ANPARIO

Anpario plc Annual Report 2013

Anpario's strategy for growth

Anpario plc is an international producer and distributor of high performance natural feed additives for animal health, hygiene and nutrition. The Group's portfolio of products are developed with the customer and the consumer in mind. Each product is designed to improve the health or output of animals, helping the livestock producer maximise their returns.

We are 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 aim

To professionally serve the global agricultural industry with a broad range of high quality performance enhancing products via well established and trusted brands that specialise in animal health, hygiene and nutrition.

Our values

Honesty | Integrity | Teamwork | Innovation | Leadership

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Strategic report

Financial and operational highlights

Richard S Rose, Chairman, commented:

"Anpario has delivered a good performance in the twelve months to 31 December 2013 reflecting the success of a number of ongoing strategic initiatives. The balance sheet remains strong with no debt and the cash generative nature of the business gives us the means to make acquisitions, at the right price, should the opportunity arise. The outlook for global agricultural markets presents exciting opportunities and Anpario is well placed to maintain its strong growth record. We look forward with confidence, as the Company benefits from the natural ingredients in its products and their increasing importance and acceptance in world markets."

Financial highlights

- 12% uplift in sales revenue to £26.3m (2012: £23.5m)
- 20% improvement in gross profit to £9.2m (2012: £7.7m)
- 12% rise in adjusted EBITDA[1] to £3.5m (2012: £3.1m)
- 17% increase in the proposed final dividend to 3.5p per share (2012: 3.0p)
- Cash balances of £4.8m at year end (2012: £3.7m)

Operational highlights

- Double-digit growth in gross profit delivered in all geographic regions
- Significant advances in revenue achieved in Brazil and China
- Establishment of regional office in Malaysia supports revenue growth of 31% in Asia Pacific
- Toxin binder range delivers revenue growth of 59%
- Formation of USA operation well underway

1. Adjusted EBITDA represents operating profit £2.9m (2012: £1.6m) adjusted for: share based payments £0.2m (2012: £0.1m); acquisition and restructuring related costs of £nil (2012: £0.4m); and depreciation, amortisation and impairment charges of £0.4m (2012: £1.0m).
2. Underlying earnings per share represents profit for the year £2.6m (2012: £2.1m) before: acquisition and restructuring related costs £nil (2012: £0.4m); impairment of intangibles £nil (2012: £0.7m); unwinding of discount on contingent consideration £0.1m (2012: £0.1m); and prior year tax credits £0.3m (2012: £0.9m) divided by the weighted average number of shares in issue.

Strategic report continued

Chairman's statement

Anpario delivered a good performance in the twelve months to 31 December 2013 with further advances in sales revenue, profit and market share across its key geographic market areas. These results reflect the success of a number of initiatives that are enabling the Group to direct its investment and resources to expanding market share within the geographic regions that offer the greatest potential.

During the year we built upon our strategy of establishing local operations in key territories. The establishment and success of our Subsidiary in China is most encouraging as we continue to develop the business in this important market. In the second quarter of the year we formed a Subsidiary in Brazil and also began to establish operations in the United States, which together with China, are the three largest pig and poultry producing countries in the world, accounting for more than half world output.

Anpario was also granted approval by the Malaysian authorities to form a regional office in Kuala Lumpur to provide local sales and technical support for customers in the Asia Pacific region. The creation of this regional presence is consistent with the Group's aim to drive growth by broadening its customer base and product offering through local operations. The impressive revenue increase during the year within Asia Pacific validates the Company's strategy and also highlights the significant potential of the region.

Financial review

In 2013 Anpario achieved another year of earnings growth. Profit after tax for the year to 31 December 2013 increased by 21% to £2.6m (2012: £2.1m) on sales up by 12% at £26.3m (2012: £23.5m). Good like for like progress has been achieved in our key target regions with Asia Pacific leading the way with an increase in revenues from the region of 31%.

Adjusted EBITDA[1] advanced by 12% to £3.5m (2012: £3.1m) with gross profit increasing 20% to £9.2m (2012: £7.7m) reflecting organic growth and production efficiencies.

The flat underlying earnings per share[2] of 13.06p (2012: 13.32p), reflects planned investment in key technical and sales resources to strengthen our business and support further expansion. This has included the setting up of operations in Brazil, Malaysia and the USA. The increase in administrative expenses is also linked to the Group's Meriden acquisition.

Tax credits in 2012 and 2013 have arisen from the utilisation of historic losses and research and development tax credits.

The balance sheet remains strong and is debt free. Cash generation continues to be a strong feature of the Group, with a year-end cash balance of £4.8m (2012: £3.7m). The Group has invested £0.9m which includes plant automation and also significant expenditure in protecting its brands by securing international trademark protection as appropriate.

The Board is recommending a final dividend of 3.5p per share, an increase of 17% over last year's dividend. This continues our progressive dividend policy and reflects the Board's confidence in Anpario's future development. It is proposed that the final dividend will be paid on 25 July 2014 to shareholders on the register at the close of business on 11 July 2014.

Operations – International agriculture

A key strategy of the Division is to concentrate on those countries and products which offer the greatest potential for sales and profit growth. This has enabled our management to improve their knowledge of these markets, raise customer service levels and increase sales and market share.

Good sales growth was achieved in a number of important territories, including the major markets of Brazil and China. The Asia Pacific region is of particular importance to Anpario and we achieved double-digit revenue growth, compared with the previous year, in Bangladesh, India, Malaysia, the Philippines, South Korea, Thailand and Vietnam. The establishment of a regional office in Kuala Lumpur has enabled the Group to invest in local resource, strengthening its presence in the region, enabling a deeper understanding of the countries and a closer working relationship with our distributors and customers. This investment has already started to deliver benefits and this should continue as the team becomes further embedded in the region.

Investment in local sales and technical support teams is vital to provide a strong link between customers and the Company and during the year we made further advances. Investment is focused on the core regions of Latin America and Asia Pacific as well as the United States, where our operation is in start-up phase. The timing of our investment in the United States is aligned with the continued tightening of national legislation regarding the banning of antibiotics from the food chain. The US Food and Drug Administration announced in early 2014 that the use of antibiotics to promote animal growth will be phased out by 2017. This requirement will provide a significant opportunity for Anpario's natural feed additives. Meriden launched its Orego-Stim feed additive at the International Production and Processing Expo held in Atlanta in January 2014. There was strong interest from a range of existing and potential customers and the product was well received. A full sales and marketing campaign is now underway in the United States to promote the benefits of our natural feed products through a series of customer trials.

Europe continues to set the pace in terms of legislation regarding the use of antibiotics and new laws are impacting those countries supplying the European Union. Brazil is the largest supplier of poultry to the European Union and therefore has to ensure that its producers use natural feed additives, thereby creating greater opportunities for Anpario in Brazil.

Demand for meat protein is growing worldwide and food producers, particularly in a number of developing countries, are under pressure to ensure production is aligned with best practice. Anpario's broad range of nutritional and biosecurity led products offer farmers a comprehensive solution to their problems. Meriden had a strong year and benefitted from its entry into a number of new markets in Africa where Orego-Stim has been well received.

Anpario's natural feed additives protect animals from disease and enhance growth and this has been demonstrated through many trials undertaken by the Group in a number of countries. Trials are often a necessary part of the sales process to prove the efficacy of products to potential customers. They have been fundamental to our success in Brazil, where we have demonstrated that Anpario's products improve protection from disease in the parent stock and also ensure that the offspring receive the same benefit.

The Division is well positioned for the year ahead and with the marketing and technical teams in place; the focus is on implementing our strategy to work with local distributors to build sales and market penetration while remaining close to the customer.

Operations – UK agriculture

The transformation of the UK Agriculture Division continued throughout 2013 resulting in double-digit growth in gross profit. The Division now concentrates on the added value benefits of its specialty feed additive ranges and has moved away from commodity type products. The successful launch during the year of the important new toxin binders Ultrabond and Neutox will help to drive progress for the Division.

The UK organic animal feed market continued to be affected by weak trading conditions and this impacted the progress of Vitrition, our Organic Division, as it continued to manage uncertainty within the customer base. It is encouraging to report that following the year end there are early signs that some optimism is returning to this market. The Division remains very well placed to strengthen its share and address the challenges in the market.

Central operations

There has been significant investment during the year in the important areas of technical and product development, marketing and quality control. This expenditure will support the Group's growth, including its strategy of getting closer to markets and customers through enhanced levels of service and local technical and marketing support.

Strategic report continued

The strengthening of the technical function will raise further the skill level of our sales teams and distributors whilst also ensuring the effective promotion of our product offering to existing and potential customers through trials, seminars and visits. It will also provide additional support for innovation, research and development and the creation of new products. The appointment of managers responsible for marketing each of the Company's trading brands will ensure that technical developments are brought to market speedily and effectively. This process is designed to create a consistent and continuous message and help to develop the distinctive features of each of our key products across the global marketplace. This strategy will not only strengthen Anpario's identity in its markets but also create value for stakeholders.

The objective of our investment in quality control is to ensure that the Group and particularly the manufacturing facility are focused on efficiency and process improvement. Maintaining the highest quality standards is essential for our customers and with volumes increasing, creates the opportunity to maximise the Group's operational gearing and contribute significantly to profit.

Outlook

The current year has started well with the Group's performance in line with management's expectations. The successful establishment of Subsidiaries in the three largest meat producing markets provides Anpario with a sound platform from which to continue to grow the business.

The balance sheet remains strong with no debt and the cash generative nature of the business gives us the means to make acquisitions, at the right price, should the opportunity arise. The outlook for global agricultural markets presents exciting opportunities and Anpario is well placed to maintain its strong growth record. We look forward with confidence, as the Company benefits from the natural ingredients in its products and their increasing importance and acceptance in world markets.

Richard S Rose
Chairman
9 May 2014

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 note 2.22 to the financial statements, are the most significant but not necessarily the only ones associated with the Group and its businesses:

(a) 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.

(b) 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.

(c) 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 margins and seeks to pass on increased costs to its customers; a number of suppliers are used in order to secure the best raw material prices.

(d) 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.

(e) 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.

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:

	2013 £000	2012 £000
Financial		
Revenue	**26,264**	23,509
Gross profit	**9,219**	7,660
Adjusted EBITDA	**3,479**	3,109
Underlying earnings per share	**13.06p**	13.32p
Non-financial		
Health and safety - major accidents reportable to the Board in the year	**nil**	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.

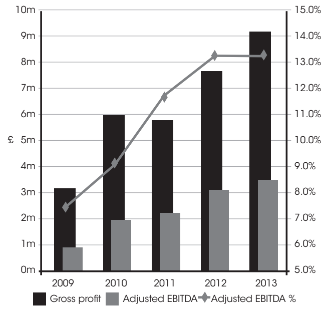
Strategic report continued

Our platform for growth - focus - less is more . . .

Geographic diversity: supplying the world

Protection and performance

Generating shareholder value



Regionalisation

- We will target key markets that offer the greatest growth prospects and prioritise resources, time and investment on these targets
- The fastest developing regions of Asia Pacific and Latin America are our focus
- Wholly owned Subsidiaries have been set up in China, Brazil and in 2014, the USA: These are the top three meat producing countries in the world, accounting for over 50% of production output
- A regional office set up in Malaysia to service the Asia Pacific region
- Specific countries in Europe, Middle East and Africa are also being targeted

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

Differentiation

- We will combine science and marketing to add value to our offering and drive differentiation from our competitors
- The calibre of the technical team has been raised with the majority having qualified as PhD’s or veterinarians
- Our expanding database of trials continues to demonstrate improvements in food conversion, productivity, weight gain and mortality reduction
- Investment in brand managers for each trading brand will utilise the science to transform our products into brands and strengthen our identity

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

Efficiency

- We will maximise efficient use of our resources to generate continued, consistent and sustained value for our shareholders
- We are profitable, cash generative, debt free and pay an increasing dividend
- We aim to drive growth by focusing on higher penetration of our product portfolio in key countries
- 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

Our opportunity

Global population growth

- The world population is due 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 is accelerating at a pace
- All these demands need to be met from a finite land resource
- Farming has to intensify significantly in order to satisfy these demands

Legislation and food safety

- Intensivity is increasing in 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 demanding improved levels of food safety
- Legislation is tightening

Anpario

- Natural alternatives to protect and improve performance of livestock are becoming a necessity
- Consolidating family run businesses through acquisition has offered transformational scope
- A diverse geographic reach with a focus to get closer to our customers generates significant upside potential
- Our innovative product portfolio will add value and fuel our growth

Directors' report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2013.

Directors

The Directors during the year under review and up to the date of signing the financial statements were:

Richard S Rose
Richard P Edwards
David M A Bullen
Karen L Prior
Peter A Lawrence

Results and dividends

The consolidated income statement for the year is set out on page 15.

The profit for the year after tax was £2.6m (2012: £2.1m). The Directors propose a final dividend of 3.5p per share (2012: 3.0p), amounting to a total dividend of £666,000 (2012: £568,000).

Substantial shareholdings

At 9 May 2014, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital:

	Ordinary shares (000)	% held
ISIS EP LLP	2,299	11.6
Unicorn Asset Management Limited	2,258	11.4
Royal Trust Corp of Canada Custodians	1,484	7.5
Investec Wealth & Investment Limited	1,160	5.8
Artemis Investment Management LLP	978	4.9
Amati Global Investors Limited	964	4.9
Barclays Stockbrokers Limited	736	3.7
Downing LLP	596	3.0

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 on pages 3 to 5.

Share capital

During the year 75,217 Ordinary shares of 23p each were issued pursuant to the exercise of share options under the Company's Enterprise Management Incentive Scheme.

A Special Resolution will be proposed at our AGM to renew the Directors' limited authority last granted in 2013 to repurchase Ordinary shares in the market.

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.

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.

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.

Directors' remuneration

	Emoluments and compensation		Post-employment benefits	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
R S Rose	**38**	23	**-**	-
R P Edwards	**183**	282	**11**	7
D M A Bullen	**234**	283	**15**	9
K L Prior	**196**	239	**13**	7
P A Lawrence	**33**	28	**-**	-
R H Scragg	**-**	11	**-**	-

Richard H Scragg resigned as a director on 15 June 2012.

Emoluments and compensation includes salary, bonus and benefits in kind. Bonus payments are paid in respect of the achievement of trading performance, organic growth and acquisition targets.

Directors' interests

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

	Ordinary shares of 23p each	
	31 Dec 2013	31 Dec 2012
R S Rose	**31,057**	31,057
R P Edwards	**62,681**	62,681
D M A Bullen	**-**	-
K L Prior	**52,751**	40,001
P A Lawrence	**27,950**	27,950

There has been no change in the Directors' interests between 31 December 2013 and 9 May 2014.

Management Incentive Schemes

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

	Option price (pence per share)	**31 Dec 2013**	31 Dec 2012
R S Rose	161.00	**21,739**	21,739
	115.00	**21,739**	21,739
R P Edwards	69.00	**99,378**	99,378
	31.74	**63,011**	63,011
	158.50	**80,000**	-
	117.60	**7,653**	-
D M A Bullen	80.50	**21,739**	21,739
	31.74	**32,608**	32,608
	69.00	**105,682**	105,682
	158.50	**80,000**	-
	117.60	**7,653**	-
K L Prior	69.00	**130,432**	130,432
	158.50	**80,000**	-
	117.60	**7,653**	-
P A Lawrence	169.74	**21,739**	21,739
	115.00	**21,739**	21,739

Joint Share Ownership Plan

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

The terms of the JOA 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 employee receives an amount equal to any growth in the market value of the Jointly Owned Shares since the time of issue of these shares, less a "carrying cost" (equivalent to simple interest at 4.5 per cent per annum on the initial market value of the shares), and the Trust receives the initial market value of the jointly owned shares plus the carrying cost.

Directors' report continued

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

	2013	2012
R P Edwards	**609,781**	609,781
D M A Bullen	**612,143**	612,143
K L Prior	**261,956**	261,956

Stockbrokers

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

The closing share price on 31 December 2013 was 335.5p per share (2012: 130.5p per share).

Independent auditors

A resolution proposing that PricewaterhouseCoopers LLP be reappointed will be put to the Annual General Meeting.

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.

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 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:

(a) there is no relevant audit information of which the Company's auditors are unaware; and

(b) 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
9 May 2014

Board of Directors

David M A Bullen, BSc (Hons).

Chief Executive Officer

David joined the Board in October 2009 as Chief Operating Officer and became Chief Executive Officer in April 2011. He was originally employed in July 2007 as General Manager of Kiotechagil. David was instrumental in setting up Anpario's wholly owned Subsidiary in China and played a key role in managing the successful integration of Optivite. Previously, David worked for the Animal Health division of Novartis where he was Head of Sales and Marketing for the Benelux region and on the Management Board for Central Europe.

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

Executive Vice-Chairman

Richard joined the Board in December 2006 originally as Chief Executive following the acquisition of Agil. He was appointed Executive Vice-Chairman in April 2011 with responsibility for implementing new market development and acquisition strategy. Richard has extensive general management and corporate strategy experience gained in the sales and distribution sector both in the UK and internationally. Previously he was Director and General Manager of WF Electrical, a £140 million turnover division of Hagemeyer (UK) plc, a distributor of industrial products, and gained significant experience in corporate development at Saint-Gobain's 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 has 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

Richard joined the Board in March 2005 and was appointed Chairman in July 2006. Richard is also Non-Executive Chairman of two listed businesses, Booker Group plc and AO World plc, as well as an AIM business and a private company. He was formerly CEO of WF Electrical plc, and Whittard of Chelsea plc, two listed companies, and was a director of Hagemeyer (UK) Ltd, a multi £billion International Distribution business. He received Entrepreneur of the year Award presented by PLC Awards 2003.

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

Non-Executive Director

Peter joined the Board in August 2005 as a Non-executive Director. Peter is the founder of ECO Animal Health plc (formerly Lawrence plc) where he has been an Executive Director ever since its formation in 1972. He is also the Non-Executive Chairman of Baronsmead VCT plc and Amati VCT plc, and a Non-Executive Director of Algatechnologies Ltd and Higher Nature Ltd. Peter received the Entrepreneur of the year Award at the 2003 AIM awards.

Independent auditors' report to the members of Anpario plc

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit and the group's and the parent 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 parent company financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are prepared by Anpario plc, comprise:

- Consolidated and parent company balance sheets as at 31 December 2013;
- Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- Consolidated and parent company statements of cash flows for the year then ended;
- 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 their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 parent 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.

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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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

We have no exceptions to report arising from this responsibility.

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 11, 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 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.

Andy Ward (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
9 May 2014

Consolidated income statement
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Revenue	3	**26,264**	23,509
Cost of sales		**(17,045)**	(15,849)
Gross profit		**9,219**	7,660
Administrative expenses		**(6,306)**	(4,910)
Exceptional items	5	**-**	(1,157)
Operating profit		**2,913**	1,593
Finance income	8	**50**	39
Finance cost of contingent consideration	8	**(78)**	(110)
Profit before income tax		**2,885**	1,522
Income tax (expense)/credit	11	**(329)**	582
Profit for the year from continuing operations		**2,556**	2,104
Profit attributable to:			
Owners of the parent		**2,556**	2,104
Profit for the year from continuing operations		**2,556**	2,104
Basic earnings per share	9	**14.00p**	11.62p
Diluted earnings per share	9	**13.04p**	11.11p

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 £1,858,000 (2012: £1,734,000).

Consolidated statement of comprehensive income
for the year ended 31 December 2013

	2013 £000	2012 £000
Profit for the year	**2,556**	2,104
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translating foreign operations	**(9)**	24
Total comprehensive income for the year	**2,547**	2,128
Attributable to the owners of the parent:	**2,547**	2,128
Non-controlling interests	**-**	-
Total comprehensive income for the year	**2,547**	2,128

The notes on pages 19 to 49 form part of these financial statements.

Consolidated and parent company balance sheets

as at 31 December 2013

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**£000**	£000	**£000**	£000
Intangible assets	12	**9,302**	9,076	**6,844**	6,553
Property, plant and equipment	13	**3,054**	2,784	**3,036**	2,769
Investment in Subsidiaries	14	**-**	-	**4,299**	4,299
Deferred tax assets	20	**204**	228	**204**	228
Non-current assets		**12,560**	12,088	**14,383**	13,849
Inventories	15	**1,883**	1,632	**1,364**	1,213
Trade and other receivables	16	**6,874**	6,993	**5,282**	6,507
Cash and cash equivalents	17	**4,797**	3,694	**4,055**	1,484
Current assets		**13,554**	12,319	**10,701**	9,204
Total assets		**26,114**	24,407	**25,084**	23,053
Called up share capital	23	**4,573**	4,555	**4,573**	4,555
Share premium		**3,922**	3,884	**3,922**	3,884
Other reserves	25	**(336)**	(496)	**(325)**	(494)
Retained earnings	24	**11,930**	9,942	**10,966**	9,676
Total equity		**20,089**	17,885	**19,136**	17,621
Trade and other payables	19	**-**	425	**-**	425
Deferred tax liabilities	20	**1,000**	1,044	**838**	776
Non-current liabilities		**1,000**	1,469	**838**	1,201
Trade and other payables	18	**4,713**	4,912	**5,104**	4,197
Current income tax liabilities		**312**	141	**6**	34
Current liabilities		**5,025**	5,053	**5,110**	4,231
Total liabilities		**6,025**	6,522	**5,948**	5,432
Total equity and liabilities		**26,114**	24,407	**25,084**	23,053

The notes on pages 19 to 49 form part of these financial statements.

The financial statements on pages 15 to 49 were approved by the Board and authorised for issue on 9 May 2014.

David M A Bullen
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 2013

Group	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2012	4,555	3,828	(695)	8,264	50	16,002
Profit for the year	-	-	-	2,104	-	2,104
Currency translation differences	-	-	24	-	-	24
Total comprehensive income for the year	-	-	24	2,104	-	2,128
Sale of treasury shares	-	56	97	-	-	153
Share-based payment adjustments	-	-	78	-	-	78
Dividends relating to 2011	-	-	-	(436)	-	(436)
Acquisition of interest in Subsidiary from non-controlling interest	-	-	-	10	(50)	(40)
Transactions with owners	-	56	175	(426)	(50)	(245)
Balance at 31 December 2012	**4,555**	**3,884**	**(496)**	**9,942**	**-**	**17,885**
Profit for the year	-	-	-	2,556	-	2,556
Currency translation differences	-	-	(9)	-	-	(9)
Total comprehensive income for the year	-	-	(9)	2,556	-	2,547
Issue of share capital	18	38	-	-	-	56
Share-based payment adjustments	-	-	169	-	-	169
Dividends relating to 2012	-	-	-	(568)	-	(568)
Transactions with owners	18	38	169	(568)	-	(343)
Balance at 31 December 2013	**4,573**	**3,922**	**(336)**	**11,930**	**-**	**20,089**

Company	Called up share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2012	4,555	3,828	(669)	8,378	-	16,092
Profit for the year	-	-	-	1,734	-	1,734
Total comprehensive income for the year	-	-	-	1,734	-	1,734
Sale of treasury shares	-	56	97	-	-	153
Share-based payment adjustments	-	-	78	-	-	78
Dividends relating to 2011	-	-	-	(436)	-	(436)
Transactions with owners	-	56	175	(436)	-	(205)
Balance at 31 December 2012	**4,555**	**3,884**	**(494)**	**9,676**	**-**	**17,621**
Profit for the year	-	-	-	1,858	-	1,858
Total comprehensive income for the year	-	-	-	1,858	-	1,858
Issue of share capital	18	38	-	-	-	56
Share-based payment adjustments	-	-	169	-	-	169
Dividends relating to 2012	-	-	-	(568)	-	(568)
Transactions with owners	18	38	169	(568)	-	(343)
Balance at 31 December 2013	**4,573**	**3,922**	**(325)**	**10,966**	**-**	**19,136**

The notes on pages 19 to 49 form part of these financial statements.

Consolidated and parent company statements of cash flows

for the year ended 31 December 2013

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Cash generated from operating activities	**3,095**	1,740	**4,361**	355
Income tax (paid)/refunded	**(176)**	430	**(59)**	598
Net cash generated from operating activities	**2,919**	2,170	**4,302**	953
Acquisition of Subsidiary, net of cash acquired	**(429)**	(2,276)	**(429)**	(3,150)
Purchases of property, plant and equipment	**(470)**	(117)	**(463)**	(115)
Proceeds from disposal of property, plant and equipment	**-**	18	**-**	18
Payments to acquire intangible assets	**(401)**	(166)	**(377)**	(162)
Interest received	**50**	39	**50**	38
Net cash used in investing activities	**(1,250)**	(2,502)	**(1,219)**	(3,371)
Sale of treasury shares	**-**	153	**-**	153
Proceeds from issuance of shares	**56**	-	**56**	-
Dividend paid to Company's shareholders	**(568)**	(436)	**(568)**	(436)
Acquisition of interest in Subsidiary from non-controlling interest	**-**	(40)	**-**	-
Net cash used in financing activities	**(512)**	(323)	**(512)**	(283)
Net increase/(decrease) in cash and cash equivalents	**1,157**	(655)	**2,571**	(2,701)
Effect of exchange rate changes	**(54)**	(8)	**-**	-
Cash and cash equivalents at the beginning of the year	**3,694**	4,357	**1,484**	4,185
Cash and cash equivalents at the end of the year	**4,797**	3,694	**4,055**	1,484

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Cash generated from operating activities				
Profit before income tax	**2,885**	1,522	**1,975**	1,042
Net finance cost	**28**	71	**28**	72
Depreciation, amortisation and impairment	**375**	1,005	**282**	933
Loss on disposal of property, plant and equipment	**-**	2	**-**	2
Share-based payments	**169**	78	**169**	78
Changes in working capital:				
Inventories	**(271)**	(330)	**(151)**	(242)
Trade and other receivables	**87**	(1,192)	**1,225**	(2,041)
Trade and other payables	**(178)**	584	**833**	511
Net cash generated from operating activities	**3,095**	1,740	**4,361**	355

The notes on pages 19 to 49 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2013

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, IFRIC 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 2013.

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.

2.2 Basis of consolidation continued

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

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

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

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

2.3 Revenue recognition

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.

(a) 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.

Notes to the financial statements continued
for the year ended 31 December 2013

2.5 **Foreign currency translation** continued

(b) 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.

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

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

2.6 Intangible assets

(a) Patents, trademarks and registrations
Separately acquired patents, trademarks and registrations are shown at historical cost. Patents, trademarks and registrations have finite useful life 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.

(b) 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.

2.6 Intangible assets continued

(c) 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.

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 may include the development employee costs and an appropriate portion of relevant overheads.

(d) 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.

(e) 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.

Notes to the financial statements continued

for the year ended 31 December 2013

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 assets' 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 and brands with an indefinite life, 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 Joint ventures

The Group's interests in jointly controlled entities are proportionately consolidated. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

2.10 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, assets under construction are not depreciated until they are available for use. 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.

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out 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, less directly attributable selling expenses, in the ordinary course of business.

2.12 Trade receivables

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

2.13 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.

2.14 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.

2.15 Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, although these have not been designated as qualifying cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value and gains or losses recognised in the income statement.

2.16 Leases

The Group leases certain property, plant and equipment.

Assets obtained under finance leases, where the Group has substantially all the risks and rewards of ownership, are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in borrowings net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

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.

2.17 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 and amount.

Notes to the financial statements continued
for the year ended 31 December 2013

2.18 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.

2.19 Employee benefits

(a) Share-based payments
The group issues equity-settled share-based payments and shares under the Joint Share Ownership Plan ("JSOP") 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.

2.19 Employee benefits continued

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 accounts.

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.

(b) 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.

Notes to the financial statements continued

for the year ended 31 December 2013

2.20 Equity

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

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

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

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

Exchange differences arsing 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 The 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.

2.21 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.

2.22 Financial risk management

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

(a) 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 mitigated 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.

(b) Liquidity risk

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

2.22 Financial risk management continued

(c) Exchange rate risk
The Company'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.

(d) 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.

2.23 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:

(a) 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.

(b) 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.

Notes to the financial statements continued
for the year ended 31 December 2013

2.24 Impact of accounting standards and interpretations

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

At the date of publishing these financial statements the following new and revised standards and interpretations were in issue but were not yet effective or requiring mandatory adoption (and in some cases had not yet been adopted by the European Union).

None of these new and revised standards and interpretations have been adopted early by the Group:

- Annual improvements to IFRSs 2009-2011 Cycle
- IFRS 1 (amended) 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters'
- IFRS 1 (amended) 'Government Loans'
- IFRS 7 (amended) 'Disclosure – Offsetting Financial Assets and Financial Liabilities'
- IFRS 9 'Financial Instruments'
- IFRS 10 'Consolidated Financial Statements'
- IFRS 10 (amended) 'Investment Entities'
- IFRS 11 'Joint Arrangements'
- IFRS 12 'Disclosures of Interests in Other Entities'
- IFRS 12 (amended) 'Investment Entities'
- IAS 12 (amended) 'Deferred Tax: Recovery of Underlying Assets'
- IAS 27 (revised) 'Separate Financial Statements'
- IAS 27 (amended) 'Investment Entities'
- IAS 28 (revised) 'Investments in Associates and Joint Ventures'
- IAS 32 (amended) 'Offsetting Financial Assets and Liabilities'

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

3 Segment information

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

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

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

Inter-segment revenue is charged at prevailing market prices.

	UK and Eire £000	International £000	Total £000
Year ended 31 December 2013			
Total segmental revenue	**6,314**	**20,671**	**26,985**
Inter-segment revenue	**-**	**(721)**	**(721)**
Revenue from external customers	**6,314**	**19,950**	**26,264**
Adjusted EBITDA	**312**	**3,167**	**3,479**
Depreciation, amortisation and impairment charges	**(44)**	**(331)**	**(375)**
Income tax expense	**(22)**	**(307)**	**(329)**
Total assets	**7,505**	**18,609**	**26,114**
Total liabilities	**(1,484)**	**(4,541)**	**(6,025)**
Year ended 31 December 2012			
Total segmental revenue	6,874	17,114	23,988
Inter-segment revenue	-	(479)	(479)
Revenue from external customers	6,874	16,635	23,509
Adjusted EBITDA	305	2,804	3,109
Depreciation, amortisation and impairment charges	(26)	(979)	(1,005)
Income tax credit	97	485	582
Total assets	7,352	17,055	24,407
Total liabilities	(1,529)	(4,993)	(6,522)

Notes to the financial statements continued
for the year ended 31 December 2013

3 Segment information continued

A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

	2013 £000	2012 £000
Adjusted EBITDA for reportable segments	**3,479**	3,109
Depreciation, amortisation and impairment charges	**(375)**	(1,005)
Share-based payment charges	**(191)**	(99)
Finance income	**50**	39
Finance cost of contingent consideration	**(78)**	(110)
Closure and restructuring costs	**-**	(55)
Acquisition costs	**-**	(357)
Profit before income tax	**2,885**	1,522

The entity is domiciled in the UK.

The total of non-current assets and deferred tax assets located in the UK is £12,352,000 (2012: £11,857,000) and the total of these assets located in other countries is £4,000 (2012: £3,000).

Share-based payment charges of £191,000 (2012: £99,000) includes £22,000 (2012: £21,000) of professional fees that have been expensed during 2013.

4 Expenses by nature

	2013 £000	2012 £000
Changes in inventories of finished goods	**(187)**	(100)
Raw materials and consumables used	**14,180**	13,077
Employee expenses (note 7)	**3,900**	3,416
Research and development expenditure	**4**	6
Transportation expenses	**1,877**	1,735
Other operating expenses	**2,950**	2,209
Operating lease payments	**46**	46
Depreciation, amortisation and impairment charges	**375**	1,005
Share-based payment charges	**191**	99
Acquisition costs	**-**	357
Loss on foreign exchange transactions	**15**	66
Total cost of sales, distribution and administrative expenses	**23,351**	21,916

5 Exceptional items

	2013 £000	2012 £000
Closure and restructuring costs	-	55
Acquisition costs	-	357
Impairment provision	-	745
	-	1,157

Exceptional items recognised within the accounts totalled £nil (2012: £1,157,000). In 2012, there were closure and restructuring costs of £55,000, an impairment related to Aquatice of £745,000 relating to costs incurred before 2009 and acquisition costs mainly relating to the Meriden purchase of £357,000.

6 Auditors' remuneration

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

Group	**2013 £000**	2012 £000
Fees payable to Company's auditor for the audit of Parent Company and consolidated financial statements	**36**	43
Fees payable to Company's auditor for other services:		
The audit of Company Subsidiaries	**8**	8
Tax compliance service	**28**	13
Other non-audit services	**11**	-
	83	64

7 Employees

Number of employees

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

	2013 Number	2012 Number
Group		
Production	**28**	29
Administration	**25**	27
Sales and Technical	**38**	32
Total average headcount	**91**	88
Company		
Production	**28**	29
Administration	**15**	19
Sales and Technical	**30**	17
Total average headcount	**73**	65

Notes to the financial statements continued

for the year ended 31 December 2013

7 Employees continued

Employment costs

	2013 £000	2012 £000
Group		
Wages and salaries	**3,414**	3,045
Social security costs	**348**	257
Other pension costs	**138**	114
Share-based payment charges	**191**	99
	4,091	3,515

8 Finance (cost)/income

	2013 £000	2012 £000
Interest receivable on short-term bank deposits	**50**	39
Finance income	**50**	39
Unwinding of discount on contingent consideration	**(78)**	(110)
Finance cost of contingent consideration	**(78)**	(110)
Net finance (cost)	**(28)**	(71)

The unwinding of the discount on the contingent consideration is not a borrowing related cost however, it is required to be classified as finance cost. Further details are included in note 29.

9 Earnings per share

	2013	2012
Weighted average number of shares in issue (000's)	**18,260**	18,110
Adjusted for effects of dilutive potential Ordinary shares (000's)	**1,341**	832
Weighted average number for diluted earnings per share (000's)	**19,601**	18,942
Profit attributable to owners of the Parent (£000's)	**2,556**	2,104
Basic earnings per share	**14.00p**	11.62p
Diluted earnings per share	**13.04p**	11.11p

	2013 £000	2012 £000
Underlying profit attributable to owners of the Parent		
Profit attributable to owners of the Parent	**2,556**	2,104
Exceptional items	**-**	1,157
Unwinding of discount on contingent consideration	**78**	110
Prior year tax adjustments	**(250)**	(959)
Underlying profit	**2,384**	2,412
Underlying earnings per share	**13.06p**	13.32p
Diluted underlying earnings per share	**12.16p**	12.73p

10 Dividend payable

	2013 £000	2012 £000
2011 final dividend paid: 2.4p per 23p share	**-**	436
2012 final dividend paid: 3.0p per 23p share	**568**	-
	568	436

A dividend in respect of the year ended 31 December 2013 of 3.5p per share, amounting to a total dividend of £666,000 is to be proposed at the Annual General Meeting on 24 June 2014. These financial statements do not reflect this dividend payable.

11 Income tax expense/(credit)

	Group	
	2013 £000	2012 £000
Current tax		
Current tax on profits for the year	**349**	191
Adjustment for prior years	**-**	(618)
Total current tax	**349**	(427)
Deferred tax		
Origination and reversal of temporary differences	**230**	186
Adjustment for prior years	**(250)**	(341)
Total deferred tax (note 20)	**(20)**	(155)
Income tax expense/(credit)	**329**	(582)

For 2013, adjustments in respect of prior years represents benefit from enhanced research and development tax credits. For 2012, adjustments in respect of prior years represents the recognition of previously unrecognised losses and benefits from enhanced research and development tax credits.

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

Factors affecting the expense/(credit) for the year	**2013 £000**	2012 £000
Profit before tax	**2,885**	1,522
Tax at domestic rates applicable to profits in the respective countries - 23.25% (2012: 24.5%)	**671**	373
Tax effects of:		
Non-deductible expenses	**100**	180
Research and development tax credits	**(206)**	(222)
Prior year tax adjustments	**(250)**	(959)
Other tax adjustments	**14**	46
Income tax expense/(credit)	**329**	(582)

Corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year.

Reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes have been enacted at the balance sheet date and, therefore, are recognised in these financial statements, with deferred tax balances having been remeasured at 20%.

Notes to the financial statements continued

for the year ended 31 December 2013

12 Intangible assets

Group	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Total £000
Cost						
As at 1 January 2012	4,144	1,501	176	64	1,487	7,372
Additions	-	-	-	31	135	166
Acquisition of Subsidiary (note 29)	1,346	709	510	21	-	2,586
As at 31 December 2012	5,490	2,210	686	116	1,622	10,124
Additions	-	-	-	132	269	401
As at 31 December 2013	**5,490**	**2,210**	**686**	**248**	**1,891**	**10,525**
Accumulated amortisation/impairment						
As at 1 January 2012	-	-	36	16	159	211
Charge for the year	-	27	55	10	-	92
Impairment provision	-	-	-	-	745	745
As at 31 December 2012	-	27	91	26	904	1,048
Charge for the year	-	35	68	14	8	125
Impairment provision	-	-	-	-	50	50
As at 31 December 2013	**-**	**62**	**159**	**40**	**962**	**1,223**
Net book value						
As at 31 December 2013	**5,490**	**2,148**	**527**	**208**	**929**	**9,302**
As at 31 December 2012	5,490	2,183	595	90	718	9,076
As at 1 January 2012	4,144	1,501	140	48	1,328	7,161

Company	Goodwill £000	Brands £000	Customer relationships £000	Patents, trademarks and registrations £000	Development costs £000	Total £000
Cost						
As at 1 January 2012	4,144	1,501	176	64	1,487	7,372
Additions	-	-	-	27	135	162
As at 31 December 2012	4,144	1,501	176	91	1,622	7,534
Additions	-	-	-	133	244	377
As at 31 December 2013	**4,144**	**1,501**	**176**	**224**	**1,866**	**7,911**
Accumulated amortisation/impairment						
As at 1 January 2012	-	-	36	16	159	211
Charge for the year	-	-	17	8	-	25
Impairment provision	-	-	-	-	745	745
As at 31 December 2012	-	-	53	24	904	981
Charge for the year	-	-	17	11	8	36
Impairment provision	-	-	-	-	50	50
As at 31 December 2013	**-**	**-**	**70**	**35**	**962**	**1,067**
Net book value						
As at 31 December 2013	**4,144**	**1,501**	**106**	**189**	**904**	**6,844**
As at 31 December 2012	4,144	1,501	123	67	718	6,553
As at 1 January 2012	4,144	1,501	140	48	1,328	7,161

12 Intangible assets continued

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 (2012: 1.5%).

The discount rate used of 12% (2012: 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 2012	**5,490**
As at 31 December 2013	**5,490**

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 £125,000 (2012: £92,000) for the Group and £36,000 (2012: £25,000) for the Company.

An impairment provision against development costs has been provided in the year of £50,000 (2012: £745,000).

In 2012, the carrying amount of development costs of a range of products was reduced to its recoverable amount through recognition of an impairment provision during the year of £745,000, this relates to uncertainty over the generation of future economic benefit deriving from certain aspects of expenditure incurred prior to March 2009. The provision, included within administrative expenses, was based on management forecasts of the remaining development costs and expected future economic benefits arising to the Group.

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for the year ended 31 December 2013

13 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 2012	2,007	940	355	-	3,302
Additions	27	70	20	-	117
Acquisition of Subsidiary (note 29)	-	-	15	-	15
Disposals	-	(110)	(3)	-	(113)
As at 31 December 2012	2,034	900	387	-	3,321
Additions	3	226	78	163	470
Disposals	(5)	(53)	(1)	-	(59)
As at 31 December 2013	2,032	1,073	464	163	3,732
Accumulated depreciation					
As at 1 January 2012	136	230	96	-	462
Charge for the year	26	98	44	-	168
Disposals	-	(82)	(11)	-	(93)
As at 31 December 2012	162	246	129	-	537
Charge for the period	28	116	56	-	200
Disposals	(5)	(53)	(1)	-	(59)
As at 31 December 2013	**185**	**309**	**184**	**-**	**678**
Net book value					
As at 31 December 2013	**1,847**	**764**	**280**	**163**	**3,054**
As at 31 December 2012	1,872	654	258	-	2,784
As at 1 January 2012	1,871	710	259	-	2,840

13 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 2012	2,007	864	352	-	3,223
Additions	27	69	19	-	115
Disposals	-	(44)	-	-	(44)
As at 31 December 2012	2,034	889	371	-	3,294
Additions	3	224	73	163	463
Disposals	(5)	(53)	(1)	-	(59)
As at 31 December 2013	**2,032**	**1,060**	**443**	**163**	**3,698**
Accumulated depreciation/impairment					
As at 1 January 2012	136	166	84	-	386
Charge for the year	26	96	41	-	163
Disposals	-	(24)	-	-	(24)
As at 31 December 2012	162	238	125	-	525
Charge for the year	28	115	53	-	196
Disposals	(5)	(53)	(1)	-	(59)
As at 31 December 2013	**185**	**300**	**177**	**-**	**662**
Net book value					
As at 31 December 2013	**1,847**	**760**	**266**	**163**	**3,036**
As at 31 December 2012	1,872	651	246	-	2,769
As at 1 January 2012	1,871	698	268	-	2,837

Held within land and buildings is an amount of £700,000 (2012: £700,000) in respect of non-depreciable land.

Notes to the financial statements continued

for the year ended 31 December 2013

14 Investment in Subsidiaries

Company	Unlisted investments £000
Cost	
As at 1 January 2012	2,625
Acquisition of Subsidiaries (note 29)	4,066
As at 31 December 2012 and at 31 December 2013	**6,691**
Provisions for diminution in value	
As at 1 January 2012	2,392
Charge for the year	-
As at 31 December 2012 and at 31 December 2013	**2,392**
Net book value	
As at 31 December 2013	**4,299**
As at 31 December 2012	4,299
As at 1 January 2012	233

Holdings of more than 20 per cent

The Company holds more than 20 per cent of the share capital of the following companies:

Company	Country of registration or incorporation	Principal activity	Percentage held	Shares held Class
Meriden Animal Health Limited	England and Wales	Technology Services	100	Ordinary
Kiotechagil (Shanghai) Agriculture Science and Technology Limited	China	Technology Services	100	Ordinary
Anpario Saúde Nutrição Animal Ltda	Brazil	Technology Services	100	Ordinary
Optivite Animal Nutrition Private Limited	India	Technology Services	100	Ordinary
Optivite Latinoamerica SA de CV	Mexico	Technology Services	98	Ordinary
Optivite SA (Proprietary) Limited	South Africa	Technology Services	100	Ordinary
Meriden Trading Pty Limited	Australia	Technology Services	50	Ordinary
Anpario UK Limited	England and Wales	Dormant	100	Ordinary
Kiotech Limited	England and Wales	Dormant	100	Ordinary
Aquatice Limited	England and Wales	Dormant	100	Ordinary
Agil Limited	England and Wales	Dormant	100	Ordinary
Kiotechagil Limited	England and Wales	Dormant	100	Ordinary
Optivite Limited	England and Wales	Dormant	100	Ordinary
Optivite International Limited	England and Wales	Dormant	100	Ordinary

14 Investment in Subsidiaries continued

At the year end the Group has a 50% interest in a joint venture, Meriden Trading Pty Limited. The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement.

	2013 £000	2012 £000
Current assets	**80**	86
Total assets	**80**	86
Current liabilities	**108**	117
Total liabilities	**108**	117
Net liabilities	**(28)**	(31)
Income	**212**	138
Expenses	**215**	161
(Loss) after income tax	**(3)**	(23)

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

15 Inventories

	Group		**Company**	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Raw materials and consumables	**1,195**	1,131	**1,067**	1,008
Finished goods and goods for resale	**688**	501	**297**	205
	1,883	1,632	**1,364**	1,213

The cost of inventories recognised as expense and included in 'cost of sales' amounted to £13,993,000 (2012: £12,977,000) for the Group and £10,412,000 (2012: £10,569,000) for the Company.

Notes to the financial statements continued

for the year ended 31 December 2013

16 Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade receivables	**6,524**	6,509	**4,470**	4,863
Less: provision for impairment of trade receivables	**(126)**	(109)	**(119)**	(102)
Trade receivables – net	**6,398**	6,400	**4,351**	4,761
Receivables from Subsidiary undertakings	**-**	-	**713**	1,411
Receivables from joint ventures	**98**	107	**-**	-
Taxes	**96**	216	**87**	153
Prepayments and accrued income	**282**	270	**131**	182
	6,874	6,993	**5,282**	6,507

The ageing analysis of net trade receivables is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Up to 3 months	**4,383**	4,783	**3,192**	3,842
3 to 6 months	**1,659**	1,426	**829**	813
Over 6 months	**356**	191	**330**	106
Trade receivables – net	**6,398**	6,400	**4,351**	4,761

As of 31 December 2013 trade receivables of £1,292,000 (2012: £1,037,000) for the Group and £917,000 (2012: £793,000) for the Company were past due but not impaired. These relate to longstanding customers for who there are no recent history of default. The ageing analysis of these receivables is as follows:

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Up to 3 months	**1,240**	907	**904**	694
3 to 6 months	**26**	89	**13**	68
Over 6 months	**26**	41	**-**	31
	1,292	1,037	**917**	793

As of 31 December 2013 trade receivables of £126,000 (2012: £109,000) for the Group and £119,000 (2012: £102,000) 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	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
3 to 6 months	**-**	7	**-**	-
Over 6 months	**126**	102	**119**	102
	126	109	**119**	102

16 Trade and other receivables continued

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

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
At 1 January	**109**	55	**102**	51
Provisions for receivables created	**60**	91	**60**	84
Amounts written off as unrecoverable	**(19)**	(26)	**(19)**	(22)
Amounts recovered during the year	**(24)**	(11)	**(24)**	(11)
At 31 December	**126**	109	**119**	102

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

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Pounds Sterling	**3,605**	3,164	**2,423**	3,150
Euros	**1,174**	1,622	**1,106**	873
US Dollars	**1,418**	1,416	**822**	738
Other currencies	**201**	198	**-**	-
At 31 December	**6,398**	6,400	**4,351**	4,761

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

17 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.

18 Trade and other payables (current)

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Trade payables	**3,094**	3,334	**2,115**	2,604
Amounts due to Subsidiary undertakings	**-**	-	**1,651**	103
Taxes and social security costs	**160**	201	**88**	172
Other payables	**579**	614	**508**	603
Accruals and deferred income	**880**	763	**742**	715
	4,713	4,912	**5,104**	4,197

Included within 'Other payables' above is £550,000 (2012: £601,000) in respect of contingent consideration arising on the acquisition of Meriden.

Notes to the financial statements continued

for the year ended 31 December 2013

19 Trade and other payables (non-current)

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Other payables	**-**	425	**-**	425
	-	425	**-**	425

Non-current 'Other payables' relates to contingent consideration arising on the acquisition of Meriden. During the year this was reclassified as a current payable as it is payable in less than one year.

20 Deferred income tax

	2013	2012
Group	**£000**	£000
At 1 January	**816**	676
Arising on acquisition of Meriden (note 29)	**-**	295
Income statement credit (note 11)	**(20)**	(155)
At 31 December	**796**	816

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	**Fair value gains £000**	**Losses £000**	**Total £000**
At 1 January 2012	567	427	(318)	676
Income statement credit (note 11)	(192)	(53)	90	(155)
Arising on acquisition of Meriden (note 29)	2	293	-	295
At 31 December 2012	377	667	(228)	816
Income statement credit (note 11)	8	(52)	24	(20)
At 31 December 2013	**385**	**615**	**(204)**	**796**

Classified as:	**£000**
Deferred income tax asset	**(204)**
Deferred income tax liability	**1,000**

Reductions to the UK tax rate were announced in the 2012 Autumn Statement and the March 2013 Budget. The changes reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes have been substantively enacted at the balance sheet date and, therefore, are recognised in these financial statements, with deferred tax balances having been remeasured at 20%.

A deferred tax asset has been recognised for losses carried forward on the grounds that sufficient future taxable profit is forecast to be realised.

20 Deferred income tax continued

Company	2013 £000	2012 £000
At 1 January	**548**	676
Income statement charge/(credit)	**86**	(128)
At 31 December	**634**	548

Deferred tax liabilities/(assets)

	Accelerated tax allowances £000	Fair value gains £000	Losses £000	Total £000
At 1 January 2012	567	427	(318)	676
Income statement credit	(165)	(53)	90	(128)
At 31 December 2012	402	374	(228)	548
Income statement charge	66	(4)	24	86
At 31 December 2013	**468**	**370**	**(204)**	**634**

Classified as:	**£000**
Deferred income tax asset	**(204)**
Deferred income tax liability	**838**

21 Capital commitments

The Group had authorised capital commitments as at 31 December 2013 as follows:

	2013 £000	2012 £000
Property, plant and equipment	**164**	134
	164	134

22 Financial commitments

At 31 December 2013 the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2013 £000	2012 £000
Less than one year	**38**	57
Between one and five years	**22**	59
Greater than five years	**-**	1
	60	117

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

Notes to the financial statements continued

for the year ended 31 December 2013

23 Called up share capital

	2013 £000	2012 £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 and fully paid		
19,805,572 Ordinary shares of 23p each	**4,555**	4,555
Options exercised Ordinary shares of 23p each	**18**	-
19,880,789 (2012: 19,805,572) Ordinary shares of 23p each	**4,573**	4,555

During the year 75,217 Ordinary shares of 23p each were issued pursuant to the exercise of employee share options.

24 Retained earnings

	Group £000	Company £000
At 1 January 2012	8,264	8,378
Profit for the year	2,104	1,734
Dividends relating to 2011	(436)	(436)
Acquisition of interest in Subsidiary from non-controlling interest (note 28)	10	-
At 31 December 2012	9,942	9,676
Profit for the year	2,556	1,858
Dividends relating to 2012	(568)	(568)
At 31 December 2013	**11,930**	**10,966**

25 Other reserves

Other reserves comprise:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Treasury shares	**(69)**	(69)	**(69)**	(69)
Joint Share Ownership Plan	**(1,210)**	(1,210)	**(1,210)**	(1,210)
Merger reserve	**228**	228	**228**	228
Share-based payment reserve	**726**	557	**726**	557
Translation reserve	**(11)**	(2)	**-**	-
	(336)	(496)	**(325)**	(494)

On 1 November 2012 the Company sold 137,958 of its own Ordinary shares of 23p each held in treasury for 112p each.

Details of the Joint Share Ownership Plan ("JSOP") established in 2011 are set out in note 26.

26 Share-based payments

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

	Weighted average exercise price (p)	**Shares 2013 000**	Weighted average exercise price (p)	Shares 2012 000
Outstanding at 1 January	81	**1,096**	81	946
Granted during the year	144	**426**	89	150
Exercised during the year	74	**(75)**	-	-
Forfeited or cancelled during the year	-	**-**	-	-
Outstanding at 31 December	101	**1,447**	81	1,096
Exercisable at 31 December		**870**		832

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 2013 000**	Weighted average exercise price (p)	Shares 2012 000
2015	165	**44**	165	44
2016	99	**223**	99	223
2017	104	**65**	104	65
2018	32	**96**	32	96
2019	68	**262**	68	262
2020	81	**121**	79	196
2021	76	**60**	76	60
2022	89	**150**	89	150
2023	144	**426**	-	-
		1,447		1,096

On 28 May 2013 156,899 options were issued to employees under the Group's SAYE scheme. During the year options totalling 270,000 (2012: 150,000) were awarded under the Company's Enterprise Management Incentive Scheme ("EMIS") and 75,217 options were exercised.

Notes to the financial statements continued
for the year ended 31 December 2013

26 Share-based payments continued

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

The expense is apportioned over the vesting period and is based on the number of financial instruments which are expected to vest and the fair value of those financial instruments at the date of the grant. The charge for the year in respect of share options granted and associated expenses amounts to £191,000 (2012: £99,000) of which £22,000 (2012: £21,000) is related to professional fees that have been expensed during the year.

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

Plan	SAYE	EMIS	EMIS
Grant date	28 May	27 Jun	19 Sep
Number of options granted (000)	157	260	10
Grant price (p)	147.0	158.5	195.0
Exercise price (p)	117.6	158.5	195.0
Carrying cost (per annum)	N/A	N/A	N/A
Vesting period (years)	3	3	2
Option expiry (years)	3.5	10	10
Expected volatility of the share price	25%	25%	25%
Dividends expected on the shares	2.04%	1.89%	1.54%
Risk-free rate	0.50%	1.40%	1.71%
Fair value (p)	37.16	30.38	40.34
	Black-Scholes	Black-Scholes	Black-Scholes

27 Related party transactions

Group and Company

The following transactions were carried out with related parties:

Peter A Lawrence, Chairman of ECO Animal Health Group plc, is a Non-Executive Director of the Company and £39,000 (2012: £27,625) was paid to ECO Animal Health Group plc in respect of his services and expenses.

Electro Switch Limited, a company controlled by close family members of the Chairman, Richard S Rose, received the sum of £15,000 (2012: £20,000).

Amounts due to related parties at 31 December 2013 were, ECO Animal Health Group plc £nil (2012: £6,500), Electro Switch Limited £1,500 (2012: £2,000).

Key management comprises the Directors of Anpario plc and their emoluments are as follows:

	2013 £000	2012 £000
Short-term employment benefits	**650**	838
Post employment benefits	**39**	23
Share-based payments	**40**	39
	729	900

A breakdown of the emoluments by Director is included in the Directors' report, on page 10.

27 Related party transactions continued

Company

The following transactions were carried out with related parties:

	2013 £000	2012 £000
Sales of goods:		
Subsidiaries	**721**	479
Purchases of goods:		
Subsidiaries	**23**	7
Purchases of services:		
Subsidiaries	**-**	-
Year-end balances with related parties:		
Receivables from related parties (note 16):		
Subsidiaries	**713**	1,411
Payables to related parties (note 18):		
Subsidiaries	**1,651**	103

28 Transactions with non-controlling interest

On 1 January 2012, Optivite SA (Proprietary) Limited ("Optivite SA") acquired the 40% non-controlling interest for a purchase consideration of £40,000 and holds these shares in treasury. The Group therefore now holds 100% of the share capital of Optivite SA. The carrying value of the non-controlling interest in Optivite SA on the date of acquisition was £50,000. The Group therefore de-recognised non-controlling interests of £50,000 and recorded an increase in equity attributable to owners of the Parent of £10,000.

29 Business combinations

On 29 March 2012, the Group acquired 100% of the share capital of Meriden Animal Health Limited ("Meriden"). The acquisition brought together another strong trading brand to the Anpario Group, broadening its product technology and increasing Anpario's global market share in the feed additive sector.

On completion, the fair value of the net assets and liabilities of Meriden equalled £2,720,000 and consequently gave rise to goodwill on the transaction of £1,346,000. The acquired business contributed revenues of £4,017,000 and net profit after tax of £410,000 to the Group for the period from 30 March 2012 to 31 December 2012. Had Meriden been consolidated from 1 January 2012, the consolidated income statement for 2012 would have shown pro-forma revenue of £24,492,000 and profit of £2,167,000.

Acquisition related costs of £357,000 were expensed in the Consolidated income statement for the year ended 31 December 2012.

Details of net assets acquired and goodwill were as follows:

	£000
Cash paid	3,150
Contingent consideration	916
Total consideration	**4,066**

Notes to the financial statements continued
for the year ended 31 December 2013

29. Business combinations continued

The assets and liabilities as at 29 March 2012 arising from the acquisition were as follows:

	Fair value £000	Acquiree's carrying value £000
Cash and cash equivalents	874	874
Property, plant and equipment	15	15
Brands	709	-
Customer relationships	510	-
Trademarks	21	21
Inventories	217	217
Trade and other receivables	1,371	1,371
Trade and other payables	(566)	(566)
Corporation tax	(136)	(136)
Deferred tax liabilities	(295)	(2)
Fair value of assets	2,720	1,794
Goodwill	1,346	
Total purchase consideration	**4,066**	

Purchase consideration settled in cash	3,150
Cash and cash equivalents	(874)
Cash outflow on acquisition	**2,276**

The contingent consideration arrangement required the Group to pay in cash to the former owners of Meriden up to £1,000,000 based on Meriden's profit before tax for two years. In addition and dependent on certain performance criteria, a further variable consideration, fair valued at £125,000 on acquisition, was to be satisfied by either the issue of 159,236 ordinary shares of Anpario or the cash equivalent.

In 2013, £500,000 of the total £1,000,000 contingent consideration became payable as Meriden exceeded the required performance criteria for the first of the two years. £429,000 was paid in the year and the remaining £71,000 is held in other payables.

The fair value of the remaining contingent arrangement of £479,000 (2012: £916,000) was estimated by applying the income approach. The fair value estimates are based on a discount rate of 14%. The potential undiscounted amount of all future payments that the Group could be required to make under this arrangement is between £nil and £573,000.

As the vesting condition was considered unlikely to be met relating to the further variable consideration of 159,236 Ordinary shares of Anpario or the cash equivalent, this liability valued at £125,000 was cancelled and a corresponding credit in other operating expenses was recognised.

As of 31 December 2013, there was an increase of £78,000 (2012: £110,000) in the income statement, reflecting the unwinding of the discount on the contingent consideration.

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. 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, Moor House, 120 London Wall London EC2Y 5ET on Tuesday 24 June 2014, at 10.30 am to consider and, if thought fit, pass the following resolutions as ordinary resolutions other than resolutions 7 and 8 which will be proposed as special resolutions of the Company.

Resolution 1

To receive the Annual Report for the year ended 31st December 2013.

Resolution 2

To declare a final dividend of 3.5p per Ordinary share payable on 25 July 2014 to shareholders on the register at close of business on 11 July 2014.

Resolution 3

To re-elect David M A Bullen as a Director, who retires by rotation.

Resolution 4

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

Resolution 5

To re-elect PricewaterhouseCoopers LLP as auditors and to authorise the Directors to agree the auditors' remuneration.

Resolution 6

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

(a) up to an aggregate nominal amount of £1,506,404; and

(b) up to an additional aggregate nominal amount of £1,506,404 provided that such Rights are offered by way of a rights issue to holders of Ordinary shares each in the capital of the Company 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 Ordinary shareholders 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 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.

Notice of Annual General Meeting continued

Resolution 7

That subject to the passing of resolution 6 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by resolution 6 as if Section 561(1) of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

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

i. to holders of Ordinary shares in the capital of the Company 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, asrequired 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 £456,486;

(c) this power shall expire at the conclusion of the next AGM of the Company(unless previously revoked varied or renewed) 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

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

Resolution 8

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

(a) the maximum aggregate number of Ordinary shares hereby authorised to be purchased is1,984,723;

(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) unless previously renewed, varied or revoked,the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, on 30 September 2015; 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 FCA
Company Secretary
9 May 2014

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.

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 Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by facsimile transmission to 01252 719232;
- alternatively, the completed proxy form can be scanned and emailed to proxies@shareregistrars.uk.com;and 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 821 390. 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 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.

Notice of Annual General Meeting continued

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 Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL 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 9 May 2014 the Company's issued share capital comprised 19,944,267 Ordinary shares of 23p each. The Company holds 97,042 Ordinary shares of 23p each as treasury shares. Each Ordinary share carries the right to one vote at an AGM of the Company and, therefore excluding shares held as treasury shares the total number of voting rights in the Company as at 9 May 2014 is 19,847,225.

Explanatory Notes on the Resolutions to be sent to Shareholders

Resolution 1: Annual Report

The Directors must present their Annual Report to the meeting. This gives shareholders the opportunity to ask questions on the content before voting on the resolution.

Resolution 2: Dividends

Subject to shareholder approval, a final dividend of 3.5p per Ordinary share payable to Ordinary shareholders on 25 July 2014 has been recommended by the Directors for the year ended 31 December 2013. The final dividend cannot exceed the amount recommended by the Directors.

Resolution 3-4: Directors

The Company's Articles of Association require one third of the Directors to retire and submit themselves for election each year. David M A Bullen and Karen L Prior must, therefore, retire and submit themselves to re-election at this 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 5: Appointment of Auditors and Remuneration of the Auditors

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

Resolution 6: Directors' Authority to Allot Shares

This resolution seeks shareholder approval for the Directors to be authorised under the provisions of section 551 of the Companies Act 2006 to allot shares or grant such subscription or conversion rights up to a maximum aggregate nominal value of £3,012,808 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 £1,506,404) 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 in 2015.

Resolution 7: Directors' Power to Disapply Pre-emption Rights

This resolution, which will be proposed as a special resolution, supplements the Directors' authority to allot shares in the Company proposed by resolution 6.Section 561 of the Companies Act 2006 requires a company proposing to allot equity securities (which includes selling shares held in treasury) to offer them first to existing shareholders in proportion to their existing shareholdings. Equity securities includes Ordinary shares (the only class of share capital the Company has at present) but does not include shares issued under employee share schemes. If resolution 7 is passed, the requirement imposed by section 561 will not apply to allotments by the Directors in two cases:

1. 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
2. allotments of shares for cash up to a total nominal value of £456,486(representing 10% of the Company's issued share capital at 9 May 2014). 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 except in so far as commitments to allot shares have been entered into before that date.

Resolution 8: Company's Authority to Purchase Shares

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

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

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

Purchases of shares under the proposed authority are governedby the AIM Rules for Companies of the London Stock Exchange and to assist in compliance with the AIM Rules, the Company adheres to the Model Code. Accordingly, the Company would not exercise the authority at a time when the Directors would be precluded from dealing in the Company's shares. Specifically, purchases would not be made within the 60 days preceding the announcement of the interim or final results. 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 certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares in accordance with that Act. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of those shares. Further, no dividend or distribution of the Company's assets may be made to the Company in respect of those shares whilst held in treasury.

Accordingly, if the Directors exercise the authority conferred by resolution 8, the Company will have the option of holding those shares in treasury rather than cancelling them.

As at the date of this document, the Company had 19,944,267 shares in issue. This resolution seeks authority to purchase a maximum of 1,984,723 shares, representing approximately 10% of the current issued share capital less shares held in treasury.

Shareholder notes

Shareholder notes

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Company information

Directors

Richard S Rose
Non-Executive Chairman

Richard P Edwards
Executive Vice-Chairman

David M A Bullen
Chief Executive Officer

Karen L Prior
Group Finance Director

Peter A Lawrence
Non-Executive Director

Company Secretary

Karen L Prior

Company Number

Registered in England 03345857

Registered Office and Head Office

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

Website

www.anpario.com

Stock Exchange

London
Code: ANP

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 East Parade,
Sheffield, S1 2ET
England

Bankers

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Maid Marion Way,
Nottingham, NG1 6HQ,
England

HSBC Bank PLC
1st Floor,
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Enterprise Way,
Nottingham, NG2 1EN,
England

Nominated Adviser and Broker

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England
Telephone: 0207 418 8900

Registrars

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9 Lion and Lamb Yard, Farnham,
Surrey, GU9 7LL
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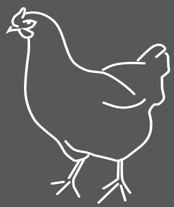
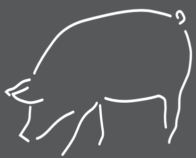
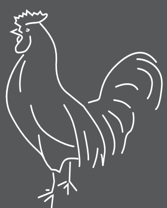
Telephone: 01252 821390







Anpario plc

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