



BOARD OF DIRECTORS



Jan Boone
Non-Executive Chairman



Jenny Winter
Chief Executive Officer

Jan was appointed Non-Executive Chairman of the Group on 13th July 2017 following the acquisition of Ecuphar NV.

Committee membership

Member of the Audit Committee and the Remuneration and Nomination Committee

Relevant skills and experience

Jan is Chief Executive Officer of Lotus Bakeries which is listed on Euronext Brussels. He started his career in the audit department at PricewaterhouseCoopers and holds a master's degree in Applied Economics from KU Leuven and a master's degree in Audit from the University of Mons-Hainaut in Belgium. Between 2000 and 2005, Jan served as Head of Corporate Controlling and Member of the Executive Committee of Omega Pharma NV. He became Managing Director of Lotus Bakeries in 2005 and Chief Executive Officer in 2011 and also serves as a Non-Executive Director of Club Brugge.

Jenny was appointed as Chief Executive Officer of the Group on 1st October 2018.

Committee membership

By invitation

Relevant skills and experience

Jenny has over 20 years' experience in the pharmaceuticals sector including various senior commercial roles at AstraZeneca and GlaxoSmithKline. Before her appointment, she was Vice-President of Respiratory products – Global Supply Chain and Strategy at AstraZeneca, a position she held from 2015. Other roles at AstraZeneca included Vice-President Cardiology – Global Product and Portfolio Strategy, Commercial Director – Eastern Europe, Marketing Company President Hungary, where she led a major change programme to drive future success and Global Vice President, Group Public Affairs.

Jenny has also been CEO of the charity Barretstown, transforming it into a successful leading children's charity. Her work at the charity resulted in her being asked by Barretstown board member Dermot Gleeson, Chairman of Allied Irish Bank, to join the Board of the bank as a Non-Executive Director, a role she held from 2004 to 2010.

Jenny has a BSc in Physiology and Pharmacology from the University of Southampton.



Chris Brewster
Chief Financial Officer and Company Secretary

Chris was appointed Chief Financial Officer in June 2012.

Committee membership

By invitation

Relevant skills and experience

Chris has a broad range of experience gained during his ten years of working across a number of functions at KPMG and through his role as Group Accounting Manager at Findus Group. Since joining Animalcare, he developed the systems, controls and management information needed to support the growth and strategy of the UK business.

Post-merger, Chris has taken responsibility for the changes required within the Finance and IT functions to create a robust platform for growth and more recently supporting the integration of the Group.



Chris Cardon
Chief Strategy Officer

Chris was appointed to the role of Chief Strategy Officer on 1st October 2018 and is responsible for developing the Group's acquisition strategy. Chris was previously Chief Executive Officer of Ecuphar NV and on its acquisition in July 2017 was appointed Chief Executive Officer of the Group.

Committee membership

By invitation

Relevant skills and experience

Chris graduated as a pharmacist from the University of Ghent in 1993 after which he took over his family's pharmacy business. In 1995, he completed an MBA at the Vlerick Leuven-Gent Management School.

Chris has a strong entrepreneurial background in human OTC product development and in 1996 he established Mooss-Pharma NV, a company which developed human OTC products that were exclusively distributed by pharmacists and became a key player in the Belgian market. In 2001, the OTC assets of Mooss-Pharma were acquired by Omega Pharma NV. Chris then founded Ecuphar NV as Chris Cardon NV in 2001 to capitalise on opportunities identified in the animal health industry and grew the company through a successful focus on product portfolio development.

Chris received the prestigious award "Export Lion of Flanders 2005" in the Young Exporters category.



BOARD OF DIRECTORS



Marc Coucke
Non-Executive Director

Marc was appointed as a Non-Executive Director on 13th July 2017 following the acquisition of Ecuphar NV.

Committee membership

Member of the Remuneration and Nomination Committee

Relevant skills and experience

Marc graduated as a pharmacist from the University of Ghent after which he completed an MBA at the Vlerick Leuven-Gent Management School.

Marc founded Omega Pharma NV in 1987, developing the company into a leading pan-European OTC health and personal care business and serving as both Chairman and Chief Executive Officer. Following the sale of Omega Pharma in 2015 to Perrigo Company plc, he invests via his private investment firm, Alychlo NV, in several listed and non-listed companies.

He currently serves as Chairman of Mithra Pharmaceuticals and as Non-Executive Director of Fagron, both Belgian companies, in addition to a number of private companies. As Chief Executive Officer of Omega Pharma, he was awarded the EY Flemish Entrepreneur of the Year in 2002.



Nick Downshire
Independent Non-Executive Director

Nick joined the Board of Animalcare in 2008 when it was acquired by Ritchey plc for whom he was a director from 1998.

Committee membership

Chairman of the Audit Committee

Relevant skills and experience

Nick is a qualified chartered accountant who worked in corporate finance and venture capital before becoming the finance director of a software company. He has held non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors.

Nick runs an estate in Yorkshire and is a former Chairman of the CLA for Yorkshire, as well as acting as a Trustee for a number of charitable and land related trusts. He is a council member and chairs the Audit Committee for the Duchy of Lancaster.

His experience with other organisations and his professional background assist him in chairing and bringing objectivity and analysis to the Audit Committee.



James Lambert
Independent Non-Executive Director

James was appointed Chairman of Animalcare in 2008 when it was acquired by Ritchey plc, for whom he was Chairman from 2005 and a Non-Executive Director from 2003. He stood down as Chairman on 13th July 2017 following the acquisition of Ecuphar NV.

Committee membership

Member of the Remuneration and Nomination Committee

Relevant skills and experience

James has spent his career helping to build, develop and manage successful businesses, enabling them to reach their full potential and give them strategic direction. In 1985, James co-founded R&R Ice Cream where he was Chief Executive Officer for 28 years and retired as Executive Chairman in 2014.

He is currently Chairman of Burton's Biscuits, Inspired Pet Nutrition and Whitman Howard.

James won the EY UK Entrepreneur of the Year award in 2014 and represented the UK in the EY World finals.



Ed Torr
Independent Non-Executive Director
Senior Independent Director

Ed was appointed as a Non-Executive Director and Senior Independent Director on 13th July 2017 following the acquisition of Ecuphar NV. On 16th February 2019, Ed was appointed Chairman of the Remuneration and Nomination Committee.

Committee membership

Member of the Audit Committee and Chairman of the Remuneration and Nomination Committee

Relevant skills and experience

Ed has significant experience of international veterinary and animal health markets, gained over a period of more than 20 years, during which time he has worked for ICI, Pitman Moore, Alfa Laval Agri and Dechra Pharmaceuticals.

He was part of the management buyout team that set up Dechra Veterinary Products in 1997 and was an executive director on the board of the Dechra entity listed on the London Stock Exchange from 2000 until 2013. During this time, he was responsible for business development and managing the European business unit, and was instrumental in setting up the US business.

Since 2014, Ed has independently advised various companies on sales and marketing structures, M&A opportunities, "in" and "out" licensing of products and investment opportunities within the veterinary and animal health market sector.



CORPORATE GOVERNANCE STATEMENT



“As a Board, we recognise that applying sound governance principles is essential to the successful running of the Group, and supports its long-term success and strategy for growth.”

Jan Boone
Non-Executive Chairman

An Introduction from our Chairman

As Chairman, I am responsible for leading the Board and upholding high standards of corporate governance throughout the Group and particularly at Board level. As a Board, we recognise that applying sound governance principles is essential to the successful running of the Group, and supports its long-term success and strategy for growth. I am therefore pleased to introduce our Corporate Governance Statement which summarises our approach to governance and provides information about how the Board and its committees operate.

The Company is listed on AIM and from September 2018 has been required to provide a statement of its compliance with a recognised corporate governance code. After the Company's admission to AIM in 2014, the Board continued to follow the principles of the UK Corporate Governance Code, as appropriate to the size and nature of the Company. Following a review during 2018, the Board adopted the QCA Corporate Governance Code, an updated version of which was published in April 2018 (the "QCA Code").

The Principles of Corporate Governance

Compliance with the QCA Code:

The Board believes that it applies the ten principles of the QCA Code. We recognise the need to continue to develop our governance practices and disclosures in some areas, in order to ensure we continue to apply the principles effectively going forwards. The policies, procedures and relevant systems we have implemented to date provide a firm foundation for our governance structure and the Board regularly reviews the structure to ensure that it develops in line with the growth and strategic plans of the Group.

Deliver Growth

The Board has collective responsibility for setting the strategic aims and objectives of the Group and our strategy is articulated on pages 12 to 13 and on our website, along with our business model on pages 8 to 9. In the course of implementing our strategic aims, the Board takes into account expectations of the Company's shareholder base and also its wider stakeholder and social responsibilities.

The Board also has responsibility for the Group's internal control and risk management systems. The Board regularly considers and reviews the risks and opportunities for the business and ensures that the mitigation strategies in place are the most effective and appropriate to the Group's operations.

Dynamic Management Framework

As Chairman, I consider the operation of the Board as a whole and the performance of the Directors individually. The Directors attend seminars from time to time and have regular updates at Board meetings to assist with training and awareness of compliance issues facing boards of quoted companies. Following the reverse takeover of Ecuphar NV in 2017 and resulting changes to the composition of the Board, the Board has re-established its annual board evaluation process. This involves the completion of a detailed questionnaire completed by each Director, the responses to which have been analysed and fed back to the Board with planned implementation of actions and recommendations.

Appointments to the Board are made on merit, but with due consideration to the need for diversity on the Board. All appointments are made to complement the existing balance of skills and experience on the Board.

The Company operates an open and inclusive culture and this is reflected in the way that the Board conducts itself. The Non-Executive Directors attend the Company's offices and other Company

events. With a relatively small employee base, such interactions mean it is relatively straightforward for the Board to promote and assess the desired corporate culture. We do, however, recognise this is an area for continuing development, and we intend to further develop our assessment of the recognition of our corporate culture and ethical values going forwards.

Build Trust

During the year the Board has continued to review governance and the Group's corporate governance framework. The Board will continue to monitor its application of the QCA Code and revise its governance framework as appropriate as the Group evolves.

The Board recognises the importance of maintaining regular dialogue with shareholders to ensure that the Group's strategy is communicated and to understand the expectations of our shareholders.

Board capabilities

The Board consists of eight experienced Directors who between them have considerable experience in the following areas:

- Strong animal health and pharmaceuticals sector experience
- Leading international change programmes
- Managing a global supply chain
- New product development
- Business planning and development
- Acquisitions
- Financial and audit
- Marketing
- Governance

Jan Boone

Non-Executive Chairman

Animalcare Group plc
30th April 2019





CORPORATE GOVERNANCE REPORT

The Role of the Board

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

The Composition of the Board

The composition of the Board has been structured to ensure that no one individual can dominate its decision-making processes.

The Board currently comprises three Executive Directors and five Non-Executive Directors. The biographies of the current Directors can be found on pages 30 to 33.

On 26th April 2018, Iain Menneer resigned from the Board.

On 1st October 2018, Chris Cardon took on the role of Chief Strategy Officer, remaining on the Board as an Executive Director, and Jenny Winter was appointed as Chief Executive Officer.

Collectively, the Non-Executive Directors bring an appropriate balance of functional and sector skills and experience such that they are able to provide constructive support and challenge to the Executive Directors.

The Non-Executive Directors attend external events and seminars to receive updates on matters such as financial reporting requirements and corporate governance. The Company Secretary also ensures that the Board is updated as to developments to corporate governance practice and forthcoming changes to legislation or regulation which may impact on the Company.

Independence

The Non-Executive Chairman, Jan Boone, and Senior Independent Director, Ed Torr, are considered independent and therefore the Board is compliant with the QCA Code, having at least two independent Non-Executive Directors. Although Nick Downshire and James Lambert have been directors of the Company for more than ten years, the Board also considers them independent in character and judgement.

Following the acquisition of Ecuphar NV, 23.1% of the issued share capital of the Company is held by Ecuphar Invest NV in July 2017, an entity controlled by Chris Cardon, and a further 23.1% of the issued share capital is held by Alychlo NV, an entity wholly owned by Marc Coucke.

The Board is aware of its duty to hear the voices of, and protect the interests of, all shareholders and has put in place contractual arrangements with Ecuphar Invest NV and Alychlo NV, in the form of a relationship agreement in order to protect minority shareholder interests. A copy of the relationship agreement is available on the Company's website (www.animalcaregroup.co.uk).

Appointments to the Board and re-election

The Board has delegated to the Remuneration and Nomination Committee the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors. Further details on the role of the Remuneration and Nomination Committee may be found in its report on page 42.

The Directors have the power to appoint Directors during the year but any person so appointed must stand for election at the next Annual General Meeting as required by the Company's Articles of Association ("Articles").

In accordance with corporate governance best practice, all of the Directors will retire and offer themselves for re-election at the next Annual General Meeting. The Board considers that each of the Directors continue to make a valuable contribution to the Board and to demonstrate commitment to the Group.

How the Board operates

The Board is responsible for the Group’s strategy and for its overall management. The operation of the Board is documented in a formal schedule of matters reserved for its approval, which sets out the Board’s responsibilities.

These include matters relating to:

- the Group’s strategic aims and objectives
- the structure and capital of the Group financial reporting, financial controls and dividend policy
- internal control, risk and the Group’s risk appetite
- the approval of significant contracts and expenditure
- effective communication with shareholders
- any changes to Board membership or structure

The Board meets at regular intervals and Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings.

An agenda and accompanying detailed papers, including reports from the Executive Directors and other members of senior management, are circulated to the Board in advance of each Board meeting.

Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group’s affairs to enable them to fulfil their duties as Directors. This requirement is also included in their letters of appointment. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion.

Directors are encouraged to question and voice any concerns they may have on any topic put to the Board for debate.

The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board. There is also a Leadership Team composed of the CEO, the CFO and representatives from senior management whose responsibilities are to implement the decisions of the Board and review the key business objectives and status of projects.

The table below shows Directors’ attendance at formal scheduled Board and Committee meetings during the year:

	Board	Audit Committee	Remuneration and Nomination Committee
Jan Boone	5/5	3/3	1/1
Chris Brewster	5/5	–	–
Chris Cardon	5/5	–	–
Marc Coucke ¹	4/5	–	1/1
Nick Downshire	5/5	3/3	–
James Lambert	5/5	–	1/1
Ed Torr	5/5	3/3	1/1
Jenny Winter ²	1/1	–	–

¹ Marc Coucke was unable to attend one Board meeting due to a conflicting business meeting.

² Jenny Winter was appointed to the Board on 1st October 2018.

Board decisions and activity during the year

There are a number of standing and routine items included for review on each Board agenda. These include the CEO’s report and operations reports, financial reports, consideration of reports from the Board Committees and investor relations updates. In addition, key areas put to the Board for consideration and review included:

- Strategy and integration
- Presentations from various parts of the business
- Consideration of management structure
- Approval of annual and half year report and financial statements
- Review of budget
- Going concern and cash flow
- Briefing and review of conflicts of interest
- Review of AGM business
- Market Abuse Regulation compliance
- Share Dealing Code
- Investor relations



CORPORATE GOVERNANCE REPORT

Leadership Team

The newly created Leadership Team consist of the Group Function Heads, Country Managers and Executive Directors. The team meets monthly and their responsibilities include tracking financial performance, progress versus integration targets, improving employee engagement and all aspects of the operational leadership of the organisation.

The Board Committees

There are two Board Committees, the Audit Committee and the Remuneration and Nomination Committee, both consisting of at least two independent Non-Executive Directors.

Each Board Committee has approved Terms of Reference setting out their responsibilities. The Terms of Reference were approved and reviewed by the Board during the year and are available on the Company's website (www.animalcaregroup.co.uk).

Details of the operation of the Board Committees are set out in their respective reports below. All of the Board Committees are authorised to obtain, at the Company's expense, professional advice on any matter within their Terms of Reference and to have access to sufficient resources in order to carry out their duties.

External Advisers

The Board seeks advice on various matters from its nominated adviser, and broker and corporate finance adviser, Panmure Gordon & Co, its lawyers, Squire Patton Boggs and its corporate governance and company secretarial adviser, Prism Cosec.

Development, information and support

The Company Secretary ensures that all Directors are kept abreast of changes in relevant legislation and regulations, with the assistance of the Company's advisers where appropriate. Executive Directors are subject to the Company's performance development review process through which their performance against predetermined objectives is reviewed and their personal and professional development needs considered.

Non-Executive Directors are encouraged to raise any personal development or training needs with the Chairman or Company Secretary.

Board Evaluation

The Board carried out a formal performance evaluation process during the year which was conducted by way of a detailed questionnaire completed by each member of the Board. The aim of the questionnaire was to obtain views on the effectiveness of the Board, its committees and on key governance areas. The responses were collated and reviewed by the Chairman and a summary of the results presented to the Board before its meeting in April.

Initial observations include more regular interaction with the Leadership Team and more opportunity for review of strategy for the long-term success of the Group. Further consideration will be given at the Board meeting in June.

Conflicts of interest

At each meeting of the Board or its Committees, the Directors are required to declare any interests in the matters to be discussed and are regularly reminded of their duty to notify any actual or potential conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest if deemed appropriate to do so.

Internal controls

The Board has ultimate responsibility for the Group's system of internal controls and for the ongoing review of their effectiveness.

Systems of internal control can only identify and manage risks and not eliminate them entirely. As a result, such controls cannot provide an absolute assurance against misstatement or loss. The Board considers that the internal controls which have been established and implemented are appropriate for the size, complexity and risk profile of the Group.

The main elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility
- Specified investment approval levels and financial authority limits
- An annual budgeting process which is approved by the Board
- Financial controls to ensure that the assets of the Group are safeguarded and that appropriate accounting records are maintained

The Board continues to review the system of internal controls to ensure it is fit for purpose and appropriate for the size and nature of the Company's operations and resources.

Independent Professional Advice

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible for advice on corporate governance matters to the Board and the Group's corporate governance and company secretarial adviser, Prism Cossec.

Directors' and Officers' Liability Insurance

The Company has purchased directors' and officers' liability insurance during the year as allowed by the Company's articles.

Risk Management

Risks throughout the Group are considered and reviewed on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic report on pages 26 to 28. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

Relations with shareholders and stakeholders

The Group maintains communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results. We encourage our shareholders to attend our Annual General Meetings ("AGMs") and we give them the opportunity to pose questions to our Directors.

General information about the Group is also available on the Group's website (www.animalcaregroup.co.uk). This includes an overview of activities of the Group and details of all recent Group announcements. The Non-Executive Directors are available to discuss any matter stakeholders might wish to raise, and the Chairman and independent Non-Executive Directors will attend meetings with investors and analysts as required.

A review of the share register is a regular item on the Board's agenda.

Due to the Company's relatively small employee base, the Non-Executive Directors are able to engage directly with employees and they attended meetings and dinners with some of the team.

During 2018, we conducted our first employee engagement survey, establishing a baseline for future measurement. The score reflects a period of significant change for many employees while we integrate the Group. We are committed to acting on the feedback we received in the survey in 2019.

Annual General Meeting

The Company's Annual General meeting ("AGM") will be held at 11.30 a.m. on Tuesday 25th June 2019 at the offices of Panmure Gordon & Co, 1 New Change, London, EC4M 9AF. The Notice of Annual General Meeting, including the resolutions to be proposed, is set out in a separate Notice of Meeting which accompanies this report and is available on the Company's website (www.animalcaregroup.co.uk). Shareholders will have an opportunity to raise questions with the Board at the AGM.



AUDIT COMMITTEE REPORT



“As Chairman of the Audit Committee, I am pleased to present the Audit Committee Report for the year ended 31st December 2018.”

Nick Downshire
Chairman of the Audit Committee

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored. Its role includes monitoring the integrity of the Group’s financial statements, reviewing significant financial reporting issues, reviewing the effectiveness of the Company’s internal control and risk management systems and overseeing the relationship with the external auditors (including advising on their appointment, agreeing the scope of the audit and reviewing the audit findings). It is also responsible for establishing, monitoring and reviewing procedures and controls for ensuring compliance with the AIM Rules.

Members of the Audit Committee

The Committee comprises three independent Non-Executive Directors:

- Nick Downshire (Chairman)
- Jan Boone
- Edwin Torr

The Board is satisfied that Nick Downshire, as Chairman of the Committee, who is a qualified Chartered Accountant having worked in corporate finance and venture capital and is an experienced Non-Executive Director and Audit Committee chair, has recent and relevant financial experience.

The Committee met three times during the year and on one occasion since the year end and will continue to meet at appropriate times in the reporting and audit cycle and at such other times as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, the Chief Executive Officer, Chief Financial Officer and external advisers may be invited to attend for all or part of the meeting.

Duties

The main duties of the Committee are set out in its Terms of Reference which are available on the Company’s website (www.animalcaregroup.co.uk) and include the following:

- To monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements that they contain
- To review the adequacy and effectiveness of the Company’s internal financial controls and internal control and risk management systems to identify, assess, manage and monitor financial risks, including the appropriateness and effectiveness of the risk management framework
- To review the arrangements for whistleblowing enabling its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters
- To consider annually whether the Company’s size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board
- To consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company’s external auditor
- To monitor and review the external auditor’s independence and objectivity, taking into account relevant statutory, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services

- To develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant statutory, professional and regulatory requirements on the matter; and
- To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee oversees the Group's and its subsidiaries' internal financial controls and risk management systems, recommends the half and full-year financial results to the Board and monitors the integrity of all formal reports and announcements relating to the Group's financial performance.

The Committee challenges both the external auditors and the management of the Group and reports the findings and recommendations of the external auditors to the Board. The Committee will meet to review the proposed audit work, review the results of the audit work and consider any recommendations arising from the audit.

Principal Activities during the Year

The items of business considered by the Committee during the year included:

- review of the 2017 financial statements and Annual Report
- consideration of the external audit report and management representation letter
- going concern review
- review of the 2018 audit plan and audit engagement letter
- review of the risk management and internal control systems
- review and approval of the interim results
- assessment of the need for an internal audit function; and
- meeting with the external auditors without management present.

Role of the external auditors

The Committee monitors the relationship with the external auditors to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditors. The breakdown of fees between audit and non-audit services is provided in note 24 to the Group's Consolidated Financial Statements.

The Committee also assesses the auditors' independence and performance. Having reviewed the auditors' independence and performance, the Committee recommended to the Board that a resolution to re-appoint PricewaterhouseCoopers LLP as the Group's auditors be proposed at the forthcoming Annual General Meeting.

Audit Process

The external auditor prepares an audit plan for its review of the full-year financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following its review, the external auditors presented their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the external auditors during the year; however, areas of significant risk and other matters of audit relevance are regularly communicated.

Internal Audit

The Audit Committee has again considered the need for an internal audit function during the year and continues to be of the view that, given the size and nature of the Group's operations and finance team, there is no current requirement to establish a separate internal audit function.

Risk Management and Internal Controls

The Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Share dealing

The Group has adopted a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules. All employees, including new joiners, are required to agree to comply with this code.

Whistleblowing

The Company has a whistleblowing procedure under which staff may report any suspicion of fraud, financial irregularity or other malpractice to any Executive Director.

Nick Downshire

Chairman of the Audit Committee
30th April 2019



REMUNERATION AND NOMINATION COMMITTEE REPORT

As Chairman of the Remuneration and Nomination Committee (“the Committee”), I am pleased to present our report which sets out details of the composition, structure and operation of the Committee, our remuneration policy and remuneration paid to Directors during the year.

Members of the Remuneration and Nomination Committee

The Committee comprises four Non-Executive Directors, three of which are independent:

- Ed Torr (Chairman)
- Jan Boone
- Marc Coucke
- James Lambert

James Lambert chaired the Committee during the year under review. At its meeting in February 2019, the Board agreed that Ed Torr would chair the Committee going forwards.

The Committee considers Group strategy when recommending the appointment of directors and setting and reviewing remuneration.

The Committee meets at least once a year and at such other times during the year as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, other individuals, such as the Chief Executive and external advisers, may be invited to attend for all or part of any meeting.

Duties

The Committee works closely with the Board to formulate remuneration policy and to consider succession plans and possible internal candidates for future Board roles, having regard to the views of shareholders. The main duties of the Committee are set out in its Terms of Reference, which are available on the Company’s website (www.animalcaregroup.co.uk) and include the following key responsibilities:

Nomination

- Leading the process for all potential appointments to the Board and making recommendations to the Board in relation to potential appointments;
- Evaluating the balance of skills, experience, independence and knowledge on the Board; and
- In the light of any evaluation, prepare a description of the role and capabilities required for a particular appointment.

Remuneration

- Setting remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments; and
- Recommending and monitoring the level and structure of remuneration for senior management.

Principal activities during the year

The Committee led the process to identify and appoint a new Chief Executive Officer. The process consisted of:

- Identifying and agreeing the key skills, experience and attributes of the desired candidate
- Identifying and instructing an executive search agency
- Reviewing the shortlist and arranging first round interviews
- Second round interviews
- Recommending the preferred candidate for appointment

The Committee engaged Odgers Berndtson to conduct the search; they have no other connection with the Company. Odgers Berndtson produced a shortlist of potential candidates. First round interviews with four candidates were conducted by members of the Committee and one candidate was shortlisted for second round interview.

Jenny Winter was identified as the preferred candidate and met separately with the other members of the Board.

The Committee unanimously agreed to recommend to the Board that Jenny Winter be appointed as Chief Executive Officer and she was appointed with effect from 1st October 2018.

The Committee considered and agreed Ms Winter’s remuneration package on her appointment.

The Committee also considered:

- Executive Directors’ bonuses and salaries
- Performance criteria for the Long Term Incentive Plan (“LTIP”) and future awards under the LTIP
- Succession planning
- Re-election of directors at the AGM
- Review of the Committee’s terms of reference

The Committee considers Group strategy when recommending the appointment of directors and setting and reviewing remuneration.

Diversity

The Company’s policy is that recruitment, promotion and any other selection exercises will be conducted on the basis of merit against objective criteria that avoid discrimination. No individual should be discriminated against on the ground of race, colour, ethnicity, religious belief, political affiliation, gender, age or disability, and this extends to Board appointments.

The Board recognises the benefits of diversity, including gender diversity, on the Board, although it believes that all appointments should be made on merit, while ensuring there is an appropriate balance of skills and experience within the Board.

The Board currently consists of 12.5% (1) female and 87.5% (7) male board members. The Leadership Team consist of 54% (7) male and 46% (6) female members.

DIRECTORS' REMUNERATION REPORT

The following disclosures are made in accordance with best practice governance standards as an AIM company and to provide transparency about how our Directors are rewarded.

This report covers the financial year ended 31st December 2018.

The Remuneration and Nomination Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration and Nomination Committee ("the Committee"). Details of the Committee, its remit and its activities are set out on page 42.

The Committee is, among other things, responsible for setting the remuneration policy for Executive Directors and the Chairman, and recommending and monitoring the level and structure of remuneration for senior management.

Remuneration policy

The objective of the remuneration policy is to promote the long-term success of the Company, having regard to the views of shareholders and stakeholders.

In formulating remuneration policy for the Executive Directors, the Committee considers a number of factors designed to:

- have regard to the Director's experience and the nature and complexity of their work in order to pay a competitive salary, in line with comparable companies, that attracts and retains Directors of the highest quality;
- reflect the Director's personal performance; and
- link individual remuneration packages to the Group's long-term performance and continued success of the Group through the award of annual bonuses and share-based incentive schemes.

Executive Directors

Current components of the Executive Directors' remuneration are base salary, annual bonus and share-based incentive schemes.

Base salary

Base salary is reviewed annually by the Committee.

Annual bonus

The Committee has agreed performance conditions for the annual bonuses of the Executive Directors based on the achievement of certain financial and operational KPIs. Each Executive Director has performance conditions related to the profitable growth of the Group and has additional performance conditions relevant to their own areas of responsibility.

Long Term Incentive Plan

A Long Term Incentive Plan, the Animalcare Group plc Long Term Incentive Plan 2017 ("the LTIP") was approved by the Board in June 2017. A summary of the LTIP was set out in the circular sent to shareholders on 24th June 2017 which is available on the Company's website (www.animalcaregroup.co.uk). No options have been granted under the LTIP as at the date of this report; however, the Committee has considered appropriate performance measures and intends to grant options to Executive Directors and members of the Leadership team under the LTIP during the current financial year. Non-Executive Directors are not eligible to participate in the LTIP.

Other benefits

A range of benefits may be provided including company car allowance, private medical insurance, life assurance, long-term disability insurance, general employee benefits and travel and related expenses. The Committee also retains the discretion to offer additional benefits as appropriate, such as assistance with relocation, tax equalisation and overseas tax advisory fees.



DIRECTORS' REMUNERATION REPORT

Service agreements and termination payments

Details of the Executive Directors' service agreements are set out below.

Director	Date of contract	Unexpired term	Notice period by Company	Notice period by Director
Chris Brewster	24th January 2012	Rolling contract	6 months	6 months
Chris Cardon	23rd June 2017	Rolling contract	12 months	12 months
Jenny Winter	2nd August 2018	Rolling contract	6 months	6 months

The Executive Directors may be put on gardening leave during their notice period, and the Company can elect to terminate their employment by making a payment in lieu of notice of up to the applicable notice period.

Iain Menneer resigned as a director of the Company on 26th April 2018 and was placed on gardening leave for his 12 month notice period.

Employees' pay

Employees' pay and conditions across the Group are considered when reviewing remuneration policy for Executive Directors.

Non-Executive Directors

The remuneration payable to Non-Executive Directors (other than the Chairman) is decided by the Chairman and Executive Directors.

Fees are designed to ensure the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-Executive Directors do not participate in any annual bonus, share options or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors.

Terms of appointment

Each of the Non-Executive Directors signed a letter of appointment on 23rd June 2017 for a period of three years which can be terminated by either party giving to the other one month's prior written notice.

ANNUAL REMUNERATION REPORT

THIS REPORT COVERS THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018.

This report also sets out details of the Executive Directors' share options and the Directors' interests in the share capital of the Company.

Directors' remuneration table (audited)

£'000		Salary and fees	Annual bonus	Benefits	Pension	Compensation for loss of office	Total
Executive Directors							
Jenny Winter ¹	2018	71	–	3	–	–	74
	2017	–	–	–	–	–	–
Chris Brewster	2018	205	–	12	25	–	242
	2017	184	46	12	22	–	264
Chris Cardon ^{2,3,4}	2018	352	–	7	27	–	386
	2017	205	–	–	–	–	205
Iain Menneer ⁵	2018	32	–	3	28	203	266
	2017	282	63	15	34	–	394
Walter Beyers ⁶	2018	–	–	–	–	–	–
	2017	71	–	–	–	45	116
Non-Executive Directors							
Jan Boone ⁸	2018	70	–	–	–	–	70
	2017	35	–	–	–	–	35
Marc Coucke ⁸	2018	40	–	–	–	–	40
	2017	19	–	–	–	–	19
Nick Downshire ⁷	2018	40	–	–	–	–	40
	2017	43	–	5	–	–	48
James Lambert ⁷	2018	40	–	–	–	–	40
	2017	55	–	–	–	–	55
Ed Torr ⁸	2018	40	–	–	–	–	40
	2017	19	–	–	–	–	19
Ray Harding ⁹	2018	–	–	–	–	–	–
	2017	24	–	–	–	12	36
Total	2018	890	–	25	80	203	1,198
	2017	937	109	32	56	57	1,191

1. Jenny Winter was appointed as a director on 1st October 2018. Her annual salary was £285,000.

2. Chris Cardon's salary is paid in euros. From 1st January to 30th September, Mr Cardon's annual salary was €335,000. On his change of role from 1st October 2018, his annual salary was €250,000. Pro rated salary is converted to GBP at the Group 2018 average rate of £1:€1.1304. The 2017 comparative figure includes Mr Cardon's remuneration as a director of the newly formed Group from 13th July 2017.

3. Mr Cardon received a car allowance of €6,000 per annum and life assurance and private medical cover to the value of £3,413 per annum for the period from 1st January to 30th September 2018.

4. Mr Cardon received a salary supplement in lieu of a pension contribution of 12% of salary for the period from 1st January to 30th September 2018.

5. Iain Menneer resigned as a director of the Company on 26th April 2018 and was placed on gardening leave for his 12 month notice period. Compensation for loss of office represents the salary paid to Mr Menneer from 27th April to 31st December 2018 while on gardening leave.

6. Walter Beyers was a director of the newly formed Group from 13th July 2017 to 26th September 2017, and a director of Ecuphar NV from 1st January 2017 to 26th September 2017.

7. Nick Downshire and James Lambert were directors of Animalcare Group plc for the whole of the financial year ended 31st December 2017. Remuneration disclosed for 2017 relates to their remuneration for the 18 months from 1st July 2016 to 31st December 2017.

8. Jan Boone, Marc Coucke and Ed Torr were appointed directors of the newly formed Group from 13th July 2017. Remuneration disclosed for 2017 relates to their remuneration from 13th July 2017 to 31st December 2017.

9. Ray Harding resigned as a director on 13th July 2017.



ANNUAL REMUNERATION REPORT

THIS REPORT COVERS THE FINANCIAL YEAR ENDED 31ST DECEMBER 2018.

Share option schemes

Save As You Earn

During the year, Iain Menneer exercised 5,142 share options granted in 2014 under the Save As You Earn scheme at an option price of £1.05 per share. The value of this exercise to Mr Menneer was £5,399.

8,571 share options granted to Chris Brewster in 2014 under the Save As You Earn scheme lapsed in 2018.

Directors' Interests in the Share Capital of the Company

The Directors' interests in the share capital of the Company as at 31st December 2018 and the movements during the year are set out below:

Director	Number of shares held as at 1 January 2018	Acquired/ (disposed) during the period	Number of shares held as at 31st December 2018	Percentage of ISC as at 31st December 2018
Jan Boone	50,171	–	50,171	0.08
Chris Brewster	280,513	–	280,513	0.47
Chris Cardon	13,857,213	–	13,857,213	23.07
Marc Coucke	13,857,213	–	13,857,213	23.07
Nick Downshire	1,031,529	–	1,031,529	1.75
James Lambert	1,313,691	–	1,313,691	2.19
Edwin Torr	107,455	–	107,455	0.18
Jenny Winter ¹	–	–	–	–

1. Appointed 1st October 2018.

In addition, as at 1st January 2018, Nick Downshire had a non-beneficial interest of 190,446 shares; as at 31st December 2018, he had a non-beneficial interest of 190,446 shares.

Iain Menneer resigned as a director during the year; as at 1st January 2018, he held 601,932 shares in the Company.

There were no changes in the Directors' interests in shares between 31st December 2018 and 30th April 2019.

Ed Torr

Chairman of the Remuneration and Nomination Committee

30th April 2019

DIRECTORS' REPORT

The Directors present the Directors' report, together with the audited Financial Statements of the Group and the Company for the year ended 31st December 2018.

Principal Activities

Animalcare Group plc is a public limited company incorporated in England and Wales with registered number 01058015, which is listed on the Alternative Investment Market ("AIM") of London Stock Exchange.

The principal activity of the Group during the period was the development, sale and distribution of licensed veterinary pharmaceuticals and identification products and services to companion animal veterinary markets.

Statutory Information contained elsewhere in the Annual Report

Information required to be part of the Directors' report can be found elsewhere in this document, as indicated, and is incorporated into this report by reference:

Results in the Chief Financial Officer's review on pages 20 to 24.

Corporate Governance and the Group's financial risk management objectives in the Corporate Governance report on pages 36 to 39.

Details of the salaries, bonuses, benefits and share interests of Directors in the Directors' remuneration report on pages 43 to 46.

Directors' responsibility statements on page 50.

Likely future events and all post-balance sheet events are disclosed within the Strategic report on pages 1 to 28.

Dividend

The Board is recommending a final dividend of 2.4p per share which, subject to shareholder approval at the Company's 2019 AGM, will result in a full year dividend of 4.4p per share (including the interim dividend of 2p per share paid in November 2018). The final dividend will be paid on Friday 5th July 2019 to all shareholders on the register of members at close of business on Friday 7th June 2019.

Directors and Directors' Interests

The names of the current Directors of the Company and their biographical details are shown on pages 30 to 33. Changes to directorships during the reporting period are shown on page 36. Details of Directors' interests in the shares of the Company are shown on page 46. This information is incorporated into this report by reference.

Share capital

The Company's issued share capital as at 31st December 2018 was £12,011,432.20 divided into 60,057,161 ordinary shares of 20 pence each. Details of changes to the Company's issued share capital during the financial period are provided in note 21 to the Consolidated Financial Statements on page 96.

There have been no changes to the Company's issued share capital between 31st December 2018 and the date of this report.

The Company's ordinary shares rank *pari passu* in all respects with each other, including for voting purposes and for all dividends. Ordinary shareholders are entitled to receive notice of, and to attend and speak at, any general meeting of the Company. On a show of hands, every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll, every shareholder who is present in person or by proxy shall have one vote for every share they hold. The Notice of Annual General Meeting specifies deadlines for exercising voting

rights and appointing a proxy or proxies. Further information on the voting and other rights of shareholders are set out in the Company's Articles of Association, which are available on the Company's website (www.animalcaregroup.co.uk).

Other than the general provisions of the Articles of Association (and prevailing legislation), there are no specific restrictions on the size of a holding or on the transfer of any class of shares in the Company. No shareholder holds securities carrying any special rights or control over the Company's share capital.

Authority for the Company to purchase its own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

At the AGM on 27th June 2018, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 6,001,412 of its ordinary shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire on the date of this year's AGM.



DIRECTORS' REPORT

Research and Development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Chief Executive Officer's Review. During the period under review, the Group incurred research and development expenditure including additions to intangibles of £6.2m (2017: £3.9m).

Articles of Association

The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association. Amendments to the Articles of Association of the Company may be made by Special Resolution of the shareholders.

Financial Instruments and Risk Management

Disclosures regarding risk management and financial instruments are provided within the Strategic Report and in note 20 to the Consolidated Financial Statements on page 96.

Directors' Indemnities and Liability Insurance

The Company's Articles of Association (the 'Articles') provide, subject to the provisions of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers. The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the period and these remain in force at the date of this report.

The Group purchases and maintains directors' and officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 31st December 2018 and remains in place at the date of this report. The Company reviews its level of cover annually.

Political Donations

No political donations were made during the year (2017: £nil).

Employees

The Board recognises that the Group's performance and success are directly related to our ability to attract, retain and motivate high calibre employees. We are committed to linking reward to business and individual performance, thereby giving employees the opportunity to share in the financial success of the Group. Employees are typically provided with financial incentives related to the performance of the Group in the form of annual bonuses. The Board also recognises employees for their contribution through the use of employee incentive plans and share plans within overall remuneration.

Applications for employment by disabled persons are given full and fair consideration. When existing employees become disabled every effort is made to provide continuing employment wherever possible.

Significant Shareholdings

The Company has been notified of the following interests or is otherwise aware of the following interests, representing 3% or more of the issued share capital of the Company as at 26th April 2019:

Name of holder	No. of ordinary shares	% holding
Alychlo NV	13,857,213	23.07
Ecuphar Invest NV	13,857,213	23.07
Liontrust Asset Management	5,359,154	8.92

Relationship Agreement

On 23rd June 2017, the Company entered into a relationship agreement with Panmure Gordon, the Company's nominated adviser and broker and Alychlo NV and Ecuphar Invest NV ("the Substantial Shareholders"). The Substantial Shareholders together own more than 40% of the Group's total issued share capital. The Relationship Agreement is intended to ensure that the Company will at all times be capable of carrying on the business independently of each of the Substantial Shareholders and their respective Shareholder Groups (being the Associate of the Substantial Shareholders) and all transactions and arrangements between i) the Company and ii) each of the Substantial Shareholders and the members of their respective Shareholder Groups will be at arm's length and on normal commercial terms.

The Board confirms that, at all times since it was entered into:

- the Company has complied with its obligations under the Relationship Agreement; and
- so far as the Company is aware, the Substantial Shareholders and their respective Shareholder Groups have complied with the provisions of the Relationship Agreement.

The Relationship Agreement will continue for as long as the Ordinary Shares as defined in the Relationship Agreement are admitted to trading on AIM and the Substantial Shareholders together with their respective groups are interested in voting rights representing, in aggregate, 25% or more of total voting rights attaching to the Ordinary Shares (provided that, if the interest of a Majority Vendor together with its associates falls below 5%, the Relationship Agreement shall cease to apply to that Majority Vendor).

Going Concern

The principal risks and uncertainties facing the Group are set out on pages 26 to 28.

For the purposes of their assessment of the appropriateness of the preparation of the Group's financial statements on a going concern basis, the Directors have considered the current cash position and forecasts of future trading, including working capital and investment requirements.

During the year, the Group met its day-to-day general corporate and working capital requirements through existing cash resources. At 31st December 2018, the Group had cash on hand of £8.0m (31st December 2017: £7.6m).

Overall, the Directors believe the Group is well placed to manage its business risks successfully and continue to be profitable and cash generative. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group should have sufficient cash resources to meet its requirements for at least the next 12 months. Accordingly, the adoption of the going concern basis in preparing the financial statements remains appropriate.

Auditors

Each of the persons who is a Director at the date of this Annual Report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and resolutions seeking to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The Company's Annual General Meeting will be held at 11.30 a.m. on Tuesday 25th June 2019 at the offices of Panmure Gordon, 1 New Change, London, EC4M 9AF. The Notice of Annual General Meeting, including the resolutions to be proposed, is set out in a separate Notice of Meeting which accompanies this report and is available on the Company's website www.animalcaregroup.co.uk

Approval

The Strategic report on pages 1 to 28 and this Directors' report on pages 47 to 49 were approved by the Board on 30th April 2019.

Approved by the Board and signed on its behalf by

Chris Brewster

Chief Financial Officer and
Company Secretary

30th April 2019



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Chris Brewster

Chief Financial Officer and Company Secretary

30th April 2019