per share for the year (2017: 6.5 pence), an increase of 11%. This dividend, payable on 26 July to shareholders on the register on 12 July, continues to reflect the Board's confidence in the future and its ability to generate cash.

Non-financial

Health and safety – major accidents reportable to the Board in the year nil (2017: 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.

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 producer profitability.

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

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

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

Actions in 2018

- Further expansion of regional teams
- Set up of new subsidiary operations to serve local markets

Future plans

- Subsidiary operations to begin trading in Turkey and Mexico
- Further selective recruitment of high calibre regional resource
- Launch of Anpario Direct in the UK market to target the smaller farm segment

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
- Help the customer meet disease and regulatory challenges

Actions in 2018

- Further research and development of Orego-Stim in helping to support gut health and improve productivity through disease challenge
- Launch of new mycotoxin binder range, Anpro®
- Launch of Optomega Omega 3 supplement to improve dairy cow fertility and egg enrichment
- Targeting aquaculture market in Latin America

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
- Look for product opportunities which broaden our range and species opportunities

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
- 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

Actions in 2018

- Delivered high growth in recent Australian acquisition
- Established clear policy and framework
- Extensive search of European specialty feed additive producers

Future plans

- Continue active search for acquisition opportunities within criteria

Operations

High quality, consistent and efficient manufacturing

Delivered through

- Automated production facilities
- Key industry quality accreditations
- Quality supply partners

Actions in 2018

- Brought the manufacture of Orego-Stim powder into Manton Wood
- Expanded warehouse capacity

Future plans

- Automated liquid bottling plant
- 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 has chosen to apply the Quoted Companies Alliance Corporate Governance Code ("QCA Code") from 20 September 2018.

In my role as Chairman, it is my responsibility to ensure the highest practicable standards of corporate governance are in place. Previously, the Company was not required to, but closely followed the recommendations on corporate governance as set out in both the UK Corporate Governance Code and the QCA code. The formal adoption of the QCA Code will serve as a vehicle with which we can improve communication to all stakeholders to increase visibility of the high standards that are already in place within the Company.

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 any 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.

The Annual General Meeting 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 meets or has 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.

Principle 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 no-one receives less favourable treatment on the grounds 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, 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.
- 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 provide appropriate training in order to support our people and grow organisational capabilities. Anpario currently:

- has several apprentices places;
- recruits graduates 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;
- 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. The provision of share option and sharesave schemes has resulted in over 50% of our employees participating in one or more of the current schemes in operation.

Anpario supports local community initiatives and employee charity work.

An analysis of Directors, senior managers and other employees by gender as at 6 March 2019 is as follows:

| | Male | Female |
|-------------------------------------|-----------|-----------|
| Directors | 3 | 1 |
| Management | 24 | 14 |
| Administration and Production staff | 42 | 31 |
| Total | 69 | 46 |

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 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.

- 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

Corporate governance continued

- 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;
- zero tolerance of bribery and corruption.

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 environmental 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.
- 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 1% of the production volume as product and material waste due to manufacturing & cleaning activities. This product and material waste is collected by a waste contractor and environmentally recycled.
- 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.
- A paperless office policy is encouraged.

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 Principal Risks and Uncertainties 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 Senior Managers. The management structure has clearly defined reporting lines and operating standards.

Strategy and Business Planning

- We have 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.
- 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 Authorities;
- Ways of Working (WOWs);
- Anti-Bribery and Corruption Policy;
- GDPR and Privacy Policy;
- Due diligence including sanctions checks are conducted.

Operational controls

Our operational control processes include:

- **Product Pipeline Review:** Our 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:** We manage and monitor lifecycle management activities for our key products to meet the changing needs of our customers, environmental and regulatory standards.
- **Quality Assurance:** Our manufacturing facility has an established Quality Management System operating under FEMAS and UFAS. Our system is designed to ensure that all products are manufactured to a consistently high standard in compliance with all relevant regulatory requirements.
- **Product Registration:** Our registration team operates a robust system to ensure all products are correctly registered within the jurisdiction in which they are sold.
- **Pricing:** Our pricing structure is managed and monitored to provide equitable pricing for all customer groups.

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.

- A formalised reporting structure which includes the setting of detailed annual budgets and key performance indicators which are updated on a regular basis to form forecasts;

Corporate governance continued

- These are reviewed at both management and Board meetings where all key aspects of the business are 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 cash movements are reconciled and monitored 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.

Principle 5: The Board

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

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 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 Annual General Meeting following their appointment and thereafter by rotation.

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

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 8 March 2018 and 6 March 2019. 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 <http://www.anpario.com/directors/>. All the Non-Executive Directors give the appropriate amount of time required to fulfil their responsibilities to Anpario.

Principle 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.

Principle 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.

As part of the adoption of QCA, Anpario are reassessing the processes around evaluating Board performance in order to increase the visibility to shareholders.

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 Senior 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, <http://www.anpario.com/code-of-conduct/>. This sets out policies on Corporate Social Responsibility and Anti-Bribery and Anti-Corruption. Anpario also have a whistleblowing policy that is applicable to all our employees, other workers, our suppliers and those providing services to our organisation.

Principle 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,

Corporate governance continued

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 <http://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;
- 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. In identifying suitable candidates the committee shall consider candidates from a wide range of backgrounds; consider candidates on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;

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;

Principle 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 28 June 2018, full details of which are included in the 2017 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 Peter Lawrence as Non-Executive Chairman | Passed |
| 4 | Re-elect Richard Wood as Senior Independent Director | Passed |
| 5 | Re-appoint Deloitte LLP as Auditors | Passed |
| 6 | Authorise Issue of Equity with Pre-emptive rights | Passed |
| 7 | Authorise Issue of Equity without Pre-emptive rights | Passed |
| 8 | 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 <http://www.anpario.com/annual-interim-reports/>. Included within these documents are the notices of previous annual general meetings, the results of which are released as RNS announcements and can be found in the News Releases section of our website <http://www.anpario.com/>.

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 where he is now the Non-Executive Chairman having been an Executive Director ever since its formation in 1972. Peter is the Non-Executive Chairman of Baronsmead Venture Trust plc and Amati AIM VCT plc, he is also an Executive Director of Algatechnologies Ltd.

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).

Richard P Edwards, B Eng (Hons), C Eng, MBA. Chief Executive Officer (N)

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

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

Karen L Prior, BSc (Hons), FCA. Group Finance Director

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

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

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/

Directors' report

The Directors present their annual report and audited consolidated financial statements for the year-ended 31 December 2018.

Results and dividends

The profit for the year after tax from continuing operations was £4.0m (2017: £3.0m). The Directors propose a final dividend of 5.0p per share (2017: 4.5p) making a total of 7.2p per share for the year (2017: 6.5p), amounting to a total dividend of £1.5m (2017: £1.4m).

Directors

The Directors during the year under review and subsequently 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.

Substantial shareholdings

At 1 March 2019, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital:

| | Ordinary Shares (000) | % held |
|---|-----------------------------|--------|
| Royal Trust Corp of Canada Custodians | 2,650 | 11.4 |
| Unicorn Asset Management Limited | 2,046 | 8.8 |
| Gresham House Asset Management Limited | 1,399 | 6.0 |
| Downing LLP | 1,349 | 5.8 |
| Investec Wealth & Investment Limited | 1,110 | 4.8 |
| Allianz Global Investors GmbH | 1,100 | 4.7 |
| Schroder Investment | 804 | 3.5 |
| Mitton Group plc | 761 | 3.3 |
| Hargreaves Lansdown Asset Mgt | 739 | 3.2 |

Review of the business and future developments

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

Group research and development activities

The Group is continually researching into and developing new products. Details of expenditure incurred and impaired or written off during the year are shown in the note 4 of these the financial statements.

Share capital

During the year 41,853 (2017: 30,068) Ordinary shares of 23p each were issued pursuant to the exercise of share options. During the year the Company issued nil (2017: 225,018) 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 2018 to make market purchases of Ordinary shares in the capital of the Company. The Company holds 143,042 (2017: 143,042) Ordinary shares of 23p in treasury.

Independent auditors

The auditors, 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 2018 was 325.0p per share (2017: 397.5p per share).

Indemnities

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

Financial risk management

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

Directors' report continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year.

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

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

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

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

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

Statement of disclosure to auditors

So far as the Directors are aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Karen Prior

Company Secretary
6 March 2019

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 2018. 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 <http://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 2018 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 2018 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 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 |

Report of the Remuneration Committee continued

The comparative figures for the previous year is shown below

| | Salary 2017 £000 | Pension 2017 £000 | Benefits 2017 £000 | Bonus* 2017 £000 | Share-based payments 2017 £000 | Total 2017 £000 |
|--------------------------------|------------------------|-------------------------|--------------------------|------------------------|---|-----------------------|
| Executive Directors | | | | | | |
| R P Edwards | 209 | – | 13 | 133 | 101 | 456 |
| K L Prior | 151 | 8 | 11 | 101 | 77 | 348 |
| Non-Executive Directors | | | | | | |
| P A Lawrence*** | 40 | – | – | – | – | 40 |
| R S Rose** | 40 | – | – | – | – | 40 |
| R K Wood** | 6 | – | – | – | – | 6 |
| Total | 446 | 8 | 24 | 234 | 178 | 890 |

* 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 2018.

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

*** The payment of the Chairman's remuneration changed during the year 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.
- 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 2018 | 31 Dec 2017 |
|-------------|---|----------------|----------------|
| 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 |

Share plan limits

There is a limit to the total number of new shares which may be issued under awards under Long Term Incentive Plans which might involve the issue of new shares. That limit is the total number of new shares over which future awards may be made, when added to the total number of shares issued and issuable under awards granted on 16 September 2016 and any awards which are outstanding as at that date shall not exceed

16.3% of the total of the number of shares in issue from time to time.

Joint Share Ownership Plan

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:

| | 2018 | 2017 |
|-------------|------------------|-----------|
| 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 2018, in the ordinary shares of the Company were as follows: -

| | Ordinary shares of 23p each | |
|--------------|--------------------------------|----------------|
| | 31 Dec 2018 | 31 Dec 2017 |
| P A Lawrence | 63,350 | 63,350 |
| R P Edwards | 206,687 | 206,687 |
| K L Prior | 206,800 | 206,800 |

There was no change in the Directors’ interests between 31 December 2018 and 6 March 2019.

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
6 March 2019

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 2018 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;
- 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;
- 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;
- 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);
- 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 auditors



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



Peter Lawrence

Chairman, Audit Committee
6 March 2019



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. Arrows indicate the trend in the likelihood and impact of each risk. More information on our risk management framework can be found in the Corporate Governance Statement.

| 1. Market Risk | | 2. Political and Economic Risk | |
|---|---|--|--|
| Risks | | Risks | |
| <ul style="list-style-type: none"> We sell to direct end users and through our distributor network which are constantly targeted by competitors. M & A activity resulting in market consolidation. Changing market, legislative and regulatory needs. Animal diseases e.g. African Swine Fever, Avian Flu, PEDv. IP theft e.g. trademark infringements. | | <ul style="list-style-type: none"> Brexit uncertainty. Exchange rate fluctuations. Geopolitical risks including political and economic instability. Bad debts or trade disputes. | |
| Potential impact | | Potential impact | |
| <ul style="list-style-type: none"> Lower sales revenue and profit. Reduction in customers or target customers. Loss of market share. Loss of market. | | <ul style="list-style-type: none"> 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 | | Control and mitigation | |
| <ul style="list-style-type: none"> 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. 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 solutions. Close customer engagement, relationships to understand, and address their needs. Global trademark watches and pre-emptive legal action. | | <ul style="list-style-type: none"> 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 | Risk rating | Trend |
| Likelihood Medium Impact Medium | No change  | Likelihood Medium Impact Medium | Increasing  |

| 3. Product Development Risk | | 4. Production and Quality Risk | |
|--|--|--|---|
| Risks | | Risks | |
| <ul style="list-style-type: none"> Failure to deliver new products due to pipeline delays or products not meeting commercial expectations. Product development is a complex, risky process involving significant financial, R&D and other resources. At the development stage it is difficult to determine whether a new product will succeed. | | <ul style="list-style-type: none"> Plant closures due to major accident or incident or disaster. Health and Safety issues. 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 | | Potential impact | |
| <ul style="list-style-type: none"> 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. | | <ul style="list-style-type: none"> Loss of production for a significant period e.g. more than one month potentially leading to loss of sales. Accidents, fatality and possible fine or closure. Poor product quality or product contamination. Damage to customer relationship, reputation and financial loss. | |
| Control and mitigation | | Control and mitigation | |
| <ul style="list-style-type: none"> Current products are not at end of lifecycle. Continual monitoring and review of current products is carried out by global Technical Team. 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. We carry out a range of product developments to reduce the risk and support major product development. In respect of all new product launches a detailed marketing plan is established and progress against that plan is regularly monitored. | | <ul style="list-style-type: none"> All products can be produced at approved toll manufacturers in the UK. Business interruption and property insurance policies arranged. 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 | Risk rating | Trend |
| Likelihood Medium Impact Medium | Decreasing  | Likelihood Low Impact Medium | No change  |

Risk management continued

| 5. Systems Risk | | 6. Legislation, Regulatory and Non-compliance Risk | |
|--|--|--|---|
| Risks | | Risks | |
| <ul style="list-style-type: none"> IT or communications failure, due to, accident or sabotage. Cyber attack. Data breach. | | <ul style="list-style-type: none"> 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 | | Potential impact | |
| <ul style="list-style-type: none"> Unable to operate. Criminal attack could be aimed at stealing money, extortion, fraud, data theft etc. GDPR imposes heavy financial penalties, plus reputational damage. | | <ul style="list-style-type: none"> Litigation against Anpario, potential fines and reputational damage. Financial penalties, reputational damage, unable to operate in certain jurisdictions. Prevented from trading with countries e.g. Iran even though our products are exempt from sanctions. | |
| Control and mitigation | | Control and mitigation | |
| <ul style="list-style-type: none"> Regular back up of data, third party provider for storage and system support. Firewall, regular back up of data, crime insurance in place. Continual review and strengthening of processes, controls and security. Information Policy, Privacy Policy and Breach Notification Policy issued during 2018. Staff and partner awareness communication and training. | | <ul style="list-style-type: none"> 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. | |
| Risk rating | Trend | Risk rating | Trend |
| Likelihood Medium Impact High | Increasing  | 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.
- We are working with DEFRA and industry peers to overcome the introduction of new onerous regulatory importation restrictions in China.
- We successfully challenged the infringement of Orego-stim® trademark in China.
- We continually endeavour to improve our key control processes. During 2018 we have:
 - Conducted IT disaster recovery exercises;

- Communicated globally Anpario's Code of Conduct to reinforce ethical behaviour;
- Published a new suite of Data Privacy policy and procedural guidance documents to support compliance with the EU General Data Protection Regulation (GDPR);
- Updated our Group Employment Handbook and Employment policies supplemented by training and online videos;
- Developed and coached key managers.

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.

Richard Edwards has met with Dr Liam Fox, Secretary of State for International Trade. John Butlin has met; Andrew Mitchell, HM Trade Commissioner for Europe; Amanda Brooks, Director Trade Remedies, Access and Controls, Department for International Trade (DIT) and Mark Carney, Governor of the Bank of England. Karen Prior, John Butlin and Cindy Thomson have attended numerous Brexit seminars with DIT, British Chambers of Commerce and lawyers.

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 recently 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, employment 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 2018, the value of raw materials and packaging purchased from the EU 27 was £5.5m representing 40% of the total. 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 2018, £3.4m, approximately 12% of our sales were to EU 27 countries. In recent years, this has been declining as a proportion of total sales because growth has been predominately in Asia Pacific, Middle East and the Americas. We continue to review sales strategy and resources to create expansion across all regions and target growth territories both within and outside the EU.

We are currently processing orders for customers within the EU for despatch prior to 25 March to ensure arrival before 29 March. A number of customers have ordered between one and six month's additional stock. Anpario have agreed to invoice these consignments on extended terms of between 60 and 180 days.

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

Brexit Contingency Planning continued

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.

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. In 2019, we have options in place to sell USD/buy GBP and to sell USD/buy EUR. Exchange rates are continually monitored and action will be taken as far as possible to mitigate negative effects and anticipated exposures through implementation of 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. 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.

Rest assured, Anpario will continue to monitor developments and take whatever steps are necessary to protect our operations and minimise any disruption to our business.

Independent auditors' report to the members of Anpario plc

Report on the audit of the financial statements

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 2018 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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.

Summary of our audit approach

| | |
|--|--|
| Key audit matters | The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> • The valuation of intangible assets. |
| Materiality | The materiality that we used for the group financial statements was £228,000 which was determined on the basis of 5% of profit before taxation. |
| Scoping | Our full scope procedures included the UK entity which covered 92% of the total revenue for the Group and all of the Group's profit. We have undertaken specific procedures on balances in the overseas subsidiaries to address specific risks to the group. |
| Significant changes in our approach | The revenue recognition key audit matter has been removed in the current year as this is no longer an area of focus. |

Independent auditors' report to the members of Anpario plc continued

Conclusions relating to going concern

| | |
|--|--|
| <p>We are required by ISAs (UK) to report in respect of the following matters where:</p> <ul style="list-style-type: none"> 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. | <p>We have nothing to report in respect of these matters.</p> |
|--|--|

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.

In the prior year, revenue recognition specific to cut-off was a key audit matter, this is no longer considered as an area of focus.

| The valuation of intangible assets | |
|--|---|
| <p>Key audit matter description</p> | <p>The Group has material balances for goodwill and intangible assets of £11.4m (2017: £10.8m) as outlined in note 11. Per IAS 36, goodwill and other intangibles with indefinite useful lives must be tested for impairment annually. As, the carrying values of these intangible assets are contingent on future cashflows there is a risk of material misstatement that the value of these assets is impaired if the cash flows do not meet the expectations of the Group. When performing their impairment review management is required to make judgements in assessing future cashflows that include assumptions surrounding growth rates, capital expenditure and product sales. A change in these assumptions may result in an impairment to the carrying value of intangible assets and goodwill. As a result the forecasts used by management to assess the carrying value of intangible assets through a value in use calculation is deemed to be a key audit matter.</p> <p>In the prior year existence was also a key audit matter. This is no longer considered to be a focus as we have identified the cash flows used within the impairment review to be the focus area in the current year.</p> <p>There is also a potential for fraud through possible manipulation in relation to the cash flows used by management within their impairment review calculation to avoid the need for impairment.</p> |

| | |
|---|--|
| How the scope of our audit responded to the key audit matter | <ul style="list-style-type: none"> • We have evaluated the design and implementation of the key controls relating to the assessment of the carrying value of these intangible assets. • We challenged management's assumptions used in the impairment model specifically the cash flow projections by sensitising against current run rates and growth levels that have been achieved. • We challenged the levels of capital expenditure used in management's model based on historical levels that have been incurred. • We tested the integrity and arithmetical accuracy of management's model and supporting calculations for the impairment review. • We have reviewed management's paper on Brexit with responses to all of the potential risks and the mitigations that are in place that could impact future cashflows. |
| Key observations | We concur with the treatment and carrying value of the intangibles balance and the corresponding amounts of amortisation and are satisfied that the assumptions used in the impairment model are within a suitable range. |

Our application of materiality

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

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

| | Group financial statements | Parent company financial statements |
|--|--|--|
| Materiality | £228,000 (2017: £200,000) | £205,000 (2017: £170,000) |
| Basis for determining materiality | 5% of pre-tax profit | Parent materiality equates to 3.5% of this entities pre-tax profit, which is capped at 90% 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, 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, is a critical component of the financial statements and a key metric that management use to monitor the performance of the business and communicate this to shareholders. |

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £11,000 (2017: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditors' report to the members of Anpario plc continued

An overview of the scope of our audit

The full scope audit was in relation to the UK entity. As the overseas subsidiaries act as distribution channels for the UK entity these were not deemed to be significant. The UK entity comprises 78% (2017: 81%) of the Group's total external revenue. Excluding intercompany balances, the UK entity equates to 92% (2017: 92%) of the Group's total revenue.

There are no other areas of sub consolidation within the Group. Audit work to respond to the risks of material misstatement was performed directly by the 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 performed directly by the group audit engagement team. The specific tests conducted on these balances were undertaken at a component materiality that was 40% (2017: 40% - 60%) of the Group's materiality. Component materiality ranged between £0.09m and £0.20m in the current year.

Other information

| | |
|--|--|
| <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> | <p>We have nothing to report in respect of these matters.</p> |
|--|--|

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the 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

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

Matters on which we are required to report by exception

| | |
|--|--|
| <p>Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion:</p> <ul style="list-style-type: none"> • 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. | <p>We have nothing to report in respect of these matters.</p> |
| <p>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.</p> | <p>We have nothing to report in respect of these matters.</p> |

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, UK
6 March 2019

Consolidated income statement

for the year ended 31 December 2018

| | Notes | 2018 £000 | 2017 £000 |
|---------------------------------|-------|-----------------|--------------|
| Revenue | 3 | 28,277 | 29,241 |
| Cost of sales | | (14,736) | (14,895) |
| Gross profit | | 13,541 | 14,346 |
| Administrative expenses | | (9,076) | (10,358) |
| Exceptional items | 25 | - | (627) |
| Operating profit | | 4,465 | 3,361 |
| Finance income | 7 | 87 | 42 |
| Profit before income tax | | 4,552 | 3,403 |
| Income tax expense | 10 | (552) | (418) |
| Profit for the year | | 4,000 | 2,985 |
| Profit attributable to: | | | |
| Owners of the parent | | 4,000 | 2,985 |
| Non-controlling interests | | - | - |
| Profit for the year | | 4,000 | 2,985 |
| Basic earnings per share | 8 | 19.53p | 14.66p |
| Diluted earnings per share | 8 | 18.52p | 14.17p |

Consolidated statement of comprehensive income

for the year ended 31 December 2018

| | 2018 £000 | 2017 £000 |
|--|--------------|--------------|
| Profit for the year | 4,000 | 2,985 |
| Items that may be subsequently reclassified to profit or loss: | | |
| Exchange difference on translating foreign operations | (3) | 109 |
| Cashflow hedge movements (net of deferred tax) | (184) | 162 |
| Total comprehensive income for the period | 3,813 | 3,256 |
| Attributable to the owners of the parent: | 3,813 | 3,256 |

The notes on pages 38 to 65 form part of these financial statements.

Consolidated and parent company balance sheets

as at 31 December 2018

| | Notes | Group | | Company | |
|---|-------|----------------|--------------|----------------|--------------|
| | | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Intangible assets | 11 | 11,373 | 10,820 | 10,811 | 10,249 |
| Property, plant and equipment | 12 | 3,710 | 3,347 | 3,689 | 3,300 |
| Investment in subsidiaries | 13 | - | - | 5,393 | 5,393 |
| Deferred tax assets | 18 | 641 | 447 | 99 | 164 |
| Non-current assets | | 15,724 | 14,614 | 19,992 | 19,106 |
| Inventories | 14 | 4,031 | 3,088 | 2,458 | 2,028 |
| Trade and other receivables | 15 | 5,328 | 5,720 | 11,471 | 9,922 |
| Derivative financial instruments | 27 | 6 | 220 | 6 | 220 |
| Cash and cash equivalents | 16 | 12,912 | 13,559 | 11,580 | 12,142 |
| Current assets | | 22,277 | 22,587 | 25,515 | 24,312 |
| Total assets | | 38,001 | 37,201 | 45,507 | 43,418 |
| Called up share capital | 21 | 5,360 | 5,350 | 5,360 | 5,350 |
| Share premium | | 10,423 | 10,330 | 10,423 | 10,330 |
| Other reserves | 23 | (5,449) | (5,406) | (3,297) | (3,257) |
| Retained earnings | 22 | 22,816 | 20,248 | 24,633 | 20,968 |
| Equity attributable to owners of the parent company | | 33,150 | 30,522 | 37,119 | 33,391 |
| Non-controlling interest | | - | - | - | - |
| Total equity | | 33,150 | 30,522 | 37,119 | 33,391 |
| Deferred tax liabilities | 18 | 1,182 | 1,044 | 1,182 | 1,044 |
| Non-current liabilities | | 1,182 | 1,044 | 1,182 | 1,044 |
| Trade and other payables | 17 | 3,426 | 5,348 | 7,025 | 8,729 |
| Derivative financial instruments | 27 | 11 | - | 11 | - |
| Current income tax liabilities | | 232 | 287 | 170 | 254 |
| Current liabilities | | 3,669 | 5,635 | 7,206 | 8,983 |
| Total liabilities | | 4,851 | 6,679 | 8,388 | 10,027 |
| Total equity and liabilities | | 38,001 | 37,201 | 45,507 | 43,418 |

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 £5,097,000 (2017: £3,988,000).

The financial statements were approved by the Board and authorised for issue on 6 March 2019.

The notes on pages 38 to 65 form part of these financial statements.

The financial statements of pages 34 to 65 were approved by the Board and authorised for issue on 6 March 2019.

Richard Edwards
Chief Executive Officer
Company Number: 03345857

Karen Prior
Group Finance Director

Consolidated and parent company statements of changes in equity for the year ended 31 December 2018

| Group | Called up share capital £000 | Share premium £000 | Other reserves £000 | Retained earnings £000 | Non-controlling interest £000 | Total equity £000 |
|---|---------------------------------|-----------------------|------------------------|---------------------------|----------------------------------|----------------------|
| Balance at 1 January 2017 | 5,291 | 9,515 | (5,112) | 18,843 | - | 28,537 |
| Profit for the period | - | - | - | 2,985 | - | 2,985 |
| Currency translation differences | - | - | 109 | - | - | 109 |
| Cash flow hedge reserve | - | - | 162 | - | - | 162 |
| Total comprehensive income for the period | - | - | 271 | 2,985 | - | 3,256 |
| Issue of share capital | 59 | 815 | - | - | - | 874 |
| Deferred tax regarding share-based payments | - | - | 71 | - | - | 71 |
| Joint share ownership plan | - | - | (825) | - | - | (825) |
| Share-based payment adjustments | - | - | 189 | - | - | 189 |
| Final dividend relating to 2016 | - | - | - | (1,152) | - | (1,152) |
| Interim dividend relating to 2017 | - | - | - | (428) | - | (428) |
| Transactions with owners | 59 | 815 | (565) | (1,580) | - | (1,271) |
| Balance at 31 December 2017 | 5,350 | 10,330 | (5,406) | 20,248 | - | 30,522 |
| Profit for the period | - | - | - | 4,000 | - | 4,000 |
| Currency translation differences | - | - | (3) | - | - | (3) |
| Cash flow hedge reserve | - | - | (184) | - | - | (184) |
| Total comprehensive income for the period | - | - | (187) | 4,000 | - | 3,813 |
| Issue of share capital | 10 | 93 | - | - | - | 103 |
| Share-based payment adjustments | - | - | 167 | - | - | 167 |
| Deferred tax regarding share-based payments | - | - | (23) | - | - | (23) |
| Final dividend relating to 2017 | - | - | - | (965) | - | (965) |
| Interim dividend relating to 2018 | - | - | - | (467) | - | (467) |
| Transactions with owners | 10 | 93 | 144 | (1,432) | - | (1,185) |
| Balance at 31 December 2018 | 5,360 | 10,423 | (5,449) | 22,816 | - | 33,150 |

| Company | Called up share capital £000 | Share premium £000 | Other reserves £000 | Retained earnings £000 | Non-controlling interest £000 | Total equity £000 |
|---|---------------------------------|-----------------------|------------------------|---------------------------|----------------------------------|----------------------|
| Balance at 1 January 2017 | 5,291 | 9,515 | (2,854) | 18,560 | - | 30,512 |
| Profit for the period | - | - | - | 3,988 | - | 3,988 |
| Cash flow hedge reserve | - | - | 162 | - | - | 162 |
| Total comprehensive income for the period | - | - | 162 | 3,988 | - | 4,150 |
| Issue of share capital | 59 | 815 | - | - | - | 874 |
| Deferred tax regarding share-based payments | - | - | 71 | - | - | 71 |
| Joint share ownership plan | - | - | (825) | - | - | (825) |
| Share-based payment adjustments | - | - | 189 | - | - | 189 |
| Final dividend relating to 2016 | - | - | - | (1,152) | - | (1,152) |
| Interim dividend relating to 2017 | - | - | - | (428) | - | (428) |
| Transactions with owners | 59 | 815 | (565) | (1,580) | - | (1,271) |
| Balance at 31 December 2017 | 5,350 | 10,330 | (3,257) | 20,968 | - | 33,391 |
| Profit for the period | - | - | - | 5,097 | - | 5,097 |
| Cash flow hedge reserve | - | - | (184) | - | - | (184) |
| Total comprehensive income for the period | - | - | (184) | 5,097 | - | 4,913 |
| Issue of share capital | 10 | 93 | - | - | - | 103 |
| Share-based payment adjustments | - | - | 167 | - | - | 167 |
| Deferred tax regarding share-based payments | - | - | (23) | - | - | (23) |
| Final dividend relating to 2017 | - | - | - | (965) | - | (965) |
| Interim dividend relating to 2018 | - | - | - | (467) | - | (467) |
| Transactions with owners | 10 | 93 | 144 | (1,432) | - | (1,185) |
| Balance at 31 December 2018 | 5,360 | 10,423 | (3,297) | 24,633 | - | 37,119 |

The notes on pages 38 to 65 form part of these financial statements.

Consolidated and parent company statements of cash flows for the year ended 31 December 2018

| | Group | | Company | |
|--|----------------|--------------|----------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Cash generated from operating activities | 3,233 | 5,583 | 3,065 | 5,159 |
| Income tax paid | (673) | (349) | (629) | (349) |
| Net cash generated from operating activities | 2,560 | 5,234 | 2,436 | 4,810 |
| Investment in subsidiary | (132) | (514) | - | (828) |
| Purchases of property, plant and equipment | (695) | (151) | (692) | (146) |
| Proceeds from disposal of tangible and intangible assets | - | 44 | - | 1 |
| Payments to acquire intangible assets | (1,106) | (624) | (1,104) | (622) |
| Interest received | 87 | 42 | 127 | 66 |
| Net cash used in investing activities | (1,846) | (1,203) | (1,669) | (1,529) |
| Joint Share Ownership Plan | - | (825) | - | (825) |
| Proceeds from issuance of shares | 103 | 874 | 103 | 874 |
| Dividend paid to Company's shareholders | (1,432) | (1,580) | (1,432) | (1,580) |
| Net cash used in financing activities | (1,329) | (1,531) | (1,329) | (1,531) |
| Net (decrease)/increase in cash and cash equivalents | (615) | 2,500 | (562) | 1,750 |
| Effect of exchange rate changes | (32) | (53) | - | - |
| Cash and cash equivalents at the beginning of the year | 13,559 | 11,112 | 12,142 | 10,392 |
| Cash and cash equivalents at the end of the year | 12,912 | 13,559 | 11,580 | 12,142 |

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Cash generated from operating activities | 4,552 | 3,403 | 5,821 | 4,435 |
| Profit before income tax | 4,552 | 3,403 | 5,821 | 4,435 |
| Net finance income | (87) | (42) | (127) | (66) |
| Depreciation, amortisation and impairment | 871 | 825 | 845 | 796 |
| Loss on disposal of property, plant and equipment | 13 | 19 | - | 19 |
| Share-based payments | 167 | 189 | 167 | 189 |
| Fair value adjustment to derivatives | 32 | (44) | 32 | (44) |
| Changes in working capital: | | | | |
| Inventories | (900) | (855) | (430) | (370) |
| Trade and other receivables | 401 | 965 | (1,539) | (696) |
| Trade and other payables | (1,816) | 1,123 | (1,704) | 896 |
| Net cash generated from operating activities | 3,233 | 5,583 | 3,065 | 5,159 |

The notes on pages 38 to 65 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2018

1. General information

Anpario plc (“the Company”) and its Subsidiaries (together “the Group”) produce and distribute natural feed additives for animal health, hygiene and nutrition. The Company is traded on the Alternative Investment Market (“AIM”) of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS. The presentation currency of the Group is pounds sterling. For details of the basis of consolidation see note 2.2.

2. Summary of significant accounting policies

2.1. Basis of preparation

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

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods.

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

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 2018.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise in circumstances where the size of the Group’s voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

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

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

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

2.3. Revenue recognition

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

Notes to the financial statements continued

for the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.5. Foreign currency translation continued

exchange rate at the date of the balance sheet;

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

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

2.6. Intangible assets

- Patents, trademarks and registrations

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

- Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Goodwill is carried at cost less accumulated impairment losses and is allocated

to the appropriate cash-generating unit for the purpose of impairment testing. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

- Development costs

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

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

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

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

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

- Brands

Brands are stated at cost less accumulated amortisation and impairment. Brand names acquired in a business combination are recognised at fair value based on an expected royalty value at the acquisition date. Useful lives of brand names are estimated and amortised over 10 to 20 years, except where they are deemed to have an indefinite life and consequently are not amortised. Brands with an indefinite useful life are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate a potential impairment. However, they are allocated to appropriate cash-generating units and subject to impairment testing on an annual basis. Any impairment is recognised immediately through the income statement and is not subsequently reversed.

- Customer relationships

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

2.7. Impairment of non-financial assets

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

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

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

2.8. Investments

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

2.9. Property, plant and equipment

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

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

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.

Notes to the financial statements continued

for the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.10. Inventories

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

2.11. Trade receivables

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

2.12. Trade payables

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

2.13. Cash and cash equivalents

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

2.14. Derivative financial instruments

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

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives

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

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

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).

IFRS 9 also impacts the provision for trade receivables. The Group always recognises lifetime ECL for trade receivables. The expected credit losses 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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

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

2.15. Leasing

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

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

2.16. Exceptional items

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

2.17. Taxation

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

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

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

Notes to the financial statements continued

for the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.18. Employee benefits continued

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

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

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

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

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

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

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

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

2.20. Dividend distribution

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

2.21. Financial risk management

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

- Credit risk

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

- Liquidity risk

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

- Exchange rate risk

The Group's principal functional currency is pounds sterling. However, during the year the Group had exposure to euros, US dollars and other currencies. The Group's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditure and put in place hedging instruments as considered appropriate to mitigate the risk.

- Capital risk

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

2.22. Key accounting judgements and critical accounting estimates

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

- Estimated impairment value of intangible assets

The Group tests annually whether intangible assets have suffered any impairment. Impairment provisions are recorded as applicable based on Directors' estimates of recoverable values. Following the assessment of the recoverable amount of goodwill and intangibles of the Group that totalled £11.4m as per note 11 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 such as African Swine Fever. The sensitivity analysis in respect of the recoverable amount of goodwill is presented in note 11.

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

Notes to the financial statements continued

for the year ended 31 December 2018

2. Summary of significant accounting policies continued

2.23. Impact of accounting standards and interpretations

IFRS 16 Leases: will have a material impact on the reported assets and liabilities for the Group. The standard will be applied for accounting periods starting after 1 January 2019, therefore the Group's first financial year that is impacted will be the year ending 31 December 2019. IFRS16 requires operating leases to be capitalised on the statement of financial position. The Directors have performed a review of the effect of IFRS 16 on the Group and the indicative impact is to increase fixed assets by approximately £0.2m at 31 December 2018 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 expected to be material. The cash flow impact is nil.

3. Segment information

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

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

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

Inter-segment revenue is charged at prevailing market prices or in accordance with local transfer pricing regulations.

| | Americas £000 | Asia £000 | Europe £000 | MEA £000 | Head Office £000 | Total £000 |
|--|------------------|---------------|----------------|--------------|------------------------|----------------|
| Year ended 31 December 2018 | | | | | | |
| 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 |
| Adjusted EBITDA | 1,444 | 3,776 | 2,971 | 1,097 | (3,834) | 5,454 |
| Depreciation and amortisation | (7) | (12) | - | - | (852) | (871) |
| Net finance income | - | 1 | - | 2 | 84 | 87 |
| Share-based payments | - | - | - | - | (118) | (118) |
| Exceptional items | - | - | - | - | - | - |
| Profit before income tax | 1,437 | 3,765 | 2,971 | 1,099 | (4,720) | 4,552 |
| Income tax | 103 | (72) | - | - | (583) | (552) |
| Profit for the year | 1,540 | 3,693 | 2,971 | 1,099 | (5,303) | 4,000 |
| Total assets | | | | | 38,001 | 38,001 |
| Total liabilities | | | | | (4,851) | (4,851) |

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

4. Profit for the year

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

| | 2018 £000 | 2017 £000 |
|--|---------------|---------------|
| Cost of inventories recognised as an expense | 11,510 | 11,693 |
| Employee expenses (note 6) | 5,588 | 6,087 |
| Share-based payment charges | 118 | 259 |
| Depreciation of property, plant and equipment | 319 | 327 |
| Amortisation of intangible assets | 552 | 498 |
| Loss on disposal of tangible and intangible assets | 13 | 19 |
| Net foreign exchange (gains)/losses | (275) | 642 |
| Research and development expenditure | 45 | 24 |
| Acquisition, closure and restructuring | - | 627 |
| Other expenses | 5,942 | 5,704 |
| Total cost of sales, distribution and administrative expenses | 23,812 | 25,880 |

In addition to research and development expenditure noted above, amounts included in employee expenses above totalling £562,000 (2017: £610,000) relate to our specialist technical team remuneration costs. The team includes specialists in poultry, swine, ruminant & aquaculture species. Out of this we have capitalised internal costs of £275,000 and expended a further £453,000 on external trials in respect of current development projects.

Notes to the financial statements continued

for the year ended 31 December 2018

5. Auditor's remuneration

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

| | 2018 | 2017 |
|--|-------------|------|
| | £000 | £000 |
| Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements | 58 | 57 |
| Fees payable to Company's auditors for other services: | | |
| The audit of Company Subsidiaries | 8 | – |
| Total fees payable to Company's auditors | 66 | 57 |

6. Employees

Number of employees

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

| Group | 2018 | 2017 |
|--------------------------------|---------------|--------|
| | Number | Number |
| Production | 25 | 25 |
| Administration | 25 | 25 |
| Sales and Technical | 62 | 61 |
| Total average headcount | 112 | 111 |

| Company | 2018 | 2017 |
|--------------------------------|---------------|--------|
| | Number | Number |
| Production | 25 | 25 |
| Administration | 18 | 18 |
| Sales and Technical | 34 | 40 |
| Total average headcount | 77 | 83 |

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

Employment costs

| Group | 2018 | 2017 |
|-------------------------------|--------------|-------|
| | £000 | £000 |
| Wages and salaries | 4,808 | 5,412 |
| Social security costs | 590 | 530 |
| Other pension costs | 190 | 145 |
| Share-based payment charges | 118 | 259 |
| Total employment costs | 5,706 | 6,346 |

| Company | 2018 | 2017 |
|-------------------------------|--------------|-------|
| | £000 | £000 |
| Wages and salaries | 3,253 | 4,096 |
| Social security costs | 388 | 337 |
| Other pension costs | 152 | 132 |
| Share-based payment charges | 118 | 259 |
| Total employment costs | 3,911 | 4,824 |

7. Finance income

| | 2018 | 2017 |
|---|-------------|------|
| | £000 | £000 |
| Interest receivable on short-term bank deposits | 87 | 42 |
| Total finance income | 87 | 42 |

8. Earnings per share

| | 2018 | 2017 |
|---|---------------|--------|
| Weighted average number of shares in issue (000s) | 20,482 | 20,361 |
| Adjusted for effects of dilutive potential Ordinary shares (000s) | 1,121 | 709 |
| Weighted average number for diluted earnings per share (000's) | 21,603 | 21,070 |
| Profit attributable to owners of the Parent (£000's) | 4,000 | 2,985 |
| Basic earnings per share | 19.53p | 14.66p |
| Diluted earnings per share | 18.52p | 14.17p |
| | 2018 | 2017 |
| | £000 | £000 |
| Adjusted profit attributable to owners of the Parent | | |
| Profit attributable to owners of the Parent | 4,000 | 2,985 |
| Exceptional items (net of tax) | - | 544 |
| Prior year tax adjustments | (129) | (121) |
| Adjusted profit attributable to owners of the Parent | 3,871 | 3,408 |
| Adjusted earnings per share | 18.90p | 16.74p |
| Diluted adjusted earnings per share | 17.92p | 16.17p |

9. Dividend payable

| | 2018 | 2017 |
|--|--------------|-------|
| | £000 | £000 |
| 2016 final dividend paid: 5.5p per 23p share | - | 1,152 |
| 2017 interim dividend paid: 2.0p per 23p share | - | 428 |
| 2017 final dividend paid: 4.5p per 23p share | 965 | - |
| 2018 interim dividend paid: 2.2p per 23p share | 467 | - |
| Total dividends paid | 1,432 | 1,580 |

A final dividend in respect of the year ended 31 December 2018 of 5.0p (2017: 4.5p) per share, amounting to a total dividend of £1.5m, is to be proposed at the Annual General Meeting on 27 June 2019. These financial statements do not reflect this dividend payable.

Notes to the financial statements continued

for the year ended 31 December 2018

10. Income tax expense

| | Group | |
|---|-------------|-------------|
| | 2018 | 2017 |
| | £000 | £000 |
| Income tax expense charged to the Income Statement | | |
| Current tax | | |
| Current tax on profits for the year | 732 | 633 |
| Adjustment for prior years | (99) | (137) |
| Total current tax | 633 | 496 |
| Deferred tax | | |
| Origination and reversal of temporary differences | (50) | (94) |
| Adjustment for prior years | (31) | 16 |
| Total deferred tax (note 18) | (81) | (78) |
| Total income tax expense charged to the income statement | 552 | 418 |

| | Group | |
|---|-------------|-------------|
| | 2018 | 2017 |
| | £000 | £000 |
| Income tax expense credited directly to equity | | |
| Current tax | | |
| Current tax on profits for the year | (15) | (4) |
| Total current tax | (15) | (4) |
| Deferred tax | | |
| Origination and reversal of temporary differences | 38 | (68) |
| Adjustment for prior years | - | - |
| Total deferred tax (note 18) | 38 | (68) |
| Total income tax expense charged/(credited) directly to equity | 23 | (72) |

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:

| | 2018 | 2017 |
|---|--------------|--------------|
| | £000 | £000 |
| Factors affecting the charge for the year | | |
| Profit before tax | 4,552 | 3,403 |
| Tax at the UK domestic rate of 19% (2017: 19.25%) | 865 | 655 |
| Tax effects of: | | |
| Non-deductible expenses | 33 | 104 |
| Losses not recognised for deferred tax | 232 | 182 |
| Research and development tax credits | (363) | (332) |
| Prior year tax adjustments | (129) | (121) |
| Tax credit recognised directly in equity | (23) | 3 |
| Other tax adjustments | (63) | (73) |
| Income tax expense | 552 | 418 |

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated assessable profit for the year.

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

11. Intangible assets

| Group | Goodwill £000 | Brands £000 | Customer relationships £000 | Patents, trademarks and registrations £000 | Development costs £000 | Software and Licenses £000 | Total £000 |
|---|------------------|----------------|-----------------------------------|--|------------------------------|-------------------------------------|---------------|
| Cost | | | | | | | |
| As at 1 January 2017 | 5,490 | 2,768 | 686 | 1,050 | 2,198 | 521 | 12,713 |
| Additions | 470 | 43 | 100 | 307 | 249 | 68 | 1,237 |
| Disposal | - | (43) | - | (10) | - | - | (53) |
| Foreign exchange | - | - | - | (1) | - | - | (1) |
| As at 31 December 2017 | 5,960 | 2,768 | 786 | 1,346 | 2,447 | 589 | 13,896 |
| Reclassifications | - | 664 | - | - | (664) | - | - |
| Additions | - | - | - | 291 | 716 | 99 | 1,106 |
| Foreign exchange | - | - | - | (1) | - | - | (1) |
| As at 31 December 2018 | 5,960 | 3,432 | 786 | 1,636 | 2,499 | 688 | 15,001 |
| Accumulated amortisation/ impairment | | | | | | | |
| As at 1 January 2017 | - | 227 | 365 | 232 | 1,661 | 96 | 2,581 |
| Charge for the year | - | 83 | 78 | 166 | 97 | 74 | 498 |
| Disposal | - | - | - | (3) | - | - | (3) |
| As at 31 December 2017 | - | 310 | 443 | 395 | 1,758 | 170 | 3,076 |
| Charge for the year | - | 84 | 79 | 240 | 65 | 84 | 552 |
| As at 31 December 2018 | - | 394 | 522 | 635 | 1,823 | 254 | 3,628 |
| Net book value | | | | | | | |
| As at 31 December 2018 | 5,960 | 3,038 | 264 | 1,001 | 676 | 434 | 11,373 |
| As at 31 December 2017 | 5,960 | 2,458 | 343 | 951 | 689 | 419 | 10,820 |
| As at 1 January 2017 | 5,490 | 2,541 | 321 | 818 | 537 | 425 | 10,132 |

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

Notes to the financial statements continued

for the year ended 31 December 2018

11. Intangible assets continued

| Company | Goodwill £000 | Brands £000 | Customer relationships £000 | Patents, trademarks and registrations £000 | Development costs £000 | Software and Licenses £000 | Total £000 |
|---|------------------|----------------|-----------------------------------|--|------------------------------|-------------------------------------|---------------|
| Cost | | | | | | | |
| As at 1 January 2017 | 5,490 | 2,679 | 559 | 1,041 | 2,198 | 521 | 12,488 |
| Additions | - | - | - | 305 | 249 | 68 | 622 |
| Disposal | - | - | - | (10) | - | - | (10) |
| As at 31 December 2017 | 5,490 | 2,679 | 559 | 1,336 | 2,447 | 589 | 13,100 |
| Reclassifications | - | 664 | - | - | (664) | - | - |
| Additions | - | - | - | 289 | 716 | 99 | 1,104 |
| As at 31 December 2018 | 5,490 | 3,343 | 559 | 1,625 | 2,499 | 688 | 14,204 |
| Accumulated amortisation/ impairment | | | | | | | |
| As at 1 January 2017 | - | 138 | 238 | 232 | 1,661 | 96 | 2,365 |
| Charge for the year | - | 83 | 69 | 166 | 97 | 74 | 489 |
| Disposal | - | - | - | (3) | - | - | (3) |
| As at 31 December 2017 | - | 221 | 307 | 395 | 1,758 | 170 | 2,851 |
| Charge for the year | - | 84 | 69 | 240 | 65 | 84 | 542 |
| As at 31 December 2018 | - | 305 | 376 | 635 | 1,823 | 254 | 3,393 |
| Net book value | | | | | | | |
| As at 31 December 2018 | 5,490 | 3,038 | 183 | 990 | 676 | 434 | 10,811 |
| As at 31 December 2017 | 5,490 | 2,458 | 252 | 941 | 689 | 419 | 10,249 |
| As at 1 January 2017 | 5,490 | 2,541 | 321 | 809 | 537 | 425 | 10,123 |

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

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

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond a five-year period are extrapolated using estimated growth rates of 2.5% per annum (2017: 2.5%).

The discount rate used of 12% (2017: 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 10.5 percentage points to a negative growth of minus 8 percentage points would cause the carrying value of goodwill to equal its recoverable amount.

Goodwill is allocated as follows:

| Goodwill | £000 |
|--|--------------|
| Acquisition of Kiotechagil operations | 3,552 |
| Acquisition of Optivite operations | 592 |
| Acquisition of Meriden operations | 1,346 |
| Acquisition of Cobbett business | 470 |
| As at 31 December 2017 and 31 December 2018 | 5,960 |

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

Amortisation/Impairment of intangible assets is included in administrative expenses, totalling £552,000 (2017: £498,000) for the Group and £542,000 (2017: £489,000) for the Company.

12. Property, plant and equipment

| Group | Land and buildings £000 | Plant and machinery £000 | Fixtures, fittings and equipment £000 | Assets in the course of construction £000 | Total £000 |
|------------------------------------|------------------------------------|-------------------------------------|--|--|-----------------------|
| Cost | | | | | |
| As at 1 January 2017 | 2,180 | 1,904 | 545 | 101 | 4,730 |
| Transfer of assets in construction | - | 178 | - | (178) | - |
| Additions | 1 | 39 | 34 | 77 | 151 |
| Disposals | - | (29) | (148) | - | (177) |
| Foreign exchange | - | (4) | (1) | - | (5) |
| As at 31 December 2017 | 2,181 | 2,088 | 430 | - | 4,699 |
| Additions | - | 82 | 59 | 554 | 695 |
| Disposals | - | (33) | (1) | - | (34) |
| As at 31 December 2018 | 2,181 | 2,137 | 488 | 554 | 5,360 |
| Accumulated depreciation | | | | | |
| As at 1 January 2017 | 276 | 583 | 332 | - | 1,191 |
| Charge for the year | 32 | 214 | 81 | - | 327 |
| Disposals | - | (22) | (142) | - | (164) |
| Reclassification | - | 3 | (3) | - | - |
| Foreign exchange | - | (2) | - | - | (2) |
| As at 31 December 2017 | 308 | 776 | 268 | - | 1,352 |
| Charge for the year | 32 | 217 | 70 | - | 319 |
| Disposals | - | (20) | (1) | - | (21) |
| As at 31 December 2018 | 340 | 973 | 337 | - | 1,650 |
| Net book value | | | | | |
| As at 31 December 2018 | 1,841 | 1,164 | 151 | 554 | 3,710 |
| As at 31 December 2017 | 1,873 | 1,312 | 162 | - | 3,347 |
| As at 1 January 2017 | 1,904 | 1,321 | 213 | 101 | 3,539 |

Notes to the financial statements continued

for the year ended 31 December 2018

12. Property, plant and equipment continued

| Company | Land and buildings £000 | Plant and machinery £000 | Fixtures, Assets in the fittings and equipment £000 | Assets in the course of construction £000 | Total £000 |
|---|-------------------------------|--------------------------------|--|--|---------------|
| Cost | | | | | |
| As at 1 January 2017 | 2,180 | 1,846 | 514 | 101 | 4,641 |
| Additions | 1 | 39 | 29 | 77 | 146 |
| Transfer of assets in construction | – | 178 | – | (178) | – |
| Disposals | – | (29) | (148) | – | (177) |
| As at 31 December 2017 | 2,181 | 2,034 | 395 | – | 4,610 |
| Additions | – | 82 | 56 | 554 | 692 |
| As at 31 December 2018 | 2,181 | 2,116 | 451 | 554 | 5,302 |
| Accumulated depreciation/ impairment | | | | | |
| As at 1 January 2017 | 276 | 562 | 329 | – | 1,167 |
| Charge for the year | 32 | 201 | 74 | – | 307 |
| Disposals | – | (22) | (142) | – | (164) |
| As at 31 December 2017 | 308 | 741 | 261 | – | 1,310 |
| Charge for the year | 32 | 210 | 61 | – | 303 |
| As at 31 December 2018 | 340 | 951 | 322 | – | 1,613 |
| Net book value | | | | | |
| As at 31 December 2018 | 1,841 | 1,165 | 129 | 554 | 3,689 |
| As at 31 December 2017 | 1,873 | 1,293 | 134 | – | 3,300 |
| As at 1 January 2017 | 1,904 | 1,284 | 185 | 101 | 3,474 |

Held within land and buildings is an amount of £700,000 (2017: £700,000) in respect of non-depreciable land.

13. Investment in subsidiaries

| Company | Unlisted investments £000 |
|--|---------------------------------|
| Cost | |
| As at 1 January 2017 | 7,181 |
| Investment in Subsidiaries | 828 |
| As at 31 December 2017 and 31 December 2018 | 8,009 |
| Provisions for diminution in value | |
| As at 1 January 2017, 31 December 2017 and 31 December 2018 | 2,616 |
| Net book value | |
| As at 31 December 2017 and 31 December 2018 | 5,393 |
| As at 1 January 2017 | 4,565 |

The increase in investment in 2017 relates partly to the acquisition of the business of Cobbett Pty Ltd and the remainder in new subsidiaries PT. Anpario Biotech Indonesia and Anpario (Thailand) Ltd.

Full list of investments

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

| Company | Country of registration or incorporation | Principal activity | Percentage held | Shares held Class |
|---|--|---------------------|-----------------|-------------------|
| Directly held | | | | |
| Anpario (Shanghai) Biotech Co. , Ltd. Room 703, No. 777 Zhao Jia Bang Road, Shanghai, China | China | Technology Services | 100 | Ordinary |
| Anpario Inc 104 South Main Street, Greenville, SC 29601, United States of America | US | Technology Services | 100 | Ordinary |
| Anpario Pty Ltd Level 17, 383 Kent Street, Sydney, NSW, 2000 | Australia | Technology Services | 100 | Ordinary |
| Anpario Saúde e Nutrição Animal Ltda Rua Brigadeiro Henrique Fontenelle, 745 - room 4, Parque São Domingos, São Paulo, 05125-000, Brazil | Brazil | Technology Services | 100 | Ordinary |
| Anpario (Thailand) Ltd 65/152 Chamnan Phenjati Building Floor 18, Rama 9 Road, Huaykwang Sub-district, Huaykwang District, Bangkok 10310 | Thailand | Technology Services | 100 | Ordinary |
| PT. Anpario Biotech Indonesia Gedung 18 Office Park lantai Mezz- unit F2, Jl. , TB Simatupang Kav. 18, Jakarta 12520 | Indonesia | Technology Services | 100 | Ordinary |
| 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 | Technology Services | 100 | Ordinary |
| Anpario Latinoamerica SA de CV Av. Tecnologico Sur # 134 cas 4, Colonia Moderna, CP 76030, Queretaro, Mexico | Mexico | Technology Services | 100 | Ordinary |

Notes to the financial statements continued

for the year ended 31 December 2018

13. Investment in subsidiaries continued

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

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

Indirectly held

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

The Group has no associates or joint-ventures.

14. Inventories

| | Group | | Company | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Raw materials and consumables | 1,933 | 1,689 | 1,933 | 1,689 |
| Finished goods and goods for resale | 2,098 | 1,399 | 525 | 339 |
| Total inventories | 4,031 | 3,088 | 2,458 | 2,028 |

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £11,510,000 (2017: £11,693,000) for the Group and £11,686,000 (2017: £11,882,000) for the Company.

15. Trade and other receivables

| | Group | | Company | |
|---|--------------|--------------|---------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Trade receivables | 4,871 | 5,282 | 3,757 | 4,605 |
| Less: provision for impairment of trade receivables | (247) | (82) | (37) | (82) |
| Trade receivables – net | 4,624 | 5,200 | 3,720 | 4,523 |
| Receivables from Subsidiary undertakings | – | – | 7,277 | 5,108 |
| Other receivables | 52 | 75 | 28 | 8 |
| Taxes | 276 | 244 | 86 | 86 |
| Prepayments and accrued income | 376 | 201 | 360 | 197 |
| Total trade and other receivables | 5,328 | 5,720 | 11,471 | 9,922 |

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

The ageing analysis of net trade receivables is as follows:

| | Group | | Company | |
|--------------------------------|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Up to 3 months | 4,391 | 4,639 | 3,534 | 4,007 |
| 3 to 6 months | 232 | 518 | 185 | 516 |
| Over 6 months | 1 | 43 | 1 | - |
| Trade receivables – net | 4,624 | 5,200 | 3,720 | 4,523 |

As at 31 December 2018 trade receivables of £670,000 (2017: £698,000) for the Group and £525,000 (2017: £456,000) for the Company were past due but not impaired. These relate to longstanding customers where there is no recent history of default. The ageing analysis of these receivables is as follows:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Up to 3 months | 670 | 655 | 525 | 456 |
| 3 to 6 months | - | - | - | - |
| Over 6 months | - | 43 | - | - |
| Total past due but not impaired | 670 | 698 | 525 | 456 |

As at 31 December 2018 trade receivables of £247,000 (2017: £82,000) for the Group and £37,000 (2017: £82,000) for the Company were impaired and fully provided for. The individually impaired receivables mainly related to historic debt for which recovery is still being sought. The Group mitigates its exposure to credit risk by extensive use of credit insurance and letters of credit to remit amounts due. The ageing of these trade receivables is as follows:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Up to 3 months | 33 | - | 24 | - |
| 3 to 6 months | 78 | - | - | - |
| Over 6 months | 136 | 82 | 13 | 82 |
| Provision for impairment of trade receivables | 247 | 82 | 37 | 82 |

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

| | Group | | Company | |
|--------------------------------------|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| As at 1 January | 82 | 282 | 82 | 282 |
| Provisions for receivables created | 234 | 14 | 24 | 14 |
| Amounts written off as unrecoverable | (69) | (109) | (69) | (109) |
| Amounts recovered during the year | - | (105) | - | (105) |
| As at 31 December | 247 | 82 | 37 | 82 |

Notes to the financial statements continued

for the year ended 31 December 2018

15. Trade and other receivables continued

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

| | Group | | Company | |
|--------------------------|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Pounds sterling | 1,598 | 1,679 | 1,598 | 1,679 |
| Euros | 603 | 585 | 603 | 585 |
| US dollars | 1,796 | 2,521 | 1,519 | 2,259 |
| Other currencies | 627 | 415 | - | - |
| As at 31 December | 4,624 | 5,200 | 3,720 | 4,523 |

16. Cash and cash equivalents

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

17. Trade and other payables

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Trade payables | 2,374 | 2,601 | 2,296 | 2,516 |
| Amounts due to subsidiary undertakings | - | - | 4,075 | 4,075 |
| Taxes and social security costs | 119 | 129 | 103 | 103 |
| Other payables | 144 | 312 | 54 | 202 |
| Accruals and deferred income | 789 | 2,306 | 497 | 1,833 |
| Total trade and other payables | 3,426 | 5,348 | 7,025 | 8,729 |

Included within 'Other payables' above is acquisition related contingent consideration, as outlined below. During the year a payment of £132,000 was made to the vendors of the business of Cobbett Pty Ltd, in respect of the contingent consideration arising on acquisition. The liability balance of £20,000, net of the payment made, has been released as it was not due per the terms of the sale agreement.

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2018 £000 | 2017 £000 | 2018 £000 | 2017 £000 |
| Arising on the acquisition of the business of Cobbett Pty Ltd | - | 152 | - | 152 |
| Total contingent consideration payable | - | 152 | - | 152 |

18. Deferred income tax

| Group | 2018 | 2017 |
|--|-------------|------|
| | £000 | £000 |
| As at 1 January | 597 | 728 |
| Income statement credit (note 10) | (81) | (78) |
| Deferred tax charged/(credited) directly to equity | 38 | (68) |
| Foreign exchange | (14) | 15 |
| As at 31 December | 540 | 597 |

Deferred tax liabilities/(assets)

| | Accelerated tax allowances | Fair value gains | Cashflow hedge | Losses | Other timing differences | Total |
|---|---|-----------------------------|---------------------------|---------------|---|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| As at 1 January 2017 | 613 | 401 | – | (170) | (116) | 728 |
| Income statement (credited)/ charged (note 10) | (58) | 60 | – | (17) | (63) | (78) |
| Deferred tax charged/(credited) directly to equity | – | – | 28 | – | (96) | (68) |
| Foreign exchange | – | – | – | 15 | – | 15 |
| As at 31 December 2017 | 555 | 461 | 28 | (172) | (275) | 597 |
| Income statement credit (note 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 |

Classified as:

| | |
|--------------------------------------|--------------|
| Deferred income tax asset | (641) |
| Deferred income tax liability | 1,182 |

Included in 'Other timing differences' above is £253,000 (2017: £112,000) that relates to the tax impact of the elimination of intercompany unrealised profit held in inventory.

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

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.

| Company | 2018 | 2017 |
|--|--------------|------|
| | £000 | £000 |
| As at 1 January | 880 | 964 |
| Income statement charge/(credit) | 164 | (16) |
| Deferred tax charged/(credited) directly to equity | 39 | (68) |
| As at 31 December | 1,083 | 880 |

Notes to the financial statements continued

for the year ended 31 December 2018

18. Deferred income tax continued

Deferred tax liabilities/(assets)

| | Accelerated tax allowances £000 | Fair value gains £000 | Cashflow hedge £000 | Losses differences £000 | Other timing differences £000 | Total £000 |
|---|--|-----------------------------|---------------------------|----------------------------|--|---------------|
| As at 1 January 2017 | 613 | 401 | - | - | (50) | 964 |
| Income statement (credit)/ charge | (58) | 60 | - | - | (18) | (16) |
| Deferred tax charged/(credited) directly to equity | - | - | 28 | - | (96) | (68) |
| As at 31 December 2017 | 555 | 461 | 28 | - | (164) | 880 |
| Income statement charge/ (credit) | 78 | 87 | - | - | (1) | 164 |
| Deferred tax charged/credited directly to equity | - | - | (27) | - | 66 | 39 |
| As at 31 December 2018 | 633 | 548 | 1 | - | (99) | 1,083 |

Classified as:

| | |
|-------------------------------|-------|
| Deferred income tax asset | (99) |
| Deferred income tax liability | 1,182 |

19. Capital commitments

The Group had authorised capital commitments as at 31 December 2018 as follows:

| | 2018 £000 | 2017 £000 |
|----------------------------------|--------------|--------------|
| Property, plant and equipment | 373 | - |
| Total capital commitments | 373 | - |

20. Financial commitments

At 31 December 2018 the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | 2018 £000 | 2017 £000 |
|------------------------------------|--------------|--------------|
| Less than one year | 40 | 63 |
| Between one and five years | 13 | 63 |
| Greater than five years | - | - |
| Total financial commitments | 53 | 126 |

21. Called up share capital

| | 2018 | 2017 |
|---|---------------|--------|
| | £000 | £000 |
| Authorised | | |
| 86,956,521 Ordinary shares of 23p each | 20,000 | 20,000 |
| 1,859,672 'A' Shares of 99p each | 1,841 | 1,841 |
| | 21,841 | 21,841 |
| Allotted, called up and fully paid | | |
| 23,261,362 (2017: 23,006,276) Ordinary shares of 23p each | 5,350 | 5,291 |
| Options exercised Ordinary shares of 23p each | 10 | 59 |
| 23,303,215 (2017: 23,261,362) Ordinary shares of 23p each | 5,360 | 5,350 |

During the year 41,853 (2017: 255,086) Ordinary shares of 23 pence each were issued pursuant to employee share plans.

22. Retained earnings

| | Group | Company |
|-------------------------------|---------------|----------------|
| | £000 | £000 |
| As at 1 January 2017 | 18,843 | 18,560 |
| Profit for the year | 2,985 | 3,988 |
| Dividends | (1,580) | (1,580) |
| As at 31 December 2017 | 20,248 | 20,968 |
| Profit for the year | 4,000 | 5,097 |
| Dividends | (1,432) | (1,432) |
| As at 31 December 2018 | 22,816 | 24,633 |

23. Other reserves

Other reserves comprise:

| | Group | | Company | |
|-----------------------------|----------------|---------|----------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | £000 | £000 | £000 | £000 |
| Treasury shares | (185) | (185) | (185) | (185) |
| Joint Share Ownership Plan | (7,210) | (7,210) | (7,210) | (7,210) |
| Merger reserve | 228 | 228 | 228 | 228 |
| Unrealised reserve | - | - | 2,021 | 2,021 |
| Share-based payment reserve | 1,857 | 1,713 | 1,857 | 1,713 |
| Cash flow hedge | (8) | 176 | (8) | 176 |
| Translation reserve | (131) | (128) | - | - |
| Total other reserves | (5,449) | (5,406) | (3,297) | (3,257) |

Notes to the financial statements continued

for the year ended 31 December 2018

24. Share-based payments

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

| | Weighted average exercise price (p) | Shares 2018 000 | Weighted average exercise price (p) | Shares 2017 000 |
|----------------------------|---|-------------------------------------|---|-----------------------|
| Outstanding at 1 January | 238 | 749 | 227 | 793 |
| Granted during the year | 376 | 95 | 337 | 73 |
| Lapsed during the year | 343 | (9) | 232 | (87) |
| Exercised during the year | 252 | (42) | 205 | (30) |
| Outstanding at 31 December | 253 | 793 | 238 | 749 |
| Exercisable at 31 December | | 419 | | 323 |

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

| | Weighted average exercise price (p) | Shares 2018 000 | Weighted average exercise price (p) | Shares 2017 000 |
|--|---|-------------------------------------|---|-----------------------|
| 2020 | 224 | 78 | 224 | 78 |
| 2021 | 334 | 43 | 334 | 45 |
| 2022 | – | – | 89 | 3 |
| 2023 | 159 | 160 | 159 | 160 |
| 2024 | 244 | 144 | 244 | 160 |
| 2025 | 287 | 115 | 285 | 135 |
| 2026 | 238 | 140 | 238 | 140 |
| 2027 | 350 | 69 | 343 | 28 |
| 2028 | 402 | 44 | – | – |
| Total outstanding share options | | 793 | | 749 |

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

During the year options totalling 94,500 (2017: 72,754) were awarded under a number of incentive schemes listed in the schedule below and 41,853 (2017: 30,068) options were exercised.

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

The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of the grant. The charge for the year in respect of share options granted and associated expenses amounts to £118,000 (2017: £259,000) of which a credit of £49,000 (2017: £70,000 charge) 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.

| Plan | Unapproved | | CSOP | |
|--|------------|-------|-------|-------|
| | 2 Jan | 4 Aug | 2 Jan | 5 Apr |
| Grant date | | | | |
| Number of options granted (000) | 30 | 50 | 8 | 7 |
| Grant price (p) | 397.5 | 352.5 | 397.5 | 428.0 |
| Exercise price (p) | 397.5 | 352.5 | 397.5 | 428.0 |
| Carrying cost (per annum) | - | - | - | - |
| Vesting period (years) | 5 | 3 | 3 | 3 |
| Option expiry (years) | 10 | 10 | 10 | 10 |
| Expected volatility of the share price | 20% | 20% | 20% | 20% |
| Dividends expected on the shares | 1.76% | 1.99% | 1.76% | 1.64% |
| Risk-free rate | 0.82% | 0.27% | 0.59% | 0.90% |
| Fair value (p) | 57.6 | 38.6 | 46.3 | 52.3 |

25. Exceptional items

| | 2018 | 2017 |
|---------------------------------|-------------|------------|
| | £000 | £000 |
| Acquisition costs | - | 112 |
| Closure and restructuring costs | - | 515 |
| Total exceptional items | - | 627 |

The implementation of strategic growth initiatives, including putting in place a new senior management structure and new direct investment in operations in key target markets, has resulted in non-recurring and exceptional costs of £nil (2017: £627,000). In view of the nature and size of these items, they have not been included in the adjusted profit measures and neither have legal costs incurred in successful and abortive acquisitions.

26. Related party transactions

Group and Company

The following transactions were carried out with related parties:

P A Lawrence, Chairman of ECO Animal Health Group plc, is a Non-Executive Director of the Company and £16,667 (2017: £40,000) was paid to ECO Animal Health Group plc in respect of his services and expenses. During the year, 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 2018 (2017: £4,000).

Notes to the financial statements continued

for the year ended 31 December 2018

26. Related party transactions continued

Company

The following transactions were carried out with related parties:

| | 2018 | 2017 |
|---|--------------|-------|
| | £000 | £000 |
| Sales of goods: | | |
| Subsidiaries | 4,944 | 4,184 |
| Purchase of services: | | |
| Related parties | 20 | 48 |
| Year-end balances with related parties: | | |
| | 2018 | 2017 |
| | £000 | £000 |
| Receivables from related parties (note 15): | | |
| Subsidiaries | 7,277 | 5,108 |
| Payables to related parties (note 17): | | |
| Subsidiaries | 4,075 | 4,075 |
| Related parties | - | 4 |

27. Derivative financial instruments

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

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

| | 2018 | 2017 |
|---|--------------|------|
| | £000 | £000 |
| Cashflow hedge movements (net of deferred tax) | | |
| Change in value of cash flow hedges | (211) | 190 |
| Deferred tax liability | 27 | (28) |
| Total | (184) | 162 |

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

| | 2018 | 2017 |
|---|-------------|------|
| | £000 | £000 |
| Financial assets | | |
| Cash flow hedges | 1 | 149 |
| Financial assets at fair value through profit or loss | 5 | 71 |
| Total financial assets | 6 | 220 |
| Financial liabilities | | |
| Cash flow hedges | 11 | - |
| Total financial liabilities | 11 | - |

The financial instruments in place are to mitigate the risks associated with future US Dollar sales receipts. The details of the notional amounts, hedged rate and spot rate at 31 December 2018 are outlined below.

| | 2018 | 2017 |
|---|---------------|--------|
| Notional amount (US Dollars 000's) | 2,400 | 3,600 |
| Weighted average hedged rate of financial instruments | 1.3050 | 1.2560 |
| Spot rate at 31 December | 1.2760 | 1.3503 |

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all your shares in Anpario plc, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee, save that you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you sell or have sold or otherwise transferred only part of your holding of shares, you should retain this document and the accompanying proxy form.

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

Notice of Annual General Meeting (“AGM”)

Notice is hereby given that the AGM of Anpario plc will be held at the offices of Peel Hunt LLP, Moor House, 120, London Wall, London EC2Y 5ET on Thursday 27 June 2019, at 10.30 am to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolutions 6 and 7 which will be proposed as special resolutions of the Company.

Resolution 1

To receive the accounts for the year ended 31 December 2018, together with the reports of the Directors and of the auditors thereon.

Resolution 2

To declare a final dividend of 5.0p per Ordinary share payable on 26 July 2019 to shareholders on the register at close of business on 12 July 2019.

Resolution 3

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

Resolution 4

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

Resolution 5

That, pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company (“Rights”):

- (a) up to an aggregate nominal amount of £1,759,375; and
- (b) up to an additional aggregate nominal amount of £1,759,375 provided that such Rights are offered by way of a rights issue to holders of Ordinary shares of 23p each in the capital of the Company (“Ordinary shares”) on the register of members at such record date(s) as the Directors may determine, where the shares or equity securities respectively attributable to the interests of the holders of Ordinary shares are proportionate (as nearly as may be practicable) to the respective number of Ordinary shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems

arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

and provided that:

- i. such authority shall, unless revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 27 September 2020, save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or Rights to subscribe for or to convert any security into shares to be granted after this authority expires and the Directors may allot shares or grant such Rights pursuant to any such offer or agreement as if this authority had not expired; and
- ii. this resolution revokes and replaces all unexercised authorities previously granted to the Directors in accordance with Section 551 of the Companies Act 2006 to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

Resolution 6

That, subject to the passing of resolution 5 and pursuant to Sections 570 and 573 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 5 or by way of a sale of treasury shares as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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

- i. to holders of Ordinary shares of 23p each in the capital of the Company (“Ordinary shares”) in proportion (as nearly as practicable) to the respective numbers of Ordinary shares held by them; and
- ii. to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

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

(b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £533,144

and provided that:

- (1) this power shall, unless previously revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 27 September 2020, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash (and/or treasury shares to be sold) after this power expires and the Directors may allot equity securities for cash (and/or sell treasury shares) pursuant to any such offer or agreement as if this power had not expired; and
- (2) this resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if Section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

Resolution 7

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

- (a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is 2,318,017;
- (b) the minimum price (excluding expenses) which may be paid for an Ordinary share is 23p;

Notice of Annual General Meeting continued

- (c) the maximum price (excluding expenses) which may be paid for an Ordinary share is not more than the higher of:
- i. an amount equal to 105% of the average of the middle market quotations for an Ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days before the purchase is made; and
 - ii. an amount equal to the higher of the price of the last independent trade of an Ordinary share and the highest current independent bid for an Ordinary share on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall, unless revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 27 September 2020; and
- (e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

Recommendation

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

By Order of the Board

Karen L Prior

Company Secretary
6 March 2019

Notes to the Notice of Annual General Meeting (“AGM”)

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company’s register of members 48 hours (excluding non-business days) before the time of the AGM shall be entitled to attend and vote at the AGM.

Appointment of proxies

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

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:
 - completed and signed;
 - sent or delivered to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR or by facsimile transmission to 01252 719232;
 - alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com; and
 - in any case received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the AGM.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

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

Notice of Annual General Meeting continued

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited on 01252 821390 during normal office opening hours.

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

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR or by facsimile transmission to 01252 719232. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. In either case, the revocation notice must be received by Share Registrars Limited no later than 48 hours (excluding non-business days) prior to the AGM.

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

Issued shares and total voting rights

10. As at 6 March 2019 the Company's issued share capital comprised 23,323,215 Ordinary shares of 23p each of which 143,042 Ordinary shares were held in treasury. With the exception of treasury shares each Ordinary share carries the right to one vote at an AGM of the Company and, therefore, the total number of voting rights in the Company as at 6 March 2019 was 23,180,173.

Explanatory Notes on the Resolutions to be sent to Shareholders

Resolution 1: Annual Report

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

Resolution 2: Dividends

Subject to shareholder approval, a final dividend of 5.0p per Ordinary share payable on 26 July 2019 to Ordinary shareholders has been recommended by the Directors for the year ended 31 December 2018. The final dividend cannot exceed the amount recommended by the Directors.

Resolutions 3: Directors

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

Resolution 4: Appointment of Auditors and Remuneration of the Auditors

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

Resolution 5: Directors' Authority to Allot Shares

This resolution seeks shareholder approval for the Directors to be authorised under the provisions of Section 551 of the Companies Act 2006 to allot shares or grant such subscription or conversion rights up to a maximum aggregate nominal value of £3,518,749 representing approximately two-thirds of the existing share capital, but subject to the proviso that half of such sum (being shares with an aggregate nominal value of £1,759,375) may only be allotted in connection with a rights issue or similar pre-emptive share issue. This power will last until the conclusion of the next AGM of the Company or, if earlier, until 27 September 2020.

Resolution 6: Directors' Power to Disapply Pre-emption Rights

This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company proposed by resolution 5. Section 561 of the Companies Act 2006 requires a company proposing to allot equity securities (which includes selling shares held in treasury) to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes Ordinary shares (the only class of share capital the Company has at present) but does not include shares issued under employee share schemes. If resolution 6 is passed, the requirement imposed by Section 561 will not apply to allotments by the Directors in two cases:

- i. in connection with a rights (or similar) issue, where strict application of the principle in Section 561 could (for example) either result in fractional entitlements to shares arising or require the issue of shares where this would be impractical because of local, legal or regulatory requirements in any given overseas jurisdiction; and
- ii. allotments of shares for cash up to a total nominal value of £533,144 (representing approximately 10% of the Company's issued share capital at 6 March 2019). This gives the Directors flexibility to take advantage of business opportunities as they arise, whilst the 10% limit ensures that existing shareholders' interests are protected in accordance with guidelines issued by institutional investors' bodies.

This authority will expire at the conclusion of the next AGM of the Company or, if earlier, until 27 September 2020, except in so far as commitments to allot shares have been entered into before that date.

Resolution 7: Company's Authority to Purchase Shares

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

Notice of Annual General Meeting continued

This resolution, which will be proposed as a special resolution, seeks to renew the existing authority for the Company to purchase its own shares in the market.

The maximum price at which the shares may be purchased is 105% of the average of the middle market values of those shares for the five business days before the purchase is made.

Purchases of shares under the proposed authority are governed by the Market Abuse Regulation and by the AIM Rules for Companies of the London Stock Exchange and to comply with its obligations, the Company adheres to a dealing code. The Company would not exercise the authority at a time when the Directors would be precluded from dealing in the Company's shares under its dealing code. This proposal should not be taken as an indication that the Company would purchase shares at any particular price or to imply any opinion on the part of the Directors as to the market or other value of the Company's shares.

The Companies Act 2006 enables the Company to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares in accordance with that Act. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of those shares. Further, no dividend or distribution of the Company's assets may be made to the Company in respect of those shares whilst held in treasury.

Accordingly, if the Directors exercise the authority conferred by resolution 7, the Company will have the option of holding those shares in treasury rather than cancelling them.

As at 6 March 2019, the Company had 23,323,215 Ordinary shares in issue of which 143,042 Ordinary shares were held in treasury. This resolution seeks authority to purchase a maximum of 2,318,017 shares, representing approximately 10% of the issued share capital as at 6 March 2019, excluding the Ordinary shares held in treasury.

Company Information

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Karen L Prior

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