

Anpario plc

**Annual Report
for the year ended 31 December 2016**

Registered in England Number 03345857



Anpario has consolidated to a single company brand

We have consolidated our trading divisions into a single company brand to enable us to communicate more effectively and clearly in terms of our corporate vision, philosophy and values. It also allows us to concentrate our marketing and R&D spend behind one brand rather than three.

The group's portfolio of innovative products has been divided into four categories, Eubiotics, Feed Security, Feed Quality and Nutritional. These will be re-packaged in the new Anpario colour coded branded bags.

The Anpario brand has been revitalized to strengthen its global presence and increase traction in the market. The new concept will be applied globally including the subsidiaries in China, Brazil and USA.

Our new strap line, 'Nature's Answer' is our way of expressing that our technologies work in harmony with the natural aspects of the animal's biology to promote healthy growth.

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Strategic report

Anpario plc, the international producer and distributor of natural feed additives for animal health, hygiene and nutrition is pleased to announce its full year results for the twelve months to 31 December 2016.

Financial highlights

- 10% rise in adjusted net profit from continuing operations¹ to £3.4m (2015: £3.1m)
- 4% increase in sales revenue to £24.3m (2015: £23.3m)
- 9% rise in gross profit to £11.4m (2015: £10.5m)
- 10% increase in the proposed final dividend to 5.5p per share (2015: 5.0p)
- Cash balances of £11.1m at year end (2015: £9.3m)

Operational highlights

- Significant strategic progress achieved under new CEO including a new strategy for growth and newly aligned organisational structure
- New Anpario global branding launched
- Investment in plant automation delivering efficiency benefits
- Acquisition of Australian distributor completed in February 2017
- Double digit sales growth in Latin America and the United States

Richard S Rose, Chairman, commented:

“Trading in the new year has started well, maintaining the momentum of the second half of 2016. The appointment of Richard Edwards as CEO has resulted in significant changes to the management structure and brought new energy and focus to our strategy of building strong commercial relationships with end users through the recruitment of local sales teams and developing our sales and distribution channels. Our strong balance sheet gives Anpario the platform from which to make selective earnings enhancing acquisitions to strengthen its market position and sensibly broaden its product range with scientifically proven products.”

Strategic report (continued)

Chairman's statement

Anpario has achieved a good performance during a challenging year, the anticipated increase in revenue in the second half has delivered a full year trading result ahead of last year. Richard Edwards, a director of Anpario since 2006, was re-appointed CEO during the year and this, coupled with further investment in the implementation of our new strategic initiative, is already delivering positive and encouraging results. Anpario remains focussed on strengthening the quality of its commercial and technical teams to drive global and regional development opportunities and ensure future success.

The appointment of commercial directors in the regions and sales initiatives implemented earlier in the year helped to drive sales growth during the second half of the year. This momentum, together with efficiency improvements in our manufacturing plant and some favourable foreign exchange rate movements, contributed to a strong profit performance.

The acquisition of Cobbett, our Australian distributor, in February 2017 is very much in line with our strategy to strengthen sales and distribution channels and develop closer relationships with our customers.

Financial review

Reported profit before tax on continuing operations for the year to 31 December 2016 is £2.7m (2015: £3.6m). The profit before tax is stated after exceptional costs of £1.2m (2015: £nil), as indicated in the Trading Statement of 2 February 2017. The exceptional costs comprise two charges each of £0.6m, one relating to restructuring and investment and the other to historic capitalised development expenditure.

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 £0.6m. 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. We expect to incur further exceptional costs in the early part of 2017 as investment in the regions continues and new subsidiaries are established in Thailand and Indonesia.

An impairment of £0.6m has been recognised in the accounts in respect of historic capitalised expenditure on the development of our pheromone attractants for aquaculture under the Aquatice brand. These costs were incurred pre 2013 and whilst we still have some ongoing trials for Aquatice it represents a very small part of the Anpario business. The pheromone technology has unrealised commercial potential; however, the outlook remains unclear. We believe that in view of this uncertainty it is appropriate to recognise this cost as exceptional.

Revenues for the year increased 4% to £24.3m (2015: £23.3m) showing a strong recovery from the lower level of the first half when we had been down 4% on prior year.

Revenue benefited from the weakness of sterling, this has been partially offset by the increases in the cost of materials imported from Europe and also absorbed by increased operating expenses in the regions which are mainly paid in US Dollars.

Gross profit has continued to increase, advancing 9% to £11.4m (2015: £10.5m). This further advance represents an uplift in gross margin percentage to 47% (2015: 45%), mainly as a result of product mix, production efficiencies and some foreign exchange gains.

Operating expenses increased from £6.9m to £7.6m, partly due to additional costs of new senior recruits.

We continue to invest in plant automation with expenditure of £0.6m (2015: £0.3m). Following completion in March 2017, all production and packaging lines will be fully automated. Development costs include £0.4m (2015: £0.4m) of product pipeline costs including university trials and £0.4m (2015: £0.3m) in respect of product and trademark registrations.

Adjusted profit from continuing operations is £3.4m (2015: £3.1m), an increase of 10%. Adjusted EBITDA² from continuing operations for the year rose by 5% to £4.6m (2015: £4.4m).

The balance sheet is strong and debt free with further positive cash generation. The Group's cash position remains stable with a year end cash balance of £11.1m (2015: £9.3m).

Adjusted earnings per share from continuing operations increased by 8% to 16.90 pence per share (2015: 15.72 pence) and diluted adjusted earnings per share increased by 9% to 16.62 pence per share (2015: 15.20 pence).

The Board is recommending a full year dividend of 5.5 pence per share, an increase of 10% over last year's payment of 5.0 pence per share. Shareholder approval will be sought at the Annual General Meeting ("AGM"), to be held on 29 June 2017, to pay the dividend on 31 July 2017 to shareholders on the register on 17 July 2017.

Operations

The principal growth markets for Anpario's products are in Asia Pacific, Latin America, and the United States. Each of these regions delivered an impressive performance with Latin America and the United States experiencing 19% and 57% sales growth respectively. There were also strong performances in Australia, Bolivia, Ecuador, the Philippines and Thailand. Results from Brazil were disappointing not only because of the adverse economic and political situation, but also because local meat producers struggled to maintain operations in the face of sharply rising corn and feed prices. On the positive side, poultry production was higher.

The United States continues to expand its customer base, particularly in the dairy sector with sales of Ultrabond. Feedback from US dairy farmers and the nutritionists who advise them, shows that they recognise that this product is helping to improve gut health and reduce the incidence of haemorrhagic bowel syndrome (HBS) in cattle. In addition, farmers have been able to remove other additive products, which have been less effective and more expensive and replace them with Ultrabond. This substitution has delivered cost savings to farmers and an improvement in the health of herds. Orego-Stim is also making good progress in the growing poultry segment of organic, antibiotic free and conventional applications and we are also commencing some customer trials in the swine sector with our low inclusion eubiotic (acidifier) product, pHorce.

Our China subsidiary increased gross profit by 12% on sales little changed from the previous year. Orego-Stim, now branded Meriden-Stim for China, is being sold to a major feed company and we continue to invest in the marketing of Meriden-Stim to customers in order to regain its market position as the leading phyto-genics product in China.

The regions of Europe and CIS and the Middle East and Africa each delivered a below budgeted result for a number of different reasons. The UK dairy industry was affected by lower milk prices in the first half of the year with prices only now showing some recovery. Some of the decline in sales was in our lower margin products, which partially accounts for the overall drop in gross profit for the territory.

The Middle East remained our worst performing region due to a combination of ongoing geopolitical events in Turkey and Egypt and our key distributor reducing its level of stockholding at the start of the year to improve their working capital. Encouragingly, we enjoyed an improvement in orders from this distributor in the second half of the year. Despite the current environment, our Middle East team has made some encouraging progress in establishing our presence with end customers in the region.

The Group has launched its new global branding and the trading brand names of Kiotechagil, Meriden and Optivite will be replaced with the Anpario brand name, simplifying communication to the end customer. This transition will be over a period, on a territory by territory basis, with the pace dictated by local product registration and commercial considerations.

The investment in plant automation is delivering immediate throughput benefits and the rebranding of our customer facing brands to Anpario will communicate our unique value proposition to customers more clearly and will enable Anpario to continue to make progress in the year ahead.

In February 2017, as part of Anpario's strategy to strengthen its sales and distribution channels, we completed the acquisition of Cobbett, our Australian distributor with a view to further developing our presence in this region. Our intention is to progressively strengthen the sales and technical team in Cobbett and develop closer relationships with food animal producers and the stockfeed manufacturers by offering our extensive range of products for all species. The acquisition is not expected to have a material impact on 2017 results.

Strategic report (continued)

Innovation and development

There are a number of product research and development projects underway in partnership with several leading worldwide universities. It is particularly encouraging that our broad spectrum mycotoxin control products are doing well in the ruminant dairy sector and we have a number of other high performance products which are ready for launch to this sector, such as our new Omega 3 supplement. As such, we are recruiting a ruminant specialist to support the sales effort, as well as undertaking the necessary technical work to help generate sales of these additional products into this significant market. We have also recruited an aquaculture specialist, based in Latin America, where we have had encouraging success with one of our eubiotic products in shrimp farming and we should be able to develop this aspect further across the region and elsewhere. There is pressure on farmers to reduce the use of antibiotics and this will only increase, consequently we have been working with a number of customers to help them achieve this goal. Anpario is well positioned to offer our range of natural products that when combined with appropriate animal husbandry, can help the customer achieve antibiotic free solutions.

Our people

In addition to strengthening our global commercial teams, the Company has recruited an experienced and respected group technical director whose immediate remit is to review our product proposition and to direct research and product development programmes for the future.

During a challenging year, which included restructuring operations across the Group, our staff have remained focused on delivering the best quality products and service to our customers. On behalf of the Board I would like to thank everyone at Anpario for their dedication, passion and hard work during 2016.

Outlook

Trading in the new year has started well, maintaining the momentum of the second half of 2016. Our focus remains on building strong commercial relationships with end users through the recruitment of local sales teams and developing our sales and distribution channels. Our strong balance sheet gives Anpario the platform from which to make selective earnings enhancing acquisitions to strengthen its market position and sensibly broaden its product range with scientifically proven products.



Richard S Rose

Chairman

8 March 2017

- 1 Adjusted profit from continuing operations represents profit for the period before tax £1,133m (2015: £nil).
- 2 Adjusted EBITDA from continuing operations represents profit for the period before tax from continuing operations £2,680m (2015: £3,616m) adjusted for: share based payments £0,210m (2015: £0,262m); net finance income £0,059m (2015: £0,062m); depreciation and amortisation charges of £0,559m (2015: £0,573m); and exceptional items of £1,221m (2015: £nil).
- 3 Adjusted profit per share from continuing operations represents adjusted profit from continuing operations as calculated above, divided by the weighted average number of shares in issue.

Key performance indicators

The key performance indicators (“KPIs”) for the Group are those that communicate the financial performance and strength of the Group, as a whole, to shareholders. In addition, other key non-financial performance indicators are also used by management in running and assessing the performance of the individual businesses within the Group. A summary of the KPIs is as follows:

	2016	2015
Financial	£000	£000
Revenue	24,340	23,322
Gross profit	11,445	10,470
Adjusted EBITDA from continuing operations ²	4,611	4,389
Adjusted profit per share from continuing operations ³	16.90p	15.72p

Non-financial

Health and safety – major accidents reportable to the Board in the year nil (2015: 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 major KPIs.

Principal risks and uncertainties

The Directors present below their review of the principal risks and uncertainties facing the business. If any of the following risks materialise, the Group’s business, financial condition, prospects and share price could be materially and adversely affected. The Directors consider the following risks, along with specific financial risks outlined in the notes to the financial statements, are the most significant but not necessarily the only ones associated with the Group and its businesses:

- **Competition**

The Group operates in competitive global markets and there are no assurances that the Group’s competitiveness will improve or that it will win any additional market share from any of its competitors or maintain existing market shares. We review our pricing and take action to control our cost base to ensure that we remain as competitive as possible and protect our margins. Failure to do this may result in materially lower margins and loss of market share.

- **Dependence on key customers**

The Group is dependent on a number of customers and distributors in each of the territories it sells to. The loss of one or more of its key customers could result in lower than expected sales and potential bad debt exposure. The Group seeks to minimise reliance on key territories and individual customers and distributors by increasing geographic spread and market penetration. Where possible, risk is mitigated through settlement by letters of credit and purchase of credit insurance.

- **Prices of raw materials**

The Group’s profitability may be reduced due to increases in the price of raw materials and commodities, which can experience price volatility, caused by the price of oil, demand and specific commodity market and currency fluctuations. To mitigate this risk the Group closely monitors costs and seeks to pass on increases to its customers; a number of suppliers are used in order to secure the best raw material prices.

- **EU Referendum decision**

The UK’s referendum result on European Union (EU) membership has created uncertainty surrounding the nature of our trading relationship with EU countries. Depending on the outcome of the exit negotiations there could potentially be duties charged on goods we import from the EU and effectively increased prices to our EU customers through any duties imposed on their purchases from our operations in the UK. Anpario has been proactively engaged in understanding the potential scenarios and drawing up plans to mitigate any future risks to the business.

Strategic report (continued)

Principal risks and uncertainties continued

- **Exchange rates**
The Group's competitiveness, profitability and net assets may be affected by significant currency fluctuations. The Group seeks to minimise the impact through implementation of a Board approved hedging policy and entering into financial instrument contracts in respect of anticipated exposures.
- **Intellectual property risk**
The commercial success of the Group and its ability to compete effectively with other companies depend, amongst other things, on its ability to obtain and maintain product registrations and trademarks to provide protection for the Group's intellectual property rights. The failure to obtain product registrations and trademark protection may have a material adverse effect on the Group's ability to conduct and develop its business. The Group seeks to reduce this risk by ensuring registrations are in place and regularly maintained as required in each jurisdiction that it exports to; seeking trademark protection for the Group's brands and products as considered appropriate; maintaining confidentiality agreements regarding Group know-how and technology; and monitoring the registration of patents and trademarks by other parties.
- **Regulatory requirements**
The Group's products are subject to national regulatory requirements in every country its products are sold. These can be subject to sudden and unpredictable changes and can therefore affect the Group's ability to sell products in certain countries. The Group has clearly established quality systems and procedures in place to obtain required regulatory approvals and always strives to meet or exceed regulatory requirements and ensure that its employees have detailed experience and knowledge of the regulations. The compliance and legal teams remain constantly updated in respect of proposed and actual changes in order to ensure that the business is equipped to deal with and adhere to such changes. Where any changes are identified which could affect our ability to continue to market and sell any of our products a response team is created in order to mitigate such risk and to retain effective communication with the relevant regulators.

Anpario's strategy for growth

Anpario offers products that work in harmony with the natural aspects of the animal's biology to promote healthy growth.

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 of combining three UK companies, Meriden Animal Health, Kiotechagil and Optivite. The portfolio of products have been developed with the customer and the animal in mind. Each product is designed to improve the health or output of animals, helping the livestock producer maximise their returns.

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

Our platform for growth

Regionalisation

- We target key markets that offer the greatest growth prospects and prioritise resources, time and investment
- We focus growth on the fastest developing regions and opportunities of Asia Pacific, Latin America and the United States
- We have appointed experienced regional commercial directors to lead local teams and begin to build closer relationships with major end users
- Wholly owned Subsidiaries have been set up in China, Brazil and the USA: the top three meat producing countries in the world, which account for over 50% of production output
- New subsidiaries with dedicated local presence will be established in other countries which offer growth opportunity

- Regional offices set up in Malaysia and Dubai to service the Asia Pacific and Middle East regions
- We are building local commercial teams to service end users with both technical and commercial support for their production

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

Differentiation

- We combine science and marketing to add value to our offering and drive differentiation from our competitors
- The portfolio of innovative products work in harmony with the natural aspects of the animal's biology to promote healthy growth.
- Our technical team are highly qualified, the majority are PhDs or veterinarians
- Our expanding database of trials continues to demonstrate improvements in food conversion, productivity, weight gain and mortality reduction
- Anpario brought together cutting-edge product technologies and has a broad range of speciality feed additive products, including pioneering products such as 'Orego-Stim' and 'Salkil'
- Anpario's mineral carriers are unique in the market in allowing quick acting liquid active ingredients to be fed to the target animal in a dry, easy to handle, mixable form. Our competitive advantage in formulating actives onto Anpario's carrier systems makes it easier for the feed-miller to work with and also for the animal to benefit from the active ingredients quickly and efficiently. The inert nature of the carrier, which cannot be digested, also helps in prolonging the effect of the actives throughout the digestive tract thereby improving the gut microbiota and in turn the performance of the animal. It can also act as a colonisation matrix on which probiotic organisms flourish, further encouraging the optimum balance of microflora in the gastro-intestinal tract.

Leveraging the innovations of our offering supports the sustainability of our growth and creates value for our brand

Efficiency

- We have consolidated our trading divisions into a single company umbrella brand strategy, this will enable the company to communicate more effectively and clearly in terms of our corporate vision, philosophy and values, as well as concentrating more marketing and research and development expenditure behind one brand rather than three.
- Our portfolio has been divided into four product categories, Eubiotics, Feed Security, Feed Quality and Nutritional. Products within those categories will be re-packaged in the colour coded bags.
- We maximise efficient use of our resources to generate continued, consistent and sustained value for our shareholders
- We aim to drive growth by focusing on higher penetration of our product portfolio in key countries
- We are profitable, cash generative, debt free and pay an increasing dividend
- The strength of our operational gearing positions us well to disproportionately accelerate profit growth with volume increases
- Our operational gearing continues to increase with improvements in our production facility

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

Strategic report (continued)

Our opportunity

Global population growth

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

Legislation and food safety

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

Anpario

- Supply natural alternatives to protect and improve performance of livestock
- Our diverse geographic reach enables us to get closer to our customers and generates significant upside
- Consolidating family run businesses through acquisition has offered transformational scope
- Our innovative product portfolio will add value and fuel our growth

Governance

Corporate social responsibility

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

- **Products and operations**

Anpario supplies products to over 70 countries and provide products to enhance animal health and nutrition. Internal quality control ensures: the safety of its products; the operation of its manufacturing facilities to the highest standards; and the achievement of industry recognised quality standards. Responsible procurement policies are in place to source raw materials to high specification. We have an established Group health and safety policy and we are committed to achieving a safe and secure working environment in all our own locations.

- **Employees**

Over 100 employees work for Anpario in the UK and its global operations. It is the Group's policy to involve colleagues in the business and to ensure that matters of concern to them, including the Group's aims and objectives and its financial performance, are communicated in an open way. Where appropriate, employees are offered the opportunity to become shareholders in order to promote active participation in, and commitment to, the Group's success. The provision of SAYE share schemes has resulted in 32 employees contributing to the scheme.

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

Anpario is an inclusive organisation where no-one receives less favourable treatment on the grounds of gender, nationality, marital status, colour, race, ethnic origin, creed, sexual orientation or disability. The promotion of equal opportunities for all employees is regarded as an important Group priority. An analysis of Directors, senior managers and other employees by gender as at 8 March 2017 is as follows:

	Male	Female
Directors	3	1
Senior Managers	9	6
Administration, Production, Sales and Technical Staff	45	35
	57	42

Governance (continued)

Corporate governance

The Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange and the Company is therefore not required to report on compliance with the UK Corporate Governance Code. The Directors support the UK Corporate Governance Code and are implementing many of the recommendations which are relevant to a business the size of Anpario plc. The Board is committed to high standards of corporate governance.

- **The Board**

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

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

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

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

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

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

- **Internal financial control**

The Board of Directors is responsible for the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the Companies concerned and the risks to which they are exposed. This provides reasonable, but not absolute, assurance against material misstatement or loss. Strict financial and other controls are exercised by the Group over its Subsidiary companies by day-to-day supervision of the businesses by the Directors.

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

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

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

- detailed monthly reports to the Executive Board and quarterly reports to the Board;
- defined authorisation levels for: expenditure; the placing of orders and contracts; and signing authorities;

- **Internal financial control** continued
 - segregation of accounting duties to control major financial risks;
 - daily cash movements are reconciled and monitored by the finance department and the Group's cash flow is monitored;
 - weekly updates on key statistics including sales, production and margin analysis from the Group's reporting systems.

- **Audit Committee**

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

The Committee met twice during the year ended 31 December 2016 with full attendance by the Committee members. Meetings are also attended, by invitation, by the Finance Director and the external auditors and other management.

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

The Committee reviews the independence of the external auditors, PricewaterhouseCoopers LLP on an annual basis. It receives a detailed audit plan from PricewaterhouseCoopers 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 PricewaterhouseCoopers LLP at both the half-year and year ends.

- **Shareholders**

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

Governance (continued)

- Directors' remuneration is determined by the Remuneration Committee which is comprised of the two Non-Executive Directors and is chaired by Richard S Rose. It meets at least once each financial year. The Committee met twice during the year ended 31 December 2016 with full attendance by the Committee members. The policy for the current and future financial years for the remuneration and incentivisation of the Executive Directors is:
 - to ensure that individual rewards and incentives are aligned with the performance of the Group and interest of shareholders;
 - to ensure that performance-related elements of remuneration constitute a significant proportion of an Executive's remuneration package; and
 - to maintain a competitive remuneration package which enables the Group to attract, retain and incentivise Executives of the calibre required. All of the Executive Directors have service contracts with the Company. The notice period of all Executive Directors' service contracts is twelve months.
- The key components of Executive Remuneration are:

- **Salary**
 - The purpose is to provide a competitive base salary for the market in which the Company operates to attract and retain Executives of a suitable calibre. Salaries are usually reviewed annually, although interim reviews will be undertaken if considered appropriate. Salary levels are determined taking into account a range of factors, which may include:
 - underlying Group performance;
 - role, experience and individual performance;
 - competitive salary levels and market forces; and
 - pay and conditions elsewhere in the Group.

- **Benefits package**
 - The purpose is to provide broadly market competitive benefits as part of the total remuneration package. Executive Directors receive benefits in line with market practice, and these include principally life insurance, permanent health insurance, private medical insurance, and company car.

- **Pension benefits**
 - The purpose is to provide an appropriate level of retirement benefit or cash allowance equivalent. Executive Directors are eligible to participate in an approved personal pension. In appropriate circumstances, such as where contributions exceed the annual or lifetime allowance, Executive Directors may be permitted to take a cash supplement instead of contributions to a pension plan.

- **Performance bonus**
 - The purpose is to incentivise Executive Directors to deliver annual business performance and achieve wider Group objectives. Awards are based on annual performance against key financial and strategic targets and/or the delivery of personal objectives. Pay-out levels are determined by the Remuneration Committee after the year end based on performance against those targets.

- **Share incentives**
 - The purpose is to directly align Directors' interests with those of shareholders. Share options and jointly owned shares have been issued to Executives and other senior managers under management incentive schemes over a number of years. The usual vesting period is three years or on a change of control if earlier. Interests in these schemes are disclosed below.

- **Share save scheme**
 - To create alignment with the Group and promote a sense of ownership. Executive Directors are entitled to participate in a tax qualifying Share save scheme under which they may make monthly savings contributions over a period of three years linked to the grant of an option over the Company's shares with an option price which can be at a discount of up to 20% to the market value of shares at grant.

Directors' remuneration report

Directors' remuneration

Director	Emoluments and compensation		Post-employment benefits	
	2016 £000	2015 £000	2016 £000	2015 £000
R S Rose	60	56	-	-
R P Edwards	297	222	-	-
D M A Bullen	230	184	18	18
K L Prior	208	179	13	13
P A Lawrence	40	34	-	-

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

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

Directors' interests

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

	Ordinary shares of 23p each	
	31 Dec 2016	31 Dec 2015
R S Rose	31,057	31,057
R P Edwards	202,723	195,070
K L Prior	202,836	195,183
P A Lawrence	27,950	27,950

There has been no change in the Directors' interests between 31 December 2016 and 8 March 2017.

Management incentive schemes

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

	Option price (pence per share)	31 Dec	
		2016	2015
R P Edwards	158.50	80,000	80,000
	117.60	-	7,653
	227.04	3,964	3,964
	290.00	42,400	42,400
K L Prior	224.13	4,015	-
	158.50	80,000	80,000
	117.60	-	7,653
	227.04	3,964	3,964
	290.00	42,400	-
	224.13	4,015	-

Share plan limits

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

Directors' remuneration report (continued)

Joint Share Ownership Plan

On 15 September 2016, a total of 718,295 new Ordinary Shares were allotted. The Ordinary Shares have been issued at a subscription price of 245p per Ordinary Share, being the closing price of an Ordinary Shares on 14 September 2016, pursuant to The Anpario plc Employees' JSOP (the "Plan").

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

In addition, 612,143 existing Ordinary Shares, which had been acquired by the Trustee on the exercise of call options in respect of shares formerly held in joint ownership, have been transferred by the Trustee, for no consideration, into the respective joint beneficial ownership of (i) each of the participating executive Directors named below and (ii) the Trustee upon and subject to the terms of the JOAs respectively entered into between the Director concerned, the Company and the Trustee.

The terms of the JOAs provide, inter alia, that if jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating Director receives an amount equal to any growth in the market value of the jointly owned Ordinary Shares above the initial market value (£2.45 pence per share), less a "carrying cost" (equivalent to simple interest at 4.5 per cent per annum on the initial market value) and the Trust receives the initial market value of the jointly owned shares plus the carrying cost. Jointly owned Ordinary Shares will become vested if the participant remains with the Company for a minimum period of 3 years.

£1,760,000 was advanced to the Trust in order that the shares were issued fully paid. To this extent the transaction was effectively cash neutral to the Company. These transactions resulted in an obligation by the Trust to settle the £1,760,000 advanced by the Company at such time as the benefit of the JSOP shares vest to the beneficiaries and they elect to take full ownership of the shares.

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

	2016	2015
R P Edwards	1,350,000	609,781
K L Prior	1,200,000	609,781

Directors' report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year after tax from continuing operations was £2.6m (2015: £3.2m). The Directors propose a final dividend of 5.50p per share (2015: 5.00p), amounting to a total dividend of £1.1m (2015: £1.0m).

Directors

The Directors during the year under review were:

Richard S Rose	Non-Executive Chairman
Richard P Edwards	Executive Vice-Chairman/Chief Executive Officer
Karen L Prior	Group Finance Director
Peter A Lawrence	Non-Executive Director
David M A Bullen	Chief Executive Officer (resigned)

David M A Bullen resigned on 13 January 2016 and was succeeded by Richard P Edwards.

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

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

Substantial shareholdings

At 3 March 2017, 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	2,550	11.2
Unicorn Asset Management Limited	2,514	11.0
Downing LLP	1,633	7.1
Livingbridge VC LLP	1,399	6.1
Investec Wealth & Investment Limited	1,372	6.0
Allianz Global Investors GmbH	1,100	4.8
Oryx International Growth Fund Limited	875	3.8
Schroder Investment	804	3.5
Miton Group plc	761	3.3
Hargreaves Lansdown Asset Mgt	739	3.2

Review of the business and future developments

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

Group research and development activities

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

Share capital

During the year 1,014,029 (2015: 1,897,972) Ordinary shares of 23p each were issued pursuant to the exercise of share options. A Special Resolution will be proposed at our AGM to renew the Directors' limited authority last granted in 2016 to repurchase Ordinary shares in the market. The Company holds 143,042 (2015: 143,042) ordinary shares of 23p in treasury.

Directors' report (continued)

Independent auditors

PricewaterhouseCoopers LLP will cease to hold office as the Company's auditors and a resolution to appoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming AGM.

Stockbrokers

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

The closing share price on 31 December 2016 was 288.5p per share (2015: 350.0p 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 2.22 of the financial statements.

Statement of Directors' responsibilities

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

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

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

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

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

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

Statement of disclosure to auditors

So far as the Directors are aware:

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

By order of the Board

Karen L Prior
Company Secretary
8 March 2017



Independent auditors' report to the members of Anpario plc

Report on the financial statements

Our opinion

In our opinion:

- Anpario plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2016 and of the group's profit and the group's and the company's cash flows 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 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.

What we have audited

The financial statements, included within the Full-Year Report (the "Annual Report"), comprise:

- the Consolidated and parent company balance sheets as at 31 December 2016;
- the Consolidated income statement for the year then ended;
- the Consolidated and parent company statements of cash flows for the year then ended;
- the Consolidated and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter 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 addition, in light of the knowledge and understanding of the group, the company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' responsibilities set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Andy Ward (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
8 March 2017

Consolidated income statement

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Continuing operations			
Revenue	3	24,340	23,322
Cost of sales		(12,895)	(12,852)
Gross profit		11,445	10,470
Administrative expenses		(7,603)	(6,916)
Exceptional items	25	(1,221)	-
Operating profit		2,621	3,554
Finance income	7	59	62
Profit before income tax		2,680	3,616
Income tax expense	10	(100)	(367)
Profit for the year from continuing operations		2,580	3,249
Discontinued operations			
Profit for the year on disposal of discontinued operations (attributable to owners of the parent)	27	-	487
Profit for the year		2,580	3,736
Profit attributable to:			
Owners of the parent		2,580	3,736
Profit for the year		2,580	3,736
Basic earnings per share from continuing operations	8	12.79p	16.52p
Diluted earnings per share from continuing operations	8	12.58p	15.97p
Basic earnings per share	8	12.79p	18.99p
Diluted earnings per share	8	12.58p	18.37p

Consolidated statement of comprehensive income

for the year ended 31 December 2016

	2016 £000	2015 £000
Profit for the year	2,580	3,736
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translating foreign operations	(87)	(88)
Total comprehensive income for the year	2,493	3,648
Attributable to the owners of the parent:	2,493	3,648
Total comprehensive income attributable to equity owners arises from:		
Continuing operations	2,493	3,161
Discontinued operations	-	487
Total comprehensive income for the year	2,493	3,648

The notes on pages 23 to 52 form part of these financial statements.

Consolidated and parent company balance sheets

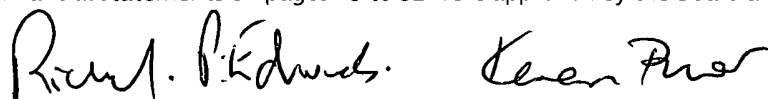
as at 31 December 2016

	Notes	Group		Company	
		2016 £000	2015 £000	2016 £000	2015 £000
Intangible assets	11	10,132	10,168	10,123	10,164
Property, plant and equipment	12	3,539	3,069	3,474	3,063
Investment in Subsidiaries	13	-	-	4,565	4,738
Deferred tax assets	18	286	306	50	268
Non-current assets		13,957	13,543	18,212	18,233
Inventories	14	2,246	1,815	1,658	1,329
Trade and other receivables	15	6,733	6,791	9,227	8,088
Cash and cash equivalents	16	11,112	9,337	10,392	8,835
Current assets		20,091	17,943	21,277	18,252
Total assets		34,048	31,486	39,489	36,485
Called up share capital	21	5,291	5,058	5,291	5,058
Share premium		9,515	7,613	9,515	7,613
Other reserves	23	(5,112)	(3,374)	(2,854)	(1,203)
Retained earnings	22	18,843	17,287	18,560	16,471
Total equity		28,537	26,584	30,512	27,939
Deferred tax liabilities	18	1,014	1,176	1,014	1,176
Non-current liabilities		1,014	1,176	1,014	1,176
Trade and other payables	17	4,351	3,681	7,820	7,370
Current income tax liabilities		146	45	143	-
Current liabilities		4,497	3,726	7,963	7,370
Total liabilities		5,511	4,902	8,977	8,546
Total equity and liabilities		34,048	31,486	39,489	36,485

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the Parent Company income statement. The profit for the Parent Company for the year was £3,113,000 (2015: £4,402,000).

The notes on pages 23 to 52 form part of these financial statements.

The financial statements on pages 19 to 52 were approved by the Board and authorised for issue on 8 March 2017.



Richard P Edwards
Chief Executive Officer

Karen L Prior
Group Finance Director

Company Number: 03345857

Consolidated and parent company statements of changes in equity for the year ended 31 December 2016

Group	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	4,622	4,051	(389)	14,462	22,746
Profit for the year	-	-	-	3,736	3,736
Currency translation differences	-	-	(88)	-	(88)
Total comprehensive income for the year	-	-	(88)	3,736	3,648
Issue of share capital	436	3,562	-	-	3,998
Deferred tax regarding share-based payments	-	-	455	-	455
Cash flow hedge reserve	-	-	(23)	-	(23)
Joint share ownership plan	-	-	(3,415)	-	(3,415)
Share-based payment adjustments	-	-	86	-	86
Dividends relating to 2014	-	-	-	(911)	(911)
Transactions with owners	436	3,562	(2,897)	(911)	190
Balance at 31 December 2015	5,058	7,613	(3,374)	17,287	26,584
Profit for the year	-	-	-	2,580	2,580
Currency translation differences	-	-	(87)	-	(87)
Total comprehensive income for the year	-	-	(87)	2,580	2,493
Issue of share capital	233	1,902	-	-	2,135
Deferred tax regarding share-based payments	-	-	(128)	-	(128)
Cash flow hedge reserve	-	-	37	-	37
Joint share ownership plan	-	-	(1,760)	-	(1,760)
Share-based payment adjustments	-	-	200	-	200
Dividends relating to 2015	-	-	-	(1,024)	(1,024)
Transactions with owners	233	1,902	(1,651)	(1,024)	(540)
Balance at 31 December 2016	5,291	9,515	(5,112)	18,843	28,537

Company	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	4,622	4,051	1,694	12,980	23,347
Profit for the year	-	-	-	4,402	4,402
Total comprehensive income for the year	-	-	-	4,402	4,402
Issue of share capital	436	3,562	-	-	3,998
Deferred tax regarding share-based payments	-	-	455	-	455
Cash flow hedge reserve	-	-	(23)	-	(23)
Joint share ownership plan	-	-	(3,415)	-	(3,415)
Share-based payment adjustments	-	-	86	-	86
Dividends relating to 2014	-	-	-	(911)	(911)
Transactions with owners	436	3,562	(2,897)	(911)	190
Balance at 31 December 2015	5,058	7,613	(1,203)	16,471	27,939
Profit for the year	-	-	-	3,113	3,113
Total comprehensive income for the year	-	-	-	3,113	3,113
Issue of share capital	233	1,902	-	-	2,135
Deferred tax regarding share-based payments	-	-	(128)	-	(128)
Cash flow hedge reserve	-	-	37	-	37
Joint share ownership plan	-	-	(1,760)	-	(1,760)
Share-based payment adjustments	-	-	200	-	200
Dividends relating to 2015	-	-	-	(1,024)	(1,024)
Transactions with owners	233	1,902	(1,651)	(1,024)	(540)
Balance at 31 December 2016	5,291	9,515	(2,854)	18,560	30,512

The notes on pages 23 to 52 form part of these financial statements.

Consolidated and parent company statements of cash flows for the year ended 31 December 2016

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Cash generated from operating activities	3,957	3,599	3,822	3,527
Income tax paid	(159)	(205)	(147)	(205)
Net cash generated from operating activities	3,798	3,394	3,675	3,322
Investment in Subsidiary	-	-	(51)	-
Purchases of property, plant and equipment	(729)	(301)	(667)	(300)
Proceeds from disposal of property, plant and equipment	4	-	4	-
Payments to acquire intangible assets	(831)	(690)	(828)	(686)
Net proceeds on disposal of discontinued operations	-	623	-	623
Interest received	59	62	73	60
Net cash used in investing activities	(1,497)	(306)	(1,469)	(303)
Joint share ownership plan	(1,760)	(3,415)	(1,760)	(3,415)
Proceeds from issuance of shares	2,135	3,998	2,135	3,998
Dividend paid to Company's shareholders	(1,024)	(911)	(1,024)	(911)
Net cash used in financing activities	(649)	(328)	(649)	(328)
Net increase in cash and cash equivalents	1,652	2,760	1,557	2,691
Effect of exchange rate changes	123	(54)	-	-
Cash and cash equivalents at the beginning of the year	9,337	6,631	8,835	6,144
Cash and cash equivalents at the end of the year	11,112	9,337	10,392	8,835

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Cash generated from operating activities	3,957	3,599	3,822	3,527
Profit before income tax (including discontinued operations)	2,680	4,227	3,429	4,916
Net finance income	(59)	(62)	(73)	(60)
Net proceeds on disposal of discontinued operations	-	(623)	-	(623)
Depreciation, amortisation and impairment	1,130	573	1,349	570
(Profit)/Loss on disposal of property, plant and equipment	(4)	24	(4)	24
Share-based payments	200	86	200	86
Changes in working capital:				
Inventories	(218)	(141)	(327)	(102)
Trade and other receivables	55	907	(1,239)	286
Trade and other payables	173	(1,392)	487	(1,570)
Cash generated from operating activities	3,957	3,599	3,822	3,527

The notes on pages 23 to 52 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2016

1 General information

Anpario plc (“the Company”) and its Subsidiaries (together “the Group”) produce and distribute natural feed additives for animal health, hygiene and nutrition.

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its Subsidiaries drawn up to 31 December 2016.

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

Notes to the financial statements continued

for the year ended 31 December 2016

2.2 Basis of consolidation continued

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

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

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

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue on despatch of goods to the customer.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2.5 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into pounds sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are included in the profit or loss for the period.

- **Functional and presentational currency**
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in pounds sterling, which is the Company's functional and presentational currency.

- **Transactions and balances**
Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised as part of the fair value gain or loss.

- **Group companies**
The results and financial position of all Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:
 - assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
 - income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction); and
 - all resulting exchange differences are recognised as a separate component of equity.

2.5 Foreign currency translation continued

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 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.

Notes to the financial statements continued

for the year ended 31 December 2016

2.6 Intangible assets continued

- Customer relationships

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Investments

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

2.9 Property, plant and equipment

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

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

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment and an impairment loss is recognised in the income statement where appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

2.10 Inventories

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

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. Accounts payable 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 include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.14 Derivative financial instruments

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

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

2.15 Leasing

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

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

2.16 Exceptional items

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

2.17 Taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's Subsidiaries and associates 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 and associates, 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.

Notes to the financial statements continued

for the year ended 31 December 2016

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. Proceeds received on the exercise of share options are credited to share capital and share premium.

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; (for example, an entity’s share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of Subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in Subsidiary undertakings, with a corresponding credit to equity in the Parent entity Financial Statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

- Pension obligations

The Group operates a defined contribution pension scheme and contributes a percentage of salary to individual employee schemes. Pension contributions are recognised as an expense as they fall due and the Group has no further payment obligations once the contributions have been paid.

2.19 Equity

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.

2.19 Equity continued

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

2.22 Critical accounting estimates and judgements

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.

Notes to the financial statements continued

for the year ended 31 December 2016

2.22 Critical accounting estimates and judgements continued

- Income taxes

The Group is subject to income taxes predominately in the United Kingdom but also in other jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated queries by the tax authorities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different for the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.23 Impact of accounting standards and interpretations

There are no new standards and interpretations which materially impact the current year Financial Statements.

A number of new standards and amendments to standards and interpretations are effective for annual years beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. These have been set out below:

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

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

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

3 Segment information

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

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographic perspective. Following recent changes, including the appointment of regional commercial directors and the opening of additional regional offices, Anpario has made adjustments to its segmental reporting structure. All previous values have been restated in line with the new structure.

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

Inter-segment revenue is charged at prevailing market prices.

	Americas £000	Asia £000	Europe £000	MEA £000	Head Office £000	Total £000
Year ended 31 December 2016						
Total segmental revenue	4,491	10,351	8,450	2,953	-	26,245
Inter-segment revenue	-	-	(1,905)	-	-	(1,905)
Revenue from external customers	4,491	10,351	6,545	2,953	-	24,340
Adjusted EBITDA	1,373	3,507	2,510	1,247	(4,026)	4,611
Depreciation and amortisation	(10)	(6)	(3)	-	(540)	(559)
Net finance income	-	1	-	-	58	59
Share-based payments	-	-	-	-	(210)	(210)
Exceptional items	(93)	(107)	-	(32)	(989)	(1,221)
Income tax	156	29	-	(3)	(282)	(100)
Profit for the period	1,426	3,424	2,507	1,212	(5,989)	2,580
Total assets					34,048	34,048
Total liabilities					(5,511)	(5,511)
Year ended 31 December 2015						
Total segmental revenue	3,417	9,614	8,241	3,545	-	24,817
Inter-segment revenue	-	-	(1,495)	-	-	(1,495)
Revenue from external customers	3,417	9,614	6,746	3,545	-	23,322
Adjusted EBITDA	1,340	3,134	2,522	1,581	(4,188)	4,389
Depreciation and amortisation	(7)	(3)	(4)	-	(559)	(573)
Net finance income	-	-	-	1	61	62
Share-based payments	-	-	-	-	(262)	(262)
Income tax	(2)	(12)	-	-	(353)	(367)
Discontinued operations	-	-	-	-	487	487
Profit for the period	1,331	3,119	2,518	1,582	(4,814)	3,736
Total assets					31,486	31,486
Total liabilities					(4,902)	(4,902)

Notes to the financial statements continued

for the year ended 31 December 2016

3 Segment information continued

The entity is domiciled in the UK.

The total of non-current assets other than financial instruments and deferred tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the UK is £13,597,000 (2015: £13,227,000) and the total of these assets located in other countries is £74,000 (2015: £10,000).

Share-based payment charges of £210,000 (2015: £262,000) includes £10,000 (2015: £84,000) of professional fees that have been expensed during 2016.

4 Expenses by nature

	2016	2015
	£000	£000
Changes in inventories of finished goods	(147)	(68)
Raw materials and consumables used	10,055	10,544
Employee expenses (note 6)	4,866	4,118
Research and development expenditure	16	21
Transportation expenses	1,046	1,304
Other operating expenses	3,965	3,181
Operating lease payments	27	34
Depreciation, amortisation and impairment charges	1,130	573
Share-based payment charges	210	262
Gain on foreign exchange transactions	(98)	(201)
Acquisition, closure and restructuring	649	-
Total cost of sales, distribution and administrative expenses	21,719	19,768

5 Auditors' remuneration

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

	2016	2015
	£000	£000
Fees payable to Company's auditors for the audit of Parent Company and consolidated financial statements	56	52
Fees payable to Company's auditors for other services:		
The audit of Company Subsidiaries	-	1
Tax advisory service	7	35
Other non-audit services	-	3
Total fees payable to Company's auditors	63	91

6 Employees

Number of employees

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

Group	2016 Number	2015 Number
Production	24	25
Administration	21	22
Sales and Technical	56	58
Total average headcount	101	105

Company	2016 Number	2015 Number
Production	24	25
Administration	17	19
Sales and Technical	38	40
Total average headcount	79	84

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

Employment costs

Group	2016 £000	2015 £000
Wages and salaries	4,250	3,592
Social security costs	472	377
Other pension costs	144	149
Share-based payment charges	210	262
Total employment costs	5,076	4,380

Company	2016 £000	2015 £000
Wages and salaries	3,458	3,080
Social security costs	326	328
Other pension costs	134	147
Share-based payment charges	210	262
Total employment costs	4,128	3,817

7 Finance income

	2016 £000	2015 £000
Interest receivable on short-term bank deposits	59	62
Total finance income	59	62

Notes to the financial statements continued

for the year ended 31 December 2016

8 Earnings per share

	2016	2015
Weighted average number of shares in Issue (000's)	20,166	19,669
Adjusted for effects of dilutive potential Ordinary shares (000's)	340	673
Weighted average number for diluted earnings per share (000's)	20,506	20,342
Profit attributable to owners of the Parent from continuing operations (£000's)	2,580	3,249
Result of discontinued operations	-	487
Profit attributable to owners of the Parent (£000's)	2,580	3,736
Basic earnings per share from continuing operations	12.79p	16.52p
Diluted earnings per share from continuing operations	12.58p	15.97p
Basic earnings per share	12.79p	18.99p
Diluted earnings per share	12.58p	18.37p
	2016	2015
	£000	£000
Adjusted profit attributable to owners of the Parent		
Profit attributable to owners of the Parent	2,580	3,249
Exceptional items (net of tax)	1,113	-
Prior year tax adjustments	(285)	(157)
Adjusted profit from continuing operations	3,408	3,092
Result of discontinued operations	-	487
Adjusted profit attributable to owners of the Parent	3,408	3,579
Adjusted earnings per share from continuing operations	16.90p	15.72p
Adjusted underlying earnings per share from continuing operations	16.62p	15.20p
Adjusted earnings per share	16.90p	18.20p
Diluted adjusted earnings per share	16.62p	17.59p

The adjusted profit and adjusted earnings per share measures of profitability have been calculated in the same way as underlying profit and underlying earnings per share measures that were shown in previous Annual Reports. It has been decided to change the naming of this measure to be more in line with the language used in the market.

9 Dividends

	2016	2015
	£000	£000
2014 final dividend paid: 4.5p per 23p share	-	911
2015 final dividend paid: 5.0p per 23p share	1,024	-
Total dividends paid	1,024	911

A dividend in respect of the year ended 31 December 2016 of 5.5p per share, amounting to a total dividend of £1.1m, is to be proposed at the Annual General Meeting on 29 June 2017. These financial statements do not reflect this dividend payable.

10 Income tax expense

	2016	2015
	£000	£000
Income tax expense charged to the Income Statement		
Continuing operations:		
Current tax		
Current tax on profits for the year	436	100
Adjustment for prior years	(27)	17
Total current tax	409	117
Deferred tax		
Origination and reversal of temporary differences	(51)	424
Adjustment for prior years	(258)	(174)
Total deferred tax (note 18)	(309)	250
Income tax expense from continuing operations	100	367
Discontinued operations:		
Current tax		
Current tax on profits for the year	-	124
Total current tax	-	124
Income tax expense from discontinued operations	-	124
Total income tax expense charged to the Income Statement	100	491
Income tax expense credited directly to equity	£000	£000
Continuing operations:		
Current tax		
Current tax on profits for the year	(53)	(210)
Total current tax	(53)	(210)
Deferred tax		
Origination and reversal of temporary differences	170	139
Adjustment for prior years	11	(384)
Foreign exchange	(14)	-
Total deferred tax (note 18)	167	(245)
Income tax expense from continuing operations	114	(455)
Total income tax expense charged/(credited) directly to equity	114	(455)

Adjustments in respect of prior years represent the benefits from enhanced research and development tax credits and the corresponding increased availability of losses in future periods. The adjustment for prior years reflects the recognition of a deferred tax asset at 31 December 2015 to recognise the market value of share options exercisable at that date.

Notes to the financial statements continued

for the year ended 31 December 2016

10 Income tax expense continued

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

Factors affecting the charge for the year	2016	2015
	£000	£000
Profit before tax from continuing operations	2,680	3,616
Result of discontinued operations (note 27)	-	611
Profit before tax	2,680	4,227
Tax at domestic rates applicable to profits in the respective countries - 20.00% (2015: 20.25%)	535	856
Tax effects of:		
Non-deductible expenses	187	37
Losses not recognised for deferred tax	182	132
Research and development tax credits	(300)	(253)
Prior year tax adjustments	(285)	(157)
Tax credit recognised directly in equity	53	210
Other tax adjustments	(272)	(334)
Income tax expense	100	491

Corporation tax is calculated at 20.00% (2015: 20.25%) 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 will reduce to 19.00% from 1 April 2017 and 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 Development	Software and Licences £000	Total £000
				registrations £000		
Cost						
As at 1 January 2015	5,490	2,210	686	423	2,392	- 11,201
Additions	-	-	-	265	425	- 690
As at 31 December 2015	5,490	2,210	686	688	2,817	- 11,891
Reclassifications	-	558	-	-	(994)	436 -
Additions	-	-	-	368	378	85 831
Disposal	-	-	-	(8)	(3)	- (11)
Foreign exchange	-	-	-	2	-	- 2
As at 31 December 2016	5,490	2,768	686	1,050	2,198	521 12,713
Accumulated amortisation and impairment						
As at 1 January 2015	-	98	228	72	977	- 1,375
Charge for the year	-	36	69	66	177	- 348
As at 31 December 2015	-	134	297	138	1,154	- 1,723
Reclassifications	-	38	-	-	(61)	23 -
Charge for the year	-	55	68	102	571	73 869
Disposal	-	-	-	(8)	(3)	- (11)
As at 31 December 2016	-	227	365	232	1,661	96 2,581
Net book value						
As at 31 December 2016	5,490	2,541	321	818	537	425 10,132
As at 31 December 2015	5,490	2,076	389	550	1,663	- 10,168
As at 1 January 2015	5,490	2,112	458	351	1,415	- 9,826

The charge above includes £571,000 (2015: £nil) in respect of exceptional impairment of development expenditure.

The reclassification to Brands represents newly generated Product Brands from Development projects and the amount reclassified to Software and Licences relates to various recently completed systems improvements.

Notes to the financial statements continued

for the year ended 31 December 2016

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 2015	5,490	2,121	559	415	2,389	-	10,974
Additions	-	-	-	261	425	-	686
As at 31 December 2015	5,490	2,121	559	676	2,814	-	11,660
Additions	-	-	-	365	378	85	828
Reclassifications	-	558	-	-	(994)	436	-
As at 31 December 2016	5,490	2,679	559	1,041	2,198	521	12,488
Accumulated amortisation and impairment							
As at 1 January 2015	-	9	101	64	974	-	1,148
Charge for the year	-	36	69	66	177	-	348
As at 31 December 2015	-	45	170	130	1,151	-	1,496
Charge for the year	-	55	68	102	571	73	869
Reclassifications	-	38	-	-	(61)	23	-
As at 31 December 2016	-	138	238	232	1,661	96	2,365
Net book value							
As at 31 December 2016	5,490	2,541	321	809	537	425	10,123
As at 31 December 2015	5,490	2,076	389	546	1,663	-	10,164
As at 1 January 2015	5,490	2,112	458	351	1,415	-	9,826

The reclassification to Brands represents newly generated Product Brands from Development projects and the amount reclassified to Software and Licenses relates to various recently completed systems improvements.

Goodwill is allocated to the Group's cash-generating units ("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 1.5% per annum (2015: 1.5%).

The discount rate used of 12% (2015: 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.

Goodwill is allocated as follows:

Goodwill	
Acquisition of Kiotechagil operations	3,552
Acquisition of Optivite operations	592
Acquisition of Meriden operations	1,346
As at 31 December 2015	5,490
As at 31 December 2016	5,490

11 Intangible assets continued

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 of brands, customer relationships and patents, trademarks and registrations is included in administrative expenses, totalling £869,000 (2015: £348,000) for the Group and £869,000 (2015: £348,000) 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 2015	2,171	1,126	496	-	3,793
Additions	-	275	26	-	301
Disposals	-	(44)	-	-	(44)
As at 31 December 2015	2,171	1,357	522	-	4,050
Additions	9	568	51	101	729
Disposals	-	(26)	(30)	-	(56)
Foreign exchange	-	5	2	-	7
As at 31 December 2016	2,180	1,904	545	101	4,730
Accumulated depreciation					
As at 1 January 2015	214	358	203	-	775
Charge for the year	31	117	77	-	225
Disposals	-	(19)	-	-	(19)
As at 31 December 2015	245	456	280	-	981
Charge for the year	31	149	81	-	261
Disposals	-	(26)	(30)	-	(56)
Foreign exchange	-	4	1	-	5
As at 31 December 2016	276	583	332	-	1,191
Net book value					
As at 31 December 2016	1,904	1,321	213	101	3,539
As at 31 December 2015	1,926	901	242	-	3,069
As at 1 January 2015	1,957	768	293	-	3,018

Notes to the financial statements continued

for the year ended 31 December 2016

12 Property, plant and equipment continued

Company	Land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
As at 1 January 2015	2,171	1,107	493	-	3,771
Additions	-	274	26	-	300
Disposals	-	(44)	-	-	(44)
As at 31 December 2015	2,171	1,337	519	-	4,027
Additions	9	535	22	101	667
Disposals	-	(26)	(27)	-	(53)
As at 31 December 2016	2,180	1,846	514	101	4,641
Accumulated depreciation					
As at 1 January 2015	214	347	200	-	761
Charge for the year	31	114	77	-	222
Disposals	-	(19)	-	-	(19)
As at 31 December 2015	245	442	277	-	964
Charge for the year	31	146	79	-	256
Disposals	-	(26)	(27)	-	(53)
As at 31 December 2016	276	562	329	-	1,167
Net book value					
As at 31 December 2016	1,904	1,284	185	101	3,474
As at 31 December 2015	1,926	895	242	-	3,063
As at 1 January 2015	1,957	760	293	-	3,010

Held within land and buildings is an amount of £700,000 (2015: £700,000) in respect of non-depreciable land.

13 Investment in subsidiaries

Company	Unlisted investments £000
Cost	
As at 1 January 2015 and at 31 December 2015	7,130
Investment in Subsidiaries	51
As at 31 December 2016	7,181
Provisions for diminution in value	
As at 1 January 2015 and 31 December 2015	2,392
Provisions for diminution in value	224
As at 31 December 2016	2,616
Net book value	
As at 31 December 2016	4,565
As at 31 December 2015	4,738
As at 1 January 2015	4,738

The increase in investment in 2016 is in Anpario Saúde Nutrição Animal Ltda. At the end of the year it was determined that a provision for diminution of value of £224,000 was required in relation to the investment in Anpario Saúde Nutrição Animal Ltda to reflect the fair value of the investment.

Notes to the financial statements continued

for the year ended 31 December 2016

13 Investment in subsidiaries continued

Full list of investments

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

Company	Country of registration or incorporation	Principal activity	Percentage held	Shares held Class
Directly held				
Anpario (Shanghai) Biotech Co., Ltd. A8-217, No.808 Hong Qiao Rd, Shanghai, China, 200030	China	Technology Services	100	Ordinary
Anpario Inc 104 South Main Street, Greenville, SC 29601, United States of America	US	Technology Services	100	Ordinary
Anpario Saúde Nutrição Animal Ltda Rua Brigadeiro Henrique Fontenelle, 745-room 4, Parque São Domingos, São Paulo, 05125-000, Brazil	Brazil	Technology Services	100	Ordinary
Anpario UK Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Meriden Animal Health Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Orego-Stim Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Optivite Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Optivite International Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Aquatic Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Agil Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Kiotechagil Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Kiotech Limited Unit 5 Manton Wood Enterprise Park, Worksop, Nottinghamshire, S80 2RS, United Kingdom	England and Wales	Dormant	100	Ordinary
Indirectly held				
Meriden (Shanghai) Animal Health Co., Ltd. A8-217, No.808 Hong Qiao Rd, Shanghai, China, 200030	China	Technology Services	100	Ordinary
Optivite Animal Nutrition Private Limited 1103-04 Windsor Apartment, T-28, Shastri Apartment, Andheri-West Mumbai Mumbai City MH 400053, India	India	Dormant	100	Ordinary
Optivite Latinoamericana SA de CV 20 Boulevard de la Industria, Cuautitlan-Izcalli, Mexico, 54716, Mexico	Mexico	Technology Services	98	Ordinary
Optivite SA (Proprietary) Limited PO Box 578, Cape Town 8000, South Africa	South Africa	Technology Services	100	Ordinary

The Group has no associates or joint-ventures.

14 Inventories

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Raw materials and consumables	1,382	1,098	1,382	1,098
Finished goods and goods for resale	864	717	276	231
	2,246	1,815	1,658	1,329

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £9,908,000 (2015: £10,476,000) for the Group and £9,731,000 (2015: £10,189,000) for the Company.

15 Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade receivables	6,388	6,381	5,847	6,147
Less: provision for impairment of trade receivables	(282)	(201)	(282)	(201)
Trade receivables - net	6,106	6,180	5,565	5,946
Receivables from Subsidiary undertakings	-	-	3,215	1,676
Other receivables	134	-	78	-
Taxes	266	317	156	269
Prepayments and accrued income	227	294	213	197
	6,733	6,791	9,227	8,088

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	
	2016 £000	2015 £000	2016 £000	2015 £000
Up to 3 months	5,305	4,775	4,802	4,588
3 to 6 months	719	1,333	717	1,307
Over 6 months	82	72	46	51
Trade receivables - net	6,106	6,180	5,565	5,946

As at 31 December 2016 trade receivables of £566,000 (2015: £1,164,000) for the Group and £528,000 (2015: £1,117,000) 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	
	2016 £000	2015 £000	2016 £000	2015 £000
Up to 3 months	477	861	475	835
3 to 6 months	62	50	53	50
Over 6 months	27	253	-	232
	566	1,164	528	1,117

Notes to the financial statements continued

for the year ended 31 December 2016

15 Trade and other receivables continued

As at 31 December 2016 trade receivables of £282,000 (2015: £201,000) for the Group and £282,000 (2015: £201,000) 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	
	2016 £000	2015 £000	2016 £000	2015 £000
3 to 6 months	108	-	108	-
Over 6 months	174	201	174	201
	282	201	282	201

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
As at 1 January	201	64	201	64
Provisions for receivables created	170	188	170	188
Amounts written off as unrecoverable	(29)	-	(29)	-
Amounts recovered during the year	(60)	(51)	(60)	(51)
As at 31 December	282	201	282	201

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

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Pounds sterling	2,020	2,413	2,018	2,413
Euros	626	740	626	740
US dollars	3,092	2,807	2,921	2,793
Other currencies	368	220	-	-
As at 31 December	6,106	6,180	5,565	5,946

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	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade payables	2,380	2,481	2,300	2,438
Amounts due to subsidiary undertakings	-	-	4,084	4,171
Taxes and social security costs	153	131	91	78
Other payables	169	202	93	114
Accruals and deferred income	1,649	867	1,252	569
	4,351	3,681	7,820	7,370

Included within 'Other payables' above is £71,000 (2015: £71,000) in respect of contingent consideration arising on the acquisition of Meriden.

18 Deferred income tax

	2016	2015
Group	£000	£000
As at 1 January	870	865
Income statement (credit)/charge (note 10)	(309)	250
Deferred tax charged/(credited) directly to equity	167	(245)
As at 31 December	728	870

Deferred tax liabilities/(assets)

	Accelerated tax allowances	Fair value gains	Other timing Losses difference	Total
	£000	£000	£000	£000
As at 1 January 2015	530	514	(179)	865
Income statement charge/(credit) (note 10)	153	(21)	156	250
Deferred tax credited directly to equity	-	-	-	(245)
As at 31 December 2015	683	493	(23)	870
Income statement credit (note 10)	(70)	(92)	(133)	(309)
Deferred tax charged directly to equity	-	-	-	181
Foreign exchange	-	-	(14)	(14)
As at 31 December 2016	613	401	(170)	728

Classified as:

Deferred income tax asset	(286)
Deferred income tax liability	1,014

Further reductions to the UK tax rate were announced as part of the Finance Act 2016. The tax rate will reduce to 19% from 1 April 2017 and 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 profit is 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.

	2016	2015
Company	£000	£000
As at 1 January	908	865
Income statement (credit)/charge	(126)	288
Deferred tax charged/(credited) directly to equity	182	(245)
As at 31 December	964	908

Notes to the financial statements continued

for the year ended 31 December 2016

18 Deferred income tax continued

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	Fair value gains £000	Losses £000	Other timing difference £000	Total £000
As at 1 January 2015	530	514	(179)	-	865
Income statement charge/(credit)	153	(21)	156	-	288
Deferred tax credited directly to equity	-	-	-	(245)	(245)
As at 31 December 2015	683	493	(23)	(245)	908
Income statement (credit)/charge	(70)	(92)	23	13	(126)
Deferred tax charged directly to equity	-	-	-	182	182
As at 31 December 2016	613	401	-	(50)	964

Classified as:

Deferred income tax asset	(50)
Deferred income tax liability	1,014

19 Capital commitments

The Group had authorised capital commitments as at 31 December 2016 as follows:

	2016 £000	2015 £000
Property, plant and equipment	31	-
Total capital commitments	31	-

20 Financial commitments

At 31 December 2016 the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Less than one year	49	72
Between one and five years	44	68
Total financial commitments	93	140

The lease expenditure charged to the income statement during the year is disclosed in note 4.

21 Called up share capital

	2016 £000	2015 £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		
21,992,247 (2015: 20,094,275) Ordinary shares of 23p each	5,058	4,622
Options exercised Ordinary shares of 23p each	233	436
23,006,276 (2015: 21,992,247) Ordinary shares of 23p each	5,291	5,058

During the year 1,014,029 (2015: 1,897,972) Ordinary shares of 23 pence each were issued pursuant to employee share plans.

22 Retained earnings

	Group £000	Company £000
As at 1 January 2015	14,462	12,980
Profit for the year	3,736	4,402
Dividends relating to 2014	(911)	(911)
As at 31 December 2015	17,287	16,471
Profit for the year	2,580	3,113
Dividends relating to 2015	(1,024)	(1,024)
As at 31 December 2016	18,843	18,560

23 Other reserves

Other reserves comprise:

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Treasury shares	(185)	(185)	(185)	(185)
Joint Share Ownership Plan	(6,385)	(4,625)	(6,385)	(4,625)
Merger reserve	228	228	228	228
Unrealised reserve	-	-	2,021	2,021
Share-based payment reserve	1,453	1,381	1,453	1,381
Cash flow hedge	14	(23)	14	(23)
Translation reserve	(237)	(150)	-	-
Total other reserves	(5,112)	(3,374)	(2,854)	(1,203)

24 Share-based payments

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

	Weighted average exercise price (p)	Shares 2016 000	Weighted average exercise price (p)	Shares 2015 000
Outstanding at 1 January	196	979	104	1,468
Granted during the year	233	(296)	283	232
Lapsed during the year	234	(108)	-	-
Exercised during the year	127	218	81	(721)
Outstanding at 31 December	227	793	196	979
Exercisable at 31 December		188		120

Notes to the financial statements continued

for the year ended 31 December 2016

24 Share-based payments continued

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 2016 000	Weighted average exercise price (p)	Shares 2015 000
2016	–	–	124	65
2017	227	37	–	–
2020	224	78	69	11
2022	89	8	89	24
2023	159	180	143	413
2024	245	195	242	233
2025	284	155	283	233
2026	238	140	–	–
Total outstanding share options		793		979

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 218,132 (2015: 232,000) were awarded under a number of incentive schemes listed in the schedule below and 295,734 options were exercised.

During the year, on 16 September 2016, under the joint share ownership plan the company issued 1,330,438 shares at 23p each to the Executive Directors at a price of 245p per share. This included a transfer of 612,143 shares which were held in Joint-Ownership with a former Director.

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 £210,000 (2015: £262,000) of which £10,000 (2015: £62,000) is related to professional fees that have been expensed during the year.

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

24 Share-based payments continued

Plan	Unapproved	Unapproved	CSOP	JSOP	CSOP	SAYE
Grant date	14-Apr	02-Jul	16-Sep	16-Sep	19-Sep	21-Nov
Number of options granted (000)	50	50	30	1,330	10	78
Grant price (p)	237.5	234.0	245.0	245.0	245.0	224.1
Exercise price (p)	237.5	234.0	245.0	245.0	245.0	224.1
Carrying cost (per annum)	N/A	N/A	N/A	4.5%	N/A	N/A
Vesting period (years)	5	3	3	3	3	3
Option expiry (years)	10.0	10.0	10.0	10.0	10.0	3.5
Expected volatility of the share price	20%	20%	20%	20%	20%	20%
Dividends expected on the shares	2.11%	2.14%	2.04%	2.04%	2.04%	1.79%
Risk-free rate	0.49%	0.18%	0.28%	0.28%	0.40%	0.52%
Fair value (p)	26.18	23.66	26.68	26.68	26.99	60.35

25 Exceptional items

	2016	2015
	£000	£000
Acquisition costs	58	-
Closure and restructuring costs	305	-
Payments relating to former director	287	-
Development cost impairment	571	-
Total exceptional items	1,221	-

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

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

Notes to the financial statements continued

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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 £48,000 (2015: £34,375) was paid to ECO Animal Health Group plc in respect of his services and expenses. £12,338 (2015: £16,000) was received from ECO Animal Health Group plc in respect of pension commitments to a former employee.

There was £4,000 due to Eco Animal Health Group plc at 31 December 2016 (2015: £nil).

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

	2016	2015
	£000	£000
Short-term employment benefits	795	641
Post employment benefits	31	31
Share-based payments	123	111
Total	949	783

A breakdown of the emoluments by director is included in the Directors' remuneration report, on pages 13 to 14.

Company

The following transactions were carried out with related parties:

	2016	2015
	£000	£000
Sales of goods:		
Subsidiaries	1,905	1,495
Purchase of services:		
Related parties	48	34

Year-end balances with related parties:

Receivables (note 15):		
Subsidiaries	3,215	1,676
Payables (note 17):		
Subsidiaries	4,084	4,171
Related parties	4	0

27 Discontinued operations

On 3 March 2015, the Group sold assets, as part of the disposal of its organic feed business, Vitrition, for £500,000 net proceeds. Further to this an amount of £296,000 contingent consideration was received in respect of a production related earn out.

The post tax gain on disposal of discontinued operations was determined as follows:

	£000
Initial consideration received	500
Contingent consideration	296
Proceeds from sale of inventory	144
Total consideration	940
Assets disposed:	
Property, plant and equipment	(25)
Inventory	(144)
Costs of disposal	(173)
Pre tax gain on disposal of discontinued operation	598
Related tax expense	(121)
Post tax gain on disposal of discontinued operation	477

The results of discontinued operations was determined as follows:

	2015 £000
Revenue	481
Cost of sales	(460)
Administrative expenses	(8)
Tax expense	(3)
Post tax gain on disposal of discontinued operations	477
Profit from discontinued operations	487

Cashflows relating to discontinued operations were as follows:

	2015 £000
Operating cash flows	(15)
Investing cash flows	623
Total cash flows	608

Notes to the financial statements continued

for the year ended 31 December 2016

28 Post balance sheet event

Group and Company

On 3 February 2017 the Company acquired the business and assets of Cobbett Pty Ltd., our Australian distributor, for a total consideration of up to AUD 1.0 million before costs. These will be transferred into a new company, Anpario Pty Ltd. Costs of £37,000 have been written off to the Income statement in 2016.

An initial payment of AUD 0.7 million in cash on completion has been made from existing cash resources. The remaining AUD 0.3 million is payable over the next year, dependent on the new business achieving certain performance criteria.

The acquisition of Cobbett is very much in line with our strategy to strengthen our sales and distribution channels and develop closer relationships with end users of our products. Anpario strives to respond and make decisions quickly to ensure our customers receive the best technical support and service possible. Acquiring Cobbett helps us to better deliver a responsive and proactive customer care ethos.

The acquisition was made after the balance sheet date but before the financial statements were finalised. The accounting for the business combination is not yet complete, consequently certain disclosures have not been made including:

- details relating to the calculation and factors making up goodwill;
- acquisition date fair value of each major class of consideration and an aggregate total;
- identifiable assets, liabilities and contingent liabilities;
- details of transactions with the acquiree that do not form part of the business combination;
- fair value of the Group's interest in the acquiree prior to the combination and information about minority interests remaining after the combination;
- post-acquisition activities.

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 29 June 2017, 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 2016, together with the reports of the Directors and of the auditors thereof.

Resolution 2

To declare a final dividend of 5.5p per Ordinary share payable on 31 July 2017 to shareholders on the register at close of business on 17 July 2017.

Resolution 3

To re-elect Karen L Prior as a Director, who retires by rotation.

Resolution 4

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

Notice of Annual General Meeting continued

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 £1,735,319; and
- (b) up to an additional aggregate nominal amount of £1,735,319 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 29 September 2018, 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 Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 5 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 £525,854 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 29 September 2018, save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired; and

Resolution 6 continued

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

Resolution 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 2,286,323;
- (b) the minimum price (excluding expenses) which may be paid for an Ordinary share is 23p;
- (c) the maximum price (excluding expenses) which may be paid for an Ordinary share is not more than the higher of:
 - i. an amount equal to 105% of the average of the middle market quotations for an Ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days before the purchase is made; and
 - ii. an amount equal to the higher of the price of the last independent trade of an Ordinary share and the highest current independent bid for an Ordinary share on the trading venue where the purchase is carried out;
- (d) the authority hereby conferred shall, unless revoked varied or renewed by the Company, expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 29 September 2018; 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
8 March 2017

Notice of Annual General Meeting continued

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 Meeting shall be entitled to attend and vote at the Meeting.

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 Meeting and you should have received a proxy form with this notice of meeting. 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 Meeting to represent you. Details of how to appoint the Chairman of the Meeting 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 Meeting 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 Meeting.

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 Meeting.

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).

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 using one of the following methods:

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 Meeting.

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

Issued shares and total voting rights

10. As at 8 March 2017 the Company's issued share capital comprised 23,006,276 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 8 March 2017 was 22,863,234.

Notice of Annual General Meeting continued

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 5.5p per Ordinary share payable on 31 July 2017 to Ordinary shareholders has been recommended by the Directors for the year ended 31 December 2016. The final dividend cannot exceed the amount recommended by the Directors.

Resolution 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 Karen L Prior to retire and submit herself to re-election at this year's AGM. There are no Directors of the Company who are eligible to submit themselves for re-election having been appointed since the last AGM.

Resolution 4: Appointment of Auditors and Remuneration of the Auditors

An ordinary resolution will be proposed to 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 £3,470,638 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 £1,735,319) 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 29 September 2018.

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 £525,854 (representing approximately 10% of the Company's issued share capital at 8 March 2017). 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 29 September 2018, 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.

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 8 March 2017, the Company had 23,006,276 Ordinary shares in issue of which 143,042 Ordinary shares were held in treasury. This resolution seeks authority to purchase a maximum of 2,286,323 shares, representing approximately 10% of the issued share capital as at 8 March 2017, excluding the Ordinary shares held in treasury.

Company information

Company Number

Registered in England and Wales 03345857

Registered Office and Head Office

Manton Wood Enterprise Park
Worksop
Nottinghamshire
S80 2RS
England

Telephone: 01909 537380

Company Secretary

Karen L Prior

Stock Exchange

London
Code: ANP

Website

www.anpario.com

Registrars

Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR
England

Telephone: 01252 821390

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
St. Paul's Place
121 Norfolk Street
Sheffield
S1 2LE
England

Bankers

Barclays Bank PLC

One Snowhill
Snow Hill Queensway
Birmingham
B3 2WN
England

HSBC Bank PLC

1st Floor
The Arc
NG2 Business Park
Enterprise Way
Nottingham
NG2 1EN
England

Nominated Adviser and Broker

Peel Hunt LLP

Moor House
120 London wall
London
EC2Y 5ET
England

Telephone: 0207 418 8900

Board of Directors

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

Chief Executive Officer (N)

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

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

Richard S Rose.

Non-Executive Chairman (A, N, R)

Richard joined the Board in March 2005 and was appointed Chairman in July 2006. Richard is also non-executive chairman of Crawshaw Group plc, Watchstone Group plc, Currency Fair Ltd and Blue Inc Limited. Previously, he has held a number of Chairman positions in organisations including AO World plc, Booker Group plc, AC Electrical Wholesale, and Whittard of Chelsea plc. In 2016, Richard won The Quoted Company Awards' Chairman of the Year award.

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

Non-Executive Director (A, N, R)

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

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/