

BOARD OF DIRECTORS



James Lambert

Non-Executive Chairman

Length of service

8 years; appointed to the Board in 2008

Committee membership

Audit Committee and Nomination Committee

Key skills and experience

James was appointed Chairman of Animalcare in 2008 when it was acquired by Ritchey plc for whom he was Chairman from 2005 and a NED from 2003. Before this, in 1985, he was Co-Founder and CEO for 28 years of R&R Ice Cream and retired as Executive Chairman in 2014, which during this time became one of Britain's most successful businesses. James was appointed Chairman of Burton's Biscuits in 2013, Chairman of Inspired Pet Nutrition in 2015, Chairman of Whitman Howard in 2016 and NED of Story Homes in 2016. He also won the EY UK Entrepreneur of the Year award in 2014 and represented the UK in the world finals. James has spent a lifetime helping build, develop and manage successful businesses enabling them to reach their full potential and give them strategic direction.



Nick Downshire

Non-Executive Director

Length of service

8 years; appointed to the Board in 2008

Committee membership

Chair of the Audit Committee and Remuneration Committee

Key skills and experience

Nick joined the Board of Animalcare when it was acquired by Ritchey plc for whom he acted as a director since 1998. Nick is a qualified chartered accountant who worked in corporate finance and venture capital before becoming the finance director of a software company. He has held non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors. He runs an estate in Yorkshire and is also Chairman of the CLA for Yorkshire and also chairs their Agriculture and Land Use national committee, as well as acting as a Trustee for a number of charitable and land related trusts. His experience with other organisations and his professional background assist him to chair the audit committee and bring objectivity and analysis to the remuneration committee.



Ray Harding

Non-Executive Director

Length of service

5 years; appointed to the Board in 2011

Committee membership

Chair of the Nomination Committee and Remuneration Committee

Key skills and experience

A qualified veterinarian Ray has worked in the veterinary pharmaceutical industry since 1979 in a number of technical and product development roles in several major, global, research-based companies. He established the team at Cyton Biosciences Ltd in 1997 to provide specialist services in new product development and registration of veterinary medicines in Europe. He left the company in 2012 to take the role of independent consultant. Appointed in 2011, he brings a unique technical expertise to the board of Animalcare with his extensive international experience of the development and regulation of veterinary medicines and the commercial environment in which the company operates. In addition he provides an independent and objective role as chair of the Board Remuneration and Nomination Committees.



Iain Menneer
Chief Executive Officer

Length of service

13 years; appointed to the Board in 2011

Committee membership

Secretary of the Nomination Committee and Remuneration Committee by invitation

Key skills and experience

Iain gained his PhD in chemistry in 1996. He worked in product and technical development in the brewing industry, first at an independent consultancy then at Bass Brewers Ltd before moving to the University of York in a business development role in their technology transfer department. Iain joined Animalcare in 2003 and has since held positions in marketing, business development and sales, including an instrumental role in the new product development pipeline. Iain was promoted to the Board as Director of Marketing in July 2011. Iain was appointed Managing Director of Animalcare Ltd in March 2012 and subsequently Chief Executive Officer in January 2013. Iain has extensive experience of the Animalcare business, the animal health industry and pharmaceutical development. Iain has led the transformation of the business infrastructure over the last three years.



Chris Brewster
*Chief Financial Officer
 and Company Secretary*

Length of service

4 years; appointed to the Board in 2012

Committee membership

By invitation

Key skills and experience

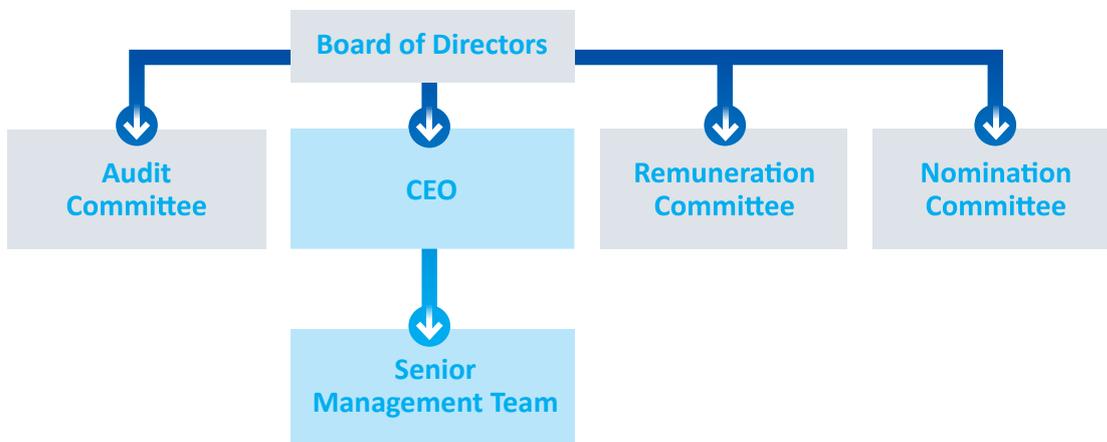
Chris joined the Board as Chief Financial Officer in June 2012. He has a broad range of experience gained during his ten years' working across a number of functions at KPMG and through his role as Group Accounting Manager at Findus Group. Since joining, Chris has developed the systems, controls and management information needed to support the growth and strategy of the business. More recently Chris has taken responsibility for leading the changes required within the supply chain function to provide a robust platform for growth.



CORPORATE GOVERNANCE

Whilst the Group is listed on AIM, it is not required to comply with the provisions of the UK Corporate Governance Code (“the Code”). The Board, however, is committed to a high standard of corporate governance across the Group, recognising that it is important in protecting shareholders’ interests and the long-term success of the Group. It has therefore adopted some of the principles of the Code so far as the Board consider practicable and appropriate to the size of the Group.

Board and Committee Structure



Board of Directors

The Board, which is headed by the Chairman, comprises five Directors, three of whom are non-executive. Directors’ profiles are detailed on pages 18 and 19. The Board meet at least seven times throughout the year, with further ad hoc meetings as required.

Audit Committee

Through the Audit Committee, the Directors ensure the integrity of financial information, the effectiveness of the financial controls and the internal control and risk management systems. The Audit Committee is composed of two Non-Executive Directors including Nick Downshire who has been appointed Chairman. The Chief Financial Officer and external auditors attend by invitation.

Nomination Committee

The Company has established a Nomination Committee currently composed of two Non-Executive Directors including Ray Harding as Chair. Meetings are arranged as necessary. The Committee is responsible for nominating candidates (both Executive and Non-Executive) for the approval of the Board, to fill vacancies or appoint additional persons to the Board.

All Directors are required to seek election by shareholders at the first opportunity after their appointment and must stand for re-election to the Board every three years under the Company’s Articles of Association.

Remuneration Committee

The members of the Remuneration Committee are Ray Harding (Chairman) and Nick Downshire. Under its Terms of Reference, the Remuneration Committee is required to meet at least twice a year and at such times as the Chairman of the Committee shall think fit.

The Committee’s primary responsibilities are to set key performance targets for Executive Directors, assess executive remuneration against targets, and ensure that remuneration standards at the Company are in line with best practice and guidance. During 2016, the Committee sought external guidance for the setting of FY17 remuneration. Further, during 2014 the advice of KPMG LLP was taken to provide guidance on the Group’s Long Term Incentive Plan. The Remuneration Committee reports on its activities to the Board meeting immediately following the committee’s meetings.

Senior Management Team

This comprises six senior managers and the CFO and is chaired by the CEO. The SMT meet monthly to consider in particular strategic and operational plans, monitor operating and financial performance and assess and manage business risk.

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group together with the financial statements and auditor's report for the year ended 30th June 2016.

Principal Activities

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

Business Review and Future Developments

A review of the business and future developments is provided in the Chairman's Statement, Chief Executive's Review and Chief Financial Officer's Review.

Research and Development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Our Business and Strategy section of this report. During the year to 30th June 2016 the Group incurred research and development expense of £156,000 (2015: £143,000) and a further £1,563,000 (2015: £768,000) was capitalised as development costs.

Dividends

Subject to shareholder approval at the Annual General Meeting on 15th November 2016, the Board proposes paying a final dividend of 4.7 pence per share on 25th November 2016 to shareholders on the register on 21st October 2016. This will make a total dividend of 6.5 pence per share for 2016.

Capital Structure

The Company's issued share capital as at 30th June 2016 was 21,059,636 ordinary shares of 20 pence each, each credited as fully paid.

Directors

The following Directors held office during the year ended 30th June 2016 and subsequently:

C J Brewster
 Lord Downshire
 R B Harding
 J S Lambert
 Dr I D Menneer

Details of Directors' share options and long-term incentive plans are provided in note 7 to the financial statements.

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 30th June 2016 and remains in place at the date of this report.

Creditor Payment Policy

We endeavour to maintain strong trading relationships with our suppliers. Terms of payment are agreed with suppliers in advance and it is the Group's policy to settle its liabilities in accordance with these terms. The number of days purchases included in trade creditors at 30th June 2016 was 59 days (2015: 44 days).

Corporate Governance

The Group's approach and policies surrounding Corporate Governance, which this Director's Report comprises, are shown on page 20.

Charitable and Political Donations

During the year the Group made charitable donations of £71 (2015: £325). No political donations were made during the year (2015: £nil).

Employees

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

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

DIRECTORS' REPORT CONTINUED

Substantial Shareholdings

In accordance with the Disclosure Rules and Transparency Rules, the Company has been notified of the following interests exceeding the 3% notification threshold as at 30th September 2016, a date not more than one month before the date of the notice of the Annual General Meeting:

| Name of holder | No. of ordinary shares | % holding |
|------------------------------|------------------------|-----------|
| Liontrust Asset Management | 2,732,413 | 12.9% |
| Unicorn Asset Management | 1,681,900 | 8.0% |
| Octopus Investments | 1,425,384 | 6.8% |
| Lord Downshire** | 1,420,029 | 6.7% |
| Mr J S Lambert | 1,313,691 | 6.2% |
| Investec Wealth & Investment | 1,280,933 | 6.1% |
| Hargreave Hale | 1,221,792 | 5.8% |
| Lazard Freres Gestion | 1,160,000 | 5.5% |

** Lord Downshire's interest includes a non-beneficial interest in 310,446 ordinary shares

Going Concern

The principal risks and uncertainties facing the Group are set out on page 16.

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

During the year the Group met its day-to-day general corporate and working capital requirements through existing cash resources. At 30th June 2016 the Group had cash on hand of £7.1m (30th June 2015: £5.8m).

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

Auditor

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

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

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

A resolution to reappoint KPMG LLP as auditors and to authorise the Directors to determine their remuneration will be put to the members at the forthcoming Annual General Meeting.

Animalcare Group plc

By order of the Board,

CHRIS BREWSTER

Company Secretary

11th October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the Financial Statements for the year ended 30th June 2016

The Directors are responsible for preparing the Strategic Report, the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Animalcare Group plc for the year ended 30th June 2016 set out on pages 25 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30th June 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CLAIRE NEEDHAM (SENIOR STATUTORY AUDITOR)

For and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street
Leeds
LS1 4DA
11th October 2016