

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take you should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities or, if you are not in the United Kingdom, another appropriately authorised independent financial adviser.

If you have sold or transferred all of your Ordinary Shares in Animalcare Group plc, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares, you should retain these documents.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute a prospectus under the Prospectus Rules or the European Prospectus Directive (2003/71/EC) and has not been approved by or filed with the Financial Conduct Authority or any other competent regulator. The definitions used in this document are at pages 10 to 14.

The Company, whose registered office appears on page 8, the Existing Directors and the Proposed Directors, whose names appear on page 8, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Company, the Existing Directors and the Proposed Directors (each of whom have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Enlarged Issued Share Capital will commence on AIM on 13 July 2017.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Existing Ordinary Shares are not traded on any other recognised investment exchange and no application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

The whole text of this document should be read. Your attention is drawn in particular to the risk factors set out in Part IV of this document.

Animalcare Group plc

(a company incorporated in England and Wales under the Companies Act 2006 with company number 01058015)

Proposed acquisition of Ecuphar NV

Approval of waiver of obligations under Rule 9 of the Takeover Code

Proposed placing of 9,340,168 Placing Shares at 350 pence per Ordinary Share

Admission of the Enlarged Issued Share Capital to trading on AIM

and

Notice of General Meeting

Financial Adviser

*Nominated Adviser, Lead Bookrunner
and Broker*



PANMURE GORDON & CO
INTEGRITY IN INVESTMENT BANKING SINCE 1876

Joint Bookrunner of the New Placing Shares



Rothschild, which is authorised and regulated by the Financial Conduct Authority, is acting as financial adviser to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Rothschild has not authorised the contents of any part of this document for the

purposes of the AIM Rules. The responsibilities of Rothschild as the Company's financial adviser are owed solely to the Company and are not owed to any Director, Shareholder or any other person in respect of a decision to subscribe for or purchase Ordinary Shares in the Company. Rothschild is not making any representation or warranty, express or implied, as to the contents of this document.

Panmure Gordon (UK) Limited, which is authorised and regulated by the Financial Conduct Authority, is acting as nominated adviser, lead bookrunner and broker to the Company and will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Panmure Gordon (UK) Limited has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibilities of Panmure Gordon (UK) Limited as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director, Shareholder or any other person in respect of a decision to subscribe for or purchase Ordinary Shares in the Company. The responsibilities of Panmure Gordon (UK) Limited as the Company's lead bookrunner are owed solely to the Company and are not owed to any Director, Shareholder or any other person in respect of a decision to subscribe for or purchase Ordinary Shares in the Company. Panmure Gordon (UK) Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Degroof Petercam, which is authorised and regulated by the Financial Services and Markets Authority, is acting as joint bookrunner to the Company solely for the purpose of the Placing of the New Placing Shares and will not be responsible to any person other than the Company and the National Bank of Belgium. Degroof Petercam has not authorised the contents of any part of this document for the purposes of the AIM Rules. The responsibilities of Degroof Petercam as the Company's joint bookrunner are owed solely to the Company and are not owed to any Director, Shareholder or any other person in respect of a decision to subscribe for or purchase Ordinary Shares in the Company. Degroof Petercam is not making any representation or warranty, express or implied, as to the contents of this document as well as the contents of any other document publicly announced or made available within the context of any transaction or arrangement referred to herein.

Notice convening a General Meeting of the Company to be held at the offices of Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH on 12 July 2017 at 10.00 a.m. is set out at the end of this document. Shareholders will find enclosed with this document a form of proxy for use in connection with the General Meeting. To be valid, the form of proxy must be signed and returned in accordance with the instructions printed thereon so as to be received by Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event no later than 10.00 a.m. on 10 July 2017. Completion and posting of the Form of Proxy does not prevent a Shareholder from attending and voting in person at the General Meeting.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution into the United States of America, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act 1933 (as amended) nor under the applicable securities laws of any states of the United States of America or any province or territory of Canada, Australia, the Republic of South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, Japan or to any national, resident or citizen of the United States of America, Canada, Australia, the Republic of South Africa or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Ordinary Shares have not been approved or disapproved by the United States Securities and Exchange Commission, any state securities commission in the United States or any other United States of America regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Ordinary Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Neither the Company, the Existing Directors nor the Proposed Directors are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the Company's registered office and offices of Panmure Gordon UK Limited, One New Change, London EC4M 9AF, from the date of this document until one month from the date of Admission. This document will also be available for download from the Company's website at www.animalcaregroup.co.uk.

IMPORTANT INFORMATION

An investment in the Group carries risk. There can be no assurance that the Group's strategy will be achieved and investment results may vary substantially over time. Investment in the Group is not intended to be a complete investment programme for any investor. The price of the Ordinary Shares and any income from Ordinary Shares can go down as well as up and Shareholders may not realise the value of their initial investment. Prospective investors should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under Part IV of this document).

Potential investors contemplating an investment in the Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in the Ordinary Shares.

If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities or, if you are not in the United Kingdom, another appropriately authorised independent financial adviser.

An investment in the Group is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Group and who have sufficient resources to bear any losses which may result therefrom.

Neither the Company, the Existing Directors nor the Proposed Directors are providing potential investors with any representations or warranties or any legal, financial, business, tax or other advice. Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to:

- (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption, conversion or other disposal of Ordinary Shares;
- (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and
- (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Group and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

This document should be read in its entirety before making any investment in the Group.

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group operates and will operate, the Existing Directors' and the Proposed Directors' beliefs and assumptions made by the Existing Directors and the Proposed Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline", "aims", "may", "targets", "would", "could" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify

and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. These forward-looking statements speak only as at the date of this document. The Company, the Existing Directors and the Proposed Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein, or to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based save as required to comply with any legal or regulatory obligations (including the AIM Rules for Companies).

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of Admission Document	24 June 2017
Latest time and date for lodging CREST voting instructions	10.00 am on 10 July 2017
Latest time and date for lodging forms of proxy for the Animalcare General Meeting	10.00 am on 10 July 2017
Animalcare General Meeting	10.00 am on 12 July 2017
Expected time and date of cancellation of trading on AIM of the Existing Ordinary Shares	7.00 am on 13 July 2017
Expected time and date of completion of the Acquisition	8.00 am on 13 July 2017
Expected time and date of Admission and commencement of dealings in the Enlarged Issued Share Capital on AIM	8.00 am on 13 July 2017
Expected date for CREST accounts to be credited (where applicable)	13 July 2017
Expected despatch of definitive share certificates (where applicable)	27 July 2017

Note:

The times and dates in this timetable may be subject to change which will be notified on a Regulatory Information Service. All references to times in this timetable are to London time.

ADMISSION AND PLACING STATISTICS

Number of Existing Ordinary Shares	21,222,110
Number of Consideration Shares proposed to be issued to the Vendors	28,751,466
Number of Consideration Shares as a percentage of Enlarged Issued Share Capital	48.0 per cent.
Number of New Placing Shares	8,571,428
Number of New Placing Shares as a percentage of Enlarged Issued Share Capital	14.3 per cent.
Number of Option Shares	1,368,896
Number of Option Shares as a percentage of Enlarged Issued Share Capital	2.3 per cent.
Number of Sale Shares (including Option Shares) proposed to be sold by the Selling Shareholders pursuant to the Placing	768,740
Number of Sale Shares (including Option Shares) as a percentage of Enlarged Issued Share Capital	1.3 per cent.
Enlarged Issued Share Capital	59,913,900
Placing Price per Ordinary Share	350 pence
Estimated net proceeds of the Placing receivable by the Company	£29.1 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders (excl. VAT)	£2.6 million
Expenses of the Company in connection with the Acquisition, the Placing and Admission	£3.7 million
Market capitalisation of the Company at the Placing Price at Admission	£209.7 million
TIDM	ANCR.L
ISIN	GB0032350695
Website	www.animalcaregroup.co.uk

DIRECTORS, OFFICERS AND ADVISERS

Existing Directors	<p>Iain David Menneer (<i>Chief Executive Officer</i>) Christopher (Chris) James Brewster (<i>Chief Financial Officer</i>) James Scott Lambert (<i>Non-Executive Chairman</i>) Arthur Francis Nicholas Wills Marquess of Downshire (Lord Nick Downshire) (<i>Non-Executive Director</i>) Raymond Bryan Harding (<i>Non-Executive Director</i>)</p>
Proposed Board of Directors following Admission	<p>Christiaan (Chris) Cardon (formerly André) (<i>Chief Executive Officer</i>) Walter Emilia Rene Beyers (<i>Chief Financial Officer</i>) Iain Menneer (<i>Chief Operating Officer</i>) Jan Marcel Matthieu Maria Boone (<i>Non-Executive Chairman</i>) Edwin (Ed) Thomas William Torr (<i>Senior Independent Non-Executive Director</i>) James Lambert (<i>Non-Executive Director</i>) Marc Armand Alice André Liliane Coucke (<i>Non-Executive Director</i>) Lord Nick Downshire (<i>Non-Executive Director</i>)</p>
Company Secretary	Chris Brewster
Registered Office	Unit 7 10 Great North Way York Business Park York YO26 6RB
Financial Adviser to Animalcare	Rothschild 1 Park Row Leeds LS1 5NR
Nominated Adviser, Lead Bookrunner and Broker	Panmure Gordon (UK) Limited One New Change London EC4M 9AF
Joint Bookrunner	Bank Degroof Petercam NV Rue de l'Industrie Nijverheidsstraat 44 1040 Brussels Belgium
Lawyers to Animalcare	Squire Patton Boggs (UK) LLP 6 Wellington Place Leeds LS1 4AP
Lawyers to Ecuphar	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS

**Lawyers to the Joint
Bookrunners**

Fieldfisher LLP
Riverbank House
2 Swan Lane
London
EC4R 3TT

**Reporting Accountants and
Auditors to the Company**

KPMG LLP
One Sovereign Square
Sovereign Street
Leeds
LS1 4DA

**Reporting Accountants to the
Company in relation to
Ecuphar**

**PwC Bedrijfsrevisoren bcvba/
Réviseurs d'Entreprises scrl**
Woluwe Garden, Woluwedal 18
B-1932 Sint-Stevens-Woluwe
Belgium

Registrars

Capita Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

DEFINITIONS

“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Ecuphar pursuant to terms of the Share Purchase Agreement
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies and AIM Rules for Nominated Advisers, as appropriate
“AIM Rules for Companies”	the rules for companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the rules for nominated advisers to companies whose shares are admitted to AIM as published by the London Stock Exchange from time to time
“Alychlo NV”	Alychlo NV, a company registered in Belgium with registered number 0895.140.645 and whose registered office is at Lembergsesteenweg 19, 9820 Merelbeke, Belgium
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 4 of Part IX of this document
“Board” or “Directors”	the directors of the Company for the time being
“CAGR”	compound annual growth rate
“CGT”	capital gains tax, including capital gains tax for individuals and corporation tax for companies
“Companies Act”	the Companies Act 2006 (as amended)
“Company” or “Animalcare”	Animalcare Group plc
“Completion”	completion of the proposed acquisition of the entire issued share capital of Ecuphar, pursuant to the Share Purchase Agreement
“Concert Party”	Ecuphar Invest NV, Alychlo NV and Jaak Cardon (as further detailed in paragraph 2 of Part VIII of this document) who are deemed to be acting in concert for the purposes of the Takeover Code
“Consideration Shares”	28,751,466 new Ordinary Shares to be allotted and issued by the Company, credited as fully paid, under the Share Purchase Agreement to the Vendors, in consideration for the Acquisition
“Corporate Governance Guidelines”	the corporate governance code for small and mid-size quoted companies published by the QCA in May 2013
“CREST”	the computerised settlement system operated by Euroclear UK & Ireland which facilitates the holding and transfer of title to shares in uncertificated form

“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations; and (ii) any applicable rules made under those regulations
“Degroof Petercam”	Bank Degroof Petercam NV
“DTRs”	the Disclosure Guidance and Transparency Rules published by the FCA
“EBITDA”	net profit plus finance expenses, less financial income, plus income taxes and deferred taxes, plus depreciation, amortisation and impairment
“Ecuphar”	Ecuphar NV, a company registered in Belgium with registered number 0476.255.350 and whose registered office is at Legeweg 157 box I, 8020 Oostkamp, Belgium
“Ecuphar Group”	Ecuphar and its subsidiaries at the date of this document
“Ecuphar Invest NV”	Ecuphar Invest NV, a company registered in Belgium with registered number 0476.250.994 and whose registered office is at Rijselstraat 29, 8200 Brugge, Belgium
“Enlarged Group”	the Existing Group and the Ecuphar Group upon completion of the acquisition of Ecuphar by the Company
“Enlarged Issued Share Capital”	the Ordinary Shares in issue immediately following Admission
“Esteve”	Laboratorios del Dr. Esteve, S.A.
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited
“Executive Share Option Scheme”	the Animalcare Group plc Executive Share Option Scheme 2008 adopted by the Company on 30 May 2008, summary details of which are set out in paragraph 5.1 of Part IX of this document
“Existing Directors”	the directors of the Company as at the date of this document, being James Lambert, Iain Menneer, Chris Brewster, Lord Nick Downshire and Raymond Harding
“Existing Group”	the Company and Animalcare Limited
“Existing Issued Share Capital”	the 21,222,110 Ordinary Shares in issue as at the date of this document
“Existing LTIP”	the Animalcare Limited Long Term Incentive Plan adopted on 20 June 2014, summary details of which are set out in paragraph 5.3 of Part IX of this document
“Existing Ordinary Shares”	the Ordinary Shares in issue as at the date of this document
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of the Company convened for 10.00 a.m. on 12 July 2017 (or any adjournment thereof), notice of which is set out at the end of this document

“Group”	the Company and its subsidiaries from time to time (and, with effect from Completion, shall be deemed to refer to the Enlarged Group)
“HMRC”	Her Majesty’s Revenue & Customs
“Independent Directors”	James Lambert and Raymond Harding
“Independent Shareholders”	the Shareholders, other than the Selling Shareholders and any person acting in concert with them (including any members of their immediate families, related trusts or connected persons) who holds Ordinary Shares
“ISIN”	international security identification number
“Joint Bookrunners”	Panmure Gordon and Degroof Petercam
“KPMG”	KPMG LLP
“Lock-in Agreement”	the conditional agreement dated 23 June 2017 between the minority shareholders of Ecuphar, the Company and Panmure Gordon, summary details of which are set out in paragraph 15.1.5 of Part IX of this document
“London Stock Exchange”	London Stock Exchange plc
“Majority Vendors”	Ecuphar Invest NV and Alychlo NV
“New LTIP”	the Animalcare Group plc Long Term Incentive Plan 2017 adopted by the Board on 22 June 2017
“New Placing Shares”	the 8,571,428 new Ordinary Shares proposed to be issued by the Company pursuant to the Placing
“Official List”	the Official List of the UK Listing Authority
“Options”	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraph 5 of Part IX of this document
“Option Shares”	the 1,368,896 New Ordinary Shares to be issued by the Company to Iain Menneer, Chris Brewster and certain other employees of the Group following the exercise of certain of their Options or the exchange of shares in Animalcare Limited, as further described in paragraph 16 of Part I of this document
“Orderly Market Agreement”	the conditional agreement dated 23 June 2017 between James Lambert, Ed Torr, the Company and Panmure Gordon, summary details of which are set out in paragraph 15.1.6 of Part IX of this document
“Ordinary Shares”	the ordinary shares of £0.20 each in the share capital of the Company
“OTC”	over the counter
“Panel”	the UK Panel on Takeovers and Mergers
“Panmure Gordon”	Panmure Gordon (UK) Limited
“Participating Directors”	Iain Menneer, Chris Brewster and Nick Downshire

“Placees”	those persons who have agreed to subscribe for or purchase the Placing Shares
“Placing”	the conditional placing of (i) the New Placing Shares at the Placing Price by the Joint Bookrunners as agents for and on behalf of the Company pursuant to the Placing and Admission Agreement; and (ii) the Sale Shares at the Placing Price by Panmure Gordon as agent for and on behalf of the Selling Shareholders pursuant to the terms of the Selling Shareholders’ Agreement
“Placing and Admission Agreement”	the conditional agreement dated 23 June 2017 between the Company, the Majority Vendors, the Existing Directors, the Proposed Directors, Panmure Gordon and Degroof Petercam relating to the Placing and Admission, summary details of which are set out in paragraph 15.1.2 of Part IX of this document
“Placing Price”	350 pence per Placing Share
“Placing Shares”	the New Placing Shares and the Sale Shares
“Proposals”	the Acquisition, the Placing and the Rule 9 Waiver
“Proposed Directors”	Jan Boone, Chris Cardon, Walter Beyers, Marc Coucke and Edwin Torr
“Prospectus Rules”	the prospectus rules of the FCA made under Part VI of the FSMA
“QCA”	the Quoted Companies Alliance
“Registrar”	Capita Asset Services, the registrar of the Company
“Relationship Agreement”	the relationship agreement dated 23 June 2017 between the Company, the Majority Vendors and Panmure Gordon. Summary details of which are set out in paragraph 15.1.4 of Part IX of this document
“Resolutions”	the resolutions to be proposed at the General Meeting, the full text of which is set out in the notice of General Meeting set out at the end of this document
“Rothschild”	N M Rothschild & Sons Limited
“Rule 9 Waiver”	the conditional waiver by the Panel of the obligation that would otherwise arise on the Concert Party to make a general offer to all Shareholders pursuant to Rule 9 of the Takeover Code as a result of the allotment and issue of the Consideration Shares or which may arise on the Concert Party and/or Chris Cardon as a result of the allotment and issue to Chris Cardon of a maximum aggregate number of 299,569 Ordinary Shares pursuant to the New LTIP
“Sale Shares”	the 768,740 Ordinary Shares (including the Option Shares) proposed to be sold by the Selling Shareholders pursuant to the Placing
“Savings Related Share Option Scheme”	the Animalcare Group plc Savings Related Share Option Scheme adopted by the Company on 12 September 2006,

	summary details of which are set out in paragraph 5.2 of Part IX of this document
“SDRT”	stamp duty reserve tax
“Selling Shareholders”	the Participating Directors and certain employees of the Group who are proposing to sell Ordinary Shares in the Placing
“Selling Shareholders’ Agreement”	the conditional agreement dated 23 June 2017 between the Company, the Selling Shareholders and Panmure Gordon relating to the sale of the Sale Shares by the Company on behalf of the Selling Shareholders
“Shareholder”	a holder of Ordinary Shares
“Share Purchase Agreement”	the share purchase agreement dated 23 June 2017 and entered into between, among others, (1) the Vendors and (2) the Company, in respect of the Acquisition
“subsidiary”	has the meaning given to it in section 1159 of the Companies Act
“Takeover Code”	the City Code on Takeovers and Mergers published by the Panel
“TIDM”	tradable investment display mnemonic
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“Underlying EBITDA”	EBITDA adjusted for non-recurring items
“Vendors”	Alychlo NV, Ecuphar Invest NV and the minority shareholders of Ecuphar, as set out in the Share Purchase Agreement
“Whitewash Resolution”	Resolution 2 proposed to be passed at the General Meeting, which relates to the Rule 9 Waiver

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

Animalcare Group plc

(Incorporated in England and Wales with registered number 1058015)

Existing Directors:

James Lambert	<i>Chairman</i>
Iain Menneer	<i>Chief Executive Officer</i>
Chris Brewster	<i>Chief Financial Officer</i>
Lord Nick Downshire	<i>Non-Executive Director</i>
Raymond Harding	<i>Non-Executive Director</i>

Registered Office:

Unit 7
10 Great North Way
York Business Park
York
YO26 6RB

24 June 2017

Dear Shareholder,

Proposed acquisition of Ecuphar NV
Approval of waiver of obligations under Rule 9 of the Takeover Code
Proposed placing of 9,340,168 Placing Shares at 350 pence per Ordinary Share
Admission of the Enlarged Issued Share Capital to trading on AIM
and
Notice of General Meeting

1 Introduction

Animalcare has announced that it has entered into the conditional Share Purchase Agreement to acquire the entire issued share capital of Ecuphar from the Vendors. Ecuphar is a European animal health company focused on the development and sale of veterinary pharmaceutical products that provide significant benefits to animal health in the companion animal, equine and production animal markets. Ecuphar is led by founder and Chief Executive Officer, Chris Cardon, together with a strong and highly experienced management team. The Existing Directors believe that Animalcare and Ecuphar are highly complementary businesses, in particular with regard to their geographic markets, product portfolios and new product development pipelines and the Existing Directors therefore expect the Acquisition to provide enhanced scale and capabilities. On completion of the Acquisition, the senior management teams of Animalcare and Ecuphar will be integrated to continue to operate the Enlarged Group, with Chris Cardon assuming the role of Chief Executive Officer and Iain Menneer, current Chief Executive Officer of Animalcare, becoming the Chief Operating Officer. For further details on the Ecuphar Group and the Existing Group, see Parts II and III of this document respectively.

The consideration for the Acquisition is structured on a consolidated Animalcare/Ecuphar Enlarged Issued Share Capital ratio of 37:63 (after taking into account dilution from certain Animalcare incentive arrangements), and will be satisfied through the issue of 28,751,466 Consideration Shares to the Vendors and the payment of £34.0 million (before commission) to the Vendors in cash. The cash component of the consideration will be satisfied in part through a placing of 8,571,428 New Placing Shares (comprising 14.3 per cent. of Enlarged Issued Share Capital) at a Placing Price of 350 pence per Ordinary Share, with the balance (of £4.0 million) to be funded by existing cash held by the Group. The aggregate consideration equates to a total value of £134.6 million on the basis of the Placing Price. In addition, the Participating Directors and certain employees of the Company will participate in the Placing, in order to sell 768,740 Ordinary Shares in aggregate, as further detailed in paragraph 6 of this Part I below.

The Existing Directors believe that the increase in liquidity and free float of the Ordinary Shares of the Enlarged Group following the Placing will be beneficial to the Enlarged Group and to Shareholders as a whole.

On completion of the Acquisition, the Consideration Shares will comprise approximately 48.0 per cent. of the Enlarged Issued Share Capital of the Company, of which 23.1 per cent. will be held by Ecuphar Invest NV, an entity controlled by Chris Cardon, and 23.1 per cent. will be held by Alychlo NV, an entity wholly owned by Marc Coucke (with the remaining 1.7 per cent. being held by the 25 minority shareholders who comprise the other Vendors).

For further details on the terms of the Acquisition and the Placing see paragraphs 5 and 6 of this Part I below and paragraph 15 of Part IX of this document.

As further detailed in paragraph 10 of this Part I and paragraph 2 of Part VIII of this document, the Panel has confirmed that it considers Ecuphar Invest NV, Alychlo NV and Jaak Cardon (the son of Chris Cardon and a minority shareholder in Ecuphar) to be acting in concert for the purposes of the Takeover Code. Following completion of the Acquisition, this Concert Party (by virtue of the Consideration Shares to be issued to Ecuphar Invest NV, Alychlo NV and Jaak Cardon pursuant to the Acquisition) will control approximately 46.3 per cent. of the voting rights of the Company. The Panel has agreed to grant a waiver of Rule 9 of the Takeover Code (which would otherwise require the Concert Party to make a general offer to acquire the balance of Ordinary Shares in issue immediately following the Acquisition), subject to the Whitewash Resolution being passed by the Independent Shareholders (on a poll) at the General Meeting. Your attention is drawn to the Rule 9 Waiver section contained in paragraph 10 of this Part I and to Part VIII of this document.

The Acquisition constitutes a reverse takeover under the AIM Rules for Companies, requiring the approval of a majority of all of the Shareholders who vote. It is also conditional upon, inter alia, the passing of other resolutions relating to the issue of new Ordinary Shares in connection with the Acquisition and the Placing. These approvals will be sought at the General Meeting to be held at Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 12 July 2017, notice of which is set out at the end of this document. Voting on all of the Resolutions will be by way of a poll.

The Company has received letters of intent and irrevocable undertakings to vote in favour of the Resolutions to be proposed at the General Meeting in respect of, in the case of all Resolutions other than the Whitewash Resolution, 4,231,653 Existing Ordinary Shares, representing, in aggregate, approximately 19.9 per cent. of the Existing Issued Share Capital and, in respect of the Whitewash Resolution, on which only the Independent Shareholders are entitled to vote, 2,739,075 Existing Ordinary Shares, representing, in aggregate, approximately 13.9 per cent. of the Existing Issued Share Capital entitled to vote on that Resolution.

The purpose of this document is to explain the background to and reasons for the Proposals, and why the Existing Directors believe that the Proposals are in the best interests of the Company and the Shareholders as a whole and to recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

You should read the whole of this document and your attention is drawn in particular to the Risk Factors set out in Part IV of this document.

2 Background to and reasons for the Acquisition

The Existing Directors believe that Animalcare and Ecuphar are highly complementary businesses in particular across products, product development and geographies. As such, the Existing Directors consider the Acquisition to provide an opportunity to create a specialist pan-European animal health company that gives the Enlarged Group leadership in its chosen niches that are supported by attractive and complementary market drivers. The Existing Directors believe that the

Enlarged Group will represent a growing, highly cash generative and dividend paying company with a solid pipeline of new products.

The Existing Directors believe that there is a strong strategic rationale for the Acquisition for the following reasons.

Position of critical scale within the European animal health market

The Acquisition materially strengthens the position of Animalcare and Ecuphar in the supply and distribution of companion and food producing animal health products in Europe. This market is large and growing (estimated size of US \$8 billion with 5 per cent. historic CAGR). The Directors believe the Enlarged Group's focus on niche, highly specialist therapeutic areas together with its increased scale makes it well positioned to capitalise on the underlying growth in the wider animal health market.

Creation of a pan-European platform

The Acquisition creates a pan-European animal health platform, which significantly enhances Animalcare's geographic footprint and sales, marketing and distribution network. Specifically, the Enlarged Group would comprise direct sales organisations in seven countries (currently one for Animalcare); export to approximately 50 markets (currently 12, with agreements signed for a further 14, for Animalcare) and have approximately 98 sales representatives (currently 22 for Animalcare) and 28 agents (currently none for Animalcare). Ecuphar's extensive European presence and established distribution network provides direct access to new markets for Animalcare and its products, and the combination provides the Enlarged Group with a scale platform from which to target new, significant commercial opportunities and attract new distribution partners.

Broader, more diversified product portfolio

The Acquisition complements, broadens and diversifies Animalcare's existing portfolio of licenced veterinary pharmaceutical products, in particular generic medicines for the treatment of companion animals. In addition, the Acquisition enlarges Animalcare's addressable market, both by diversifying Animalcare's areas of therapeutic focus within companion animals and adding new product capabilities in food producing animal segments.

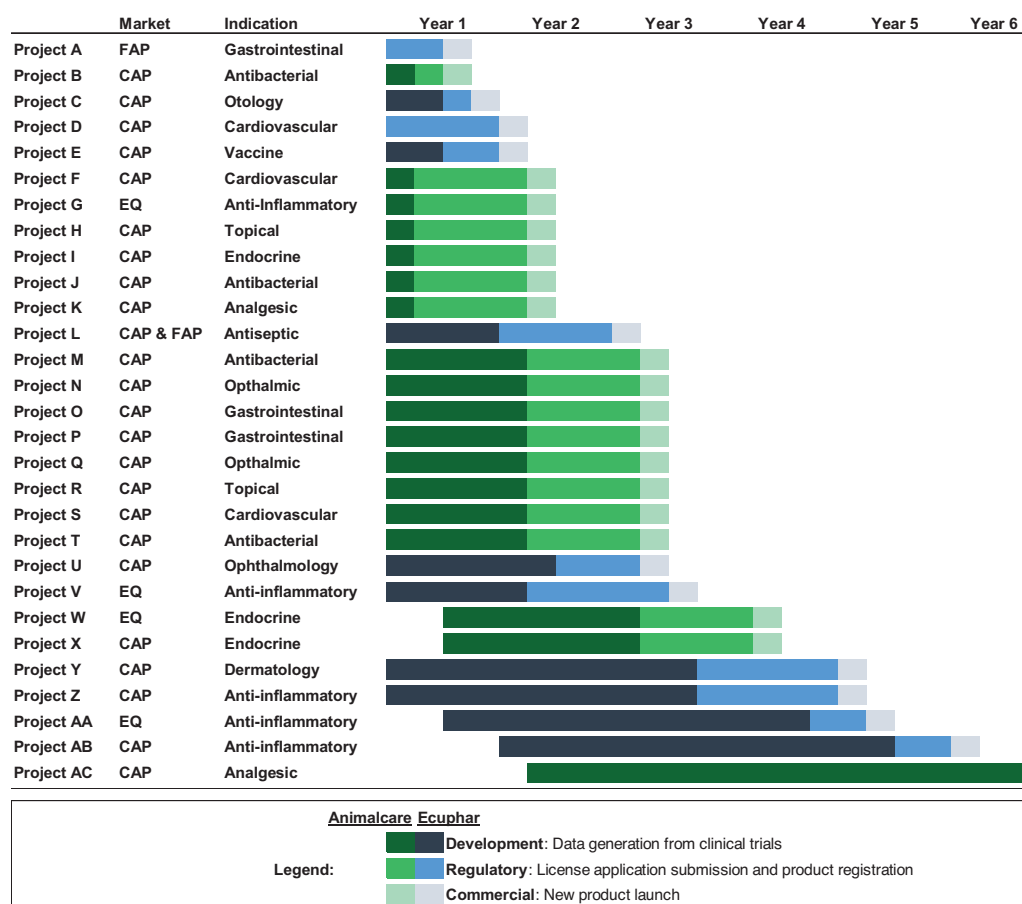
Specifically, the Enlarged Group will own 50 licenced drugs, eight vaccines and over 100 care and nutraceutical products (currently 21 licenced drugs for Animalcare). This will enable the Enlarged Group to offer its customers a broader range of products and services.

Enhanced intellectual property portfolio and new product development pipeline

The Acquisition materially enhances Animalcare's portfolio of intellectual property and trademarks, which will help to protect the Enlarged Group's overall market position. The Enlarged Group will have three unique veterinary products (other than one competing ethamsylate product in France and currently none for Animalcare); ten patents (currently none for Animalcare) and approximately 300 trademarks (currently 42 for Animalcare).

Together, the Enlarged Group will have a broader and more diversified new product development pipeline, supported by the greater cash generation of the Enlarged Group. The Existing Directors believe that this enhances the likelihood of successful new product launches and, given the increased scale and network of the Enlarged Group, also increases the potential revenue generation per product once launched versus a launch by Animalcare or Ecuphar on a standalone basis. Specifically, Animalcare currently has 18 projects in its pipeline and Ecuphar has eleven new product development projects in its pipeline. The combined research and development knowledge and expertise of the Enlarged Group may also lead to and accelerate additional product development opportunities.

The combined new product development pipeline of the Enlarged Group is as follows:



* CAP: companion animal products; FAP: farm (production) animal products; EQ: equine products

Highly experienced management team

The Existing Directors believe the experienced and capable management structure at Animalcare will be significantly enhanced by the high quality leadership of Ecuphar's management team. The Enlarged Group's management team will be led by Ecuphar current Chief Executive Officer Chris Cardon, who will join as Chief Executive Officer of the Enlarged Group. Animalcare's current Chief Executive Officer, Iain Menneer, will assume the role of Chief Operating Officer of the Enlarged Group. The Existing Directors and Proposed Directors believe that the Enlarged Group will have a strong management team and organisation which is positioned to deliver shareholder value.

The Enlarged Group's Management team will also have significant M&A experience. The Directors believe that this will support an effective integration process and provide the Enlarged Group with the experience and capabilities to play a shareholder value-creating role in any industry consolidation, within what is considered by the Existing Directors to be a fragmented market.

Material opportunities for synergy creation

The Existing Directors believe the Acquisition will create significant synergy opportunities from which to drive shareholder value, including from:

- cross-selling the Enlarged Group's broader range of products and services to Animalcare's and Ecuphar's existing customers;
- bringing in-house the respective third party distribution of products from Animalcare to customers in Europe and from Ecuphar to customers in the UK;

- gaining significant operating efficiencies by leveraging the Enlarged Group's substantial supply chain, distribution, sales and marketing network;
- optimisation of the Enlarged Group's research and development function; and
- the enhanced brand and market position of the Enlarged Group, which is likely to generate more customer interest.

3 Strategy of the Enlarged Group

Following Completion, it is intended that the Enlarged Group will continue to grow both organically and through selective acquisitions to accelerate its overarching strategy of becoming a leader in the European animal health market.

The Enlarged Group's core areas of strategic focus will be on:

- initiating cross selling opportunities of both Animalcare's and Ecuphar's products across existing customers and distribution channels;
- implementing an effective business integration, including by combining product development activities, providing the technology and systems to drive product quality improvement programmes and by optimising the Enlarged Group's supply chain;
- developing the Enlarged Group's wider network of partnerships and strategic alliances in order to increase its exposure, as licensor and licensee, to global animal health leaders;
- leveraging its platform by identifying selective value-accretive acquisitions that can broaden the pan-European sales, marketing and distribution platform of the Enlarged Group;
- diversifying the Enlarged Group's portfolio of products into additional therapeutic areas within the companion animal, as well as production animal and equine, markets; and
- continuing the shift towards broadening the Enlarged Group's pipeline innovations to include novel therapies.

The Existing Directors and Proposed Directors believe that the key components required to ensure that the Enlarged Group continues to deliver this long-term growth strategy are to:

- continue to attract and retain the highest calibre people to drive forward its development;
- maintain leadership capability in research and development; and
- invest in high quality infrastructure in strategic locations.

4 Information on the Vendors

Ecuphar is currently owned by Ecuphar Invest NV (an entity controlled by Chris Cardon), which indirectly owns 48.2 per cent of the shares in Ecuphar), Alychlo NV (an entity wholly owned by Marc Coucke), which indirectly owns 48.2 per cent. of the shares in Ecuphar and 25 minority shareholders who hold the remaining 3.6 per cent. of the shares in Ecuphar. Ecuphar Invest NV and Alychlo NV currently hold their shares in Ecuphar through their jointly owned subsidiary, MC³ Health NV. MC³ Health NV will be liquidated prior to completion of the Acquisition, so that, immediately prior to completion of the Acquisition, Ecuphar Invest NV and Alychlo NV will each hold 48.2 per cent. of the shares in Ecuphar directly.

Chris Cardon is the founder and Chief Executive Officer of Ecuphar, and the proposed Chief Executive Officer of the Enlarged Group. Marc Coucke is a highly successful entrepreneur and investor, having founded Omega Pharma, a leading European operator in human OTC products which was acquired by Perrigo Company plc in March 2015. Further information on Chris Cardon and Marc Coucke is set out in paragraph 8 of this Part I.

As has been noted above, Ecuphar Invest NV and Alychlo NV (together with Jaak Cardon (the son of Chris Cardon and a minority shareholder in Ecuphar)), are considered to be acting in concert for the purposes of the Takeover Code. Further information on this, and the associated waiver of Rule 9 of the Takeover Code which is being sought at the General Meeting, are set out in paragraph 10 of this Part I, and in Part VIII of this document.

5 Details of the Acquisition

Animalcare has entered into the Share Purchase Agreement, pursuant to which it has conditionally agreed to acquire the entire issued share capital of Ecuphar from the Vendors in consideration for the issue to the Vendors of 28,751,466 Consideration Shares and the payment of £34.0 million (before commission) in cash. The aggregate consideration equates to a total value of £134.6 million on the basis of the Placing Price.

On completion of the Acquisition, the Consideration Shares will comprise approximately 48.0 per cent. of the Enlarged Issued Share Capital of the Company, of which 23.1 per cent. will be held by Ecuphar Invest NV, an entity controlled by Chris Cardon, and 23.1 per cent. will be held by Alychlo NV, an entity wholly owned by Marc Coucke (with the remaining 1.7 per cent. being held by the 25 minority shareholders who comprise the other Vendors).

Under the Share Purchase Agreement, completion of the Acquisition is conditional on, among other things, the passing of Resolutions 1 to 6 at the General Meeting, Admission and the Placing and Admission Agreement having become unconditional. The Share Purchase Agreement contains customary warranties by the Vendors to Animalcare, and vice versa, subject to limitations on liability including a cap on liability. Under the Share Purchase Agreement, Ecuphar Invest NV and Alychlo NV, being the majority Vendors, have agreed to give covenants restricting them from competing with the Enlarged Group for a period of 24 months following Completion.

Further details of the Share Purchase Agreement are set out in paragraph 15 of Part IX of this document.

It is also proposed that Ecuphar Invest NV and Alychlo NV will enter into a relationship agreement with the Company and Panmure Gordon with effect from Admission. Further details of this agreement are set out in paragraph 15 of Part IX of this document.

Following completion of the Acquisition, it is intended that Ecuphar will acquire Animalcare Limited in an intragroup transaction, with Animalcare Limited thereby becoming a subsidiary of Ecuphar. The funding for this will be provided from Ecuphar's existing debt facilities, details of which are set out in paragraph 15 of Part IX of this document.

6 Details of the Placing

In connection with the Acquisition, the Company has conditionally raised approximately £30.0 million by the issue of 8,571,428 new Ordinary Shares at the Placing Price of 350 pence per Ordinary Share. The New Placing Shares will represent approximately 14.3 per cent. of the Enlarged Issued Share Capital at Admission. Upon Admission, the allotment and issue of the New Placing Shares, Consideration Shares and Option Shares will result in an immediate dilution of 64.6 per cent. to holders of the Existing Ordinary Shares who do not participate in the Placing.

The proceeds of the Placing receivable by the Company will be applied in full to paying a substantial proportion of the cash component of the Acquisition consideration.

In addition, the Selling Shareholders (who comprise the Participating Directors and certain employees of the Company) have conditionally sold 768,740 Sale Shares (representing 1.3 per cent. of the Enlarged Issued Share Capital) in the Placing. In the case of each of the Selling Shareholders except Lord Nick Downshire, the Sale Shares sold in the Placing will be obtained from the exercise of certain existing Options or the exchange of shares in Animalcare Limited by

the relevant individuals as described in paragraph 16 of this Part I. These Option Shares represent 2.3 per cent. of the Enlarged Issued Share Capital.

Edwin Torr and Jan Boone, who are both Proposed Directors, have also shown their support for the Acquisition and the Enlarged Group by purchasing 135,626 Placing Shares in the Placing.

On 23 June 2017, the Company, the Majority Vendors, the Existing Directors, the Proposed Directors, Panmure Gordon and Degroof Petercam entered into the Placing and Admission Agreement, pursuant to which, among other things, the Joint Bookrunners have each agreed to use its reasonable endeavours to place up to 8,571,428 New Placing Shares on behalf of the Company. In addition, on 23 June 2017 the Company, the Selling Shareholders and Panmure Gordon entered into the Selling Shareholders' Agreement, pursuant to which Panmure Gordon agreed to use its reasonable endeavours to place up to 768,740 Sale Shares on behalf of the Selling Shareholders.

The Placing is conditional on, among other things:

- the Placing and Admission Agreement having become unconditional and not having been terminated in accordance with its terms;
- the Share Purchase Agreement not having been terminated or amended, and having become unconditional in all respects (other than the conditions relating to Admission and the Placing and Admission Agreement); and
- Admission occurring by no later than 13 July 2017 (or such later date as the Company and the Joint Bookrunners agree, not being later than 25 July 2017).

Further details of the Placing and Admission Agreement, Selling Shareholders' Agreement, the Lock-in Deed and the Orderly Market Agreement are set out in paragraph 15 of Part IX of this document.

Pursuant to the Placing and Admission Agreement, each of the Majority Vendors and the Participating Directors have undertaken to the Company and Panmure Gordon:

- not, without the prior written consent of each of the Company and Panmure Gordon, to dispose of any of the Ordinary Shares held by them or their respective associates at Admission for a period of 12 months following Admission; and
- for a further period of 12 months following the end of such lock-in period, to be subject to customary orderly market restrictions.

7 Financial effects of the Acquisition

Animalcare is financing the Acquisition through a combination of the Consideration Shares, the proceeds of the Placing and through existing cash on Animalcare's balance sheet.

The Existing Directors believe that, taking into account the business and prospects of the Enlarged Group, the Acquisition will be enhancing to the Board's expectations of underlying earnings for the Existing Group in the first full financial year of ownership.

For the year ended 31 December 2016, Ecuphar recorded revenue of £68.4 million and Underlying EBITDA of £8.9 million. The table below shows an unaudited pro forma aggregated income statement for the Enlarged Group for the year ended 31 December 2016:

in £'000	Animalcare	Ecuphar	Total
Revenue	15,556	68,361	83,917
Gross profit	8,722	28,275	36,997
Operating costs	(5,181)	(22,236)	(27,417)
Operating profit	3,541	6,039	9,580
Depreciation, amortisation & impairment	402	4,690	5,092
Non recurring items	–	(1,814)	(1,814)
Underlying EBITDA	3,943	8,915	12,858
Financial expenses	36	(988)	(952)
Financial income	–	97	97
Exceptional costs	(172)	–	(172)
Profit before tax	3,405	5,148	8,553
Taxation	(466)	(1,632)	(2,098)
Net (loss) profit	2,939	3,516	6,455
Underlying net earnings	3,139	3,964	7,103

Notes:

The Existing Group's results have been presented on a pro forma basis for 12 months period to 31 December 2016, comprising the audited six month period to 30 June 2016 from the audited 12 month accounts to 30 June 2016, plus the unaudited interim accounts to 31 December 2016.

The Ecuphar Group's results have been extracted from the audited 12 months accounts to 31 December 2016.

Underlying EBITDA is summarised in paragraph 6 of Part II.

An unaudited pro-forma statement of net assets of the Enlarged Group is set out in Part VII of this document. This statement shows that, if Completion of the Acquisition had taken place on 31 December 2016, the pro-forma net assets of the Enlarged Group would have been £43.2 million.

Ecuphar has existing credit facilities with KBC Bank NV, BNP Paribas Fortis NV, Belfius Bank NV and ING België NV, details of which are set out in paragraph 15 of Part IX of this document. These facilities will continue to be available to Ecuphar after Completion. The Existing Group does not have any debt facilities.

8 Existing Directors and Proposed Directors

The Board of Animalcare is currently comprised of James Lambert as Non-executive Chairman, Iain Menneer as Chief Executive Officer, Chris Brewster as Chief Financial Officer, Lord Nick Downshire as Non-executive Director and Raymond Harding as Non-executive Director.

The following changes, each of which will take effect from Admission, will be made to the Board in connection with the Acquisition:

- Chris Cardon, (proposed Chief Executive Officer), Walter Beyers (proposed Chief Financial Officer), Jan Boone (proposed Non-executive Chairman), Edwin Torr (proposed senior independent Non-executive Director) and Marc Coucke (proposed Non-executive Director) will be appointed as Directors;

- Iain Menneer will remain a Director following Admission and his role within the Group will change to Chief Operating Officer;
- James Lambert will step down as Chairman of the Company but will remain on the Board as a Non-executive Director;
- Chris Brewster will resign as a Director but will remain a critical and committed member of the senior management team of the Enlarged Group as Country Manager of the Enlarged Group's UK business; and
- Raymond Harding will resign as a Director.

The biographical details of the Directors upon Admission are set out below:

*Chris Cardon (aged 49) – **Proposed Chief Executive Officer***

Chris founded Ecuphar as Chris Cardon NV in 2001 to capitalise on opportunities identified in the animal health industry. The company began with the development of a number of original and high-quality OTC products for companion animal markets. Chris graduated as a pharmacist from the University of Ghent in 1993 after which he took over his family's pharmacy business. In 1995, he completed an MBA at the Vlerick Leuven-Gent Management School and then in 2006 received the prestigious award "Export Lion of Flanders 2005" in the Young Exporters category.

Chris has a strong entrepreneurial background in human OTC product development. In 1996, Chris established Mooss Pharma, a company which developed human OTC products that were exclusively distributed by pharmacists. Mooss Pharma developed into a key player in the Belgian market, and in 2001 the OTC assets of Mooss Pharma were acquired by Omega Pharma.

*Walter Beyers (aged 57) – **Proposed Chief Financial Officer***

Walter is the current Chief Financial Officer of Ecuphar. He has a master's degree in Economics from the University of Antwerp and obtained an MBA from the University of Leuven (KUL) in Belgium.

Walter has significant experience in senior financial management positions in publicly listed and privately owned companies.

Walter started his career with the American multinational Cargill and subsequently joined his family's business in logistics until he sold that business. He then became finance director of Akeda, a Belgian family office and in 1998 he joined Euronext-listed company USG People, for which he worked for eight years, before working for listed companies Autogrill and Ecodis, then returning to USG People in 2009 for a further five years as VP Finance, being responsible for ten countries in Europe.

Before joining Ecuphar in April 2016, he was CFO Europe for the US based FCMG manufacturer Ecover-Method.

*Iain Menneer (aged 47) – **Proposed Chief Operating Officer***

Iain is the current Chief Executive Officer of the Company. He has a degree and PhD in Chemistry, both from Newcastle University.

Following roles in the brewery industry in product development and technical research, Iain joined the Group in 2003, working in sales, marketing and business development roles, 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 Limited in March 2012 and subsequently Chief Executive Officer of the Company in January 2013, since when he has led the transformation of the business infrastructure, including the focus on new product development. Following Admission, Iain will fulfil the role of Chief Operating Officer in the Enlarged Group.

*Jan Boone (aged 45) – **Proposed Chairman***

Jan is the Chief Executive Officer of Lotus Bakeries, which is listed on Euronext Brussels. He started at Lotus Bakeries as managing director in 2005 and was named chief executive officer in 2011.

Between 2000 and 2005, Jan served as Head of Corporate Controlling and Member of the Executive Committee of Omega Pharma. He started his career in the audit department at PricewaterhouseCoopers and holds a Master's degree in Applied Economics (KU Leuven) and a Master's degree in Audit (UMH).

In addition to his role at Lotus Bakeries, Jan serves as non-executive director of Club Brugge.

*Edwin Torr (aged 57) – **Proposed Senior Independent Non-Executive Director***

Edwin Torr has significant experience of international veterinary and animal health markets, gained over a period of more than 20 years, during which time he has worked for ICI, Pitman Moore, Alfa Laval Agri and Dechra Pharmaceuticals. He was part of the management buyout team that set up Dechra Veterinary Products in 1997, and was an executive director on the board of the Dechra entity that was listed on the London Stock Exchange from 2000 until 2013. During this time, he was responsible for business development, managed the European business unit and was instrumental in setting up the USA business. Since 2014, Edwin has independently advised various companies on sales and marketing structures, M&A opportunities, 'in' and 'out' licensing of products and investment opportunities within the veterinary and animal health market sector.

*James Lambert (aged 58) – **Proposed Non-Executive Director***

James was appointed Chairman of the Company in 2008 when the Company was acquired by Ritchey plc for whom he had been the chairman since 2005 and a non-executive director since 2003. James was previously co-founder and Chief Executive Officer of R&R Ice Cream where under James' leadership, R&R Ice Cream made a series of acquisitions to become the largest ice cream manufacturer by volume in the UK. James is now chairman of Burton's Biscuits, a company he helped Ontario Teachers' Pension Plan acquire in 2013. He was also awarded the EY UK Entrepreneur of the Year award in 2014.

*Marc Coucke (aged 52) – **Proposed Non-Executive Director***

Marc founded Omega Pharma in 1987 and developed the company into a leading pan-European OTC health and personal care business. Marc has served as both chairman and chief executive officer of Omega Pharma. Following the sale thereof in 2015 to Perrigo Company plc for €3.6 billion, Marc invests via his private investment firm Alychlo NV in several listed and non-listed companies.

Marc currently serves as chairman of Mithra Pharmaceuticals (EBR: MITRA) and as non-executive director of Fagron (EBR: FAGR), in addition to a number of private companies.

Marc graduated as a pharmacist from the University of Ghent after which he completed an MBA at the Vlerick Leuven-Gent Management School. He was also awarded, as Chief Executive Officer of Omega Pharma, the EY Flemish Entrepreneur of the Year award in 2002.

*Lord Nick Downshire (aged 58) – **Proposed Non-Executive Director***

Nick joined the Board of the Company when it was acquired by Ritchey plc for whom he had acted as a director since 1998. Nick is a qualified chartered accountant who has worked in corporate finance and venture capital. He has held and still holds non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors. Nick runs an estate in Yorkshire with a range of activities including quarrying, renewables, forestry and a hotel as well as agriculture and real estate. He is also Chairman of the Agriculture and Land Use Committee for the Country Landowners & Business Association and also sits on their national policy committee, as well as acting as a trustee for a number of charitable and land related trusts.

9 Senior Management of the Enlarged Group

In addition to Chris Cardon, Walter Beyers and Iain Menneer, the senior management of the Enlarged Group will be composed of Chris Brewster, Emilio Gil Ventura and Jeroen Bastijns.

Chris Brewster

Chris joined the Board of Animalcare as its Chief Financial Officer in 2012 and is currently a Director. Chris qualified as a Chartered Accountant in 2003 with KPMG. Prior to joining Animalcare, Chris was Group Accounts Manager at Findus Group. Chris will be appointed as UK Country Manager of the Enlarged Group's UK business with effect from Completion.

Emilio Gil Ventura

Emilio serves as Chief Commercial Officer and General Manager South Europe for Ecuphar. He joined Ecuphar in 2015 following its acquisition of Esteve's animal health business which he had previously led as Managing Director for over 25 years. Emilio holds degrees in veterinary science and management. Emilio will be appointed as Head of Strategy of the Enlarged Group and Country Manager of the Enlarged Group's Spanish business with effect from Completion.

Jeroen Bastijns

Jeroen serves as Chief Strategy Officer for Ecuphar and leads its business development activities. He joined Ecuphar in 2003 and has played an instrumental role in growing the Ecuphar business into its current form. Jeroen holds a master's degree in applied economics and an MBA. Jeroen will be appointed as Head of Business Development of the Enlarged Group with effect from Completion.

10 The Takeover Code and the Rule 9 Waiver

Application of the Takeover Code

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are described below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed public company resident in the United Kingdom. The Company is a listed public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of such a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent.

For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established.

Rule 9 Waiver

The Panel has confirmed that it considers Ecuphar Invest NV, Alychlo NV and Jaak Cardon (the son of Chris Cardon and a minority shareholder in Ecuphar) to be acting in concert for the purposes of the Takeover Code (as further detailed in paragraph 2 of Part VIII). The Panel has also confirmed that it does not consider the other Vendors (the current minority shareholders in Ecuphar) to be acting in concert with the Concert Party.

None of the members of the Concert Party hold Existing Ordinary Shares as at the date of this document. On completion of the Acquisition, the Concert Party will hold (by virtue of the Consideration Shares to be issued to Ecuphar Invest NV, Alychlo NV and Jaak Cardon pursuant to the Acquisition) approximately 46.3 per cent. of the voting rights of the Company.

Following Completion, it is expected that Chris Cardon, who is presumed under the Takeover Code to be acting in concert with members of the Concert Party, will participate in the New LTIP which may result in him acquiring Ordinary Shares in the Company. The maximum aggregate number of Ordinary Shares that Chris Cardon would be entitled to receive pursuant to any awards made to him under the New LTIP will be equal to 0.5 per cent. of the Enlarged Issued Share Capital (amounting to 299,569 Ordinary Shares) (the "**New LTIP Awards**"). Further details of the New LTIP are set out in paragraph 16 of this Part I and in paragraph 6 of Part IX of this document.

On the basis that Chris Cardon is granted and exercises the maximum aggregate number of New LTIP Awards, and assuming no other changes in the Concert Party's or Chris Cardon's holding of Ordinary Shares or in the Company's issued share capital, the maximum controlling interest of the Concert Party and Chris Cardon (being a person presumed to be acting in concert with members of the Concert Party) in the period following Completion is expected to be 46.8 per cent. of the voting rights of the Company.

As a consequence of the Acquisition, without a waiver of the obligation under Rule 9 of the Takeover Code, the Concert Party would be required to make a general offer for the balance of Ordinary Shares in issue immediately following the Acquisition. In addition, any future exercise by Chris Cardon of any New LTIP Awards could potentially trigger an obligation under Rule 9 of the Takeover Code, given that he is a person presumed to be acting in concert with members of the Concert Party, depending on the Concert Party's holding of Ordinary Shares at that time. The Panel has been consulted and has agreed, subject to the Whitewash Resolution being passed by the Independent Shareholders (on a poll) at the General Meeting, to waive the obligation that would otherwise arise under Rule 9 of the Takeover Code as a result of the issue of Consideration Shares to the Concert Party pursuant to the Acquisition or the exercise by Chris Cardon of any

New LTIP Awards. The Whitewash Resolution will be passed if approved by a simple majority of votes cast by Independent Shareholders on a poll.

Shareholders should be aware that if the Resolutions are passed, the Concert Party will not be restricted from making an offer for the Company. Ecuphar Invest NV and Alychlo NV have confirmed that the Concert Party has no intention of making an offer for the Company.

Following completion of the Acquisition, Rule 9 of the Takeover Code will continue to apply to the Concert Party, requiring a general offer to be made to all Shareholders if any member of the Concert Party or persons acting in concert with them acquires any Ordinary Shares in addition to those which are the subject of the Whitewash Resolution, unless a further waiver is obtained. Shareholders should note that the waiver of Rule 9 of the Takeover Code which the Panel has agreed to give (conditional on the Whitewash Resolution being passed by the Shareholders) is only in respect of the acquisition of Consideration Shares by the Concert Party as a result of the Acquisition and the exercise by Chris Cardon of any New LTIP Awards and not in respect of any other future acquisition of Ordinary Shares by any member of the Concert Party or persons acting in concert with them.

Rothschild has provided independent advice to the Independent Directors in respect of the Acquisition and the Rule 9 Waiver.

Further information regarding the Concert Party and the Rule 9 Waiver is set out in Part VIII of this document.

11 Change of Accounting Reference Date

In connection with the Acquisition, it has been resolved to change the accounting reference date of the Company to 31 December, conditional on Admission. As such, the first full reporting period of the Enlarged Group will be for the 12 month period ending 31 December 2018.

12 Dividend Policy

The Existing Directors and Proposed Directors intend to continue the Company's current dividend policy which they believe maintains an appropriate balance between investment for future growth and dividend flow to deliver overall value for Shareholders.

The Company issued the following final and interim dividends in 2016, 2015 and 2014:

<i>Year ended</i>	<i>Ordinary final dividend</i>	<i>Ordinary interim dividend</i>	<i>Total dividend paid</i>
30 June 2016	£904,000 (4.3 pence per share)	£379,000 (1.8 pence per share)	£1,283,000
30 June 2015	£839,000 (4.0 pence per share)	£378,000 (1.8 pence per share)	£1,217,000
30 June 2014	£788,000 (3.8 pence per share)	£315,000 (1.5 pence per share)	£1,103,000

The Company will change its financial year end to 31 December with effect from Admission. As a result, the first dividend expected to be paid will be an interim dividend in respect of the six months to 30 June 2017 which the Existing Directors and Proposed Directors anticipate will be paid in November 2017. The final dividend in respect of the financial year ending 31 December 2017 is currently anticipated to be paid in May or June 2018 following the announcement of the Enlarged Group's preliminary results during March 2018.

From 2018 onwards, the Company's interim and final dividend payments are expected to be split approximately 30 per cent. to 70 per cent. respectively, in line with historical payment ratios.

13 Working Capital

In the opinion of the Existing Directors and the Proposed Directors, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least 12 months from Admission.

14 Corporate Governance

The Existing Directors and the Proposed Directors recognise the importance of sound corporate governance and intend to comply with the Corporate Governance Guidelines, to the extent appropriate for a company of its nature and size.

The Corporate Governance Guidelines were devised by the QCA, in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. An alternative code was proposed because the QCA considers the UK Corporate Governance Code to be inappropriate to many AIM companies. The Corporate Governance Guidelines state that: "The purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term."

The Existing Directors and Proposed Directors anticipate that whilst the Company will continue to comply with the Corporate Governance Guidelines, given the Enlarged Group's increased size, going forward the Enlarged Group will also endeavour to comply with the provisions of the UK Corporate Governance Code to the extent appropriate for a company of its size and nature.

The Board will meet at least four times a year to review the Enlarged Group's strategy and oversee the Enlarged Group's progress towards its goals, and will also hold one strategy meeting or away day each year.

The Company has established audit, remuneration and nomination committees, the composition and role of which is set out below.

Audit committee

The Board has established an audit committee with formally delegated duties and responsibilities. The audit committee will be chaired with effect from Admission by Lord Nick Downshire and its other members will be Jan Boone and Edwin Torr. The audit committee will meet at least three times a year and will be responsible for ensuring that the financial performance of the Enlarged Group is properly reported on and monitored, including by conducting reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

Remuneration committee

The remuneration committee will be chaired with effect from Admission by Marc Coucke and its other members will be Jan Boone and Edwin Torr. It is expected to meet not less than two times a year. Directors may attend meetings at the committee's invitation.

The remuneration committee has responsibility for determining, within agreed terms of reference, the Enlarged Group's policy on the remuneration of senior executives and specific remuneration packages for executive Directors, including pension rights and compensation payments. It is also responsible for selecting individuals to whom to make grants of awards under the New LTIP.

The remuneration of non-executive Directors is a matter for the Board. No Director may be involved in any discussions as to their own remuneration.

Nomination committee

The nomination committee will be chaired with effect from Admission by James Lambert and its other members are Jan Boone and Edwin Torr. It is expected to meet not less than once a year.

The nomination committee will assist the Board in discharging its responsibilities relating to the composition and make-up of the Board and any committees of the Board. It will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors or committee members as the need may arise. The nomination committee will be responsible for evaluating the balance of skills, knowledge and experience and the size, structure and composition of the Board and committees of the Board, retirements and appointments of additional and replacement Directors and committee members and will make appropriate recommendations to the Board on such matters.

15 Share Dealing Code

The Company has adopted a code on dealings in relation to the securities of the Existing Group which requires full compliance with the requirements of the EU Regulation on Market Abuse. The Company shall require the Directors, persons discharging managerial responsibilities (and persons closely associated with them) and other relevant employees of the Enlarged Group to comply with the Company's securities dealing code, and shall take all proper and reasonable steps to secure their compliance.

16 Share Incentive Schemes

The Group currently has in place three share incentive schemes: the Executive Share Option Scheme, the Existing LTIP and the Savings Related Share Option Scheme. On 22 June 2017, the Board also adopted the New LTIP. The New LTIP is conditional on, and will take effect from, Admission. The Directors do not intend to issue any new Options under the Existing LTIP or the Executive Share Option Scheme after Admission.

Details of these schemes are set out in paragraphs 5 and 6 of Part IX of this document.

In connection with the Acquisition, each of the holders of Options that have vested and are exercisable under the Executive Share Option Scheme has executed a form of election pursuant to which all of their vested and exercisable Options, over a total of 450,000 Ordinary Shares, have been exercised, conditional on completion of the Acquisition and the Placing. The Option Shares to be issued on exercise of these Options are intended to be sold in the Placing.

The Options not exercised by the Selling Shareholders, as well as the unvested remainder of the Options under the Executive Share Option Scheme and all existing Options under the Savings Related Share Option Scheme, which in aggregate relate to a total of 348,441 Ordinary Shares will continue in force and effect on their existing terms.

The two holders of awards under the Existing LTIP, Iain Menneer and Chris Brewster, have been offered by the Company the right to exchange their shares in Animalcare Limited for Ordinary Shares before completion of the Acquisition, and have each taken up that right. As a consequence, 1,278,896 new Ordinary Shares will be issued to Iain Menneer and Chris Brewster prior to Admission under the Existing LTIP and Executive Share Option Scheme, and a proportion of such new Ordinary Shares (comprising 469,000 Ordinary Shares (which are included in the Option Shares for the purposes of the Placing) in aggregate) are intended to be sold as part of the Placing pursuant to the terms of the Selling Shareholders' Agreement. In accordance with the Existing LTIP, the number of new Ordinary Shares to be issued pursuant to the exercise of these rights was determined using the lower of the closing middle market price for an Ordinary Share on 22 June 2017, being the dealing day before the date the offer to exchange was made and the average of the closing middle market prices for an Ordinary Share over the dealing days in the thirty day period before that date.

17 Admission, Settlement and Dealings

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Enlarged Issued Share Capital will commence on 13 July 2017.

CREST is a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form and transferred otherwise than by written instrument. The Articles permit the Ordinary Shares to be issued and transferred in uncertified form in accordance with the CREST Regulations. The Ordinary Shares are currently enabled for settlement through CREST. Accordingly settlement or transactions in the Ordinary Shares following Admission may take place within CREST if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to hold their shares in certified form will be able to do so.

The ISIN number of the Ordinary Shares is, and from Admission will continue to be, GB0032350695. The TIDM is, and from Admission will continue to be, ANCR.

18 Taxation

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 14 of Part IX of this document. That information is intended only as a general guide to the current tax position under UK law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

19 Further Information

Your attention is drawn to Parts II and III of this document which provide additional information on the Ecuphar Group and the Existing Group and the markets in which they operate.

20 General Meeting

Set out at the end of this document is a notice convening the General Meeting to be held at Squire Patton Boggs (UK) LLP at 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 12 July 2017. The full terms of the Resolutions are set out in that notice and are summarised below:

- Resolution 1 is an ordinary resolution to approve the Acquisition for the purposes of the AIM Rules for Companies.
- Resolution 2 is the Whitewash Resolution described above in paragraph 10 of this Part I. It is an ordinary resolution. This Resolution requires approval by the Independent Shareholders at the General Meeting.
- Resolution 3 is an ordinary resolution to authorise the Existing Directors under section 551 of the Companies Act to allot equity securities for the purpose of issuing the Consideration Shares and the New Placing Shares. This authority is in addition to the existing authorities granted to the Existing Directors at the previous annual general meeting of the Company.
- Resolution 4 is a special resolution to approve the disapplication of statutory pre-emption provisions to allow for the allotment of the New Placing Shares on a non pre-emptive basis.
- Resolutions 5 and 6 are special resolutions to remove existing, and now redundant, limitations on the authorised capital of the Company set out in the Company's memorandum and articles of association. These are required because the issue of the Consideration Shares and the New Placing Shares would otherwise result in the Company's share capital exceeding the limits set out in the memorandum and articles of association. Resolutions 5 and 6 are not conditional on any of the other Resolutions being passed.
- Resolution 7 is a special resolution to remove existing limitations on the composition of the Company's board and restrictions on non-UK resident directors and shareholders set out in the Company's articles of association, and to conform the provision of the articles of association relating to the timing of the annual general meeting with the position under the Companies Act.

All of Resolutions 1 to 6 need to be passed at the General Meeting in order for the Acquisition to be implemented and if any one of those Resolutions is not passed, the Acquisition will not go ahead. Voting on all Resolutions at the General Meeting will be by way of a poll.

21 Irrevocable undertakings

James Lambert, being the only Independent Director who holds Existing Ordinary Shares, has given an irrevocable undertaking to the Company to vote in favour of the Resolutions (and to procure that such action is taken by the relevant registered holders) in respect of his beneficial holdings totalling 1,313,691 Existing Ordinary Shares, representing approximately 6.19 per cent. of the Existing Issued Share Capital.

In addition, the Company has received irrevocable undertakings and letters of intent from certain other Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting in respect of a total of 1,425,384 Existing Ordinary Shares representing, in aggregate, approximately 6.7 per cent. of the Existing Issued Share Capital.

Iain Menneer, Chris Brewster and Nick Downshire (along with the other Selling Shareholders) are considered not to be independent in respect of the Rule 9 Waiver by virtue of their participation in the Placing, and will therefore not vote in respect of the Whitewash Resolution. Iain Menneer, Chris Brewster and Nick Downshire have given irrevocable undertakings to the Company to vote in favour of the Resolutions other than the Whitewash Resolution (and to procure that such action is taken by the relevant registered holders) in respect of their beneficial holdings totalling 1,492,578 Existing Ordinary Shares, representing, in aggregate, approximately 7.0 per cent. of the Existing Issued Share Capital.

In total, therefore, the Company has received irrevocable undertakings and letters of intent to vote in favour of the Resolutions to be proposed at the General Meeting in respect of, in the case of all Resolutions other than the Whitewash Resolution, 4,231,653 Existing Ordinary Shares, representing, in aggregate, approximately 17.9 per cent. of the Existing Issued Share Capital and, in respect of the Whitewash Resolution, 2,739,075 Existing Ordinary Shares, representing, in aggregate, approximately 13.9 per cent. of the Existing Issued Share Capital entitled to vote on that Resolution.

22 Action to be taken

A form of proxy is enclosed for use by Shareholders in connection with the General Meeting. Whether or not you intend to be present at the General Meeting, Shareholders are asked to complete, sign and return the form of proxy to the Registrars at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to arrive no later than 10.00 a.m. on 10 July 2017. The completion and return of a form of proxy will not preclude Shareholders from attending the General Meeting and voting in person should they wish to do so. Accordingly, whether or not you intend to attend the General Meeting, you are urged to complete and return the form of proxy as soon as possible.

23 Recommendation

The Existing Directors consider the Acquisition to be in the best interests of the Company and the Shareholders as a whole. Accordingly, the Existing Directors recommend that Shareholders vote in favour of the Resolutions (such recommendation being given, in the case of the Whitewash Resolution, as provided below).

Iain Menneer, Chris Brewster and Nick Downshire are considered not to be independent in respect of the Rule 9 Waiver by virtue of their participation in the Placing, and will not therefore vote in respect of the Whitewash Resolution. Iain Menneer, Chris Brewster and Nick Downshire do not therefore feel it appropriate to make any recommendation to Independent Shareholders in respect of the Whitewash Resolution.

The Independent Directors, having been so advised by Rothschild, consider that the Rule 9 Waiver is fair and reasonable and in the best interests of the Company and the Independent Shareholders as a whole. In providing advice to the Independent Directors, Rothschild has taken into account the Independent Directors' commercial assessments. Accordingly the Independent Directors recommend that the Shareholders vote in favour of the Whitewash Resolution.

Yours faithfully

James Lambert
Chairman

PART II

INFORMATION ON THE ECUPHAR GROUP

1 Introduction

Ecuphar is a European animal health company focused on the development and sale of veterinary pharmaceutical products that provide significant benefits to animal health in the companion animal, equine and production animal markets. Ecuphar is headquartered in Belgium and is also directly present in the Netherlands, Germany, Spain, Italy and Portugal through its own sales, marketing and distribution organisations. In addition, Ecuphar supplies its veterinary products to partners in 37 countries and operates a wholesale business, Medini, which is focused on the sale of veterinary pharmaceuticals, supplies and instruments in the Belgian market.

Since its foundation, Ecuphar has developed a strong track record of high growth and cash generation. For the year ended 31 December 2016, Ecuphar generated revenue of £68.36 million and Underlying EBITDA of £8.91 million (year ended 31 December 2015: £47.10 million and £4.82 million respectively). This growth is attributable to a combination of strong organic growth driven by the launch of new products and distributions, and the full-year impact of the 2015 acquisition of the animal health business of Laboratorios del Dr. Esteve, S.A. and other entities of the same group, an international pharmaceutical and chemical group, and the resulting expansion into the Spanish, Italian and Portuguese animal health markets.

Ecuphar has continuously invested in the future of the business and has a robust new product development pipeline focused on developing innovative licenced veterinary drugs and extending the lifecycle of existing products. In 2016, Ecuphar spent £2.8 million on new product development projects. Ecuphar's product development pipeline is currently composed of eleven new product development projects in various stages of development, which are expected to be launched and commercialised over the coming years.

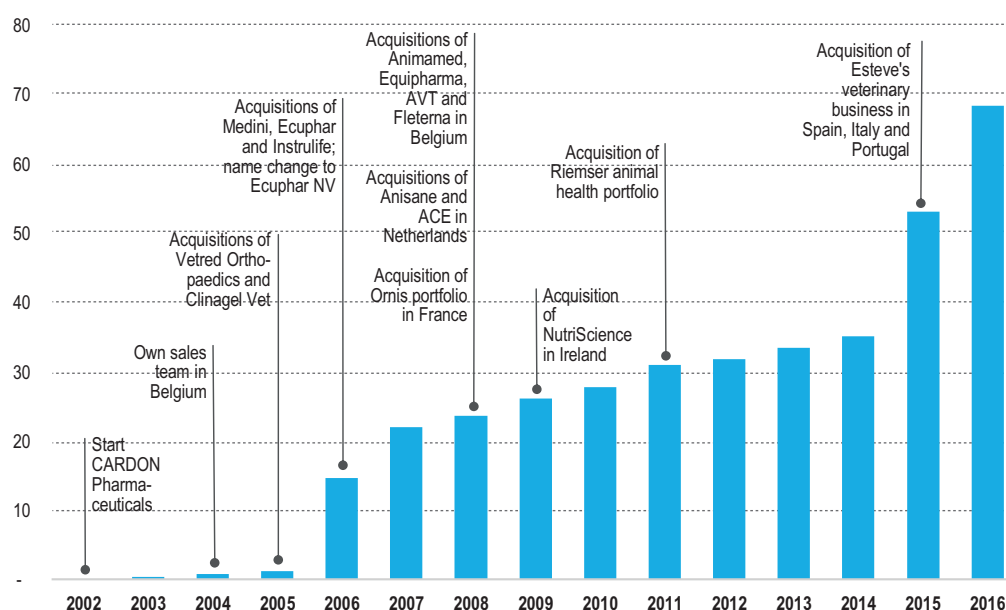
In addition to growing its business through developing and launching new products, Ecuphar has over the past 15 years completed more than 15 asset and company acquisitions to strengthen its product portfolio and enter new geographical markets. Acquisitions are a key focus of Ecuphar's strategy and Ecuphar strongly believes that acquiring complementary veterinary businesses and products can lead to important commercial synergies, including through the cross-selling of Ecuphar's products through the acquiree's sales channels and vice versa.

Ecuphar is led by founder and Chief Executive Officer, Chris Cardon, together with a strong and highly experienced management team, which includes Chief Financial Officer Walter Beyers, Chief Strategy Officer, Jeroen Bastijns and Chief Commercial Officer and General Manager South Europe, Emilio Gil Ventura.

2 Background and history

Founded in 2001 in Bruges, Belgium, as Chris Cardon NV and renamed Cardon Pharmaceuticals in 2002 and subsequently Ecuphar in 2006, Ecuphar has grown through a successful focus on product portfolio development. Starting with the development and sale of OTC veterinary products such as Orozyme, for the dental health of companion animals, Ecuphar now has a portfolio of over 300 products covering pharmaceuticals, vaccines, and care and nutraceutical products which are successfully marketed to the European and wider international market, as well as over 250 registered trademarks, ten patents and three veterinary products considered by Ecuphar to be unique (with the exception of one competing ethamsylate product in France). This has been achieved through in-house product development, acquired products, licensed products (through strategic alliances such as those with Bayer Animal Health and Elanco) and distribution partnerships (such as those with Orion Pharmaceuticals and Eco Animal Health).

The chart below shows the revenue evolution of Ecuphar (in £ million, at a constant exchange rate) since its foundation and highlights certain of the key developments in its corporate history.



Ecuphar has successfully grown its platform during this time via acquisitions to develop a direct commercial presence in six European countries. Initially, a series of acquisitions between 2005 and 2008 was primarily aimed at expanding its position in the Belgian veterinary market and establishing a foothold in the Netherlands. Acquisitions during this period include among others:

2005 Clinigel Vet: the first veterinary pharmaceutical (Belgian anti-bacterial eye gel for companion animals) acquired.

Vetred: a Netherlands based specialist distributor of veterinary orthopaedic implants.

2006 Ecuphar: a Belgium based animal health company with pharmaceutical products for both companion and production animals. This acquisition led to a change of name from Cardon Pharmaceuticals to Ecuphar.

Medini: a Belgium based veterinary wholesaler and distributor.

Instrulife: a Belgium based specialist in veterinary instruments.

2008 Ace Veterinary Products: a Netherlands based specialist in pharmaceuticals for companion animals and horses.

Equipharma: a Belgium based specialist in equine nutraceuticals.

Ornis: a France based specialist in pigeon pharmaceuticals.

During 2009 and 2011, Ecuphar expanded further abroad with the acquisitions of Nutri-Science in Ireland and the Riemser Animal Health business in Germany:

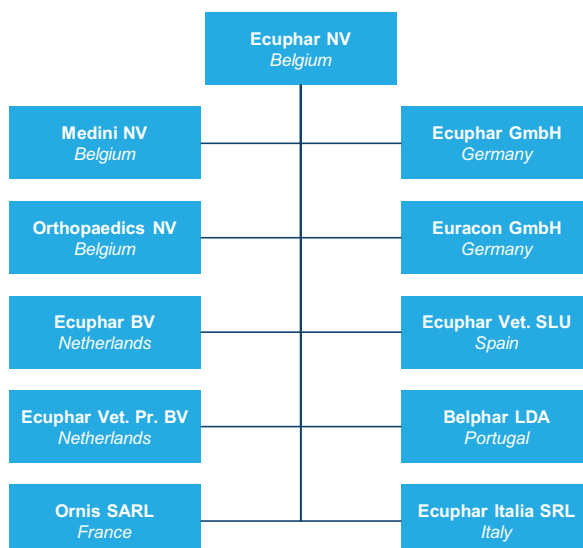
2009 Nutri-Science: Ireland based manufacturer of a broad range of feed supplements for horses and companion animals. This business was sold to Swedencare in 2016 in order to allow Ecuphar to focus more closely on its core veterinary pharmaceuticals business.

2011 Riemser Animal Health: Germany based animal health portfolio. The acquisition enabled Ecuphar to enter the vaccines market and gain direct access to the German veterinary market.

In 2015, Ecuphar made its largest acquisition to date by acquiring the veterinary business of the Spanish pharmaceutical company, Esteve:

2015 Esteve Veterinaria: this acquisition provided Ecuphar with an important footprint in the Spanish, Italian and Portuguese veterinary markets as well as a number of new products in complementary therapeutic areas such as Danilon (equine anti-inflammatory) and Dinalgen (equine, bovine and swine anti-inflammatory).

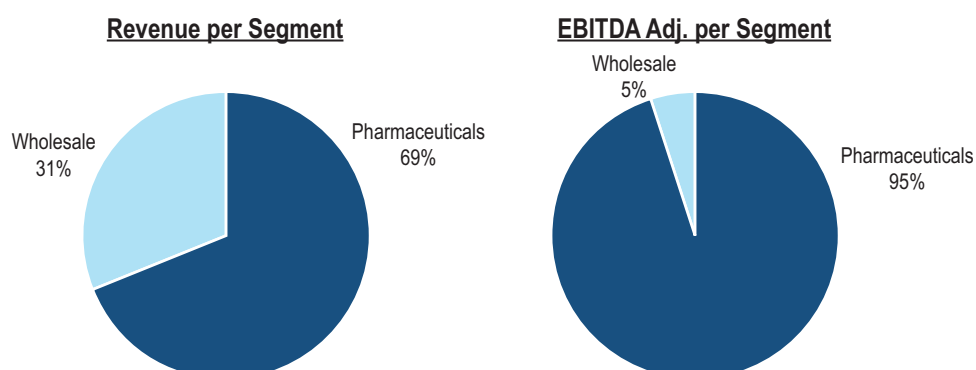
The current group structure of the Ecuphar Group is as follows:



3 Product overview

For management purposes, Ecuphar is organised into two segments: Pharmaceuticals and Wholesale. The Pharmaceuticals segment is active in the development and sale of Ecuphar's veterinary pharmaceutical products that provide significant benefits to animal health directly or via wholesalers to end customers (i.e. veterinary practices), whereas the Wholesale segment focuses on the purchase and re-sale of veterinary pharmaceuticals, supplies and instruments to Belgian veterinary practices.

In the year to 31 December 2016, the Pharmaceuticals segment contributed approximately 69 per cent. of Ecuphar's revenue, and as much as 95 per cent. of Underlying EBITDA and is therefore considered the key focus area for Ecuphar's management.



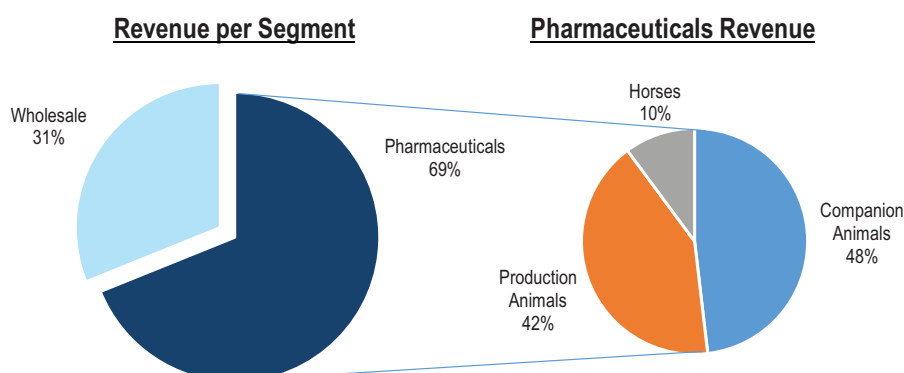
In the Pharmaceuticals segment, Ecuphar's products fall into three main categories: companion animals (being those that are kept primarily for an individual's company, protection or entertainment), equine (being horses) and production animals (being those that are raised in an agricultural setting to produce commodities such as food, fibre and labour). Within these

categories, Ecuphar supplies a broad portfolio of over 300 veterinary products, of which own products include 29 licensed drugs, eight vaccines and over 100 care and nutraceutical products.

Ecuphar's Pharmaceuticals segment product portfolio can be summarised as follows:

	Product range	Growth drivers
Companion animal products	<ul style="list-style-type: none"> • Veterinary pharmaceuticals, food supplements and care products • Specific focus on odontology, dermatology, incontinence, behaviour and anaesthesia • Also range of otology, surgery, joint support and anti-parasitic products 	<ul style="list-style-type: none"> • Increasing number of pets due to changes in lifestyle and pets being considered as family members • Higher life expectancy of pets due to innovation and increased consumption of veterinary care • Increasing disposable income potentially making owners more willing to spend money on their pets
Production animal products	<ul style="list-style-type: none"> • Broad range of injectables, oral powders, premixes and intra-mammary tubes • Also range of feed supplements and dietary complementary feed to support metabolic functions of livestock 	<ul style="list-style-type: none"> • Increasing global population and increasing disposable income leading to increasing demand for protein • Increasing industrialisation of meat and milk production to ensure growing demand is met • Food safety concerns encouraging more prevention of disease
Equine products	<ul style="list-style-type: none"> • Range of veterinary pharmaceuticals, horse supplements and specific care products • Specific focus on anti-inflammatories 	<ul style="list-style-type: none"> • Equine customers demand increasingly specialised services • Professionalism and globalisation increase the demand for medical care for horses • Increasing disposable income makes owners more willing to spend money on their horses

Ecuphar's Pharmaceuticals segment revenue in 2016 can be broken down as follows:



Ecuphar has retained a core focus on licensed pharmaceutical products, and a key area of strategic focus has been the diversification of Ecuphar's product portfolio into different therapeutic areas. This strategy has been successfully executed by the management team, and Ecuphar now supplies products into odontology, dermatology, surgery, anaesthesia and otology areas, among others. Ecuphar's management have also focused on expanding the therapeutic indications for its existing product portfolio to expand the respective product's lifecycle.

Details of Ecuphar's Pharmaceutical segment's top ten products for the year ended 31 December 2016, which in aggregate accounted for approximately £20.3 million of revenue in that period, are set out below.

Product	Market	Indication	Type
Aivlosin	Production animals	Antibiotic	Distribution
Conofite	Companion animals	Otology	Licence
Danilon	Equine	Anti-inflammatory	Own
Dinalgen	Production animals	Anti-inflammatory	Own
Dokamox	Production animals	Antibiotic	Licence
Flubenol	Production & comp. animals	Antiparasitic	Licence
IsoFlo	Companion animals	Anaesthesia	Distribution
Leisguard	Companion animals	Antiparasitic	Own
Orozyme	Companion animals	Odontology	Own
Seponver	Production animals	Antiparasitic	Licence

Ecuphar's own products

Ecuphar's own products represented approximately 33 per cent. of Ecuphar's Pharmaceuticals segment revenue for the year ended 31 December 2016. Product sales can be split between the following categories: pharmaceuticals and biocides representing 78 per cent., nutraceuticals representing 12 per cent., vaccines representing 8 per cent. and other representing 2 per cent.

Ecuphar has three veterinary products which it believes are unique (other than one competing ethamsylate product in France):

- Danilon (suxibuzone): equine anti-inflammatory;
- Hemo-141 (ethamsylate): haemostatic for production animals; and
- E-6087: anti-inflammatory for companion animals (currently under development).

In-licensed and distributed products

Products sold via longstanding licenses with strategic partners represented approximately 24 per cent. of Ecuphar's Pharmaceuticals segment revenue for the year ended 31 December 2016, and third-party products sold via distribution agreements with partners represented approximately 44 per cent. of Ecuphar's Pharmaceuticals segment revenue for the year ended 31 December 2016.

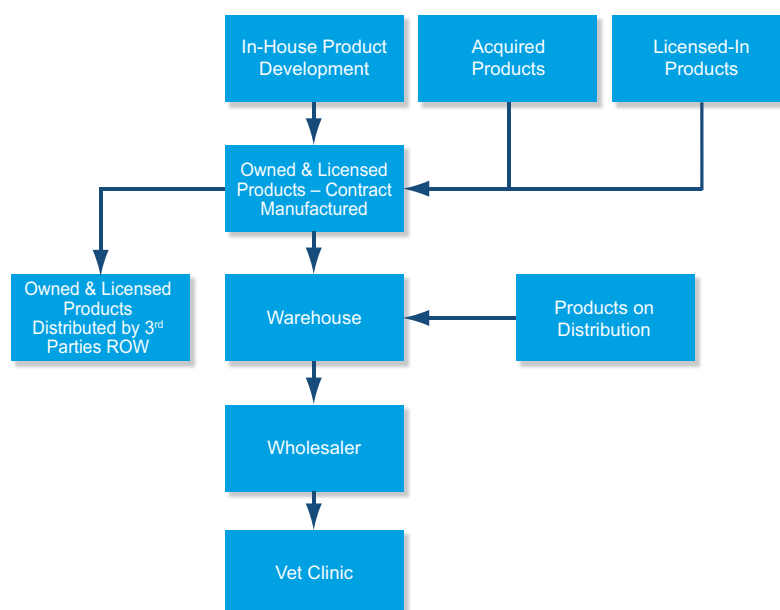
4 Business model

Ecuphar's business model is complementary to that of the Company and the respective businesses are significantly aligned in the way that products are sourced and delivered to veterinary customers and in manufacturing being completely outsourced.

Ecuphar relies on a mix of proprietary products, strategic alliances and distribution partnerships to grow and diversify its product portfolio. The process of developing products and acquiring licences

is largely driven by the first-hand feedback from Ecuphar's local marketing and sales teams who are in frequent contact with veterinary practices and wholesalers and are therefore able to offer the right portfolio of products to meet customers' needs and provide a fully integrated solution. The two key focus areas for Ecuphar are product development and sales and marketing.

Ecuphar's business model can be summarised as follows:



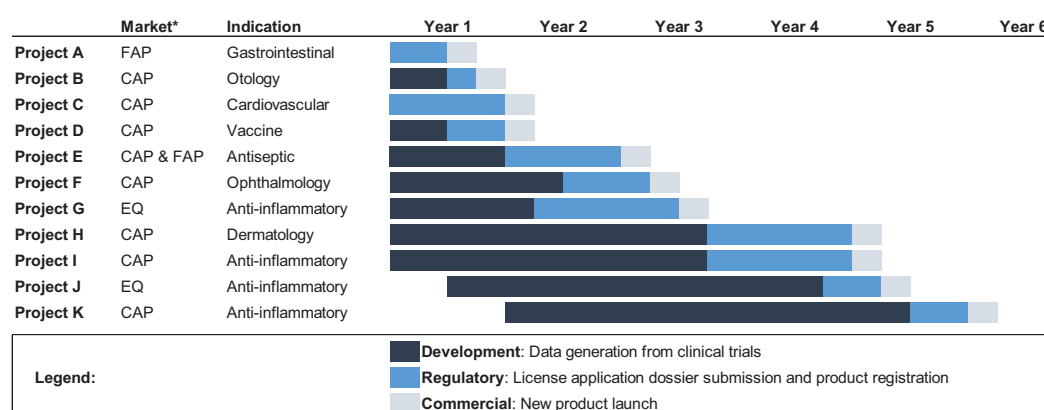
Products are sourced through in-house development, as well as through product acquisitions, strategic alliances and distribution partnerships. These are marketed by local sales teams in the six countries where Ecuphar has its own presence and through distributors in other markets. Vet practices are the end customers and targeted by the sales teams, although they are usually invoiced and physically supplied through wholesalers.

Product development

Product development at Ecuphar focuses on both life cycle extension and novel products. Life cycle extension entails the broadening of existing drug licences into other therapeutic areas, other target species and other application forms (tablet, liquid, injection). This helps to reduce the risk of outfall during the development trajectory. Each project is evaluated against stringent technical and commercial criteria before determining its suitability to become a full development project. All product development occurs in close cooperation with Ecuphar's in-house pharmaceutical and regulatory affairs teams which together comprise a total of 18 people focused on life-cycle extension of existing products and on novel products. As all manufacturing of Ecuphar's products is outsourced, contract manufacturers with whom Ecuphar has developed close working relationships are also involved early in the product development process.

Examples of innovations which are currently under development include improved galenic formulations, improved administration devices, improved gastric tolerance and improved palatability, as well as new indications or new species for existing molecules. The product development pipeline of Ecuphar is currently composed of eleven projects in various stages of

development which are expected to be launched and commercialised over the coming years, and can be summarised as follows.



* CAP: companion animal products; FAP: farm (production) animal products; EQ: equine products

Strategic alliances and distribution partnerships

Ecuphar's product portfolio is enhanced by its longstanding strategic alliances with global animal health leaders such as Bayer and Elanco. These alliances provide Ecuphar with long-term licences for the distribution of veterinary pharmaceutical products which both diversifies the scope of therapeutic areas targeted by Ecuphar and enables a broader integrated solution to be provided to its customers. In addition, Ecuphar's product portfolio is further enhanced through distribution partnerships with several leading animal health companies, such as Orion Pharmaceuticals and Eco Animal Health.

Local sales and marketing presence and distributors

Ecuphar has direct sales, marketing and distribution operations in Belgium, the Netherlands, Germany, Spain, Italy, and Portugal and supplies products in 37 countries through distribution agreements with local partners. Often the same partners that provide Ecuphar with long-term licenses or distribution agreements for the sale of third-party veterinary pharmaceutical products (see "Strategic alliances and distribution partnerships" above) function as distributor for Ecuphar's products abroad, further strengthening these relationships.

At the end of 2016, Ecuphar's workforce counted 201 employees (including consultants), of which 76 were sales representatives and an additional 28 were sales agents, as follows:

	Employees	Sales reps
Benelux	33	7
Germany	34	13
Spain	73	37
Portugal	11	7
Italy	11	7 (+ 28 agents)
Wholesale segment	39	5
Total	201	76 (+ 28 agents)

Ecuphar's commercial workforce is composed of a team of ambitious and result-oriented employees with an in-depth knowledge of their respective regional markets and strong local relationships with customers.

Wholesale

In addition to its Pharmaceuticals segment, Ecuphar has a Wholesale segment, which focuses on the purchase and re-sale of veterinary pharmaceuticals, supplies and instruments to Belgian veterinary practices. This business is relatively stable at both revenue and gross margin, and generates a gross margin lower than that of the Pharmaceuticals segment due to the nature of the wholesale business model.

5 Market, customers and competitive environment

Market

The European animal health market in which Ecuphar operates is a highly regulated and specialist market with significant intellectual and financial barriers to entry. Animal health in Europe is a large and growing market, underpinned by robust macroeconomic drivers and underlying trends. In the companion animal and equine market segments, these include population growth, and increasing wealth and urbanisation. Population growth and rising life expectancy are driving an increase in the demand for companion animals as pets. In addition, the increase in wealth has led to an increased focus on the welfare of animals and therefore an increased propensity for pet and horse owners to buy animal health products. Pets are increasingly seen as a “family member” which also leads to higher spending on animal health products.

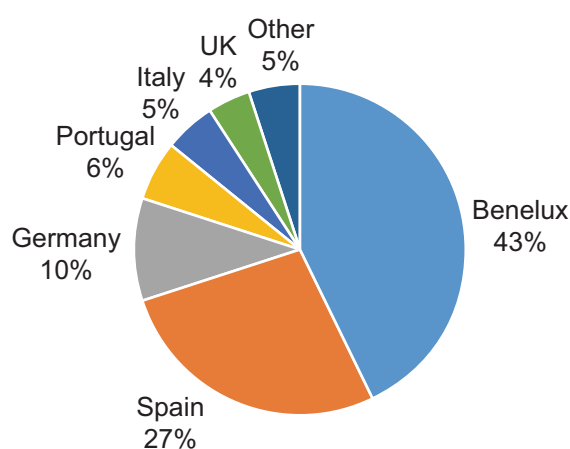
The food producing animal market demonstrates similarly solid fundamental drivers and themes, with population growth and increasing wealth driving increases in the levels of protein consumption.

Ecuphar’s management team believes that the business is well positioned to capitalise on the underlying growth in the animal health market.

Customers

The largest group of Ecuphar’s customers are veterinary practices, which, depending on local market rules and customs are supplied either directly by Ecuphar or through wholesalers and/or distributors. The commercial efforts of Ecuphar are largely directed at veterinary practices as they create the underlying demand for its products. Customer concentration for Ecuphar is limited with its top ten customers in 2016 together representing less than 20 per cent. of revenue. Ecuphar’s top ten customers are, with the exception of one distributor, all wholesalers who are not the actual end-customer, so in effect customer concentration can be considered lower still.

Geographically, Ecuphar’s customers are spread broadly and total revenue in 2016 can be broken down as follows:



Competitive environment

Similar to Animalcare, in all countries where Ecuphar operates, the market is dominated by large multinationals that have consolidated over the past years, such as Zoetis/Abbott, Elanco/Novartis, Boehringer/Merial and MSD/Intervet.

Ecuphar is differentiating itself from such players by focusing on certain niche markets, such as for instance odontology, dermatology, surgery/anaesthesia and otology. In such niche markets, Ecuphar often markets its products under umbrella brands, such as Orozyme, Dermazyme, Quirofarm and Otofarm. Ecuphar further tries to differentiate itself through its efforts to create customer loyalty. This is achieved through, among other things, value added services such as online advisory, maintenance of equipment, sector meetings and training seminars; as well as through stable local sales teams with many sales representatives having been with Ecuphar for many years, creating a close personal link between the customer and Ecuphar. As a result, Ecuphar can often focus more on attracting business through the relationship and the solution than through price.

In the markets where it operates, Ecuphar is also well positioned to become a distributor of choice for licensors that are looking for a professional local sales and marketing company. Because of its entrepreneurial culture and long-lasting local presence, Ecuphar is often preferred by licensors over larger players that often only want to focus on their own product portfolio and who may be slower in making decisions and preparing new product launches because of administrative procedures and complicated international structures.

The competitive market is also considered by Ecuphar to be fragmented, and the Ecuphar management team have a proven track record of growth through acquisitions to help the Enlarged Group take advantage of the right opportunities.

6 Ecuphar's financial record

Since its foundation, Ecuphar has developed a strong track record of high growth and cash generation. The table below provides a summary of the financial results of Ecuphar for each of the three financial years ended 31 December 2014, 2015 and 2016 and has been extracted from the historical financial information contained in Section B of Part VI of this document. This summary financial information should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised financial information.

£ million	12 months to 31 December		
	2014	2015	2016
Revenue	34.5	47.1	68.4
<i>% change</i>		37%	45%
Gross Margin	10.6	16.5	28.3
<i>% of revenue</i>	31%	35%	41%
Underlying EBITDA	4.2	4.8	8.9
<i>% of revenue</i>	12%	10%	13%
EBITDA	3.9	3.4	10.7
<i>% of revenue</i>	11%	7%	16%
Underlying Net Earnings	1.5	1.3	4.0

Between 2014 and 2016, Ecuphar's revenue nearly doubled to £68.4 million due to the 2015 acquisition of Esteve's animal health business and the resulting expansion into the Spanish, Italian and Portuguese animal health markets, in combination with organic growth driven by the launch of new products and distributions, as well as existing products. Over the same period, gross margin increased from 30.8 per cent. to 41.4 per cent. of revenue as the relative contribution of Ecuphar's

higher margin Pharmaceuticals segment became more important in the overall revenue mix, while growth in the lower margin Wholesale segment was less pronounced. Underlying EBITDA margin increased from 12.2 per cent. of revenue in 2014 to 13.0 per cent. in 2016, following a decline to 10.2 per cent. in 2015 due to the temporary impact of the integration of the acquired Esteve animal health business.

Underlying EBITDA has been adjusted for non-recurring items which amounted to £1.8 million in 2016. This is comprised of the gain on the sale of Nutri-Science (£2.4 million) and £0.6 million non-recurring costs, largely related to the integration of the Esteve acquisition (£0.4 million). In 2015, non-recurring items largely related to the Esteve acquisition comprising transaction costs (£0.4 million) and a PPA adjustment on acquired stock (£0.4 million). Non-recurring items in 2014 largely comprised non-recurring market research and M&A costs (£0.3 million).

Ecuphar has high cash generating capabilities as a result of its business model which focuses on product development and sales and marketing, while manufacturing is outsourced. Therefore, capital expenditure is largely limited to new product development investments and cash conversion is high.

7 Recent trends, current trading and outlook

Trading since 31 December 2016 has been broadly in line with management expectations. Ecuphar has, over this period continued to invest in systems and people to further strengthen the organisation of the company. Recent hires in 2017 include a new country manager in Italy and a new group IT manager.

Ecuphar is continuing to invest in its new product development and since 31 December 2016, has closed a number of agreements related to manufacturing, clinical trials and regulatory consulting for products under development. Ecuphar management expects Ecuphar's next new product launch to occur during the fourth quarter of 2017 or the first quarter of 2018. In Belgium, Ecuphar lost the distribution rights for a number of companion animal products from Sogeval (which together represented less than £1 million of revenue in 2016) effective 1 January 2017, following its acquisition by Ceva (in December 2013). A number of new distribution agreements are, however, being discussed with partner companies to further complement Ecuphar's product offering in the future.

In February 2017, Ecuphar acquired from Elanco the rights to market a veterinary product in Germany, Ripercol Drench, a roundworm remedy for production animals. This product acquisition will complement Ecuphar's product portfolio for cattle, however, it is not expected to have a material impact on Ecuphar's financial performance.

In the second half of 2017, Ecuphar is expecting to start distributing its own Orozyme range of companion animal products in Spain and Portugal, which have until then been distributed by local distributors in those countries.

PART III

INFORMATION ON THE EXISTING GROUP

1 Introduction

The Company is a supplier of licensed veterinary pharmaceuticals and identification products and services to the companion animal veterinary markets. The Company, headquartered in York, operates through UK wholesalers and through distribution and development partners in its key export markets, including Western Europe. The product portfolio is divided into three groups: Licensed Veterinary Medicines (pharmaceuticals), Companion Animal Identification (pet microchips) and Animal Welfare Products (consumable items).

In its unaudited interim results for the six months to 31 December 2016, the Company reported revenue and underlying operating profit of £7.97 million and £1.90 million respectively (six months ended 31 December 2015: £7.11 million and £1.55 million respectively). Highlights included revenue from Licensed Veterinary Medicines increasing by 17.2 per cent. to £5.37 million (H1 2015/2016: £4.58 million). This growth was primarily driven by strong domestic and export like-for-like growth of 13.0 per cent., including a 4.2 per cent. contribution from sales of four new products launched in the period. Revenue from Animal Welfare Products was £1.51 million, up 13.3 per cent. (H1 2015/2016: £1.34 million). Export revenues increased by 37.7 per cent. during the period compared with the prior period. The Company reported revenue for the financial year to 30 June 2016 of £14.7 million.

The cash generative nature of the Company's operations and debt free capital structure has allowed the Company to return 39.4 pence per Ordinary Share to shareholders in dividends since admission to AIM, whilst continuing to invest in the future of the business. The Company's significant investment programme is focused on accelerating revenue growth over the next three to five years through strengthening its position as a leading supplier of generic veterinary medicines and identification products to companion animal veterinary markets through a robust product development programme.

The Company's executive management team is led by Iain Menneer (Chief Executive Officer) and Chris Brewster (Chief Financial Officer). Mr Menneer joined the Company in 2003, was appointed to the Board in July 2011 and has been Chief Executive Officer since January 2013. Mr Brewster, a qualified Chartered Accountant, joined the Company as Chief Financial Officer on 31 May 2012, having previously been Group Accounting Manager at Findus Group.

2 Background and history

The Company was established in 1972 as part of the York based veterinary supplies business Veterinary Drug Company plc. In 1999, Genus plc acquired the Company to form its Animal Health Division. In 2008, Plus Markets-quoted Ritchey plc, a manufacturer and supplier of premium quality livestock products to agricultural retailers established in the early 1970s, acquired the Company for total consideration of £14.4 million, partially funded by a £7.5 million placing, with the enlarged entity admitted to trading on AIM as Animalcare Group plc on completion of the acquisition.

In September 2010, following a strategic review, the Company sold the original Ritchey businesses which operated in the agriculture sector to Tru-Test UK Limited for total cash consideration of £3.3 million. The final disposal of the Ritchey business was completed in November 2010 with the sale of the trade and assets of Travik Chemicals Limited, a loss-making chemical formulation business, to Aquajet Chemicals Limited for an undisclosed sum.

Since 2013, the Company has invested in several areas of the business to build a strong platform for growth, the senior management team has been strengthened with the appointment of several

high calibre managers from human pharma, the product development and regulatory departments have been enhanced significantly, the multi-channel sales team has been re-structured and developed through extensive training programmes and the product development pipeline has been restocked and is now closely project managed. Most recently, the Company has invested in international sales to utilise its pharmaceutical product licences outside of the UK to capitalise on export opportunities. This investment has delivered a CAGR of 6.7 per cent. since 2013 and export sales now in 12 territories, with 14 new distribution contracts and letters of understanding currently in progress.

3 Overview of activities

The Company is a leading supplier of generic veterinary medicines and identification products to companion animal veterinary markets. The Company product portfolio is divided into three groups:

- Licensed Veterinary Medicines
- Animal Welfare Products
- Companion Animal Identification

Licensed Veterinary Medicines

The Company's Licensed Veterinary Medicines are mainly generic medicines for the treatment of companion animals. The core therapies consist of fluid therapy, pain relief, antibacterials and therapies for chronic/senior diseases. The products are a combination of products developed in-house and third party-developed in-licensed products. The more mature products in the Company's portfolio are now reaching the final phases of their life cycles and the Company's strategy in this area is focused around investment in its new and existing product development pipeline to bring a range of new, higher margin pharmaceuticals to market. These products are a combination of largely enhanced generics and an innovative, novel product that will strengthen the Company's market position.

Veterinary generic pharmaceutical products are, in most circumstances, products where the patent protection (or product exclusivity period) for the original drug has expired, which allows other manufacturers to produce and sell their own versions of the original drug, which have added enhancements to the formulations or delivery mechanisms. Due to the pharmaceutical being a known chemical entity, these products undergo clinical testing to prove therapeutic equivalence. Novel pharmaceutical products are newly developed active, compound molecules which require clinical testing for safety and efficacy for approval.

The five new products launched by the Company in the year ended 30 June 2015 generated £0.95 million of revenues in the year ended 30 June 2016, evidencing the significant benefits available to the Company from its distribution partner network.

Licensed Veterinary Medicines revenue of £5.37 million represented 67 per cent. of the Existing Group's total revenue for the six months to 31 December 2016, representing growth of 17.2 per cent. compared with the equivalent six month period in the prior year. This growth was driven by increasing sales from several pharmaceutical ranges notably from intravenous fluids, anaesthetics and analgesics products.

Animal Welfare Products

The Existing Group's Animal Welfare Products cover a broad range of lower margin support products, including infusion accessories which have strong synergies with the Existing Group's intravenous fluid range, and further support products such as bandages, instruments and hygiene products.

Animal Welfare Products revenue of £1.51 million for the six months to 31 December 2016 represented 19 per cent. of the Existing Group's total revenue over this period, representing

growth of 13 per cent. compared with the equivalent six month period in the prior year. This growth was driven by the increase in sales from the Existing Group's intravenous fluid accessories range, which represented 61 per cent. of the revenue for Animal Welfare Products.

Companion Animal Identification

Companion Animal Identification comprises 'Identichip' branded microchips, providing a complete animal reunification system supported by a robust registration process and scanning network, including the Company's 'Identibase' pet database (formerly Anibase), which has over 5 million registered pet owners. The Identichip ultra (a smaller microchip) is typically used with small breed dogs, cats, small furry animals (rabbits, ferrets, guinea pigs), birds and exotics. The Identibase database enables the Company to generate additional revenue from the sale of insurance, premium services and administration fees to the registered pet owners.

Companion Animal Identification revenue of £1.09 million for the six months to 31 December 2016 represented 14 per cent. of the Existing Group's total revenue for this period, a decline of 9.2 per cent. compared with the equivalent six month period in the prior year. The fall in sales was due to the competitive market conditions that developed as a result of the compulsory microchipping legislation introduced to the UK in April 2016. Associated sales from the Identibase pet database grew, however, by 2.9 per cent. in the six months to 31 December 2016.

4 Business model

Overview

The Company supplies goods and services to veterinary professionals. The products in the Company's portfolio are distributed B2B through UK veterinary wholesalers, bought in bulk for onward-sale to veterinary practice customers, and similarly certain of the Existing Group's products are sold to the Existing Group's international partners to distribute in their home networks. The UK market represented 91 per cent. of the Company's revenues for the financial year ended 30 June 2016. The products are contract manufactured, mainly in the UK and Europe. The Existing Group continues to assess future opportunities to innovate and strengthen its companion animal identification business through delivering new in-house products, building a wider distribution network, licensing-in more third-party novel products, and possessing a capability to anticipate changing market dynamics.

Product development pipeline

The Existing Group focuses on two main areas for sourcing new products for its portfolio:

- In-house product development activities, whereby the Existing Group's team identify and develop undifferentiated, differentiated and enhanced generic pharmaceuticals. Each project is assessed against technical and commercial criteria to determine its suitability to become a full development project. Such activities have, to date, been entirely funded by internally-generated cash flows.
- Over the last decade Animalcare has built up a network of European partners, not only to distribute products on its behalf in the partner's home territory in Europe but also to provide reciprocal distribution opportunities in Animalcare's home UK market.

The Company has established momentum in its development pipeline of generic medicines and is now looking to complement this and invest in more novel products in order to enhance margins and differentiate its product portfolio. It is anticipated that such products will either be acquired or licenced-in and be patent protected where possible to maximise commercial protection.

The product development pipeline is split into existing product development and new product development. Existing Product Development (EPD) focuses on modifying an existing pharmaceutical product to increase sales, improve margin or prolong the product life cycle. This

type of development still necessitates significant investment and human resource in trials, studies and regulatory fees.

Product development process

The varied nature of product development dictates that the exact process can be different for each project. The key steps of the Company's development process are outlined below.

Identification:

The Company draws on many areas to identify product candidates to be considered for the development pipeline. It has experienced professionals across the business in sales, marketing, technical, regulatory and business development functions; their market and practical knowledge is a rich source of ideas and innovation. Their combined time in the veterinary and healthcare industry is considerable, allowing further opportunities to generate and stimulate ideas.

The team also has access to market sales data and sector online resources and online news feeds. Market research is carried out with trusted veterinary customers and more formally with external agencies.

Each project is assessed against many criteria to determine its suitability to be taken into the next stage of the development process. The main criteria include: size of market, technical and regulatory feasibility, number of competitors, competitor profile, and fit to existing and future product ranges.

Feasibility

If an opportunity satisfies these criteria, the team will start assembling a project file that will include the regulatory strategy, and a shortlist of third party facilities able to develop and manufacture the product. An investment proposal is prepared and submitted to the Board to gain approval for each development project covering financial and technical viability and a risk assessment.

Development

Work will start to source the Active Pharmaceutical Ingredient (API), develop analytical methods and optimise the formulation. Registration stability batches will be manufactured for setting aside on stability under set temperatures and humidity levels and for use in any clinical studies required. Scale and validation batches will be manufactured at the commercial scale.

Regulatory

Once all necessary data has been compiled and meets the required regulations the dossier is assembled by the regulatory team. The completed dossier is submitted to the regulatory authorities and is monitored through the process by the Company.

The regulatory assessment process is controlled by a strict timetable; for most of the Company's projects this is 210 days, typically with 30 to 60 additional days to respond to questions from the relevant authority. Experience shows it takes 12 months from submitting the dossier to launching the product on the UK market, be it for a new application for either an undifferentiated product or enhanced generic product.

Launch

Once the marketing authorisation is received, and packaging layouts have been approved by the relevant authorities, launch batches can be manufactured and packed ready for commercial launch.

In all, the process outlined above may take between three and five years depending on the project's complexity and the development and clinical trials required.

Project Monitoring

The progress of projects through this staged process is monitored closely against the timetable and budget. The development pipeline is reviewed at all Board meetings.

5 Intellectual property

The Company currently registers generic veterinary medicines under brand trademarks and has focused on the identification of new novel and generic product opportunities and technologies.

The key protection for the products the Company creates is through the marketing authorisations it obtains from the relevant European Union national regulator (e.g. the Veterinary Medicines Directorate in the UK) through the “Decentralised Procedure”, which proves that a product has quality, efficacy and meets the relevant safety standards.

The Company has built considerable know how by retaining employees with considerable experience in the animal health industry. This know how is protected by confidentiality clauses in employee contracts and in confidentiality agreements with partner and supplier organisations.

6 Market and competitive environment

The UK animal medicines market is a highly regulated and specialist market with significant intellectual and financial barriers to entry. The UK companion animal medicines market has grown 1 per cent. to £344 million in the 12 months to 30 June 2016 (source: National Office of Animal Health) and has experienced stable growth in the past 10 years, with the UK pet medicines market growing at a CAGR of 5.2 per cent. over this period.

The market is relatively fragmented and, as a consequence, there has been an increasing trend towards consolidation. Key corporate transactions by competitors have included Ely Lilly/Elanco's acquisition of Novartis Animal Health in January 2015 and Boehringer Ingelheim's acquisition of Merial in January 2017. The effect of this M&A activity is mixed for Animalcare, and it has been difficult to gain access to the product disposal fall-out from the M&A activity. The sheer size of the newly combined product range is also hard to compete against, although it is clear that the larger global companies do not and cannot focus on the tail of their expanding product ranges.

Within the Company's end markets, consolidation has continued in the current financial year, with the third largest veterinary services provider, Independent Vetcare Limited (IVC), being acquired by EQT VI which owns Evidensia, a leading Scandinavian veterinary services provider in Northern Europe and a new corporate group, VetPartners UK, being established in late 2015 and already growing to over 125 practices. The market continues to be highly regulated, with the specialist nature of the end markets and the significant level of intellectual property investment required causing difficulties for new entrants into the market and increasing the benefits of scale.

To adapt to the evolving end-market and competitive environment, in addition to investing in its own pipeline of animal pharmaceutical products, Animalcare has developed and strengthened its sales and marketing teams in respect of key customer account management. The key account team has focused its efforts on driving growth within corporate, buying group and charity customers and has been successful in winning core product tenders for a number of products, including Buprecare and identichip. Moreover, a new supply chain manager has been appointed by the Company to establish a specialist supply chain team to ensure effective and efficient inventory management for supporting its distribution channels.

7 Regulatory environment

The registration of veterinary pharmaceuticals is a highly regulated process that is similar in a number of respects to the human healthcare process, particularly in relation to quality requirements. The regulations are laid down by the European Commission in a harmonised structure recognised and followed by all 27 European Union states. Registration of a new and novel product necessitates a full dossier of supporting data and may take up to ten years to

complete. Successful authorisation confers ten years' protection from generic competition, aside from patent protection. After this period a generic may be approved by developing a chemically equivalent product and testing a smaller number of parameters than the originator product. The generics registration process does not require such a full package of information, however this process still typically takes a minimum of three to five years to complete.

An authorisation for a veterinary pharmaceutical product (novel and generic) can be sought in an individual country, a selected group of countries or across the European Union.

Once a product is authorised it will be manufactured only at the facility detailed in the licence application. This manufacturing site will be a highly regulated environment and is regularly inspected to maintain its certification.

The storage and transport of veterinary pharmaceuticals is also highly regulated. For example full batch traceability is mandatory, as is temperature data logging of storage facilities. Inspections by government agencies take place at manufacturers, wholesalers and veterinary practices.

8 Recent trends, current trading and outlook

For the Company's unaudited interim six months to 31 December 2016, current trading was ahead of the Board's expectations. Revenue growth from the Licensed Veterinary Medicines products was up 17.2 per cent. to £5.37 million (H1 2015/2016: £4.58 million). The growth in Licensed Veterinary Medicines was a result of a 13.0 per cent. like-for-like growth in domestic and export together with a 4.2 per cent. increase in sales from four new product launches in the period. During the period, three distribution products were launched from the Company's ear product range as well as Acecare, an in-house developed companion animal sedative.

Revenues from Animal Welfare Products increased 13.3 per cent. to £1.51 million (H1 2015/2016: £1.34 million) in this period, which was driven by the continued growth of infusion accessories which has synergies with Animalcare's intravenous product range.

Companion Animal Identification revenues decreased by 9.2 per cent. to £1.09 million (H1 2015/2016: £1.20 million) in this period. This was in part a result of the implementation of legislation addressing compulsory microchipping of dogs in the United Kingdom in April 2016, which initially led to a short term increase in the supply of microchip volumes to the market, causing a reduction in realised prices, and subsequently a drop in microchip volumes (which is expected to last into the medium-term) without a corresponding increase in prices. Sales from database services have, however, grown by 2.9 per cent.

Focus on the Existing Group's export business started to deliver meaningful commercial benefits, with revenues up 37.7 per cent. in the six months ended 31 December 2016 versus the six months ended 31 December 2015. The growth in the export business was driven by like-for-like sales growth in existing international markets of 28.5 per cent. and from sales into new territories including to markets in Asia.

Continued emphasis has been placed on developing products in-house given the trend towards consolidation in the market. Investment in the product development pipeline has continued, with expenditure in the six months to 31 December 2016 of £0.6 million, supported by the cash generative nature and strong balance sheet of the business.

The Board is aiming to build on the strong performance in the six month period ended 31 December 2016. The product development pipeline and distribution opportunities are growing with opportunities to identify innovative and novel higher margin pharmaceutical products whilst generic opportunities decline. The Company expects four further product launches in the coming months, all supporting existing therapy areas and all on distribution from EU partners. The growth in revenue from Europe and the rest of the world provides a solid platform for significant future revenue growth outside of the UK.

PART IV

RISK FACTORS

An investment in the Ordinary Shares is subject to a number of risks and uncertainties. Accordingly, in evaluating whether to make an investment in the Ordinary Shares potential investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Ordinary Shares, including (but not limited to) the risk factors described below, before making any investment decision with respect to the Ordinary Shares. The Existing Directors and the Proposed Directors believe the following risks to be the most significant for potential investors. However, the risk factors described below do not purport to be an exhaustive list and do not necessarily comprise all of the risks to which the Enlarged Group is exposed or all those associated with an investment in the Ordinary Shares. In particular, the Enlarged Group's performance is likely to be affected by changes in market and/or economic conditions and in legal, accounting, regulatory and tax requirements. The risk factors described below are not intended to be presented in any assumed order of priority. Additional risks and uncertainties not presently known to the Existing Directors or the Proposed Directors, or which the Existing Directors and the Proposed Directors currently deem immaterial, may also have an adverse effect upon the Enlarged Group. If any of the following risks were to materialise, or any additional risks not presently known or currently deemed immaterial were to materialise, the Enlarged Group's business, financial condition, results, prospects and/or future operations may be materially adversely affected. In such case, the value of the Ordinary Shares may decline and an investor may lose all or part of his investment.

GENERAL RISKS

An investment in the Enlarged Group is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in the Enlarged Group is suitable for him in the light of his personal circumstances and the financial resources available to him. The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult an independent financial adviser authorised under the FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

Investment in the Enlarged Group should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Enlarged Group's investments will occur or that the commercial objectives of the Enlarged Group will be achieved. Investors may not get back the full or any amount initially invested.

RISKS RELATING TO THE ACQUISITION

Conditions relating to the Acquisition

Completion of the Acquisition is subject to the satisfaction of a number of conditions contained in the Share Purchase Agreement, including the approval of Resolutions 1 to 6 by the Shareholders at the General Meeting and Admission. If Shareholders do not approve Resolutions 1 to 6 at the General Meeting, the Acquisition will not be completed.

Liability for transaction costs

Shareholders should be aware that the Company will be required to pay certain transaction fees and costs irrespective of whether the Acquisition is approved at the General Meeting or otherwise completes. If the Acquisition does not proceed for whatever reason, payment of these costs would

reduce the Company's available cash reserves, which could have a material adverse effect on its operations, financial condition or prospects.

Due diligence

The Company and its advisers have carried out legal, financial, commercial and other due diligence in respect of the Ecuphar Group's assets. The Board believes that it has carried out sufficient investigations to confirm that the Ecuphar Group has satisfactory title to its interests in its assets. However due to the limitations of these due diligence exercises, there is no assurance that, following completion of the Acquisition, all potential risks and liabilities associated with the Ecuphar Group's assets will have been identified, uncovered or quantified.

RISKS RELATING TO THE ENLARGED GROUP AND THE SECTOR IN WHICH IT OPERATES

The integration of Ecuphar into the Existing Group may give rise to challenges, and the Enlarged Group could suffer financial consequences while management is working on the integration process

The Enlarged Group's success will depend upon the Directors' ability to integrate Ecuphar into the Existing Group without disruption to the Existing Group's business. The management team will be required to commit time towards achieving the integration of Ecuphar and the Existing Group's businesses, and this may affect or impair its ability to run the business of the Enlarged Group effectively. Integration may prove more difficult than currently anticipated by the Existing Directors and Proposed Directors, or may take longer than expected, thereby posing a risk to the Enlarged Group's profitability, and the costs to achieve this integration may also be greater than expected, any of which could have a material adverse effect on the Enlarged Group's business, financial condition and/or results of operations.

Dependence on key executives and personnel

The successful operation of the Enlarged Group will depend partly upon the performance and expertise of its current and future key executives and personnel. The Existing Group and the Ecuphar Group each have a relatively small senior management team whose skills, knowledge, experience and performance are important to the success of the Enlarged Group. The loss of such individuals or the failure to train and attract other high calibre individuals could impact the successful operation of the Enlarged Group.

Remuneration packages of the Enlarged Group will be reviewed annually to help ensure that the right combination of base salary, short-term and long-term incentives are provided in order to attract, retain and reward key employees. The Enlarged Group will also operate a talent management programme to help engage all employees.

Regulation

Both the Existing Group's business and the Ecuphar Group's business are subject to substantial regulation and this may affect the Enlarged Group's ability to derive long term revenues from some of its products or products in development. The Enlarged Group's ability to market new products will be dependent on obtaining the necessary regulatory approvals in each jurisdiction where it is intending to market each product. Even after a product has reached the market it can still be subject to various kinds of re-review and could lose its approval. In addition, future changes to laws and regulations may negatively impact the Enlarged Group's existing or future products and services (for example, any amendments to laws or regulations resulting from the UK's exit from the European Union). The failure to obtain or loss of regulatory approvals, as well as future changes to laws or regulations which negatively impact on products and services, could have a material adverse effect on the Enlarged Group's business and operating results.

Change of control / absence of written terms of business

Ecuphar has a number of contracts in place (in particular, certain distribution, supply and licensing agreements) which are subject to change of control provisions, which may be triggered by the Acquisition. The Existing Directors and Proposed Directors have identified certain key agreements with relevant parties and have already gained the consent to the Acquisition and Admission from the counterparty to one of these agreements. However, it has not been practicable to seek consents for all such contracts in advance of signing the Share Purchase Agreement. While it is intended to seek to obtain necessary change of control consents prior to or shortly after Completion, there is no guarantee that they will all be given, and as such there is a risk that a counterparty may have a right to terminate or have the opportunity to renegotiate the terms of such agreements on Admission. The Existing Directors and Proposed Directors are not aware of any intention to do so and the contracts continue to be performed in accordance with their terms. In addition, Animalcare and Ecuphar conduct certain aspects of their respective businesses without formal written terms in place. While the Existing Directors and Proposed Directors are confident in the strength of the relationships with the relevant counterparties, in the absence of any legally binding written terms, there can be no guarantee that these arrangements will not be terminated or discontinued in the future.

Product Development

Products fail to get regulatory approval

Part of the Enlarged Group's strategy is to expand its existing portfolio of pharmaceutical products. The success of this strategy will be dependent in part on these products meeting the required regulatory standards. Similarly the rejection of applications for Marketing Authorisations or additional data demands made by regulatory authorities may lead to a delay in the launch of a new product or its cancellation. These factors could have a significant impact on the Enlarged Group's business and operating results.

Products fail to meet commercial expectation

Even if the products developed meet the regulatory standards, there is the risk that such products may fail to meet the commercial expectations anticipated when such products were being developed. There will always be a commercial risk when launching a new product, though such risk can be mitigated by the Enlarged Group's stringent evaluation of the commercial criteria of each new product before it goes into full product development. If a product fails to meet the anticipated commercial expectations when launched this could impact the Enlarged Group's business and operating results.

Product development risk or new / cheaper products brought to market

Failure to successfully deliver new product development projects or failure to meet commercial expectations could have a material impact on the Enlarged Group's results and damage its market position and relationships with its customers. This includes products falling behind schedule in addition to failing to be commercially launched.

The actions of existing competitors, or the entry of new competitors into the market, particularly by way of adopting an integrated business model similar to the Enlarged Group's, could result in decreased profitability and loss of market share for the Enlarged Group. Whilst the Company believes it is well positioned in its target business areas, there can be no assurance that the Enlarged Group will be able to maintain its present competitive position in the future. This could have a material impact on the Enlarged Group's business, financial performance and prospects.

IP / patent infringement and ensuing litigation – cost and management time

The Enlarged Group's future success will also significantly depend on its ability to operate without infringing the patents or violating the proprietary rights of others. While both the Existing Group and the Ecuphar Group take precautions to minimise the risk of any infringement of intellectual property

rights, there can be no assurance that the products the Existing Group or the Ecuphar Group are currently marketing or the products the Enlarged Group intends to market in the future do not currently, and will not in the future, infringe any proprietary rights of others. Thus, the Enlarged Group may need to engage in litigation to defend itself against any such claims. Patent litigation is inherently expensive and time consuming. Even in those instances in which the outcome is favourable to the Enlarged Group, litigation can result in the diversion of substantial resources from the Enlarged Group's other activities. Such litigation may therefore have a material adverse effect on the Enlarged Group's business, financial condition and/or operating results.

Failure in the supply chain – reliance on third party contract manufacturing

Neither the Existing Group nor the Ecuphar Group manufactures any of its own product range hence the Enlarged Group will be reliant on a number of key third party suppliers across the UK and Europe. If any such suppliers fail to provide products on time, and where an alternative source of supply is not readily available, this could have a material adverse effect on the Enlarged Group's business.

Whilst the Existing Group's and the Ecuphar Group's products are diversified, they are reliant on its third party manufacturing facilities and if any such facilities were to shut down, the Directors anticipate that it may take up to 24 months for a facility to return to production or to transfer supply to an alternative contract manufacturer. Similarly, if any of the Enlarged Group's suppliers were unable to provide products to the Enlarged Group due to the loss of a licence, financial difficulties, management issues, or a change of personnel, then this could have a material adverse effect on the business, financial condition and/or operating results and prospects of the Enlarged Group.

Products manufactured in the Netherlands, which is considered a territory at higher risk of flooding, comprise approximately 38 per cent. of the Existing Group's licensed veterinary medicines sales. The Company currently holds business interruption insurance which provides cover for non-UK territories but excludes the risk of flooding. So in the event of flooding which causes such facilities to cease production, the Company would not be able to claim on its insurance. This could have a material adverse effect on the business, financial condition and/or operating results of the Enlarged Group.

Unexpected system shutdown and disaster recovery plans

The Enlarged Group will rely on the uninterrupted operation of its IT and other systems for the proper running of its business and operations. While both the Existing Group and the Ecuphar Group have disaster recovery plans and processes in place, any significant and continuing breakdown of or disruption to these systems could nevertheless have an adverse effect on the operation of the Enlarged Group's business and could have a material adverse effect on the Enlarged Group's business, financial performance and prospects.

Consolidation in the market

The Existing Group's customer base is consolidating via the emergence of buying groups and corporate customers. Whilst the Company believes this presents an opportunity for growth, it may result in loss of market share for the Existing Group, failure to gain the anticipated market share of the Enlarged Group or margin erosion. This could have a material adverse effect on the Enlarged Group's business, financial performance and prospects.

Funding and indebtedness

Ecuphar has existing credit facilities, which will continue to be available to Ecuphar following Completion. There can be no assurance that further financing will be available once the term of these facilities ends in March 2022. If the Enlarged Group is unable to obtain such further funding on expiration of the existing facilities on terms satisfactory to the Enlarged Group, it may be required to reduce the scope of its operations or anticipated expansion, which could affect the Enlarged Group's business, financial performance and prospects.

Currency translation risk / hedging policies may not be adequate to cover full exposure

A significant number of the Existing Group's pharmaceutical products are imported from mainland Europe, denominated in Euro, and microchips are supplied in USD.

A significant proportion of the Enlarged Group's costs and revenue are and will continue to be denominated in Euro. Therefore fluctuations in exchange rates, in particular between the Euro and the GBP will cause fluctuations in its financial results, as reported in GBP, both as a result of foreign currency translation and transaction risk.

There has been a high degree of volatility in exchange rates since the EU referendum on 23 June 2016. Fluctuations between the Euro and the GBP may either benefit or adversely affect the Enlarged Group's results and financial position, as whilst the Enlarged Group will report financial results in GBP, the majority of companies in the Enlarged Group deal in Euro and therefore transaction risk arises depending on the exchange rate.

Environmental, health and safety

The Existing Group and the Ecuphar Group are subject to a broad range of laws, regulations and standards, including those relating to pollution, health and safety of employees, protection of the public, protection of the environment, the storage and handling of hazardous substances and chemicals and waste management. The Enlarged Group will continue to be subject to these laws, regulations and standards, which are becoming increasingly stringent. Violation of such laws, regulations and standards and/or related claims, could result in restrictions on the operations of the Enlarged Group and/or placing in the market of products, as well as damages, fines or other sanctions and increased costs of compliance and potential reputational damage. Such restrictions, sanctions and costs, as well as reputational damage, could have a material adverse effect on the business or financial condition of the Enlarged Group.

Product Liability and Insurance

The Enlarged Group may be held liable if any product it sells or develops in the future causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Although the Company currently maintains and the Enlarged Group will maintain product liability insurance, the insurance coverage may not be sufficient in amount and scope against potential liabilities or the claims may be excluded from coverage under the terms of the policy. Furthermore, due to the cost of product liability insurance the Enlarged Group may not be able to obtain sufficient amounts of insurance coverage, obtain additional insurance when needed, or obtain insurance at a reasonable cost, which could prevent or inhibit the commercialisation of products or technologies. If the Enlarged Group is sued for any injury caused by its products, its liability could exceed its total assets. Any claims against the Enlarged Group, regardless of their merit or eventual outcome, could have a material adverse effect upon its business and financial condition.

Legislation

The markets in which the Enlarged Group will operate are primarily subject to UK and EU derived legislation regarding pharmaceutical regulations, the management and movement of livestock and the generation of accurate information before livestock enters the food chain. Changes to legislation and the introduction of new legislation may have a direct impact on the Enlarged Group's business, for example the General Data Protection Regulation coming into effect in the UK in 2018 and new pharmaceutical regulations that the Company is aware are imminent. In addition, the Enlarged Group's operations may be influenced by changes in Government policy.

Whilst historically such changes in legislation and policy have benefited the Existing Group, there can be no assurance that any future changes will not have an adverse impact on the Enlarged Group's financial performance and prospects.

Data protection privacy is critical to the Existing Group and will be critical to the Enlarged Group. In the event the Company breached data protection laws, the Company could be subject to a

significant fine and suffer loss of customer confidence and a reduction in brand confidence, which could have a material adverse effect on the Enlarged Group by way of an impact on business to consumer business and the Enlarged Group's database.

Development of resistance to animal health products and/or antibiotics and related regulation

Some pharmaceutical products have a product life that can be affected by the early onset of resistance to the product in the target organism. Whilst the Existing Directors and Proposed Directors are not aware of any early onset of resistance problems with any of the Enlarged Group's products or products in development, the exact use of these products in the future and therefore the potential for early onset of resistance cannot be fully predicted and therefore the Enlarged Group's business, results, operations and financial condition could be materially adversely affected by the onset of early resistance to some of its products or products in development at some point in the future. Specifically, in Belgium, the Netherlands, Germany and several other European countries antibiotic use in the veterinary sector is on the decline, due to the increase in antibiotic resistance in farm animals as well as increasing regulation and political pressure aimed at reducing the use of antibiotics in farm animals.

Maintenance of good reputation

As part of the Enlarged Group's overall business model, the Enlarged Group will seek to rely on positive brand recognition and therefore on its existing reputation and relationships with customers. It is possible that serious quality issues or deterioration in the level of customer service may have a negative impact on sales and the levels of exports into Europe. For example, in the event of any quality issue the Enlarged Group would need to recall and restock products, giving rise to potentially significant costs and potentially also causing a risk to the Enlarged Group's reputation.

Tax risk

The Existing Group claims research and development tax credits under the small and medium-sized enterprises ("SME") tax relief scheme. It is expected that following Completion the Enlarged Group will not meet the SME threshold criteria and the majority of the research and development tax credits claimed by the Existing Group will be lost, with an associated cost to Animalcare and the Enlarged Group.

The Enlarged Group will conduct its operations through companies in a number of countries. The business, including transactions between Enlarged Group companies, will be conducted in accordance with its interpretation of prevailing tax legislations, tax treaties and regulations in the various concerned countries and in accordance with the requirements of relevant tax authorities. However, it cannot be ruled out that a tax authority will not take a different view to the Company, or that such rules will be subject to change, possibly with retrospective effect. Significant changes in the basis or rate of corporation tax, withdrawal of allowances or credits, or imposition of new taxes in such local jurisdictions, may have a material adverse effect upon the Enlarged Group's tax charges.

Statements in this document concerning the taxation of investors in shares are based on current law and practice, which is subject to change. The taxation of an investment in the Enlarged Group depends on the individual circumstances of investors.

Regulatory and economic matters

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation, legal or other regulatory matters, as well as other unforeseen matters. Such changes could have a material adverse effect on the Enlarged Group's business, financial performance and prospects. The results of the EU referendum on 23 June 2016 and the imminent exit of the UK from the European Union is leading to uncertainty as to the future of trade deals that

the UK may negotiate with the remainder of the European Union. The application of European Union law to businesses in the UK may change as a result of the UK's imminent exit from the European Union and the manner in which the Company conducts its business may well be required to change as a result.

Impact of Brexit

Great Britain's exit from the European Union could potentially impact the mutual recognition of regulatory product dossiers and other regulatory or other matters related to the products of the Enlarged Group which may lead to substantial costs to change or prepare new dossiers in respectively the UK or European Union. In addition, the sale of products from the Enlarged Group may be temporarily or indefinitely halted in certain geographical markets in case of regulatory changes due to Brexit or otherwise. Revenue and margin of the Enlarged Group may be affected by restrictions such as tariffs or other on the free movement of products between the UK and the European Union.

Commercial agreements with other companies

Both the Existing Group and the Ecuphar Group are party to a range of commercial agreements with other companies, including among others license agreements, distribution agreements, export agreements, manufacturing agreements and contract research agreements. Any change to or discontinuation of any of these agreements may have a material adverse effect upon the Enlarged Group's financial performance and prospects.

RISKS RELATING TO THE ORDINARY SHARES

Trading market for the Ordinary Shares

The share price of publicly-traded companies, including those listed on AIM, can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their shares will be influenced by a large number of factors, which could include, but are not limited to, the performance of both the Enlarged Group's and its competitors' businesses, variations in the operating results of the Enlarged Group, divergence in financial results of the Enlarged Group from analysts' expectations, changes in earnings estimated by stock market analysts, large purchases or sales of Ordinary Shares at a discount, currency fluctuations, legislative and regulatory changes and general economic and political conditions. Prospective investors should be aware that the value of an investment in the Enlarged Group and the income derived from it may go down as well as up.

Investors may therefore realise less than, or lose all of, their investment. The volume of shares traded on AIM can be limited and this may restrict the ability of investors to dispose of Ordinary Shares at any particular time. It may be more difficult for an investor to realise his investment in the Enlarged Group than in a company whose shares are quoted on the Official List. The AIM Rules for Companies are less demanding than those of the Official List and the rules in respect of corporate governance are not as stringent. It is emphasised that no application is being made for the admission of the Enlarged Group's securities to the Official List.

Market information

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. Potential investors should be aware that the value of Ordinary Shares can rise or fall and that there may not be proper information available for determining the market value of an investment in the Company at all times. An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Company and he/she may lose all his/her investment.

Suitability of Ordinary Shares as an investment

Before making any investment, proposed investors are advised to consult an independent financial adviser appointed under FSMA who specialises in advising on the acquisition of shares and other securities, or, if proposed investors are not in the UK, another appropriately authorised independent financial adviser.

Substantial sales of Ordinary Shares

There can be no assurance that certain Existing Directors and other persons subject to a lock-in arrangement in connection with the Acquisition will not elect to sell their Ordinary Shares following the expiry of the lock-in period set out in the Placing and Admission Agreement, details of which are set out in paragraph 15 of Part IX of this document, or otherwise. Similarly, other significant Shareholders could dispose of Ordinary Shares at any time. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Enlarged Group may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

Additional capital and dilution

While the Enlarged Group currently has no need for additional funding, it is possible that the Enlarged Group will raise extra capital in the future to finance the development of new and novel products or enhancements to existing products, to develop fully the Enlarged Group's business, or to respond to new competitive pressures and carry out strategic mergers and acquisitions. If the Enlarged Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its development. If additional funds are raised through the issue of new equity or equity-linked securities of Animalcare other than on a *pro rata* basis to existing Shareholders, the percentage ownership of such Shareholders may be substantially diluted. The costs and timing implications of a *pro rata* issue of equity securities are likely to lead to further issues of equity being done on a non-pre-emptive basis. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher.

No guarantee that the Ordinary Shares will continue to be traded on AIM

The Enlarged Group cannot assure investors that the Ordinary Shares will always continue to be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Enlarged Group decides to obtain a listing on another exchange in addition to or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

In addition, transfers of shares which are listed on AIM currently qualify for an exemption from stamp duty and/or SDRT. If the Ordinary Shares cease to be traded on AIM, or become listed on any other market in addition to AIM, Shareholders may no longer be able to benefit from this exemption and any transfers on sale may be subject to stamp duty and/or SDRT (generally at the rate of 0.5 per cent. of the consideration subject to a de minimis threshold), although special rules apply in respect of certain transfers.

Ecuphar Invest NV and Alychlo NV will each retain a significant interest in the Company following Admission and their interests may differ from those of the other Shareholders

Immediately following Admission, the Majority Vendors will each own approximately 23.1 per cent. of the issued share capital of the Company. The Majority Vendors will therefore be able to exercise significant influence and will potentially be able to pass or veto certain matters requiring Shareholder approval. These significant shareholdings may have the effect of delaying, deferring, deterring or preventing a change of control, depriving Shareholders of the opportunity to receive a premium for their Shares as part of a sale of the Company, impeding a merger, consolidation,

takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control. The interests of the Majority Vendors may not necessarily be aligned with those of the other Shareholders. Accordingly, the Majority Vendors could influence the Company's business (for instance by voting against particular resolutions) in a manner that may not be in the interests of other Shareholders. The concentration of ownership could also affect the market price and liquidity of the Shares.

The Company is a party to the Relationship Agreement with the Majority Vendors, which takes effect from Admission. The Relationship Agreement is intended to allow the Company to operate its business independently from the Majority Vendors and ensure the commercial transactions and relationships with the Majority Vendors are conducted on an arm's length basis. However, the Relationship Agreement may not contemplate all instances in which the interests of the Majority Vendors differ from those of minority Shareholders and/or may be difficult to enforce. If the Majority Vendors seek to influence the Company's business in a manner that may not be in the interests of other Shareholders, the Company's business, results of operations, financial condition and prospects and the trading price of the Shares could be adversely affected.

Forward-looking statements

Certain statements contained in this document are forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or the Existing Directors' and/or the Proposed Directors' beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Enlarged Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company, the Existing Directors and the Proposed Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based, save as required to comply with any legal or regulatory obligations (including the AIM Rules for Companies).

PART V

FINANCIAL INFORMATION ON THE COMPANY

In accordance with Rule 28 of the AIM Rules for Companies, this document does not contain historical financial information on the Company which would be required by Section 20 of Annex 1 of the Prospectus Rules. The audited accounts of the Company for the financial years ended 2014, 2015 and 2016, and the Company's interim accounts for the six months ended 31 December 2016 are incorporated by reference into this Part V and are available via the Company's website (www.animalcaregroup.co.uk).

Shareholders or other recipients of this document may request a copy of the information incorporated by reference from the Company Secretary of Animalcare, who can be contacted at the below address or by telephone:

Unit 7
10 Great North Way
York Business Park
York
YO26 6RB

Telephone: +44 (0) 1904 487687

A hard copy of the information incorporated by reference will not be sent to Shareholders or other recipients of this document unless requested.

PART VI

FINANCIAL INFORMATION ON ECUPHAR

SECTION A: ACCOUNTANTS' REPORT



The Directors (the “**Directors**”)
Animalcare Group plc
Unit 7
10 Great North Way
York Business Park
York
YO26 6RB

Panmure Gordon (UK) Limited (the “**Nominated Adviser**”)
One New Change
London
EC4M 9AF

24 June 2017

Dear Sirs

Ecuphar NV

We report on the financial information for Ecuphar NV for the three years ended 31 December 2014, 31 December 2015 and 31 December 2016 set out in Section B of Part VI below (the “**Ecuphar Financial Information Table**”). The Ecuphar Financial Information Table has been prepared for inclusion in the admission document dated 24 June 2017 (the “**Admission Document**”) of Animalcare Group plc (the “**Company**”) on the basis of the accounting policies set out in note 3 to the Ecuphar Financial Information Table. This report is required by Schedule Two of the AIM Rules for Companies published by the London Stock Exchange plc (the “**AIM Rules**”) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Ecuphar Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm – PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale – Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
Vestigingseenheid/Unité d'établissement: Sluisweg 1 bus 8, B-9000 Gent
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BTW/TVA BE 0429.501.944 / RPR Brussel – RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 – BIC GKCC BEBB



It is our responsibility to form an opinion as to whether the Ecuphar Financial Information Table gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Ecuphar NV's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 24 June 2017, a true and fair view of the state of affairs of Ecuphar NV as at the dates stated and of its profits/losses, comprehensive income, changes in equity and cash flows for the periods then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PwC Bedrijfsrevisoren bcvba/Reviseurs d'Entreprises scrl

Represented by
Peter Opsomer
Registered auditor

SECTION B: HISTORICAL FINANCIAL INFORMATION ON ECUPHAR

Consolidated income statements

in £'000	Notes	For the year ended 31 December		
		2016	2015	2014
Revenue	20.1	68,361	47,097	34,478
Cost of sales	20.2	(40,086)	(30,566)	(23,842)
Gross profit		28,275	16,531	10,636
Research and development expenses	20.3	(1,776)	(1,064)	(284)
Selling and marketing expenses	20.4	(9,740)	(6,682)	(3,390)
General and administrative expenses	20.5	(12,607)	(8,738)	(5,081)
Net other operating income/(expenses)	20.6	1,887	(345)	(277)
Operating (loss) profit		6,039	(298)	1,604
Financial expenses	20.9	(988)	(668)	(341)
Financial income	20.10	97	74	46
Profit (Loss) before taxes		5,148	(892)	1,309
Current income taxes	20.11	(1,305)	(537)	(466)
Deferred taxes	20.11	(327)	735	53
Net (loss) profit		3,516	(694)	896
Net (loss) profit attributable to:				
The owners of the parent	21	3,515	(694)	896
Non-controlling interest		–	–	1
Earnings per share attributable to ordinary owners of the parent				
Basic		0.25	(0.06)	0.08
Diluted		0.25	(0.06)	0.08

The accompanying notes form an integral part of these consolidated special purpose financial statements.

Consolidated statements of comprehensive income

in £'000	Notes	For the year ended 31 December		
		2016	2015	2014
Net (loss) profit for the year		3,515	(694)	896
Other comprehensive income (loss)				
Financial instruments at fair value through OCI*		(5)	–	–
Cumulative translation differences*		2,515	(153)	(354)
Other comprehensive income (loss), net of taxes		2,510	(153)	(354)
Total comprehensive (loss) income for the year, net of taxes		6,025	(847)	542
Total comprehensive (loss) income attributable to:				
The owners of the parent		6,025	(847)	541
Non-controlling interest		–	–	1

* May be reclassified subsequently to profit & loss

The accompanying notes form an integral part of these consolidated special purpose financial statements.

Consolidated statements of financial position

in £'000	Notes	For the year ended 31 December			1 January
		2016	2015	2014	2014
Assets					
Non-current assets					
Goodwill	5	9,959	8,974	2,083	2,229
Intangible assets	6	21,246	19,415	7,279	7,425
Property, plant & equipment	7	719	662	386	330
Deferred tax assets	20.11	1,269	1,240	956	969
Other financial assets		69	68	52	96
Other non-current assets		1	1	–	–
Total non-current assets		33,263	30,360	10,756	11,049
Current assets					
Inventories	9	13,254	13,024	6,383	6,937
Trade receivables	10	10,781	9,801	3,889	3,699
Available-for-sale financial assets	18	423	1	1	–
Other current assets		1,191	1,330	300	346
Cash and cash equivalents	11	951	749	966	1,154
Total current assets		26,600	24,905	11,539	12,136
Total assets		59,863	55,265	22,295	23,185
Equity and liabilities					
Equity					
Share capital	12	7,256	7,256	5,148	5,148
Share premium	12	8,821	8,821	–	–
Treasury shares		–	(646)	(646)	–
Retained earnings	12	1,258	(142)	660	496
Other reserves		2,518	8	161	515
Equity attributable to the owners of the parent		19,853	15,297	5,323	6,159
Non-controlling interest	12	2	2	2	1
Total equity		19,855	15,299	5,325	6,160
Non-current liabilities					
Borrowings	14	24,102	2,019	3,837	4,020
Deferred tax liabilities	20.11	224	44	1	2
Derivative financial liability		–	–	30	41
Provisions	15	216	25	8	–
Total non-current liabilities		24,542	2,088	3,876	4,063
Current liabilities					
Borrowings	14	631	26,609	6,908	7,464
Trade payables		10,012	8,406	3,512	3,433
Tax payables		1,774	973	388	299
Derivative financial liability		–	16	–	–
Accrued charges & deferred income	16	812	286	129	228
Other current liabilities	17	2,237	1,588	2,157	1,538
Total current liabilities		15,466	37,878	13,094	12,962
Total equity and liabilities		59,863	55,265	22,295	23,185

The accompanying notes form an integral part of these consolidated special purpose financial statements.

Consolidated statements of changes in equity

in £'000	Notes	Attributable to the owners of the parents						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total		
At 1 January 2016		7,256	8,821	(646)	(142)	8	15,297	2	15,299
Net profit (loss)		-	-	-	3,515	-	3,515	-	3,515
Other comprehensive income (loss)		-	-	-	-	2,510	2,510	-	2,510
Total comprehensive income (loss)		-	-	-	3,515	2,510	6,025	-	6,025
External dividend		-	-	-	(1,469)	-	(1,469)	-	(1,469)
Redemption treasury shares		-	-	646	(646)	-	-	-	-
At 31 December 2016		7,256	8,821	-	1,258	2,518	19,853	2	19,855

in £'000	Notes	Attributable to the owners of the parents						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total		
At 1 January 2015		5,148	-	(646)	660	161	5,323	2	5,325
Net profit (loss)		-	-	-	(694)	-	(694)	-	(694)
Other comprehensive income (loss)		-	-	-	-	(153)	(153)	-	(153)
Total comprehensive income (loss)		-	-	-	(694)	(153)	(847)	-	(847)
External dividend	12	-	-	-	(108)	-	(108)	-	(108)
Capital increase in cash	12	2,108	8,821	-	-	-	10,929	-	10,929
At 31 December 2015		7,256	8,821	(646)	(142)	8	15,297	2	15,299

in £'000	Notes	Attributable to the owners of the parents						Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Retained earnings	Other reserves	Total		
At 1 January 2014		5,148	-	-	496	515	6,159	1	6,160
Net profit (loss)		-	-	-	896	-	896	1	897
Other comprehensive income (loss)		-	-	-	-	(354)	(354)	-	(354)
Total comprehensive income (loss)		-	-	-	896	(354)	542	1	543
Dividend payment	13	-	-	-	(732)	-	(732)	-	(732)
Other movement	12	-	-	(646)	-	-	(646)	-	(646)
At 31 December 2014		5,148	-	(646)	660	161	5,323	2	5,325

The accompanying notes form an integral part of these consolidated special purpose financial statements.

Consolidated cash flow statements

in £'000	Notes	For the year ended 31 December		
		2016	2015	2014
Operating activities				
Net (loss) profit for the period		3,516	(694)	896
<i>Non-cash and operational adjustments</i>				
Depreciation of property, plant & equipment	7	326	156	154
Amortization of intangible assets	6	3,982	2,957	2,193
Loss (gain) on disposal of property, plant & equipment		(1)	(7)	(4)
Movement in provisions		180	17	8
Movement allowance for bad debt and inventories		355	457	42
Financial income	20.10	(97)	(74)	(46)
Financial expense	20.9	988	668	341
Impact of foreign currencies		1,787	(136)	(334)
Gain from sale of subsidiaries	4	(2,432)	–	–
Deferred tax expense (income)	20.11	327	(735)	(53)
Income taxes	20.11	1,305	537	465
Other		31	100	31
Working capital adjustment				
Increase in trade receivables and other receivables		(1,447)	(6,706)	(156)
Decrease (increase) in inventories		(890)	(2,152)	512
Increase in trade payables and other payables		2,530	4,644	(1,323)
Income tax paid		(1,172)	(350)	(396)
Net cash flow from operating activities		9,288	(1,318)	2,330

The accompanying notes form an integral part of these consolidated special purpose financial statements.

in £'000	Notes	For the year ended 31 December		
		2016	2015	2014
Investing activities				
Purchase of property, plant & equipment	7	(463)	(458)	(290)
Purchase of intangible assets	6	(1,185)	(781)	(587)
Proceeds from the sale of property, plant & equipment (net)		74	29	57
Acquisition of subsidiaries	4	–	(26,125)	–
Proceeds from sale of subsidiary	4	3,211	–	–
Purchase available for sale financial investments		(409)	–	–
Net cash flow used in investing activities		1,228	(27,335)	(820)
Financing activities				
Proceeds from loans & borrowings and convertible debt		15,852	21,091	3,265
Repayment of loans & borrowings		(23,925)	(2,817)	(3,245)
Proceeds from capital increase		–	10,924	–
Purchase treasury shares		–	–	(646)
Dividends paid		(1,469)	(108)	(732)
Interest paid		(663)	(498)	(289)
Other financial income (expense)		(241)	(104)	(12)
Net cash flow from financing activities		(10,446)	28,488	(1,659)
Net increase of cash & cash equivalents		70	(165)	(149)
Cash & cash equivalents at beginning of period	11	749	966	1,154
Exchange rate differences on cash & cash equivalents		132	(52)	(39)
Cash & cash equivalents at end of period	11	951	749	966

The accompanying notes form an integral part of these consolidated special purpose financial statements.

Notes to the consolidated special purpose financial statements

1 Corporate information

Ecuphar NV is a limited liability company with its registered office at Legeweg 157, bus I, 8020 Oostkamp, Belgium. The consolidated special purpose financial statements comprise Ecuphar NV (the “Parent Company” or “Parent”) and its subsidiaries (collectively, the “Ecuphar Group”). See Note 26 for a list of subsidiaries of the Parent Company.

The Ecuphar Group is a leading provider of animal health products. Through the development of a veterinary pharmaceutical portfolio it aims to increase market penetration in existing markets, expand into new export markets and enter into new strategic partnerships and alliances. The Ecuphar Group sells its products in Europe, Americas and Asia.

2 Basis of preparation

The consolidated special purpose financial statements of the Ecuphar Group for the 3 years ended 31 December 2016 were prepared for the purposes of the proposed acquisition of Ecuphar NV by Animalcare Group plc (the “Company”) and the Company’s proposed readmission to AIM. These consolidated special purpose financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies, and in accordance the International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU-IFRS”). The Ecuphar Group has applied IFRS 1, First-Time adoption of International Financial Reporting Standards (“IFRS 1”) in its adoption of IFRS. The Transition Date (“Transition Date”) for the Ecuphar Group was 1 January 2014 which is the opening balance sheet date for fiscal year 2014. The Ecuphar Group has applied IFRS standards effective for the period ended 31 December 2016 to all years presented in these consolidated special purpose financial statements, as if these standards had always been in effect (subject to the mandatory and optional IFRS 1 exemptions discussed in Note 27).

These consolidated special purpose financial statements have been prepared on a historical cost basis, except for the assets and liabilities that have been acquired as part of a business combination which have been initially recognized at fair value and certain financial instruments which are measured at fair value.

The consolidated special purpose financial statements are presented in thousands of pound sterling (K£ or thousands of £) and all “currency” values are rounded to the nearest thousand (£000), except when otherwise indicated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Ecuphar Group management to exercise judgment in applying the Ecuphar Group’s accounting policies. The areas where significant judgment and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

3 Summary of significant accounting policies

Basis for consolidation

The consolidated special purpose financial statements comprise the financial statements of the Ecuphar Group and its subsidiaries.

Entities are fully consolidated from the date of acquisition, which is the date when the Ecuphar Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the entities are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are fully eliminated.

The Ecuphar Group attributes profit or loss and each component of other comprehensive income to the owners of the parent company and to the non-controlling interest based on present ownership interests, even if this results in the non-controlling interest having a negative balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Ecuphar Group loses control over the subsidiary, it will derecognize the assets (including goodwill) and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss. If the Ecuphar Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date the control is lost.

The proportion allocated to the parent and non-controlling interests in preparing the consolidated special purpose financial statements is determined based solely on present ownership interests.

The following changes to the consolidation scope occurred during the reported periods:

- Acquisition of the assets related to the Animal Health Business of Esteve SA, a Spanish pharmaceutical company, effective on 30 April 2015 (see Note 4). As part of this acquisition, the following entities have entered to the consolidation scope: Ecuphar Veterinaria, Ecuphar Italia, Belphar and Euracon GmbH;
- Disposal of Nutriscience Ltd., the subsidiary of the Ecuphar Group located in the Republic of Ireland, effective on 31 October 2016 (see Note 4).

Non-controlling interests

The Ecuphar Group has the choice, on a transaction by transaction basis, to initially recognize any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognized amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Ecuphar Group has not elected to take the option to use fair value in acquisitions completed to date and currently only has minor non-controlling interest resulting from business combinations.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided 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 executive committee. Operating segments are aggregated when they have similar economic characteristics which is the case when there is similarity in terms of (a) the nature of the products and services, (b) the nature of the production processes, (c) the type or class of customer for their products and services, (d) the methods used to distribute their products or provide their services, and (e) if applicable, the nature of the regulatory environment. The Ecuphar Group has two operating segments, Pharmaceutical and Wholesale.

Foreign currency translation

Functional and presentation currency

The Ecuphar Group's consolidated special purpose financial statements are presented in Pound Sterling (GBP) which is different than the functional currency of the parent company and subsidiaries. The presentation currency is different as it is the Ecuphar Group's intention to be publicly quoted in the United Kingdom.

For each entity, the Ecuphar Group determines the functional currency, and items included in the financial statements of each entity are measured using the functional currency. The functional currency of all entities of the Ecuphar Group is Euro.

The statement of financial position is translated into GBP at the closing rate on the reporting date and their income statement is translated at the average exchange rate at year-end. Differences resulting from the translation of the financial statements of the parent and the subsidiaries are recognized in other comprehensive income as "cumulative translation differences".

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Euro at the exchange rate at the end of the previous month-end. Monetary items in the statement of financial position are translated at the closing rate at each reporting date and the relevant translation adjustments are recognized in financial or operating result depending on its nature.

Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date at which the Ecuphar Group obtains control over the entity.

The cost of an acquisition is measured as the amount of the consideration transferred to the seller, measured at the acquisition date fair value, and the amount of any non-controlling interest in the acquiree.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Ecuphar Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The Ecuphar Group measures goodwill initially at cost at the acquisition date, being:

- the fair value of the consideration transferred to the seller, plus
- the amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree re-measured at the acquisition date, less
- the fair value of the net identifiable assets acquired and assumed liabilities

Goodwill is recognized as an intangible asset with any impairment in carrying value being charged to the consolidated income statement. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated income statement on acquisition date.

Acquisition costs incurred are expensed and included in general and administrative expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs directly attributable to construction projects if the asset necessarily takes a substantial period of time to get ready for its intended use, it is probable that they will result in future economic benefits to the group and the cost can be measured reliably. When significant parts of property, plant and equipment are required to be replaced at intervals, the Ecuphar Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|---------------------------------------|------------------------------------|
| • Equipment | 5 years |
| • Office furniture & office equipment | 3-5 years or lease term if shorter |
| • Leased equipment | 4-5 years |
| • Leasehold improvements | 5 years or lease term if shorter |

Land is not depreciated.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Ecuphar Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases which transfer to the Ecuphar Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognized as financial expenses in the consolidated income statement.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Ecuphar Group (an "operating lease"), the total rentals payable under the lease are charged to the consolidated income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Intangible assets

Intangible assets comprise the acquired product portfolios, in-process research and development, licensing and distribution rights and customer acquired in connection with business combinations, product portfolios & product development costs and capitalized software.

The useful life of the intangible assets is as follows:

- | | |
|--|---------------|
| • Capitalized software: | 5 years; |
| • Patents, distribution rights and licenses: | 7-12 years; |
| • Product portfolios & product development: | 10 years; |
| • In Process Research and Development | 10 years; |
| • Goodwill | Not amortized |

Intangible assets acquired separately

Intangible assets with finite useful lives which are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement based on its function which may be "cost of sales", "sales & marketing expenses", "research & development expenses" and "general and administrative expenses".

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Goodwill

Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Internally generated intangible assets – research and development expenditures

Research and development includes the costs incurred by activities related to the development of software solutions (new products, updates and enhancements), guides and other products. Expenditures in research and development activities are recognized as an expense in the period in which they are incurred.

Development activities involve the application of research findings or other knowledge to a plan or a design of new or substantially improved (software) products before the start of the commercial use.

Internal development expenditures on an individual project are recognized as an intangible asset when the Ecuphar Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development.

Internal development expenditures not satisfying the above criteria and expenditures on the research phase are recognized in the consolidated income statement as incurred.

Subsequent to initial recognition internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets which are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition intangible assets acquired in a business combination are measured at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets which are acquired separately.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be

recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Ecuphar Group's CGUs that are expected to benefit from the synergies of the combination giving rise to the goodwill.

The Ecuphar Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Ecuphar Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to future cash flows projected after the fifth year.

Impairment charges are included in profit or loss, except, where applicable, to the extent they reverse gains previously recognized in other comprehensive income. An impairment loss recognized for goodwill is not reversed.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis;
- Goods purchased for resale: purchase cost on a first in, first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Financial assets include loans, deposits, receivables measured at amortized cost and available for sale financial investments measured at fair value.

Financial assets measured at amortized cost

The Ecuphar Group has loans and receivables that are measured at amortized cost.

The Ecuphar Group's loans and receivables comprise trade and other receivables, other financial assets and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial assets that are classified as loans and receivables are initially measured at fair value plus transaction costs and subsequently at amortized cost using the effective interest rate method (EIR). Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under financial income in the consolidated income statement. The losses arising from impairment are

recognized in the consolidated income statement under other operating expenses or financial expenses.

Available-for-sale financial assets measured at fair value

Available-for-sale financial assets relate to investments that are not initially acquired in view of a short term sale (shares and securities) and that are not fully consolidated nor equity consolidated. Assets in this category are measured at fair value with the resulting gains and losses being directly recognized in other comprehensive income (equity).

Assets in this category are measured at cost when there is no price input available in an active market and the fair value cannot be measured reliably by applying alternative valuation methods.

Impairment of financial assets

The Ecuphar Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In case of available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) or its current fair value, in case of available-for-sale financial assets. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the income statement. In the event of an impairment loss for available-for-sale financial assets, the accumulated impairment loss is removed from other comprehensive income and recognized in the consolidated statement of profit or loss.

Impairment losses on available-for-sale financial assets are not reversed.

Financial liabilities

The Ecuphar Group has financial liabilities measured at amortized cost which include loans and borrowings, trade payables and other payables and financial liabilities resulting from an interest rate swap (classified as held for trading).

Financial liabilities at amortized cost

Those financial liabilities are recognized initially at fair value plus directly attributable transaction costs and are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Derivative financial liabilities

The Ecuphar Group uses derivative financial instruments to hedge the exposure to changes in interest rates, however the use of derivatives is limited and does not represent significant amounts. Derivative financial instruments are initially measured at fair value. After initial recognition the financial instruments are measured at fair value on the balance sheet date.

Such hedging transactions do not qualify for hedge accounting criteria, although they offer economic hedging according to the Ecuphar Group's risk policy. Changes in the fair value of such instruments are recognized directly in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Share capital

Financial instruments issued by the Ecuphar Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Ecuphar Group's ordinary shares are classified as equity instruments.

Dividends

Dividends paid are recognized within the statement of changes in equity only when an obligation to pay the dividends arises prior to the year end.

Provisions

Provisions are recognized when the Ecuphar Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee benefits

Short-term employee benefits

The Ecuphar Group has short-term employee benefits which are recognized when the service is performed as a liability and expense. The short-term employee benefit is the undiscounted amount expected to be paid.

Management incentive plans

The Ecuphar Group has implemented an incentive plan for some of its employees. The liability recognized is the undiscounted amount expected to be paid.

Post-employment benefits

The Ecuphar Group has a defined contribution obligation where the Ecuphar Group pays contributions based on salaries to an insurance company, in accordance with the laws and agreements in each country.

The Belgian defined contribution pension plans are by law subject to minimum guaranteed rates of return, currently 3.25% on employer contributions and 3.75% on employee contributions. These rates have been modified by the law of 18 December 2015 and effective for contribution paid as from 2016 to a new variable minimum return based on the Belgian government bonds, with a minimum of 1.75% and a maximum of 3.75%.

These plans qualify as a defined benefit plan as from 1 January 2016 considering the modified law. Previously, the Ecuphar Group has adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences,

determined by individual plan participant, between the minimum guaranteed reserves and the benefits accrued at the closing date based on the actual rates of return.

The impact of the defined contribution plans accounted for as a defined benefit plan is not material.

Contributions are recognized as expenses for the period in which employees perform the corresponding services. Outstanding payments at the end of the period are shown as other current liabilities.

Revenue recognition

Sales of goods

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

Revenue from the sale of goods is recognized when all the following 5 conditions are met:

- The Ecuphar Group transfers to the buyer the significant risks and rewards of ownership of the goods;
- The Ecuphar Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The Ecuphar Group can measure reliably the amount of revenue;
- It is probable that the economic benefits associated with the transaction flow to the Ecuphar Group; and
- The Ecuphar Group can measure reliably the costs incurred or to be incurred in respect of the transaction.

Trade goods include goods produced for the purpose of sale and goods purchased for resale.

The Ecuphar Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of services

When the outcome of a transaction involving the rendering of services is estimated reliably, revenue associated with the transaction is recognized when the services are rendered. The outcome of a transaction is estimated reliably when all the following four conditions are satisfied:

- The amount of revenue is measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Ecuphar Group;
- The stage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction are measured reliably.

In general, these services are invoiced as they are performed and the amounts directly recognized in the income statement and do not require the measurement of the stage of completion.

Up-front income received in relation to long-term service contracts is deferred and subsequently recognized over the life of the relevant contracts.

Interest income

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included under financial income in the income statement.

Financing costs

Financing costs relate to interests and other costs incurred by the Ecuphar Group related to the borrowing of funds. Such costs mostly relate to interest charges on short- and long-term borrowings as well as the amortization of additional costs incurred on the issuance of the related debt. Financing costs are recognized in profit and loss of the period or capitalized in case they are related to a qualifying asset.

Other financial income and expenses

Other financial income and expenses include mainly foreign currency gains or losses on financial transactions and bank related expenses.

Taxes

Current income tax

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items that are recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Ecuphar Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Events after balance sheet date

Events after the balance sheet date which provide additional information about the parent company's position as at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the balance sheet date which are not adjusting events are disclosed in the notes if material.

New and revised standards not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the closing date of the Ecuphar Group's financial statements are disclosed below.

IFRS 9 Financial Instruments and subsequent amendments

On 24 July 2014 the IASB published the complete version of IFRS 9, Financial instruments, which replaces most of the guidance in IAS 39. This includes amended guidance for the classification and measurement of financial assets by introducing a fair value through other comprehensive income category for certain debt instruments. It also contains a new impairment model which will result in earlier recognition of losses. No changes were introduced for the classification and measurement of financial liabilities, except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. IFRS 9 also includes a new hedging guidance. It will be effective for annual periods beginning on or after 1 January 2018. The Ecuphar Group has yet to undertake a detailed assessment but no significant impact is expected.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when a company will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;

- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 was issued in May 2014 and replaces IAS 11–Construction Contracts, IAS 18–Revenue, IFRIC 13–Customer Loyalty Programmes, IFRIC 15–Agreements for the Construction of Real Estate, IFRIC 18–Transfers of Assets from Customers and SIC 31–Revenue–Barter Transactions involving Advertising Services. The Standard will be effective for annual periods beginning on or after 1 January 2018. The Ecuphar Group will make more detailed assessments of the impact over the next months and expect to complete the assessment in the third quarter of 2017.

IFRS 16 Leases

On 13 January 2016, the IASB issued IFRS 16, Leases, which provides lease accounting guidance. Under the new guidance, lessees will be required to present right-of-use assets and lease liabilities on the statement of financial position. At the lease commencement date, a lessee is required to recognize a lease liability, which is the lessee's discounted obligation to make lease payments arising from a lease, as well as a right of use asset, representing the lessee's right to use, or control the use of, a specified asset for the lease term. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, subject to endorsement by the European Union. Earlier application is permitted for entities that apply IFRS 15, Revenue from Contracts with Customers, at or before the initial application of IFRS 16.

As at the reporting date, the Ecuphar Group has non-cancellable operating lease commitments of £2,759k, see Note 22. However, the Ecuphar Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Ecuphar Group's profit and classification of cash flows.

The other standards, interpretations and amendments issued by the IASB (all of them still subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Ecuphar Group's future consolidated financial statements and those applicable for the Ecuphar Group are listed below:

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (issued on 19 January 2016) and effective for annual periods on 1 January 2017, subject to endorsement by the European Union;
- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016) and effective for annual periods on 1 January 2017;
- Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) and effective for annual periods on 1 January 2018;
- Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) and effective for annual periods on 1 January 2018;

Significant accounting judgments, estimates and assumptions

The preparation of the Ecuphar Group's consolidated special purpose financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities for future periods.

On an ongoing basis, the Ecuphar Group evaluates its estimates, assumptions and judgments, including those related to revenue recognition, development expenses, income taxes, impairment of goodwill, intangible assets and property, plant & equipment and business combinations.

The Ecuphar Group based its assumptions and estimates on parameters available when the consolidated special purpose financial statements were prepared. Existing circumstances and

assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Ecuphar Group. Such changes are reflected in the assumptions when they occur.

Internally-developed intangible assets

Under IAS 38, internally generated intangible assets from the development phase are recognized if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development, and the demonstration of how the asset will generate probable future economic benefits. The cost of a recognized internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

Determining whether internally generated intangible assets from development are to be recognized as intangible assets requires significant judgment, particularly in determining whether the activities are considered research activities or development activities, whether the product enhancement is substantial, whether the completion of the asset is technical feasible considering a company-specific approach, the probability of future economic benefits from the sale or use.

Management has determined that the conditions for recognizing internally generated intangible assets from product development activities are not met until shortly before the developed products are available for sale. This assessment is monitored by the Ecuphar Group on a regular basis.

Income taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at 31 December 2016, the Ecuphar Group had £255k (2015: £58k; 2014: £142k) of tax losses carry forward and other tax credits such as investment tax credits and notional interest deduction. These losses relate to the subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Ecuphar Group.

The Ecuphar Group may also be required to evaluate some uncertainty surrounding potential liability in relation to uncertain tax positions. Uncertain tax positions (whether assets or liabilities) are recognized using a 'probable' threshold in accordance with IAS 12, and they are reflected at the amount expected to be recovered from, or paid to, the taxation authorities. It may also include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. Assessing uncertain tax positions requires significant judgement from Management.

Impairment of goodwill

The Ecuphar Group has goodwill for a total amount of £9,959k (2015: £8,974k; 2014: £2,083k) which has been subject to an impairment test. The goodwill is tested for impairment based on a discounted cash flow model with cash flows for the next five years derived from the budget and a residual value considering a perpetual growth rate. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 5.

No impairment charges have been recorded during the reported periods.

Business combinations

The Ecuphar Group determines and allocates the purchase price of an acquired business to the assets acquired and liabilities assumed as of the business combination date. The purchase price allocation process requires the Ecuphar Group to use significant estimates and assumptions, including:

- estimated fair value of the acquired intangible assets; and
- estimated fair value of property, plant and equipment.

While the Ecuphar Group is using its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the date of acquisition, our estimates and assumptions are inherently uncertain and subject to refinement. Examples of critical estimates in valuing certain of the intangible assets the Ecuphar Group has acquired or may acquire in the future include but are not limited to:

- future expected cash flows from customer contracts and relationships, software license sales and maintenance agreements;
- the fair value of the plant and equipment;
- the fair value of the deferred revenue;
- discount rates; and
- the determination of useful lives and amortization period of acquired intangible assets.

4 Business Combinations and disposals of subsidiaries

Business combinations

The Ecuphar Group did not complete any business combinations during the year ended 31 December 2016.

Esteve

On 30 April 2015, the Ecuphar Group acquired the assets related to the Animal Health business of Esteve SA, a Spanish pharmaceutical company, through an asset purchase agreement. The consideration paid in cash for those assets amounted to £26,125k (€36,000k). This acquisition related in substance to an integrated set of activities as defined by IFRS 3 Business Combinations. As a result a purchase price allocation was performed at the date of acquisition. The fair values of the related assets at acquisition date are described below.

in £'000	Carrying value at acquisition date	Fair value adjustments	Fair value acquisition at date
Assets			
Intangible assets	–	14,582	14,582
Other non-current assets	–	124	124
Inventory	4,523	423	4,946
Trade receivables	–	–	–
Other current assets	–	–	–
Cash	–	–	–
	4,523	15,129	19,652
Liabilities			
Financial debts	–	–	–
Deferred tax liabilities	–	(443)	(443)
Trade payables	–	–	–
Other liabilities	–	–	–
	–	(443)	(443)
Total identified assets and liabilities	4,523	14,686	19,209
Goodwill			6,916
Acquisition price	–	–	26,125

The purchase price allocation resulted in a residual goodwill balance recognized of £6,916k. The impact on the cash flow position of the Ecuphar Group resulting from this business combination is as follows:

Cash flow from business combination

Consideration paid in cash	26,125
Total cash flow	26,125

The asset purchase agreement did not include any contingent consideration payable in addition to the purchase price.

The goodwill is mainly attributable to Esteve's significant commercial leverages opportunities, the value of the trained and knowledge workforce and the significant operational and commercial synergies realized.

The acquisition has contributed since the date of acquisition until 31 December 2015 a total revenue of £16,005k and a net loss of £(605)k. The Ecuphar Group does not have the information

to disclose the impact on the revenue and the net profit as if the acquisition has been completed on 1 January 2015.

Disposals of subsidiaries

Nutriscience

On 31 October 2016, the Ecuphar Group entered into a share purchase agreement with Swedencare AB regarding the sale of one of its subsidiaries, Nutriscience Ltd. The consideration received by the Ecuphar Group amounts to £3,507k and this resulted in a gain of £2,432k. The effect of this transaction on the financial position and cash flows of the Ecuphar Group is as follows:

Nutriscience

in £'000

Assets

	Carrying value at selling date
Goodwill	419
Property, plant and equipment	53
Inventories	407
Trade receivables	419
Other receivables	37
Cash and cash equivalents	296
	1,631

Liabilities

Financial debts	–
Trade payables	(315)
Other payables	(241)
	(556)

Total assets and liabilities

	1,075
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Gain on sale Nutriscience	2,432
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Selling price received in cash	3,507
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Cash flow from sale

Cash & cash equivalents transferred	(296)
Selling price	3,507

Total cash flow	3,211
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This disposal did not meet the IFRS 5 criteria as component of a group, as separate major line of business nor as geographical areas of operations. Therefore discontinued operations and asset held for sale disclosures are not required.

5 Goodwill

The goodwill has been allocated to the cash generating units ("CGU") as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
CGU: Pharmaceuticals	9,425	8,513	1,593
CGU: Wholesale	534	461	490
Total	9,959	8,974	2,083

The changes in the carrying value of the goodwill can be presented as follows for the years 2016, 2015 and 2014:

in £'000	Gross	Impairment	Total
At 1 January 2014	2,229	–	2,229
Additions	–	–	–
Currency translation	(145)	–	(145)
At 31 December 2014	2,083	–	2,083
Additions/(disposals)	6,917	–	6,917
Currency translation	(25)	–	(25)
At 31 December 2015	8,974	–	8,974
Additions/(disposals)	(419)	–	(419)
Currency translation	1,403	–	1,403
At 31 December 2016	9,958	–	9,958

In addition to currency translation effects the goodwill balance increased as a result of the Esteve business combination in 2015 with £6,917k and decreased as a result of the disposal of Nutriscience Ltd in 2016 with £(419)k (see Note 4).

As of 31 December 2016 goodwill allocated to the Pharmaceuticals CGU includes goodwill recognized as a result of past business combinations of Esteve, Equipharma NV, Ecuphar BV and Cardon Chemicals NV. As of 31 December 2016 goodwill allocated to the Wholesale CGU includes goodwill recognized as a result of the past business combinations of Medini NV and Orthopaedics NV.

The Ecuphar Group has performed an impairment test based on a discounted cash flow model including cash flows derived from the three year budget plan and residual value as of the fourth year.

Both the Pharmaceuticals and Wholesale CGU are included in their respective reportable segment Pharmaceuticals and Wholesale.

CGU Pharmaceuticals

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. The main assumptions used for the goodwill impairment testing include a pre-tax discount rate based on a weighted average cost of capital ("WACC") of 10.56%. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which has been determined by management based on past experience. It was concluded that the recoverable amount of £61,892k is approximately £43,804k higher than the carrying value of the cash generating unit. If the year-on-year growth rate of the revenue, gross margin and the operating costs would be zero, the headroom would decrease by approximately £16,784k. If the discount rate would increase by 1%, the headroom would decrease by

approximately £8,349k. In both sensitivity analyses, the net recoverable amount is significantly higher than the carrying value of the cash generating units.

CGU Wholesale

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. The main assumptions used for the goodwill impairment testing include a pre-tax discount rate (based on WACC) of 10.56%. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which has been determined by management based on past experience. It was concluded that the recoverable amount of £5,895k is approximately £4,127k higher than the carrying value of the cash generating unit. If the year-on-year growth rate of the revenue, gross margin and the operating costs would be zero, the headroom would decrease by approximately £1,345k. If the discount rate would increase by 1%, the headroom would decrease by approximately £628k. In both sensitivity analyses, the net recoverable amount is higher than the carrying value of the cash generating units.

6 Intangible assets

The changes in the carrying value of the intangible assets can be presented as follows for the years 2016, 2015 and 2014:

in £'000	In Process R&D	Patents, distribution rights & licenses	Product portfolios & product development costs	Capitalized software	Total
Acquisition value					
At 1 January 2014	–	1,580	10,325	–	11,905
Additions	(11)	1,999	543	–	2,531
Change due to business combinations	–	–	–	–	–
Disposals	–	(1,211)	–	–	(1,211)
Exchange differences	–	(127)	(690)	–	(817)
Other	11	–	–	–	11
At 31 December 2014	–	2,241	10,178	–	12,419
Additions	–	34	747	–	781
Change due to business combinations	2,417	8,798	3,367	–	14,582
Disposals	–	–	(15)	–	(15)
Currency translation	34	(8)	(542)	–	(516)
Other	–	–	–	–	–
At 31 December 2015	2,451	11,065	13,735	–	27,251
Additions	–	1,735	1,036	–	2,771
Change due to business combinations	–	–	–	–	–
Disposals	–	(2,090)	–	–	(2,090)
Currency translation	388	1,736	2,219	8	4,351
Transfers	–	–	–	179	179
Other	–	(9)	(34)	–	(43)
At 31 December 2016	2,839	12,437	16,956	187	32,419

	In Process R&D	Patents, distribution rights & licenses	Product portfolios & product development costs	Capitalized software	Total
Amortization					
At 1 January 2014	–	(156)	(4,323)	–	(4,479)
Additions	2	(1,238)	(956)	–	(2,192)
Disposals	–	1,211	–	–	1,211
Change due to business combinations	–	–	–	–	–
Impairments	–	–	–	–	–
Currency translation	–	11	311	–	322
Other	(2)	–	–	–	(2)
At 31 December 2014	–	(172)	(4,968)	–	(5,140)
Additions	(159)	(1,635)	(1,163)	–	(2,957)
Disposals	–	–	–	–	–
Change due to business combinations	–	–	–	–	–
Impairments	–	–	–	–	–
Currency translation	(2)	(13)	276	–	261
Other	1	–	(1)	–	–
At 31 December 2015	(160)	(1,820)	(5,856)	–	(7,836)
Additions	(268)	(2,256)	(1,457)	–	(3,981)
Disposals	–	2,016	7	–	2,023
Change due to business combinations	–	–	–	–	–
Currency translation	(39)	(299)	(991)	(2)	(1,331)
Transfers	–	–	(1)	(55)	(56)
Other	–	8	–	–	8
At 31 December 2016	(467)	(2,351)	(8,298)	(57)	(11,116)
Net carrying value					
At 31 December 2016	2,372	10,086	8,658	130	21,246
At 31 December 2015	2,291	9,245	7,879	–	19,415
At 31 December 2014	–	2,069	5,210	–	7,279

In Process Research & Development relates to acquired development projects as part of the Esteve business combination in 2015.

Patents, distribution rights & licenses include amounts paid for exclusive distribution rights as well as distribution rights acquired as part of the Esteve business combination in 2015.

Product portfolios & product development costs relate to amounts paid for acquired brands as well as external and internal product development costs capitalized on the development projects in the pipeline for which the capitalization criteria are met.

At 31 December 2016, the remaining amortization period for the in process R&D intangibles amounts to 8.3 years.

The total amortization charge for 2016 is £3,981k (2015: £2,957k; 2014: £2,192k) which is included in lines cost of sales, research and development expenses, sales and marketing expenses and general and administrative expenses of the consolidated income statement.

7 Property, plant & equipment

The changes in the carrying value of the property, plant and equipment can be presented as follows for the years 2016, 2015 and 2014:

in £'000	Equipment	Office furniture and equipment	Finance leases	Leasehold improvements	Total
Acquisition value					
At 1 January 2014	366	953	–	377	1,696
Additions	63	175	–	52	290
Change due to business combinations	–	–	–	–	–
Disposals	(40)	(146)	–	(92)	(278)
Transfers	–	–	–	–	–
Currency Translation	(25)	(63)	–	(23)	(111)
Other	–	–	–	–	–
At 31 December 2014	364	919	–	314	1,597
Additions	84	250	51	73	458
Change due to business combinations	–	–	–	–	–
Disposals	–	(103)	–	–	(103)
Transfers	–	–	–	–	–
Currency Translation	(20)	(52)	1	(17)	(88)
Other	–	–	–	–	–
At 31 December 2015	428	1,014	52	370	1,864
Additions	25	391	–	47	463
Change due to business combinations	(196)	(59)	–	(164)	(419)
Disposals	–	(23)	–	–	(23)
Transfers	–	(174)	–	–	(174)
Currency Translation	60	166	8	53	287
Other	–	–	–	–	–
At 31 December 2016	317	1,315	60	306	1,998

in £'000

	Equipment	Office furniture and equipment	Finance leases	Leasehold improvements	Total
Depreciation					
At 1 January 2014	(323)	(710)	–	(334)	(1,367)
Depreciation charge for the year	(20)	(108)	–	(26)	(154)
Disposals	37	98	–	90	225
Transfers	–	–	–	–	–
Change due to business combinations	–	–	–	–	–
Currency Translation	20	47	–	20	87
Other	–	(2)	–	–	(2)
At 31 December 2014	(286)	(675)	–	(250)	(1,211)
Depreciation charge for the year	(32)	(95)	(10)	(21)	(158)
Disposals	–	96	–	–	96
Transfers	–	–	–	–	–
Change due to business combinations	–	–	–	–	–
Currency Translation	15	40	–	14	69
Other	–	2	–	–	2
At 31 December 2015	(303)	(632)	(10)	(257)	(1,202)
Depreciation charge for the year	(37)	(234)	(11)	(44)	(326)
Disposals	–	17	–	–	17
Transfers	–	52	–	–	52
Change due to business combinations	149	57	–	160	366
Currency translation	(43)	(105)	(2)	(36)	(186)
At 31 December 2016	(234)	(845)	(23)	(177)	(1,279)
Net book value					
At 31 December 2016	83	470	37	129	719
At 31 December 2015	125	382	42	113	662
At 31 December 2014	78	244	–	64	386
At 1 January 2014	43	243	–	43	329

The investments in property, plant & equipment in 2016 amounted to £463k (2015: £458k; 2014: £290k) and mainly related to the acquisitions of IT and office equipment. The additions of 2015 and 2014 essentially related to acquisitions of office furniture and vehicles.

The Ecuphar Group realized a net result on disposals of property, plant and equipment of £0k in 2016 (2015: gain of £7k; 2014: loss of £1k).

No impairment of property, plant and equipment was recorded.

Finance leases

The carrying value assets held under finance leases at 31 December 2016 was £37k (2015: £42k; 2014: £0k). Finance leases mainly relate to leased trucks.

Borrowing costs

No borrowing costs were capitalized during any of the years ended 31 December 2016, 2015 and 2014.

9 Inventories

Inventories include the following:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Raw materials	966	768	844	876
Goods purchased for resale	12,288	12,256	5,539	6,060
Total inventories (at cost or net realizable value)	13,254	13,024	6,383	6,936

The amount of inventory recognized as an expense during 2016 amounts to £38,918k (2015: £29,561k; 2014: £23,331k). Inventory write downs during 2016 amounted to £523k (2015: £621k; 2014: £167k).

10 Trade receivables

The trade receivables include the following:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Trade receivables	10,905	9,825	3,914	3,726
Allowance on trade receivables	(123)	(23)	(25)	(27)
Total	10,781	9,801	3,889	3,699

Trade receivables are non-interest bearing and are generally on payment terms of 30 to 90 days.

As at 31 December 2016, trade receivables of an initial value of £123k (2015: £23k; 2014: £25k) were impaired and fully provided for. The table below shows the changes in the allowance of receivables.

in £'000	
At 1 January 2014	(27)
Exchange difference	2
At 31 December 2014	(25)
Reversal impairment	1
Exchange difference	2
Other movement	(1)
At 31 December 2015	(23)
Additional impairments	(102)
Change in consolidation scope	9
Exchange difference	(8)
Other movement	1
At 31 December 2016	(123)

11 Cash and cash equivalents and held to maturity investments

Cash and cash equivalents include the following:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Cash at bank	945	746	958	1,114
Cash equivalents	6	3	8	39
Total	951	749	966	1,153

There were no restrictions on cash during 2016, 2015 or 2014.

12 Equity

Share capital

The share capital of the parent company Ecuphar NV consists of 14,174,000 ordinary nominative shares at 31 December 2016 (2015: 14,174,000; 2014: 11,614,000) with no nominal but par value of 0.51 in 2016 (2015: 0.51; 2014: 0.44) for a total amount £7,255k at 31 December 2016 (2015: £7,255k; 2014: £5,148k).

in £'000, except share data	Total number of shares	Total share-holders' capital	Total share-premium
Outstanding at 1 January 2014	11,614,000	5,148	–
Capital increase in cash	–	–	–
Other	–	–	–
Outstanding on 31 December 2014	11,614,000	5,148	–
Capital increase in cash	2,560,000	2,107	8,821
Other	–	–	–
Outstanding on 31 December 2015	14,174,000	7,255	8,821
Capital increase in cash	–	–	–
Other	–	–	–
Outstanding on 31 December 2016	14,174,000	7,255	8,821
Par Value 2016		0.5119	
Par Value 2015		0.5119	
Par Value 2014		0.4433	

During 2015 two capital increases occurred through subscriptions in cash, the first on 15 July 2015 representing 2,500,000 shares for a total consideration £2,068k and the second on 26 October 2015 representing 60,000 shares for a total consideration of £39k. Ordinary shares are not divided into categories.

Share premium

In Belgium, the portion of the capital increase in excess of par value is typically allocated to share premium.

The carrying value of the share premium is £8,821k at 31 December 2016 (2015: £8,821k; 2014: £0k). The change in 2015 of £8,821k is the result of the capital increases explained in the paragraph above.

Other reserves

The nature and purpose of the reserves is as follows:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Legal reserve	515	515	515	515
Other comprehensive income	2,003	(507)	(354)	–
Other reserves	2,518	8	161	515

The legal reserve is increased by reserving 5% of the yearly Belgian statutory profit until the legal reserve reaches at least 10% of the shareholders' capital. The legal reserve cannot be distributed to the shareholders.

Dividends

The Ecuphar Group paid dividends to its ordinary shareholders during 2016 for an amount of £1,469k (2015: £108k; 2014: £0k).

Non-controlling interest

The non-controlling interest is £2k at 31 December 2016 (2015: £2k; 2014: £2k). This non-controlling interest represents 0.2% of the share capital of Medini NV and 0.02% of Orthopaedics.be NV which are held by third parties.

14 Borrowings

The loans and borrowings include the following:

in £'000 (except if mentioned otherwise)	Interest rate	Maturity	For the year ended 31 December			1 January
			2016	2015	2014	2014
Investment loan €1,500,000	Euribor +1.25%	Aug18	–	421	615	837
Investment loan €750,000	2.52%	Dec16	–	184	391	627
Investment loan €1,500,000	3.97%	Jun18	–	394	586	806
Investment loan €750,000	2.60%	Jan18	–	318	481	–
Investment loan €250,000	2.11%	Dec17	–	94	148	209
Investment loan €2,489,820	3.75%	March16	–	87	371	700
Investment loan €800,800	1.50%	Feb18	–	331	509	–
Investment loan €1,500,000	3.75%	Jul18	–	434	628	851
Investment loan €1,500,000	1.50%	Feb18	–	621	953	–
Investment loan €1,500,000	4.03%	Jun18	–	407	600	821
Investment loan €750,000	2.36%	Dec17	–	276	440	627
Other loans	1.44%		75	250	312	25
Revolving credit facilities	Euribor +1.50%	March 22	21,482	–	–	–
Roll over investment facility	Euribor +1.50%	March 22	3,176	–	–	–
Straight loans	Euribor +2%		–	24,811	4,711	5,981
Other loans			–	–	–	–
Total loans and borrowings			24,733	28,628	10,745	11,484
of which non-current			24,102	2,019	3,837	4,020
current			631	26,609	6,908	7,464

Revolving credit facilities and roll over investment facilities

Mid 2016, the Ecuphar Group refinanced all its outstanding investment loans with different banks. Financing arrangements have been entered into with four Belgian banks. These financing arrangements have been split equally amongst these four banks. The new agreements consist of:

- € 41.5m Revolving credit facilities
- € 10m available acquisition financing
- € 4.08m investment loans

The loans have a variable, EURIBOR based interest rate, increased with a margin of 1.5%. The revolving credit facilities and the acquisition financing have a bullet maturity on March 2022. The investment loans are repaid in 23 monthly instalments.

15 Provisions

Provisions consist of the following:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Provisions for redundancy	20	–	–	–
Provisions for risks and charges	196	25	8	–
Total	216	25	8	–

Provisions for risks and charges amount to £196k at 31 December 2016 (2015: £25k; 2014: £8k) and relate to various obligations which are not individually significant.

The assessment of the accounting treatment of the Belgian employee benefit contribution plans with a minimal guaranteed return was based on actuarial calculations which resulted in an immaterial impact as only a limited number of individuals can benefit from the plan and given the limited fixed amount which is being covered per covered individual. No provision has been recognized as of 31 December 2016, 2015 and 2014. As a result no further disclosures have been provided.

16 Deferred income and accrued charges

Deferred income and accrued charges consists of the following:

in £'000	For the year ended 31 December		
	2016	2015	2014
Accrued charges	806	194	129
Deferred income	6	93	–
Other	–	(1)	–
Total	812	286	129

Accrued charges mainly relate to accrued management bonuses in Ecuphar NV for £350k and several accrued charges in Ecuphar Veterinaria for an amount of £318k.

17 Other current liabilities

Other current liabilities include the following:

in £'000	For the year ended 31 December			1 January
	2016	2015	2014	2014
Payroll-related liabilities	572	683	253	281
Other	–	–	1	–
Other current liabilities	1,665	905	1,903	1,257
Total	2,237	1,588	2,157	1,538

Other current liabilities mainly relate to an outstanding payable at year-end for expected contractual pay-outs under a license agreement, amounting to £1,655k at 31 December 2016 (2015: £892k; 2014: £1,896k; 1 January 2014: £1,255k).

18 Fair value

Financial assets

The carrying value and fair value of the financial assets for 31 December 2016, 2015 and 2014 can be presented as follows:

in £'000	Carrying value				Fair value			
	2016	2015	2014	1 Jan 2014	2016	2015	2014	1 Jan 2014
Financial assets measured at fair value								
Assets available for sale at FV through OCI	423	1	1	–	423	1	1	–
Loans and receivables measured at amortized cost								
Trade and other receivables (current)	11,737	11,032	4,166	4,001	11,737	11,032	4,166	4,001
Other financial assets (non-current)	69	68	52	96	69	68	52	96
Other current assets	1,191	1,330	300	346	1,191	1,330	300	346
Cash & cash equivalents	951	749	966	1,154	951	749	966	1,154
Total loans and other receivables	13,948	13,179	5,484	5,597	13,948	13,179	5,484	5,597

The fair value of the financial assets has been determined on the basis of the following methods and assumptions:

- The carrying value of the cash and cash equivalents and the current receivables approximate their fair value due to their short term character;
- The fair value of the financial assets at fair value through other comprehensive income is derived from market observable data, namely stock and foreign exchange market data (level 1 inputs). The Ecuphar Group has no financial instruments carried at fair value in the statement of financial position on 31 December 2016 except for an investment in a company through publicly listed shares. The fair value of this investment is determined based on level 1 inputs.
- Trade and other receivables are being evaluated on the basis of their credit risk and interest rate. Their fair value is not different from their carrying value on 31 December 2016, 2015 and 2014.

Financial liabilities:

The carrying value and fair value of the financial liabilities for 31 December 2016, 2015 and 2014 can be presented as follows:

in £'000	Carrying value			
	2016	2015	2014	1 Jan 2014
Financial liabilities measured at amortized cost				
Borrowings	24,733	28,629	10,745	11,484
Trade payables	10,012	8,406	3,512	3,433
Other liabilities	4,822	2,848	2,674	2,065
Total financial liabilities measured at amortized cost	39,567	39,883	16,931	16,982
Financial liabilities measured at fair value				
Derivative financial instruments at FV through PL	–	16	30	41
Total financial liabilities measured at fair value	–	16	30	41
Total non-current	24,102	2,035	3,867	4,061
Total current	15,465	37,848	13,064	12,921
in £'000	Fair value			
	2016	2015	2014	1 Jan 2014
Financial liabilities measured at amortized cost				
Borrowings	24,733	28,629	10,745	11,484
Trade payables	10,012	8,406	3,512	3,433
Other liabilities	4,822	2,848	2,674	2,065
Total financial liabilities measured at amortized cost	39,567	39,883	16,931	16,982
Financial liabilities measured at fair value				
Derivative financial instruments at FV through PL	–	16	30	41
Total financial liabilities measured at fair value	–	16	30	41
Total non-current	24,102	2,035	3,867	4,061
Total current	15,465	37,848	13,064	12,921

The fair value of the financial liabilities has been determined on the basis of the following methods and assumptions:

- The carrying value of trade payables and other liabilities approximates their fair value due to the short term character of these instruments;
- Loans and borrowings are evaluated based on their interest rates and maturity date. Most interest bearing debts have floating interest rates and their fair value approximates to their amortized cost value.

Fair value hierarchy

The Ecuphar Group has no financial instruments carried at fair value in the statement of financial position on 31 December 2016 except for an investment in a company through publicly listed shares. The fair value of this investment is a level 1 fair value.

19 Segment information

For management purposes, the Ecuphar Group is organized into two segments: the Pharmaceuticals and the Wholesale segment.

The Pharmaceutical segment is active in the development and marketing of innovative pharmaceutical products that provide significant benefits to animal health.

The Wholesale segment focusses on the sale of veterinary pharmaceuticals, supplies and instruments in the Belgian market.

The measurement principles used by the Ecuphar Group in preparing this segment reporting are also the basis for segment performance assessment. The Chief Executive Officer of the Ecuphar Group acts as the chief operating decision maker. As a performance indicator, the chief operating decision maker controls the performance by the Ecuphar Group's revenue, gross margin, REBITDA and EBITDA. EBITDA is defined by the Ecuphar Group as net profit plus finance expenses, less financial income, plus income taxes and deferred taxes, plus depreciation, amortization and impairment. REBITDA equals EBITDA plus non-recurring expenses, less non-recurring income.

The following table summarizes the segment reporting for each of the reportable periods ended 31 December. As management's controlling instrument is mainly revenue-based, the reporting information does not include assets and liabilities by segment and is as such not available per segment.

in £'000	Ecuphar Pharma	Wholesales	Total segments	Adjustments & eliminations	Consolidated
For the year ended 31 December 2016					
Revenues	48,355	21,831	70,186	(1,825)	68,361
Gross Margin	26,007	2,272	28,279	(4)	28,275
Gross Margin %	54%	10%	40%		41%
Segment REBITDA	8,420	485	8,905	8	8,913
Segment REBITDA %	17%	2%	13%		13%
Segment EBITDA	10,235	484	10,719	8	10,727
Segment EBITDA %	21%	2%	15%		16%
For the year ended 31 December 2015					
Revenues	30,542	17,987	48,529	(1,432)	47,097
Gross Margin	14,628	1,906	16,534	(3)	16,531
Gross Margin %	48%	11%	34%		35%
Segment REBITDA	4,501	318	4,819	3	4,822
Segment REBITDA %	15%	2%	10%		10%
Segment EBITDA	3,125	319	3,444	3	3,447
Segment EBITDA %	10%	2%	7%		7%
For the year ended 31 December 2014					
Revenues	15,708	20,393	36,101	(1,623)	34,478
Gross Margin	8,445	2,193	10,638	(2)	10,636
Gross Margin %	54%	11%	29%		31%
Segment REBITDA	3,844	379	4,223	(2)	4,221
Segment REBITDA %	24%	2%	12%		12%
Segment EBITDA	3,546	379	3,925	(2)	3,923
Segment EBITDA %	23%	2%	11%		11%

The segment EBITDA is reconciled with the consolidated net profit (loss) of the year as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Segment EBITDA	10,727	3,447	3,923
Depreciation, amortization and impairment	(4,690)	(3,745)	(2,319)
Operating (loss) profit	6,037	(298)	1,604
Financial expenses	(988)	(668)	(341)
Financial income	97	74	46
Income taxes	(1,305)	(537)	(466)
Deferred taxes	(327)	735	53
Net (loss) profit	3,515	(694)	896

Non-current assets excluding deferred tax assets and financial instruments located in Belgium, Spain and other geographies are as follows:

	For the year ended 31 December			1 January
	2016	2015	2014	2014
Belgium	21,378	19,435	8,035	8,014
Spain	2,229	1,827	–	–
Portugal	3,913	3,371	–	–
Other	4,474	4,486	1,765	2,067
Non-current assets excluding deferred tax assets and financial instruments	31,994	29,119	9,800	10,081

Entity-wide disclosures

We refer to the Note 20.1 for the revenue by geographical area, based on location of the customer. The total revenue realized in the country of domicile (Belgium) amounts to £27,797k in 2016 (2015: £23,213k; 2014: £26,399k).

20 Income and expenses

20.1 Revenue

Revenue by geographical area is presented as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Europe	67,842	46,546	33,977
Belgium	27,797	23,213	26,399
The Netherlands	1,434	1,277	1,308
United Kingdom	2,516	1,906	969
Germany	6,714	3,840	3,358
Spain	18,695	10,215	197
Italy	3,559	1,930	111
Portugal	4,044	2,262	96
European Union – other	3,083	1,903	1,539
Asia	309	284	308
Middle East Africa	5	21	157
Other	205	246	36
Total	68,361	47,097	34,478

The Ecuphar Group has no customers with individual sales larger than 10% of the total revenue.

The revenue by category is presented as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Product sales	67,656	46,801	33,928
Services sales	705	296	550
Total	68,361	47,097	34,478

The revenue by product category is presented as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Companion animals	30,799	20,092	14,027
Production animals	22,668	15,353	8,796
Horses	5,567	3,522	2,166
Other	9,327	8,130	9,489
Total	68,361	47,097	34,478

Other product sales represent sales of wholesale products unrelated to companion animals, production animals or horses as well as sales of equipment.

20.2 **Cost of sales**

Cost of sales includes the following expenses:

in £'000	For the year ended 31 December		
	2016	2015	2014
Purchase of goods and services	38,917	29,561	23,331
Inventory & other write-downs	682	669	228
Payroll expenses	242	198	141
Other expenses	245	138	143
Total	40,086	30,566	23,842

20.3 **Research and development expenses**

Research and development expenses include the following expenses:

in £'000	2016	2015	2014
Amortization and depreciation	269	159	(73)
Payroll expenses	1,507	905	357
Other	–	–	–
Total	1,776	1,064	284

20.4 ***Selling and marketing expenses***

Selling and marketing expenses include the following expenses:

in £'000	For the year ended 31 December		
	2016	2015	2014
Transport costs sold goods	907	416	473
Promotion costs	2,002	1,095	312
Payroll expenses	6,081	4,913	2,368
Amortization and depreciation	23	20	9
Other	727	238	228
Total	9,740	6,682	3,390

20.5 ***General and administrative expenses***

General and administrative expenses include the following expenses:

in £'000	For the year ended 31 December		
	2016	2015	2014
Amortization and depreciation	3,962	2,917	2,280
Payroll expenses	3,448	1,286	739
Other	5,197	4,535	2,062
Total	12,607	8,738	5,081

20.6 ***Net other operating income (expense)***

The net other operating income (expense) can be detailed as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Re-invoicing costs	11	639	20
Gains/losses on disposals of fixed assets	–	7	4
Other operating income	2,453	245	18
Impairments	(29)	(145)	–
Other operating expenses	(548)	(1,091)	(319)
Total	1,887	(345)	(277)

Other operating income for 2016 mainly relates to a gain of £2,432k on the sale of Nutriscience Ltd on 31 October 2016. Impairments were recorded in 2016 and 2015 on certain intangible assets for £29k and £145k respectively.

Other operating expenses incurred during 2016 mostly relate to the loss on disposal of intangibles related to Nutriscience Ltd and Sogeval.

20.7 *Expenses by nature*

Expenses by nature for the period 31 December 2016

For the year ended 31 December 2016					
in £'000	Research and development expenses	Sales and marketing expenses	General & administrative expenses	Other operating (income)/ expense, net	Total
Rentals	–	295	1,070	–	1,365
Maintenance and repair	–	58	275	–	333
Personnel expenses	1,507	6,081	3,448	–	11,036
Utilities	–	–	58	–	58
Travel and representation	–	–	973	–	973
Transport costs goods sold	–	1,046	–	–	1,046
Car expenses	–	–	162	–	162
Promotion costs	–	2,207	–	–	2,207
Office expenses	–	–	292	–	292
Fees	–	–	1,909	–	1,909
Insurance	–	26	140	–	166
Depreciation & amortization	269	23	3,962	–	4,254
Fixed assets retirements	–	–	–	–	–
Re-invoicing costs	–	–	–	(11)	(11)
Extraordinary depreciation and amortization	–	–	–	29	29
Gain on sale Nutriscience	–	–	–	(2,676)	(2,676)
Other	–	4	318	771	1,093
Total expenses	1,776	9,740	12,607	(1,887)	22,236

Expenses by nature for the period 31 December 2015

For the year ended 31 December 2015					
in £'000	Research and development expenses	Sales and marketing expenses	General & administrative expenses	Other operating (income)/ expense, net	Total
Rentals	–	2	604	–	606
Maintenance and repair	–	34	91	–	125
Personnel expenses	905	4,913	1,286	–	7,104
Utilities	–	–	35	–	35
Travel and representation	–	–	350	–	350
Transport costs goods sold	–	468	–	–	468
Car expenses	–	–	110	–	110
Promotion costs	–	1,182	–	–	1,182
Office expenses	–	–	139	–	139
Fees	–	–	3,097	–	3,097
Insurance	–	15	89	–	104
Depreciation & amortization	159	20	2,917	–	3,096
Fixed assets retirements	–	–	–	(7)	(7)
Re-invoicing costs	–	–	–	(684)	(684)
Extraordinary depreciation and amortization	–	–	–	145	145
Other	–	48	20	891	959
Total expenses	1,064	6,682	8,738	345	16,829

Expenses by nature for the period 31 December 2014

in £'000	For the year ended 31 December 2014				
	Research and development expenses	Sales and marketing expenses	General & administrative expenses	Other operating (income)/ expense, net	Total
Rentals	–	(1)	469	–	468
Maintenance and repair	–	45	78	–	123
Personnel expenses	357	2,368	739	–	3,464
Utilities	–	–	48	–	48
Travel and representation	–	–	132	–	132
Transport costs goods sold	–	535	–	–	535
Car expenses	–	–	89	–	89
Promotion costs	–	363	–	–	363
Office expenses	–	–	127	–	127
Fees	–	–	1,003	–	1,003
Insurance	–	18	79	–	97
Depreciation & amortization	(73)	9	2,280	–	2,216
Fixed assets retirements	–	–	–	(4)	(4)
Re-invoicing costs	–	–	–	(20)	(20)
Extraordinary depreciation and amortization	–	–	–	–	–
Other	–	53	37	301	391
Total expenses	284	3,390	5,081	277	9,032

20.8 Payroll expenses

The following table shows the breakdown of payroll expenses for 2016, 2015 and 2014:

in £'000	For the year ended 31 December		
	2016	2015	2014
Gross employee benefits	8,421	5,521	2,582
Social security expenses	1,875	1,221	680
Other employee expenses	982	560	343
Total	11,278	7,302	3,605
Average registered employees during the period	179	155	83

20.9 Financial expenses

Financial expenses includes the following elements:

in £'000	For the year ended 31 December		
	2016	2015	2014
Interest expense	663	498	287
Foreign currency losses	81	81	28
Change in fair value – losses on financial instruments	–	–	–
Other financial expenses	244	89	26
Total	988	668	341

20.10 **Financial income**

Financial income includes the following elements:

in £'000	For the year ended 31 December		
	2016	2015	2014
Foreign currency exchange gains	28	49	32
Change in fair value – gains on financial instruments	18	12	9
Other financial income	51	13	5
Total	97	74	46

20.11 **Income taxes**

Current income tax

The following table shows the breakdown of the tax expense for 2016, 2015 and 2014:

in £'000	For the year ended 31 December		
	2016	2015	2014
Current tax expense for the period	(1,384)	(533)	(488)
Tax adjustments to the previous period	30	–	–
Other	49	(4)	22
Total tax income (loss) for the period	(1,305)	(537)	(466)

The current tax expense is equal to the amount of income tax owed to the tax authorities for the year, under the applicable tax laws and rates in effect in the various countries.

Deferred tax

Deferred tax is presented in the statement of financial position under non-current assets and non-current liabilities, as applicable. The following table shows the breakdown of the deferred tax assets, deferred tax liability and the deferred tax expense for 2016, 2015, and 2014:

in £'000	Statement of financial position				Statement of comprehensive income		
	At 31 December			At 1 January	For the year ended 31 December		
	2016	2015	2014	2014	2016	2015	2014
Goodwill	44	91	(13)	–	59	23	13
Intangible assets	175	194	149	372	44	(495)	192
Property, plant & equipment	13	2	–	–	(11)	(1)	–
Financial fixed assets	1	1	1	–	–	–	–
Inventory	43	26	(4)	1	(18)	(141)	6
Trade and other payables	565	759	645	426	302	(151)	(253)
Accruals & deferred income	173	103	26	4	(51)	(78)	(23)
Derivatives	–	6	10	14	6	4	3
Tax losses carry forward	255	58	142	152	(182)	19	12
Total deferred tax assets	1,269	1,240	956	969	149	(820)	(50)

in £'000	At 31 December			At 1 January	For the year ended 31 December		
	2016	2015	2014	2014	2016	2015	2014
Goodwill	(264)	(98)	–	–	145	90	–
Intangible assets	–	–	–	(15)	–	–	(3)
Financial fixed assets	–	–	–	1	–	–	–
Inventory	3	–	(1)	(1)	3	(7)	–
Borrowings	–	23	–	–	26	(23)	–
Tax losses carry forward	37	31	–	13	4	25	–
Total deferred tax liabilities	(224)	(44)	(1)	(2)	178	85	(3)
Total deferred tax expense (income)					327	(735)	(53)

The Ecuphar Group has unused tax losses, tax credits and notional interest deduction available in an amount of £1,045k for 2016 (2015: £291k; 2014: £461k).

Deferred tax assets have been recognized on all available tax loss carry forwards, resulting in amounts recognized of £292k (2015: £89k; 2014: £142k). This was based on management's estimate that sufficient positive taxable basis will be generated in the near future for the related legal entities with fiscal losses.

The Ecuphar Group has unrecognized temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognized in an amount of £5,155k (2015: £4,822k; 2014: £3,847k). The corresponding deferred tax liability would be minor because of the dividend received deduction regime applicable in Belgium.

Relationship between Tax Expense and Accounting Profit

in £'000	For the year ended 31 December		
	2016	2015	2014
Profit (loss) before tax	5,147	(893)	1,309
Income tax at weighted average tax rate	(1,310)	339	(376)
Non-deductible expenses	(90)	(49)	(19)
Other tax credits and tax deductions	62	18	32
Other permanent tax differences	(73)	(69)	(78)
Other	(29)	(41)	28
Changes in statutory enacted tax rate	(68)	–	–
Withholding taxes on acquisition treasury shares	(154)	–	–
Prior year tax adjustments	30	–	–
Income tax expense as reported in the consolidated income statement	(1,632)	198	(413)

21 Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holder of the parent company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all warrants.

The net profit for the year used for the basic and diluted earnings per share are reconciled as follows:

	For the year ended 31 December		
	2016	2015	2014
in £'000			
Net profit attributable to ordinary equity holders of the parent for basic earnings	3,515	(694)	896
Dilutive effects	—	—	—
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	3,515	(694)	896

The following reflects the share data used in the basic and diluted earnings per share computations:

	For the year ended 31 December		
	2016	2015	2014
Weighted average number of ordinary shares for basic earnings per share	13,957,720	12,566,103	11,471,249
Effect of dilution:	—	—	—
	—	—	—
Weighted average number of ordinary shares adjusted for effect of dilution	13,957,720	12,566,103	11,471,249

The earnings per share are as follows:

	For the year ended 31 December		
	2016	2015	2014
Earnings per share attributable to ordinary owners of the parent			
Basic	0.25	(0.06)	0.08
Diluted	0.25	(0.06)	0.08

22 Commitments and contingent liabilities

Operating lease commitments

The Ecuphar Group has operating lease commitments mainly related to buildings as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Within one year	510	352	226
Between two and three years	884	339	30
Between four and five years	678	325	–
More than 5 years	687	26	–
Total	2,759	1,042	256

The total operating lease payments recognized in the consolidated income statement are £1,365k in 2016 (2015: £606k; 2014: £468k).

Finance lease commitments

The Ecuphar Group has finance leases for the building and various other items of plant and equipment. Future minimum lease payments under finance lease with the present value of the net minimum lease payments are, as follows:

in £'000	31 December 2016		31 December 2015		31 December 2014	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	25	26	21	22	–	–
Between two and three years	40	41	44	45	–	–
Between four and five years	8	8	19	20	–	–
More than five years	–	–	–	–	–	–
Total	73	75	84	87	–	–
Less finance charges	2	–	3	–	–	–
Present value of minimum lease payments	75	75	87	87	–	–

23 Risks

In the exercise of its business activity the Ecuphar Group is exposed to credit, liquidity and market risks.

Credit risk

As at 31 December 2016 the Ecuphar Group's maximum exposure to credit risk is £10,781k, which is the amount of the trade receivables in the consolidated accounts (2015: £9,801k; 2014: £3,889k).

To control this risk, the Ecuphar Group has set up a strict credit collection process. Historically, no major bad debts have been recorded. The Ecuphar Group has no individual customers who represent a significant part of the consolidated turnover, nor of the trade receivables at year-end.

The following is an ageing schedule of trade receivables:

in £'000	Total	Non-due	< 30 days	31-60 days	61-90 days	91-180 days	> 181 days
31 December 2016	10,781	9,966	710	25	44	10	26
31 December 2015	9,801	9,260	474	46	9	–	12
31 December 2014	3,889	3,221	237	169	29	212	21
1 January 2014	3,699	2,698	785	101	(2)	(2)	119

Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they fall due. The Ecuphar Group expects to meet its obligations related to the financing agreements through operating cash flows. Additionally, the Ecuphar Group ensures there is sufficient headroom on the existing credit lines to have an additional working capital buffer. At 31 December 2016 the Ecuphar Group had the following sources of liquidity available:

- Cash and cash equivalents: £423k
- Undrawn credit facilities with a several banks: £13,895k
- Undrawn acquisition financing: £8,525k

The table below provides an analysis of the maturity dates of the financial liabilities:

in £'000	< 1 year	1 to 3 years	4-5 years	> 5 years	Total
At 31 December 2016					
Borrowings	631	1,259	1,210	21,633	24,733
Trade payables	10,012	–	–	–	10,012
Other current liabilities	2,237	–	–	–	2,237
Total	12,880	1,259	1,210	21,633	36,982

in £'000	< 1 year	1 to 3 years	4-5 years	> 5 years	Total
At 31 December 2015					
Borrowings	26,609	2,019	–	–	28,628
Trade payables	8,406	–	–	–	8,406
Other current liabilities	1,588	–	–	–	1,588
Total	36,603	2,019	–	–	38,622

in £'000	< 1 year	1 to 3 years	4-5 years	> 5 years	Total
At 31 December 2014					
Borrowings	6,908	3,258	579	–	10,745
Trade payables	3,512	–	–	–	3,512
Other current liabilities	2,157	–	–	–	2,157
Total	12,577	3,258	579	–	16,414

in £'000	< 1 year	1 to 3 years	4-5 years	> 5 years	Total
At 1 January 2014					
Borrowings	7,464	2,643	1,377	–	11,484
Trade payables	3,433	–	–	–	3,433
Other current liabilities	1,538	–	–	–	1,538
Total	12,435	2,643	1,377	–	16,455

The Parent Company has an international cash pool with different banks to limit excess cash. The Parent Company closely monitors cash balances within the group and uses short term withdrawals on the credit lines to minimize the cash balances.

Foreign exchange risk

Given the fact that the Ecuphar Group operates in the Eurozone the functional currency is determined to be the Euro. Given its Euro functional currency and the fact that most transactions occur in that currency, foreign currency transactional risks are deemed to be limited.

Transactional exposures are mainly related to the USD. During 2016, 2015 and 2014, the fluctuations in the USD did not have a significant impact on the operating profit of the Ecuphar Group. In view of the limited exposure, no foreign currency hedging has been entered into. If the USD had increased (decreased) by 10% during 2016, the 2016 operating profit for that year would have been £163k lower (higher).

The cumulative effect of the foreign currency translation effects is reported under other comprehensive income in the statement of financial position and amounts to £2,003k (2015: £(507)k; 2014: £(354)k).

Interest rate risk

The maturity dates and interest rates of the financial debts and liabilities are detailed in Note 14. The exposure to interest rate risks is mainly related to existing borrowing facilities. The current loans of credit institutions have variable interest rates. There are no significant differences between the nominal interest rates as listed in Notes 14 and the effective interest rates of the loans.

If the interest rates had been 100 basis points higher (lower), the financial result would have been £287k lower (higher) in 2016, £205k lower (higher) in 2015 and £50k lower (higher) in 2014.

Capital management

The primary objective of the Ecuphar Group's shareholders' capital management strategy is to ensure it maintains healthy capital ratios to support its business and maximize shareholder value. Additionally, minimum solvency ratios are agreed upon in the financing agreements. Capital is defined as the Ecuphar Group shareholders' equity which amounts to £19,853k at 31 December 2016 (2015: £15,297k; 2014: £5,323k).

The Ecuphar Group consistently reviews its capital structure and makes adjustments in light of changing economic conditions and performances of the Ecuphar Group. The Ecuphar Group made no changes to its capital management objectives, policies or processes during the years ended 31 December 2016, 2015 and 2014.

24 Related party transactions

This disclosure provides an overview of all transactions with related parties.

Transactions between the Parent Company and its subsidiaries, which are related parties, are eliminated in the consolidated account and no information is provided hereon in this section.

Ecuphar NV is controlled by MC³ Health NV, which currently holds approximately 96% of the Ecuphar shares. The two shareholders of MC³ Health NV are Ecuphar Invest NV (with ultimate controlling party Chris Cardon) and Alychlo NV (with ultimate controlling party Marc Coucke). Both Ecuphar Invest NV and Alychlo NV hold 50% of the MC³ Health NV shares.

The compensation of key management personnel of the Ecuphar Group is as follows:

in £'000	For the year ended 31 December		
	2016	2015	2014
Short-term employee benefits	1,513	825	603
Post-employment benefits	–	–	–
Termination benefits	–	–	–
Total	1,513	825	603

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

Directors of the Parent Company are:

Bellevue NV (being a company controlled by Chris Cardon)

Business Contact International BVBA

Alychlo NV

Mylecke Management, Art & Invest NV

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year:

in £'000	Fees paid to	Liabilities
Non-executive directors of the Ecuphar Group		
2016	38	–
2015	–	–
2014	–	–
Shareholders of the Group		
2016	60	–
2015	–	–
2014	–	–

26 Overview of consolidated entities

Name	Country of incorporation	% equity interest		
		2016	2015	2014
Ecuphar NV	Belgium	100%	100%	100%
Medini NV	Belgium	99.8%	99.8%	99.8%
Orthopaedics.be NV	Belgium	99.98%	99.98%	99.98%
Ecuphar BV	The Netherlands	100%	100%	100%
Ecuphar Veterinary Products BV	The Netherlands	100%	100%	100%
Ornis SA	France	100%	100%	100%
Nutriscience Ltd	Ireland	0%	100%	100%
Ecuphar GmbH	Germany	100%	100%	100%
Euracon Pharma Consulting und Trading GmbH	Germany	100%	100%	100%
Ecuphar Veterinaria SA	Spain	100%	100%	0%
Ecuphar Italia	Italy	100%	100%	0%
Belphar	Portugal	100%	100%	0%

27 First time adoption

The accounting policies set out in Note 3 have been applied in preparing the Ecuphar Group's consolidated special purpose financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2015 and 31 December 2014 and in the preparation of an opening IFRS balance sheet at 1 January 2014 (the Parent Company's date of transition), as required by IFRS 1.

The Ecuphar Group previously prepared consolidated financial statements in accordance with Belgian GAAP.

Set out below are the applicable mandatory exceptions and exemption elections in IFRS 1 applied in preparing the Parent Company's first financial statements under IFRS:

IFRS mandatory exceptions

The applicable mandatory exceptions in IFRS 1 applied in preparing the Parent Company's first financial statements under IFRS are as follows:

Estimates

An entity's estimates in accordance with IFRS at the date of transition shall be consistent with estimates made for the same date in accordance with its previous assertions made for its internal financial information purposes, unless there is objective evidence that those estimates were in error.

The Parent Company has considered such information about historic estimates and has treated the receipt of any such information in the same way as non-adjusting events after the reporting period in accordance with IAS 10 "Events after the Reporting Period", thus ensuring IFRS estimates as at 1 January 2012 are consistent with the estimates as at the same date made previously.

The other compulsory exceptions to IFRS 1 have not been applied as these are not relevant to the Parent Company or have not been early adopted:

- Hedge accounting;
- De-recognition of financial assets and financial liabilities;
- Non-controlling interests;
- Embedded derivatives;
- Classification and measurement of financial assets; and
- Government grants.

As the Parent Company has not early adopted IFRS 9: Financial Instruments, it has not considered the application of the compulsory exception for classification and measurement of financial assets.

IFRS exemption elections

The Ecuphar Group has applied the following optional exemptions when preparing the IFRS consolidated financial statements for the first time:

- The Ecuphar Group has applied the exemption as provided in IFRS 1 *First-time Adoption of International Financial Reporting Standards* on non-application of IFRS 3, *Business Combinations* to business combinations consummated prior to 1 January 2014 (date of transition).
- The Ecuphar Group has applied the transitional provisions in IFRIC 4 "Determining whether an Arrangement contains a Lease" and determined whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date.

Reclassifications

Several reclassifications between Belgian GAAP and IFRS have been made in order to reconcile the presentation format for Belgian GAAP purposes to IFRS. The expenses in the consolidated statement of profit & loss under Belgian GAAP is presented by nature while under IFRS by function. In addition, exceptional income and costs are presented separately under Belgian GAAP while this is not allowed under IFRS. The column "reclasses" in the following tables include all such reclassifications.

Reconciliation of statement of financial position from Belgian GAAP to IFRS

Consolidated statement of financial position as at 1 January 2014

in £'000, except if otherwise mentioned	Comment note	BE GAAP euros	Reclasses euros	Adjustments BE GAAP euros	Effect of transition to IFRS		IFRS
					Effect of transition to IFRS euros	GBP presentation currency	
Assets							
Non-current assets							
Goodwill	{a}, {b}	3,642	(978)	–	–	(435)	2,229
Intangible assets	{a}, {c}	11,255	978	–	(3,355)	(1,453)	7,425
Property, plant & equipment		395	–	–	–	(65)	330
Investments in joint ventures		–	–	–	–	–	–
Deferred tax assets	{d}	–	–	–	1,158	(189)	969
Other financial assets		115	–	–	–	(19)	96
Other non-current assets		–	–	–	–	–	–
Derivative financial assets		–	–	–	–	–	–
Total non-current assets		15,407	–	–	(2,197)	(2,161)	11,049
Current assets							
Inventories	{e}	8,289	–	–	4	(1,356)	6,937
Trade receivables		4,422	–	–	–	(723)	3,699
Held to maturity investments	{f}	36	(36)	–	–	–	–
Derivative financial assets		–	–	–	–	–	–
Other current assets		414	–	–	–	(68)	346
Cash and cash equivalents		1,379	–	–	–	(225)	1,154
Total current assets		14,540	(36)	–	4	(2,372)	12,136
Total assets		29,947	(36)	–	(2,193)	(4,533)	23,185
Equity and liabilities							
Equity							
Equity attributable to the owners of the parent		10,146	964	–	(3,744)	(1,207)	6,159
Non-controlling interest		1	–	–	–	–	1
Total equity		10,147	964	–	(3,744)	(1,207)	6,160
Non-current liabilities							
Loans & borrowings		4,806	–	–	–	(786)	4,020
Deferred tax liabilities	{d}	–	–	–	2	–	2
Derivative financial liability	{g}	–	–	–	49	(8)	41
Other non-current liabilities		–	–	–	–	–	–
Total non-current liabilities		4,806	–	–	51	(794)	4,063
Current liabilities							
Loans & borrowings		8,922	–	–	–	(1,458)	7,464
Trade payables		4,103	–	–	–	(670)	3,433
Tax payables		358	–	–	–	(59)	299
Derivative financial liability		–	–	–	–	–	–
Deferred income		272	–	–	–	(44)	228
Other current liabilities	{h}, {i}	1,339	(1,000)	–	1,500	(301)	1,538
Total current liabilities		14,994	(1,000)	–	1,500	(2,532)	12,962
Total equity and liabilities		29,947	(36)	–	(2,193)	(4,533)	23,185

Consolidated statement of financial position as at 31 December 2014

in £'000, except if mentioned otherwise	Comment note	Effect of transition to IFRS					
		BE GAAP euros	Reclasses euros	Adjustments		GBP presentation currency	IFRS
				BE	IFRS		
				GAAP euros	adjustments euros		
Assets							
Non-current assets							
Goodwill	{a}, {b}	2,916	(838)	–	585	(580)	2,083
Intangible assets	{a}, {c}	11,214	838	–	(2,743)	(2,030)	7,279
Property, plant & equipment		493	–	–	–	(107)	386
Investments in joint ventures		–	–	–	–	–	–
Deferred tax assets	{d}	–	–	–	1,223	(267)	956
Other financial assets		67	–	–	–	(15)	52
Other non-current assets		–	–	–	–	–	–
Derivative financial assets		–	–	–	–	–	–
Total non-current assets		14,690	–	–	(935)	(2,999)	10,756
Current assets							
Inventories	{e}	8,150	–	–	13	(1,780)	6,383
Trade receivables		4,973	–	–	–	(1,084)	3,889
Held to maturity investments	{f}	837	(837)	–	–	–	–
Financial investments		1	–	–	–	–	1
Other current assets		384	–	–	–	(84)	300
Cash and cash equivalents		1,235	–	–	–	(269)	966
Total current assets		15,580	(837)	–	13	(3,217)	11,539
Total assets		30,270	(837)	–	(922)	(6,216)	22,295
Equity and liabilities							
Equity							
Equity attributable to the owners of the parent		10,897	(704)	–	(3,386)	(1,484)	5,323
Non-controlling interest		2	–	–	–	–	2
Total equity		10,899	(704)	–	(3,386)	(1,484)	5,325
Non-current liabilities							
Loans & borrowings		4,907	–	–	–	(1,070)	3,837
Deferred tax liabilities	{d}	–	–	–	1	–	1
Derivative financial liability	{g}	–	–	–	38	(8)	30
Other non-current liabilities		10	–	–	–	(2)	8
Total non-current liabilities		4,917	–	–	39	(1,080)	3,876
Current liabilities							
Loans & borrowings		8,834	–	–	–	(1,926)	6,908
Trade payables		4,492	–	–	–	(980)	3,512
Tax payables		496	–	–	–	(108)	388
Derivative financial liability		–	–	–	–	–	–
Deferred income		165	–	–	–	(36)	129
Other current liabilities	{h}, {i}	467	(133)	–	2,425	(602)	2,157
Total current liabilities		14,454	(133)	–	2,425	(3,652)	13,094
Total equity and liabilities		30,270	(837)	–	(922)	(6,216)	22,295

Consolidated statement of financial position as at 31 December 2015

in £'000, except otherwise mentioned	Comment note	Effect of transition to IFRS					
		BE GAAP euros	Reclasses euros	Adjustments		GBP presentation currency	IFRS
				BE	IFRS		
				GAAP euros	adjustments euros		
Assets							
Non-current assets							
Goodwill	{a}, {b}, {k}	12,621	(650)	–	223	(3,220)	8,974
Intangible assets	{a}, {c}, {k}	28,513	650	–	(2,780)	(6,968)	19,415
Property, plant & equipment		899	–	–	–	(237)	662
Investments in joint ventures		–	–	–	–	–	–
Deferred tax assets	{d}, {k}	–	–	–	1,685	(445)	1,240
Other financial assets		92	–	–	–	(24)	68
Other non-current assets		1	–	–	–	–	1
Derivative financial assets		–	–	–	–	–	–
Total non-current assets		42,126	–	–	(872)	(10,894)	30,360
Current assets							
Inventories	{e}	17,800	–	–	(102)	(4,674)	13,024
Trade receivables		13,319	–	–	–	(3,518)	9,801
Held to maturity investments	{f}	837	(837)	–	–	–	–
Financial investments		1	–	–	–	–	1
Other current assets		1,842	–	–	(35)	(477)	1,330
Cash and cash equivalents		1,018	–	–	–	(269)	749
Total current assets		34,817	(837)	–	(137)	(8,938)	24,905
Total assets		76,943	(837)	–	(1,009)	(19,832)	55,265
Equity and liabilities							
Equity							
Equity attributable to the owners of the parent		26,383	(837)	(2,283)	(2,478)	(5,488)	15,297
Non-controlling interest		2	–	–	–	–	2
Total equity		26,385	(837)	(2,283)	(2,478)	(5,488)	15,299
Non-current liabilities							
Loans & borrowings		2,744	–	–	–	(725)	2,019
Deferred tax liabilities	{d}	–	–	–	60	(16)	44
Derivative financial liability		–	–	–	–	–	–
Other non-current liabilities		34	–	–	–	(9)	25
Total non-current liabilities		2,778	–	–	60	(750)	2,088
Current liabilities							
Loans & borrowings		36,158	–	–	–	(9,549)	26,609
Trade payables	{j}	9,139	–	2,283	–	(3,016)	8,406
Tax payables		1,148	–	–	174	(349)	973
Derivative financial liability	{g}	–	–	–	22	(6)	16
Deferred income		389	–	–	–	(103)	286
Other current liabilities	{h}, {i}	946	–	–	1,213	(571)	1,588
Total current liabilities		47,780	–	2,283	1,409	(13,594)	37,878
Total equity and liabilities		76,943	(837)	–	(1,009)	(19,832)	55,265

Reconciliation of total comprehensive income between Belgian GAAP and IFRS:

Belgian GAAP has not defined the term “comprehensive income (loss)” and as such the reconciliation below starts with the profit for the year under Belgian GAAP.

Statement of comprehensive income for the year ended 31 December 2014

in £'000, except otherwise mentioned	Comment note	BE GAAP euros	Reclasses euros	Effect of transition to IFRS			IFRS
				Adjustments BE GAAP euros	IFRS adjustments euros	GBP presentation currency	
Revenue	{l}	42,889	(119)	–	–	(8,292)	34,478
Cost of sales	{m}	(29,410)	(175)	–	9	5,734	(23,842)
Gross profit		13,479	(294)	–	9	(2,558)	10,636
Research and development expenses	{m}, {n}	(793)	(235)	–	676	68	(284)
Selling and marketing expenses	{m}	(1,267)	(2,938)	–	–	815	(3,390)
General and administrative expenses	{m}, {o}	(9,349)	3,348	–	(302)	1,222	(5,081)
Net other operating income/ (expenses)	{p}	(243)	–	–	(100)	66	(277)
Operating (loss) profit		1,827	(119)	–	283	(387)	1,604
Financial expenses	{l}	(543)	119	–	–	83	(341)
Financial income	{g}	46	–	–	11	(11)	46
(Loss) profit before taxes		1,330	–	–	294	(315)	1,309
Income taxes		(577)	–	–	–	111	(466)
Deferred taxes	{d}	–	–	–	66	(13)	53
Net (loss) profit		753	–	–	360	(217)	896
Other comprehensive income (loss)							
Exchange differences on translation of foreign operations	{q}	–	–	–	–	(354)	(354)
Total other comprehensive income (loss)		–	–	–	–	(354)	(354)
Total comprehensive income (loss)		753	–	–	360	(571)	542

Statement of comprehensive income for the year ended 31 December 2015

in £'000, except otherwise mentioned	Comment note	Effect of transition to IFRS					
		BE GAAP euros	Reclasses euros	Adjustments BE GAAP euros	IFRS		IFRS
					IFRS adjustments euros	GBP presentation currency	
Revenue	{l}, {j}	65,288	(140)	(250)	–	(17,801)	47,097
Cost of sales	{m}, {j}	(40,086)	(272)	(1,064)	(697)	11,553	(30,566)
Gross profit		25,202	(412)	(1,314)	(697)	(6,248)	16,531
Research and development expenses	{m}, {n}	(1,030)	(1,092)	–	656	402	(1,064)
Selling and marketing expenses	{m}	(2,438)	(6,771)	–	–	2,527	(6,682)
General and administrative expenses	{m}, {o}	(20,094)	8,135	–	(82)	3,303	(8,738)
Net other operating income/ (expenses)	{j}	358	–	(969)	135	131	(345)
Operating (loss) profit		1,998	(140)	(2,283)	12	115	(298)
Financial expenses	{l}	(1,060)	140	–	–	252	(668)
Financial income	{g}	86	–	–	16	(28)	74
(Loss) profit before taxes		1,024	–	(2,283)	28	339	(892)
Income taxes		(530)	–	–	(210)	203	(537)
Deferred taxes	{d}	–	–	–	1,014	(279)	735
Net (loss) profit		494	–	(2,283)	832	263	(694)
Other comprehensive income (loss)							
Exchange differences on translation of foreign operations	{q}	–	–	–	–	(153)	(153)
Total other comprehensive income (loss)		–	–	–	–	(153)	(153)
Total comprehensive income (loss)		494	–	(2,283)	832	110	(847)

Other information on the reconciliation from Belgian GAAP to IFRS

The consolidated financial statements as prepared under Belgian GAAP did not include cash flow statements and as such no reconciliation is provided in relation to the cash flows.

The first-time adoption of IFRS had the following effects on the financial statements and equity of the Ecuphar Group at the respective reporting periods:

- {a} Goodwill was decreased with the amount of identifiable intangible assets which were recognized as a result of acquisitions meeting the criteria on asset deals under IFRS 3. Such intangibles were reclassified to the line intangible assets and amortized over their remaining estimated useful lives. Such reclasses amounted to €650k at 31 January 2015 (2014: €838k; 1 January 2014: €978k).
- {b} Goodwill was increased in the periods beyond the date of transition for amortizations which were recorded under Belgian GAAP. Such goodwill amortization are not allowed under IFRS. Amortizations reversed amounted to €223k at 31 December 2015 (2014: €585k).
- {c} Intangible assets were decreased for assets recognized under BE GAAP which do not meet the recognition criteria under IAS 38. Amortization on those intangible assets was reversed in the years beyond the date of transition. The cumulative effect of these adjustments amounted to €(2,780)k at 31 December 2015 (2014: €(2,743)k; 1 January 2014: €(3,355)k).

- {d} Deferred income taxes as defined under IAS 12 are not recognized under Belgian GAAP. As a result adjustments were recognized on deferred tax assets for €1,685k at 31 December 2015 (2014: €1,223k; 1 January 2014: €1,158k) and on deferred tax liabilities for €60k at 31 December 2015 (2014: €1k; 1 January 2014: €0k). Deferred income tax (expense) and income was recognized for €1,014k at 31 December 2015 (2014: €66k).
- {e} Inventory was adjusted to bring the carrying amounts to cost as defined under IAS 2 and to move from a weighted average costing formula to the First in – First out costing method. The cumulative effect of these adjustments amount to €(102)k at 31 December 2015 (2014: €13k; 1 January 2014: €4k).
- {f} Treasury shares classified as asset under Belgian GAAP were reclassified and recognized as a deduction of equity under IFRS. The amount of treasury shares reclassified amounted to €837k at 31 December 2015 (2014: €837k; 1 January 2014: €36k).
- {g} Derivative financial instruments were not recognized under Belgian GAAP. They were recognized under IFRS based on the requirements of IAS 39. No hedge accounting as defined under IAS 39 has been applied. The effect of the recognition of derivative financial instruments on the statement of financial position amounted to €22k at 31 December 2015 (2014: €38k; 1 January 2014: €49k). The effect of the relating fair value adjustments in the income statement amounted to an income of €16k at 31 December 2015 (2014: €11k).
- {h} Dividends payable recorded as a liability under Belgian GAAP at the year-end prior to the shareholder's approval were reclassified to retained earnings as such dividends only give rise to a liability under IFRS at the moment of shareholder's approval. Dividends reclassified amounted to €0k at 31 December 2015 (2014: €133k; 1 January 2014: €1,000k).
- {i} A financial liability was recognized under IFRS for the estimated pay-outs under a license agreement for which obligated payments were due by the Ecuphar Group at year-end. Under Belgian GAAP such pay-outs were recognized as intangible assets upon payment and amortized in subsequent periods. The amount of the financial liability recognized amounts to €1,213k at 31 December 2015 (2014: €2,425k; 1 January 2014: €1,500k).
- {j} Additional accruals were made in the 31 December 2015 IFRS statement of financial position and income statement relating to costs that met the recognition criteria of a liability under IFRS at that date. Such costs were recorded in the Belgian GAAP financial statements in 2016. The amount of such accruals recognized in the statement of financial position at 31 December 2015 amounts to €2,283k. The negative impact on the income statement of 2015 amounts to €(250)k on revenues, €(1,064)k on cost of sales and €(969)k on other operating expenses.
- {k} The application of IFRS 3 Business combinations on the acquisition of the Esteve business (see Note 4) resulted in a purchase price allocation being performed. This allocation resulted in different values being recognized under IFRS then the ones formerly recognized under Belgian GAAP. An overview of the impact of this business combination on the statement of financial position can be found under Note 4.
- {l} Cash discounts were recognized as a financial expense under Belgian GAAP while they are deducted from revenues under IFRS. Such discounts amounted to €140k at 31 December 2015 (2014: €119k).
- {m} Payroll costs have been allocated to the several functions in the functional income statement. This resulted in increasing cost of sales of €272k in 2015 (2014: €175k), increasing research and development expenses of €1,092k in 2015 (2014: €235k), decreasing general and administrative expenses of €8,135k in 2015 (2014: €3,348k) and increasing selling and marketing expenses of €6,771k in 2015 (2014: €2,938k).

- {n} The positive IFRS restatement effect on research and development expenses mostly relates lower amortization charges given the fact that less R&D related intangibles were recognized under IFRS.
- {o} The negative IFRS restatement effect on general and administrative expenses mostly relates to higher amortization charges given the fact that more License-related intangibles were recognized under IFRS.
- {p} The negative restatement of effect of €(100)k recorded in IFRS during 2014 relates to additional acquisition costs for which the IFRS 1 exemption on goodwill was applied. Such subsequent expenditures do not meet the recognition criteria under IFRS and were expensed as incurred.
- {q} Given that the reporting currency is determined to be GBP all functional currency Euro balances, income and expenses were translated into GBP. This resulted in foreign currency translation effects which cumulate within other comprehensive income.

28 Events subsequent to 31 December 2016

Subsequent to 31 December 2016, the Ecuphar Group lost one of its distribution contracts as a result of a takeover. This has an estimated negative impact on yearly sales of about £0.8m as from 2017.

PART VII

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

	Animalcare £'000	Ecuphar Group £'000	Adjustments £'000		Proforma £'000
	Unaudited Note 1	Audited Note 2	Unaudited Note 3	Unaudited Note 4	Unaudited
Non-current assets					
Intangible Assets	16,004	31,205		59,945	107,154
Property, plant & equipment	254	719			973
Deferred tax assets	–	1,269			1,269
Other financial assets	–	69			69
Other non-current assets	–	1			1
Total non-current assets	16,258	33,263		59,945	109,466
Current assets					
Inventories	2,172	13,254			15,426
Trade receivables	2,180	10,781			12,961
Other current assets	481	1,191			1,672
Financial investments	–	423			423
Cash at bank and in hand	7,012	951	(7,700)		263
Total current assets	11,845	26,600	(7,700)		30,745
Current liabilities					
Bank loans	–	(631)			(631)
Trade payables	(1,658)	(10,012)			(11,670)
Other current liabilities	(572)	(2,237)			(2,809)
Corporation tax	(202)	(1,774)			(1,976)
Other taxes and social security costs	(643)	–			(643)
Deferred income	(235)	(812)			(1,047)
Non-trade accruals	(401)	–			(401)
Total current liabilities	(3,711)	(15,466)			(19,177)
Net current assets	8,134	11,134	(7,700)		11,568
Total assets less current liabilities	24,392	44,397	(7,700)	59,945	121,034
Non current liabilities					
Loans & borrowings	–	(24,102)			(24,102)
Deferred tax liabilities	(308)	(224)			(532)
Deferred Income	(732)	–			(732)
Other non-current liabilities	–	(216)			(216)
Total non-current liabilities	(1,040)	(24,542)			(25,582)
Net assets	23,352	19,855	(7,700)	59,945	95,452

Notes:

- (1) The net assets of Animalcare as at 31 December 2016 have been extracted without adjustment from its unaudited interim financial statements for the six months ended 31 December 2016.
- (2) The net assets of the Ecuphar Group to be acquired have been extracted without material adjustment from the audited statement of financial position of the Ecuphar Group as at 31 December 2016.

- (3) The adjustment in column 3 reflects the settlement of transaction costs and the cash consideration payable for the purchase of the Ecuphar Group, as follows.

Proceeds of Placing	30,000
Expenses relating to the Acquisition	(3,700)
Cash consideration for Ecuphar	<u>(34,000)</u>
Net adjustment to cash	<u>(7,700)</u>

- (4) The adjustment in note 4 represents the intangible assets that will be recognised in the Enlarged Group's financial statements upon Completion of the Acquisition. The amount disclosed of £59,945,000 is calculated as the market value of Animalcare of £83,297,000 as at 23 June 2017, less the net assets acquired of £23,352,000. A fair value assessment of the assets and liabilities acquired, including a valuation of the intangible assets, as required by IFRS 3 (Revised) has not yet been performed but will be prepared for inclusion in the financial statements of the Enlarged Group for the year ended 31 December 2017.
- (5) No account has been taken of the financial performance of Animalcare and its subsidiaries since 31 December 2016, or the financial performance of the Ecuphar Group since 31 December 2016, nor of any other event save as disclosed above.

PART VIII

RULE 9 WAIVER INFORMATION

1 Definitions

The following expressions used in this Part VIII have the following meanings:

“acting in concert” has the meaning given in the Takeover Code;

“arrangement” includes any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

“connected person” has the meaning attributed to it in section 252 of the Companies Act;

“control” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;

“dealing” or **“dealt”** includes the following:

- (a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to the securities, or of general control of securities;
- (b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
- (c) subscribing or agreeing to subscribe for securities;
- (d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
- (e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
- (f) entering into, terminating or varying the terms of any agreement to purchase or sell securities;
- (g) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities (by either party); and
- (h) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;

“derivative” includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of any underlying security;

“disclosure date” means 22 June 2017 (being the latest practicable date prior to the publication of this document); **“disclosure period”** means the period of 12 months ending on 22 June 2017 (being the latest practicable date prior to the publication of this document);

a person has an **“interest”** in or is **“interested”** in securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as **“interested”** in securities if:

- (a) he owns them;

- (b) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (c) by virtue of any agreement to purchase any option or derivative, he has the right or option to acquire them or call for their delivery, or is under an obligation to take delivery of them, in each case, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
- (d) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
- (e) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
- (f) in the case of Rule 5 of the Takeover Code only, he has received an irrevocable commitment in respect of them;

“relevant securities” includes: (1) shares and any other securities conferring voting rights; (2) equity share capital; (3) any securities convertible into or carrying rights to subscribe for securities, described in (1) and (2) above; and (4) options (including traded options) in respect of and derivatives referenced to any of the foregoing; and

“short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

2 Information on the members of the Concert Party

The Concert Party comprises Ecuphar Invest NV, Alychlo NV and Jaak Cardon. Ecuphar Invest NV, Alychlo NV and Jaak Cardon are deemed to be acting in concert for the purposes of the Takeover Code by virtue of the presumption in the definition of ‘acting in concert’ in the Takeover Code, whereby shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies are presumed under the Takeover Code to be acting in concert. The Panel has confirmed that the other Vendors are not considered to be acting in concert with the Concert Party, for the purposes of the Takeover Code, and those Vendors are not therefore members of the Concert Party.

Ecuphar Invest NV

Ecuphar Invest NV indirectly owns 48.2 per cent. of the shares in Ecuphar. Ecuphar Invest NV currently holds its shares in Ecuphar through its jointly owned subsidiary, MC³ Health NV. However, MC³ Health NV will be liquidated prior to completion of the Acquisition, so that, immediately prior to completion of the Acquisition, Ecuphar Invest NV will hold 48.2 per cent. of the shares in Ecuphar directly. Ecuphar Invest NV is controlled by Chris Cardon, who indirectly holds 60.62 per cent. of the shares in Ecuphar Invest NV. He holds 7.26 per cent. directly and 53.36 per cent. through Bellevue NV, an entity which is wholly owned by him. An independent entity, Parfilec Invest Coop SA holds 21.51 per cent. of the shares in Ecuphar Invest NV. The remaining shares in Ecuphar Invest NV are held by members of Ecuphar’s management team, including Jeroen Bastijns. Ecuphar Invest NV is a holding company, the sole activity of which is to hold the shares in Ecuphar (and, following Completion and the issue of the Consideration Shares, Animalcare).

Alychlo NV

Alychlo NV indirectly owns 48.2 per cent. of the shares in Ecuphar. Alychlo NV currently holds its shares in Ecuphar through its jointly owned subsidiary, MC³ Health NV. However, MC³ Health NV will be liquidated prior to completion of the Acquisition, so that, immediately prior to completion of the Acquisition, Alychlo NV will hold 48.2 per cent. of the shares in Ecuphar directly. Alychlo NV is wholly owned by Marc Coucke and is his private investment firm. Alychlo NV invests from its own balance sheet in listed and non-listed growth companies with a particular focus on healthcare.

Current investments of Alychlo NV include Fagron NV (EBR:FAGR, global leader in pharmaceutical compounding), Mithra Pharmaceuticals SA (EBR:MITRA, research-driven leader in women's health), MiDiagnostics NV (developer of a ground-breaking lab-on-chip for medical diagnostics), Perrigo Company plc (a global healthcare company) and Sophia Genetics SA (global leader in software for clinical DNA analysis), among others.

Jaak Cardon

Jaak Cardon is the son of Chris Cardon, and is one of the Vendors. He holds less than 0.01 per cent. of the shares in Ecuphar.

3 Interests of the Concert Party

As at the disclosure date, none of the members of the Concert Party held any interests in Existing Ordinary Shares.

On Completion of the Acquisition, the members of the Concert Party will have the following interests in Ordinary Shares.

	Number of Consideration Shares	Percentage of Enlarged Issued Share Capital on completion of the Acquisition
Ecuphar Invest NV	13,857,213	23.1%
Alychlo NV	13,857,213	23.1%
Jaak Cardon	84	0.0%
TOTAL	27,714,510	46.3%

Following Completion, it is expected that Chris Cardon, who is presumed under the Takeover Code to be acting in concert with members of the Concert Party, will participate in the New LTIP which may result in him acquiring Ordinary Shares in the Company. The maximum aggregate number of Ordinary Shares that Chris Cardon would be entitled to receive pursuant to any awards made to him under the New LTIP will be equal to 0.5 per cent. of the Enlarged Issued Share Capital (amounting to 299,569 Ordinary Shares). Further details of the New LTIP are set out in paragraph 6 of Part IX of this document.

On completion of the Acquisition, the Concert Party is expected to hold approximately 46.3 per cent. of the voting rights of the Company.

The maximum controlling position of the Concert Party together with persons acting in concert with members of the Concert Party following Completion is expected to be 28,014,079 Ordinary Shares, representing 46.8 per cent. of the Enlarged Issued Share Capital. This is based on the following assumptions:

- (1) Completion of the Acquisition and the Placing takes place and all Consideration Shares are issued to the Vendors (including the members of the Concert Party);
- (2) Chris Cardon is granted and exercises the maximum aggregate number of New LTIP Awards; and
- (3) there is no other issue of shares by the Company, whether pursuant to an exercise of options or otherwise, and there is no other change to the Concert Party's holding of Ordinary Shares.

4 Intentions of the Concert Party

Ecuphar Invest NV and Alychlo NV have informed the Board that the members of the Concert Party intend to allow the Company to continue with its proposed strategy for the Enlarged Group, as set out in paragraph 3 of Part I of this document.

Ecuphar Invest NV and Alychlo NV have confirmed to the Board that the members of the Concert Party do not have any intentions regarding the Company's business (other than as described in the strategy for the Enlarged Group set out in paragraph 3 of Part I of this document) that would affect:

- (a) the employment of the Enlarged Group's employees and management (including the continued employment of, and the conditions of employment of, such employees and management);
- (b) the strategic plans of the Company or the location of the Enlarged Group's place of business or that of its operating subsidiaries;
- (c) employer contributions to the Enlarged Group's pension schemes, the accrual of benefits for existing members of such schemes and the admission of new members to such schemes; or
- (d) the trading of the Ordinary Shares on AIM.

Ecuphar Invest NV and Alychlo NV have also confirmed that the Concert Party has no intentions to dispose of, or otherwise change the use of, any of the fixed assets of the Enlarged Group.

5 Middle Market Quotations

The following table sets out the middle market quotations for an Existing Ordinary Share, as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange, for the first business day of each of the six months immediately preceding the date of this document and for 22 June 2017 (being the latest practicable date prior to the publication of this document):

<u>Date</u>	<u>Existing Ordinary Share price (pence)</u>
22 June 2017	392.50
1 June 2017	396.00
1 May 2017	412.50
3 April 2017	422.50
1 March 2017	371.00
1 February 2017	307.50
2 January 2017	300.00

6 Additional disclosures required by the Takeover Code

At the close of business on the disclosure date, save as disclosed in this Part VIII and in paragraph 7 of Part IX of this document:

- (a) no member of the Concert Party, nor any person acting in concert with any member of the Concert Party, nor any directors of any member of the Concert Party (nor any members of such directors respective immediate families, related trusts or connected persons), had any interest in or a right to subscribe for, or had any short position in relation to, any relevant securities of the Company, nor had any such person dealt in any relevant securities of the Company during the disclosure period;
- (b) no member of the Concert Party nor any person acting in concert with any member of the Concert Party had borrowed or lent any relevant securities of the Company (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;

- (c) neither the Company nor any person acting in concert with the Company nor any of the Existing Directors (nor any members of the Existing Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities in any member of the Concert Party, nor had such persons dealt in any relevant securities in any member of the Concert Party during the disclosure period;
- (d) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities in any member of the Concert Party (including, for these purposes, under any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Takeover Code), save for any borrowed shares which have either been on-lent or sold;
- (e) other than as set out in paragraph 7 of Part IX of this document, neither the Company nor any person acting in concert with the Company nor any of the Existing Directors (nor any members of such Existing Directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to any relevant securities of the Company, nor has any such person dealt in any such securities during the disclosure period;
- (f) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities of the Company, save for any borrowed shares which have either been on-lent or sold;
- (g) no incentivisation arrangements have been entered into and there are no proposals as to any incentivisation arrangements between the Concert Party (on the one hand) and the Existing Directors or the Proposed Directors (on the other hand);
- (h) no member of the Concert Party nor any person acting in concert with them has entered into any agreement, arrangement or understanding (including any compensation arrangement) with any of the Existing Directors, recent directors, Shareholders, recent Shareholders or any other person interested or recently interested in Existing Ordinary Shares which are connected with or dependent upon the outcome of the Proposals; and
- (i) no member of the Concert Party has entered into any agreement, arrangement or understanding to transfer to any other person any interest acquired in the Company pursuant to the Acquisition.

PART IX

ADDITIONAL INFORMATION

1 RESPONSIBILITY

- 1.1 The Existing Directors and Proposed Directors, whose names appear on page 8 of this document, and the Company, accept responsibility, both individually and collectively, for the information contained in this document and for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Existing Directors and Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Marc Coucke and Chris Cardon accept responsibility for the information contained in this document relating to the members of the Concert Party. To the best of the knowledge and belief of Marc Coucke and Chris Cardon (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 INCORPORATION AND STATUS OF THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 14 June 1972 under the Companies Act with registered no 01058015 as a private company limited by shares with the name Ritchey Tagg Limited. On 19 November 2002 the Company changed its name to Ritchey Tagg Plc then on 11 October 2004 the Company changed its name to Ritchey Plc. On 15 January 2008 the Company changed its name to Animalcare Group plc.
- 2.2 The Company's legal and commercial name is Animalcare Group plc.
- 2.3 The Company was admitted to AIM on 15 January 2008.
- 2.4 The registered and head office of the Company is at Unit 7, 10 Great North Way, York Business Park, Nether Poppleton, York, YO26 6RB. The telephone number of the Company's registered office is +44 1904 487687.
- 2.5 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.animalcaregroup.co.uk.
- 2.6 The principal legislation under which the Company operates and which the Consideration Shares, New Placing Shares and Option Shares will be issued is the Companies Act and regulations made thereunder. The liability of the members of the Company is limited.

3 SHARE CAPITAL OF THE COMPANY

- 3.1 As at 22 June 2017 (being the latest practicable date prior to the date of this document) the issued share capital of the Company was:

Class of shares	Nominal value	Issued	
		£	number
Ordinary Shares	£0.20	4,244,422	21,222,110

- 3.2 The issued share capital of the Company immediately following Admission will be:

Class of shares	Nominal value	Issued	
		£	number
Ordinary Shares	£0.20	11,982,780	59,913,900

- 3.3 The following changes have occurred to the share capital of the Company between 1 October 2013 and 22 June 2017 (being the latest practicable date prior to the date of this document):
- 3.3.1 On 4 November 2013 5,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,150,040.80 made up of 20,750,204 Ordinary Shares.
 - 3.3.2 On 24 December 2013 10,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,152,040.80 made up of 20,760,204 Ordinary Shares.
 - 3.3.3 On 8 January 2014 100,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,172,040.80 made up of 20,860,204 Ordinary Shares.
 - 3.3.4 On 4 April 2014 100,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,192,040.80 made up of 20,960,204 Ordinary Shares.
 - 3.3.5 On 17 November 2014 4,432 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,192,927.20 made up of 20,964,636 Ordinary Shares.
 - 3.3.6 On 21 November 2014 5,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,193,927.20 made up of 20,969,636 Ordinary Shares.
 - 3.3.7 On 9 March 2015 50,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,203,927.20 made up of 21,019,636 Ordinary Shares.
 - 3.3.8 On 7 August 2015 10,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,205,927.20 made up of 21,029,636 Ordinary Shares.
 - 3.3.9 On 11 November 2015 5,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,206,927.20 made up of 21,034,636 Ordinary Shares.
 - 3.3.10 On 1 December 2015 20,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,210,927.20 made up of 21,054,636 Ordinary Shares.
 - 3.3.11 On 31 May 2016 5,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,211,927.20 made up of 21,059,636 Ordinary Shares.
 - 3.3.12 On 19 July 2016 72,474 Ordinary Shares were allotted taking the total issued share capital of the Company to £ 4,226,422.00 made up of 21,132,110 Ordinary Shares.
 - 3.3.13 On 12 October 2016 90,000 Ordinary Shares were allotted taking the total issued share capital of the Company to £4,244,422.00 made up of 21,222,110 Ordinary Shares.
- 3.4 During the period from incorporation of the Company to the date of this document, the Company did not hold any shares in treasury.
- 3.5 On 15 November 2016, by resolutions of the Company the Directors were generally and unconditionally authorised pursuant to section 551 of the Companies Act, to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any security into share in the Company up to an aggregate nominal value of:

- (a) £1,415,000 (being approximately one-third of the Company's issued share capital at 18 October 2016), such power expiring at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority had not expired;
- (b) the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authority conferred in paragraph a above, pursuant to section 570 of the Companies Act, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - (i) in connection with an offer of, or invitation to apply for, equity securities in favour of holders of Ordinary Shares in proportion (as nearly as practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (ii) other than pursuant to paragraph (i) above, up to approximately 10 per cent. of the issued share capital of the Company,

such power expiring at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

3.6 The following resolutions relating to the share capital of the Company are proposed to be passed at the General Meeting:

- (a) Resolution 3 is an ordinary resolution to authorise the Directors, in addition to all previous authority given to them and still subsisting, to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company (together 'relevant securities'), up to an aggregate nominal amount of £7,738,358 in connection with the Acquisition and the Placing. This authority shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or, if earlier, the date which is 15 months after the date on which the resolution is passed, except that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if such authority had not expired.
- (b) Resolution 4 is a special resolution to authorise the Directors, pursuant to section 570 of the Companies Act, to allot equity securities (as defined in section 560(1) of the Companies Act) pursuant to the authority granted by Resolution 3, in respect of the New Placing Shares, as if section 561(1) of the Companies Act did not apply to any such allotment. This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the Directors by Resolution 3 expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities

in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

- (c) Resolutions 5 and 6 are special resolutions to remove existing, and now redundant, limitations on the authorised capital of the Company set out in the Company's memorandum and articles of association.

- 3.7 As at the date of this document, there are 798,441 Options over Ordinary Shares, of which 592,500 Options (including unapproved Options) were granted under the Executive Share Option Scheme and 205,941 were granted under the Savings Related Share Option Scheme.

Details of the Options granted under the Executive Share Option Scheme and the Savings Related Share Option Scheme are set out in paragraph 5 of this Part IX. Details of the unapproved Options are as follows:

<u>Date of grant</u>	<u>Number of Ordinary Shares</u>	<u>Exercise Price</u>	<u>Vesting Date</u>	<u>Exercise expiry date</u>
21 February 2013	90,000	£1.40	26 February 2016	26 February 2019
28 June 2013	90,000	£1.415	30 June 2016	30 June 2019

- 3.8 Other than the proposed issue of the Consideration Shares pursuant to the Share Purchase Agreement, the issue of the New Placing Shares, the issue of the Option Shares and the issue of any Ordinary Shares required to satisfy options and awards under the Executive Share Option Scheme, the Savings Related Share Option Scheme and the New LTIP and other unapproved Options. The Company has no present intention to issue any new shares in the share capital of the Company.
- 3.9 The Company does not have in issue any securities not representing share capital.
- 3.10 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.11 Save as disclosed in this paragraph 3 there has been no issue of share or loan capital of the Company or any other member of the Existing Group (other than intra-group issues by wholly owned Subsidiaries) in the three years immediately preceding the date of this document and (other than the proposed issue of the Consideration Shares pursuant to the Share Purchase Agreement, the issue of the New Placing Shares, the issue of the Option Shares and the issue of any Ordinary Shares required to satisfy other options and awards under the Executive Share Option Scheme, the Savings Related Share Option Scheme and the New LTIP and other unapproved Options) no such issues are proposed. All shares in issue are fully paid.
- 3.12 Save as disclosed in paragraph 15.1.2 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Existing Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Existing Group in the three years immediately preceding the date of this document.
- 3.13 Save as disclosed in this Part IX, on Admission no share or loan capital of the Company or any other member of the Existing Group will be under option or has been agreed conditionally or unconditionally to be put under option. During the period from incorporation of the Company to 22 June 2017, the Company did not have convertible securities, exchangeable securities or securities with warrants.
- 3.14 The Ordinary Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Placing Shares not to be held

through CREST will be posted to allottees by 27 July 2017. Placing Shares to be held through CREST will be credited to CREST accounts on Admission.

4 ARTICLES OF ASSOCIATION

It is proposed to approve amendments to the Articles as set out in Resolution 7 below. A summary of the existing Articles is as follows:

4.1 *Voting rights*

Subject to the provision of statute and any restrictions imposed by the Articles and to any rights or restrictions attached to any special class of shares in the capital of the Company, at any general meeting:

- (a) on a show of hands, every member present in person, by proxy or by duly appointed representative shall have one vote only; and
- (b) on a poll, every member present in person or by proxy shall have one vote for every ordinary share in the capital of the Company held by him;

A member may appoint more than one proxy, provided that each proxy shall be appointed to exercise the rights attached to a different share or shares held by the member and the proxies will only have the same number of votes as the member who appointed them would have if he was present at the meeting.

If a court having jurisdiction (either in the United Kingdom or elsewhere) in matters concerning mental health has made an order appointing a person to act on behalf of a member, then the person appointed may vote in person or by proxy, whether on a show of hands or poll, on behalf a member. The right to vote is only exercisable if satisfactory evidence of the authority of the person claiming to exercise the vote is given to the directors of the Company 48 hours before the time appointed for the holding of the meeting.

In the case of joint holders, the vote of the person whose name appears first in the register of members in respect of the share and who votes whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

4.2 *Restrictions on voting*

Unless the board of Directors otherwise determines, no member shall be entitled (save as proxy for another member) to vote at a general meeting either in person or by proxy unless and until they have paid all calls or other sums presently payable to the Company in respect of the shares they hold, nor shall a member be entitled to vote if they or any other person who appears to be interested in the shares has been served a notice under section 793 of the Companies Act.

Where a member holds more than one share in the Company or more than one share of a particular class, any notice given under the Articles in respect of voting restrictions may relate to either all such shares or such number as is set out in the notice.

4.3 *Dividends*

Subject to the Companies Act, the Company may declare dividends by ordinary resolution, but no dividend shall be in excess of the amount recommended by the Directors. Dividends will be paid on shares in proportion to the amount paid up on each share and will be apportioned and paid pro rata based on the amount paid up in any part of the period in which the dividend is paid. No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.

The Directors may, by giving effect to an ordinary resolution, pay all or any part of a dividend by a distribution of specified assets.

With the sanction of an ordinary resolution of the Company, the Directors may offer holders of Ordinary Shares the right to receive additional ordinary shares which are fully paid up, instead of all or part of a cash dividend.

Unless the terms of issue of a share provide otherwise, dividends may be paid or declared in any currency.

If the Directors believe the profits of the Company so justify, the Company may pay fixed dividends on any class of shares carrying a fixed dividend on fixed dates and pay an interim dividend of such amounts and on such dates as deemed fit.

The Directors may deduct from any dividend or other moneys payable to a member any money payable by such member to the Company and the Directors may also retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien. Directors may also retain any dividend or other moneys payable on or in respect of shares if a section 793 notice under the Companies Act has been duly served in respect of the shares.

All dividends unclaimed for a period of 12 years from the date the dividend becomes due for payment will, after that date, be forfeited and will revert to the Company.

4.4 ***Return of capital***

With the sanction of an ordinary resolution the Directors may:

- (a) resolve to capitalise any undistributed profits which are not required for paying any preferential dividend or any sum in the share premium account or capital reserves;
- (b) appropriate such capitalised sum to members who would have been entitled to it if it were distributed by way of dividend;
- (c) apply such capitalised sum to pay amounts unpaid on members' partly paid shares or to pay in full any unissued shares or debentures;
- (d) resolve that any shares allotted which are partly paid ordinary shares, rank for dividends only to the extent that partly paid ordinary shares rank for dividends;
- (e) make provision for the issue of fractional share certificates or for payment in cash or otherwise for shares which become distributable in fractions;
- (f) authorise any person to enter into an agreement with the Company on behalf of its members which provides for the allotment to the members of fully paid shares or debentures; and
- (g) do anything required to give effect to such ordinary resolution.

Subject to the Companies Act and any special rights attached to shares, on a return of assets liquidation or otherwise the surplus assets of the Company remaining after the payment of its liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid up on the ordinary shares in issue of the Company.

4.5 ***Variation of rights***

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class (unless provided for by the terms of that class of share) may be modified, varied, extended, abrogated or surrendered either in the manner prescribed by such rights or with the written consent of the holders of at least three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

Neither the creation or allotment of shares having rights to either a dividend or a return of capital which rank either *pari passu* with, or after, a class with any preferential right to a dividend or return or capital nor any lawful purchase by the Company of its own shares of any class will be deemed to be a variation of rights attached to any class of shares.

4.6 **Transfer of shares**

All shares which are in certificated form may be transferred by an instrument of transfer in writing in any usual or common form or any other form approved by the Directors and shall be executed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee. The transferor shall be treated as holder of the share transferred until the name of the transferee is entered into the register of members of the Company. Shares which are held in uncertificated form may only be transferred through a relevant system in accordance with the Uncertificated Securities Regulations 2001 and the requirements of the relevant system.

The Directors may in their absolute discretion and without giving any reason refuse to register or authorise the registration of the transfer of a share held in certificated form in any of the following circumstances:

- (a) if the Company has a lien on a partly paid share, unless to do so would prevent dealings on such share taking place on an open and proper basis;
- (b) if a notice under section 793 of the Companies Act is duly served on the holder of the shares; and
- (c) if the transfer is of a share or shares (whether fully paid or not) in favour of more than four persons jointly.

If the Directors refuse to register or authorise the registration of a transfer then they shall send a notice of refusal to the transferee with two months after the date on which a transfer form or letter of allotment is lodged with the Company or its registrars.

4.7 **Share rights**

4.7.1 *Pre-emption*

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Companies Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders. The Articles do not disapply these statutory pre-emption rights.

4.7.2 *Redemption*

Subject to the provisions of the Companies Act and, where the context requires, every other statute from time to time in force concerning companies affecting the Company, and to any special rights for the time being attached to any existing shares:

- (a) any shares may be allotted or issued with such preferred, deferred or qualified right to dividends or to the distribution of assets;
- (b) with a special or qualified or without any right of voting or with restrictions on the right to vote; or
- (c) any share may be issued which is redeemable or, at the option of the Company or the shareholder, is liable to be redeemed.

4.7.3 *Conversion*

The Company may not issue convertible shares.

4.8 **General meetings**

4.8.1 *Annual general meetings*

Annual general meetings shall be held once in every year, in accordance with the Companies Act and at such times and in such place as the Directors determine.

4.8.2 *Convening of general meetings*

The Directors may call a general meeting whenever they think fit and shall do so if the Companies Act requires.

4.8.3 *Orderly conduct of meetings*

The chairman of the meeting may at any time without consent adjourn any meeting (whether or not it has commenced or a quorum is present) to another place or time if it appears to him that:

- (a) the members wishing to attend cannot be conveniently accommodated in the place appointed for the meeting;
- (b) the conduct of the persons present prevents or is likely to prevent the orderly continuation of business; or
- (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

4.8.4 *Notice of general meetings*

An annual general meeting or any general meeting at which it is proposed to pass a resolution of which special notice has been given to the Company shall be called by at least 21 clear days' notice in writing. Any other general meeting shall be called by at least 14 clear days' notice in writing.

Notice of every general meeting shall be given in the manner referred to in the Articles to all members entitled, under the Articles, or terms of issue of the shares they hold to receive notice and whose names are entered on the Company's register of members at the close of business on a day to be decided by the Directors (but not more than 21 days' before the date the notice is given), to the Company's auditors and every director.

If a general meeting has been called under a shorter period than specified under the Articles, it shall be deemed to have been duly called if:

- (a) in the case of an annual general meeting, all the members who are entitled to vote agree to such shorter notice;
- (b) in the case of general meeting, a majority in number of the members who are entitled to attend and vote agree to shorter notice.

Notice may be provided for on the Company's website provided the Company has complied with all applicable regulatory requirements and the Company has:

- (a) complied with the Articles;
- (b) notified persons entitled to receive such notice that notice of the meeting has been published on the website and such notification states that it concerns the

notice of a meeting, specifies the place, date and time of the meeting and whether the meeting will be an annual general meeting; and

- (c) ensured the notice is available on the website throughout the period beginning with the date of notification and ending with the conclusion of the meeting.

4.8.5 *Quorum*

The quorum for a general meeting is two qualifying persons. A qualifying person is a member of the Company or a person appointed as a proxy member or a person authorised under section 323 of the Companies Act to act as a representative of a corporation. Two or more representatives of a corporation who represent the same corporation and two or more proxies who are proxies of the same member will not each be a qualifying person.

4.8.6 *Chairman*

The chairman (if any) of the Directors and failing that, the deputy chairman (if any) shall preside as chairman at each general meeting. If there is no chairman or deputy, or if neither are present within five minutes after the designated time for holding the meeting, or are present and not willing to act, the directors present shall choose one of their own number to chair the meeting. If there is no director present or if all directors present fail to agree which director will chair the meeting, the members present and entitled to vote at the meeting shall choose one of their number to be chairman.

4.8.7 *Directors entitled to attend and speak*

A director need not be a shareholder of the Company but a director who is not a shareholder of the Company is entitled to receive notice of and to attend and speak at all general and class meetings of the Company.

4.8.8 *Adjournment*

If within 15 minutes from the appointed time for holding the meeting (or such longer time as decided by the chairman) a quorum is not present, then the meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall be adjourned to a day, time and place decided by the chairman.

If at an adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the members or proxies present entitled to vote upon the business to be transacted shall be a quorum and have the power to decide upon all matters which would have been disposed of at the meeting. Where a meeting is adjourned in the circumstances above, the notice shall specify the quorum applicable to that adjourned meeting.

The chairman of the meeting may with the consent of any general meeting which is quorate (and if so directed by the meeting), adjourn the meeting from time to time (or indefinitely) and from place to place. No business shall be transacted at any adjourned meeting except any business that might lawfully have been transacted at the meeting from which the adjournment took place. If a meeting is adjourned indefinitely, the time and place for such meeting will be fixed by the Directors.

Where a meeting is adjourned for 30 days or more (or indefinitely), not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting (though the nature of the business to be transacted need not be specified).

4.8.9 *Method of voting and demand for poll*

At any general meeting a resolution put to a vote shall be decided on a show of hands unless a poll is demanded by the chairman of the meeting or by such members entitled under the Companies Act to demand a poll.

4.8.10 *Taking a poll*

If a poll is demanded, the chairman of the meeting may decide the manner in which it takes place (including the use of a ballot, voting papers or tickets), appoint scrutineers (and if directed by the meeting he must appoint scrutineers) and fix the day, time and place of an adjourned meeting at which the result of the poll will be declared.

A poll demanded by the chairman of a general meeting or on a question of adjournment shall be taken immediately. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice needs to be given of a poll not taken immediately provided the time and place was announced at the meeting at which it was demanded. Any demand for a poll shall not prevent the meeting continuing in order to transact any other business other than the question on which the poll has been demanded.

The chairman shall have the casting vote or second vote on an equality of votes, whether on a show of hands or a poll.

4.8.11 *Proxies*

Where an individual appoints a proxy, the proxy appointment must be given by the appointor or his attorney who is authorised in writing to do so. In the case of a corporation appointing a proxy, such appointment must be given under its common seal or otherwise executed by an attorney or duly authorised officer of the corporation. The Directors may, but are not bound to, require evidence of the authority of any attorney or officer and signatures need not be witnessed.

If the Directors so decide, and as long as the Company complies with all applicable regulations, then a proxy appointment may be sent electronically.

If more than one proxy is appointed in respect of a different share or shares held by a member, but the proxy appointment does not specify which share or shares the appointment is in relation to, then the person whose name appears before the names of the other proxy or proxies in the proxy appointment shall be the only proxy for such a member who is a qualifying person and the only proxy for such a member entitled to attend and vote at any general meeting.

4.8.12 *Form of proxy*

The appointment of a proxy can be in any form that the Directors accept and a proxy need not be a member of the Company.

4.8.13 *Deposit of proxy*

A proxy appointment that is not being sent in electronic form must be deposited at such place specified in the notice convening the meeting or in the proxy appointment, or if no such place is specified, at the Company's registered office not less than 48 hours before the time of the meeting (or adjourned meeting), or in the case of a poll taken more than 48 hours after it is demanded, not less than 24 hours before the poll is taken at which the proxy appointment is to be used.

4.8.14 *Notice of revocation of proxy*

A proxy appointment will only remain valid for 12 months from the date of execution, or, if undated, the date of receipt by the Company. The only exception to this is where an adjourned meeting is held or a poll demanded at a meeting after the 12 month period has expired if the original meeting was held or the demand for the poll was made within such period.

4.9 **Directors**

4.9.1 *Number*

The Company must have not less than two and no more than eight directors.

4.9.2 *Appointment of directors*

Unless recommended by the Directors, no person other than a director retiring at an annual general meeting of the Company shall be eligible for appointment as a director of the Company, unless at least twenty-eight days before the date of the meeting in question:

- (a) a written notice of an intention to propose such person as a new director is authenticated by a member (other than the proposed new director) eligible to attend and vote at the meeting; and
- (b) a written notice authenticated by the proposed new director of their willingness to be elected as a director;

have both been left at the registered office of the Company or sent to the company secretary of the Company.

A single resolution for the appointment of two or more persons as directors must first be agreed by a unanimous resolution stating such appointment resolution shall be moved at the meeting in question.

The Directors may appoint any person to be a director to fill a vacancy or as an additional director, but the total number of directors shall not at any time exceed the maximum number as specified in the Articles. Any director who is appointed by the Directors shall retire from office at the next annual general meeting and shall then be eligible for election by the members of the Company. Such individual eligible for re-election shall not be taken into account in determining the number of directors who are to retire by rotation at the annual general meeting, but shall be deemed to have retired at such meeting.

4.9.3 *Remuneration*

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the Directors may from time to time determine, provided that such fees do not in the aggregate exceed the sum of £150,000 per year or such sum as the Company may by ordinary resolution decide.

The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under the Company shall from time to time be fixed by the Directors or by any committee appointed by the Directors. Such remuneration may be by way of fixed salary, lump sum, commission on the dividends or profits of the Company or other participation in any such profits.

Any director who devotes special attention to the business of the Company or performs services which, in the opinion of the Directors are outside the scope of such director's duties, may be paid additional remuneration.

4.9.4 *Retirement of directors by rotation*

At each annual general meeting the following Directors will retire from office and be eligible for re-election:

- (a) any director who was not elected or re-elected at either of the two preceding annual general meetings; and
- (b) one third of the current directors of the Company (as added to the number of directors retiring already retiring), after excluding any director appointed to fill a casual vacancy.

If one third is not a whole number then the number of directors to retire by rotation is the number nearest to, but not exceeding, one third.

If in any year the number of directors to retire by rotation is two, then one of those directors shall retire and if in any year there is only one director subject to retirement by rotation, then that director shall retire.

The directors selected to retire by rotation shall include any director who wishes to retire and not offer himself for re-election. Any further directors to retire in accordance with paragraph (b) above, shall be those directors who are subject to retirement by rotation for the purposes of the annual general meeting in question and who, at the date of such meeting have been in office the longest since their last re-election or appointment. In respect of deciding the retirement of directors who were last re-elected on the same day as those directors to retire at the meeting in question (unless they otherwise agree), this shall be determined by lot.

4.9.5 *Re-election or replacement of retiring directors*

At the annual general meeting at which a director retires, the members of the Company may pass an ordinary resolution to re-elect the retiring director or such other eligible person to be appointed to the vacated office. The retiring director shall be deemed to have been re-elected unless:

- (a) it is expressly resolved at the meeting not to fill the vacated office or the resolution put to the meeting is lost; or
- (b) the director in question has given written notice to the Company that he does not wish to be re-elected; or
- (c) the ordinary resolution is in contravention of the Articles; or
- (d) the director in question has attained the applicable retirement age.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring director or a resolution for his election or re-election is put to the meeting and lost. A retiring director who is re-elected will continue in office without a break.

4.9.6 *Removal of directors*

The Company may, by special resolution, or in accordance with the Companies Act, by ordinary resolution at a meeting for which special notice has been given, remove any director from office. Such removal will not affect any claims the director may have for damages for breach of any agreement with the Company.

The Company may appoint a substitute director in place of the director removed from office and such substitute will be treated as if they became a director on the same day as the director in whose place they are appointed was last elected or re-elected. If no

substitute director is appointed, then the vacancy shall be filled in accordance with paragraph 4.9.2 above.

4.9.7 *Vacation of office of director*

A director will automatically cease to hold office as a director if:

- (a) he is prohibited by law from being or acting as a director; or
- (b) he resigns in writing and such resignation is left at the registered office of the Company or delivered to a meeting of the Directors and the Directors resolve to accept such resignation; or
- (c) he becomes bankrupt or applies for an interim order under section 253 of the Insolvency Act 1986 or enters into any voluntary arrangement under section 286 of the Companies Act; or
- (d) he is admitted to hospital under the Mental Health Act 1983 or Mental Health (Scotland) Act 1960; or
- (e) a court claiming jurisdiction in matters concerning mental disorder makes an order for detention or appointment of a guardian, receiver, curator bonis or other such person to exercise powers with respect to his property or affairs; or
- (f) he is absent from meetings of the Directors for six consecutive months without permission; or
- (g) he is removed from office under the Articles; or
- (h) he is removed from office by service of a written notice authenticated by all other directors.

4.9.8 *Executive directors*

The Directors or any committee appointed by the Directors may for any period and on such terms as they think fit appoint any director to any executive office or employment (excluding that of auditor) in the Company. They may also authorise any person appointed to be a director to continue in any executive office or employment held by him before he was appointed as director, though no service contract or contract for services shall be granted by the Company to any director or proposed director except in accordance with the Companies Act.

The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under the Company shall from time to time be fixed by the Directors or any committee appointed by the Directors. Such remuneration may be by way of fixed salary, lump sum, commission on dividends or profits of the Company or other participation in any such profits, or by any combination of them.

4.9.9 *Power to appoint alternate directors*

Any director may at any time appoint any other director or any other person approved by the Directors to be his alternate director. Such appointment shall be in writing and be effective from when it is delivered to the registered office of the Company or a meeting of the Directors.

Such alternate director's appointment will cease if the director appointing him vacates his office as director, or if the alternate director undertakes an act which, if he were a director, would cause him to vacate such office.

An alternate director is entitled to:

- (a) (subject to providing a UK address) receive notice of all meetings of Directors and meetings of any committee of which the director appointing the alternate is a member;
- (b) attend and vote as a director at any meeting at which the director appointing him is not present;
- (c) perform all functions at such meeting of the director appointing him as director; and
- (d) vote for each director for whom he acts as an alternate (in addition to his own if he is a director), but can be counted only once for the purpose of determining whether a quorum is present.

The Articles shall apply to an alternate director attending a meeting as if the alternate was a director. If the director appointing the alternate is not in the UK or is temporarily unavailable through ill health or disability, an alternate director's authentication or approval of any resolution in writing of the Directors shall be as effective as that of such absent director. An alternate director shall not have the power to act as a director nor be deemed to be a director of the Company other than as set out in the Articles.

4.9.10 Directors' interests

A director who is in any way, whether directly or indirectly (whether for himself or through a connected person), interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company shall declare the nature of his interest in accordance with the Companies Act.

Other than the office of auditor, a director may hold any office or employment with the Company in connection with his being a director for such period and on such terms as the Directors may determine.

Subject to the Companies Act, a director, or person intending to be a director, may enter into a contract, arrangement, transaction or proposal with the Company relating to any other office or employment referred to above, or as vendor, purchaser or otherwise. Any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or person connected to him is directly or indirectly interested cannot be avoided. If the director has declared his interest in accordance with the Companies Act, then he will not be liable to account to the Company for any benefit realised as a result of such contract, arrangement, transaction or proposal.

A director may act by himself or his firm in a professional capacity for the Company (except as auditor) and will be entitled to remuneration. A director may continue to be employed by, or hold office in any company in which the Company is interested and unless otherwise provided for by his terms of service, will not be accountable for any remuneration, salary, profit or other benefits received as a result of the holding of such office, or being employed by such company.

A director shall not vote, nor be counted in the quorum, in relation to any matter or resolution of the Directors or committee of the Directors in respect of any contract, arrangement, transaction or proposal in which he has an interest which to his knowledge is material (other than an interest in shares or debentures or other securities in or through the Company). The interests of a person connected with the director are aggregated with such director's interests, but interests in shares or

debentures or other securities of or connected with the Company are to be disregarded.

4.9.11 *Authorisation of conflicts of interest*

There is no general authorisation of conflicts of interests under the Articles, though, if a question arises at any meeting as to the materiality of a director's interest or entitlement to vote and such director has not voluntarily abstained from voting, then the chairman's ruling on such question will be final and conclusive (unless the nature or extent of the director's interest has not been fairly disclosed).

Provided that a director has no other material interest save for that referred to above, a director may vote and count in the quorum on matters such as:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by such director or other person at the request of the Company or any of its subsidiaries;
- (b) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which such director has assumed responsibility in whole or part;
- (c) the granting of an indemnity or provision of funding pursuant to the Articles, unless the terms of such arrangement confer a benefit which is not generally available to other directors;
- (d) an offer of shares, debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which such director may be entitled to participate in as a holder of securities or as an underwriter or sub-underwriter;
- (e) matters involving or relating to any other company in which such director or any of his connected persons has a direct or indirect interest (provided that such director or connected persons are not, to such director's knowledge, the holder of or beneficially interested in one percent or more of any class of the share capital of such company or voting rights in such company);
- (f) arrangements for the benefit of employees of the Company; or
- (g) the purchase and/or maintenance of insurance policies for the directors.

4.9.12 *Benefits*

The directors (including alternate directors) are entitled to be paid out of Company funds all travelling, hotel, and other expenses properly incurred by them in respect of the business of the Company, including expenses of travelling to and from Directors' meetings, committee meetings or general meetings.

4.9.13 *Powers of the board*

The business of the Company shall be managed by the Directors, who may exercise all the power of the Company and do on behalf of the Company all acts which could be exercised and done by the Company, and which are not by the Companies Act or by the Articles required to be exercised or done by the Company in a general meeting. The Directors may:

- (a) establish any local boards or agencies for managing any of the affairs of the Company, either in the United Kingdom or elsewhere. The Directors may also appoint any such persons to be members of such local board, or any managers or agents, may fix their remuneration and may delegate to any local board,

manager or agent certain of the powers, authorities and discretions vested in them, with the power to sub-delegate. The Directors may also remove any such person appointed or annul or vary any delegation;

- (b) by power of attorney or otherwise appoint any company, firm, person or group of persons to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors pursuant to the Articles) and for such period and subject to such conditions as the Directors think fit;
- (c) sign, draw, accept, endorse or otherwise execute all cheques, promissory notes, drafts, bills of exchange and other such instruments in such manner as the Directors shall from time to time determine by resolution; and
- (d) establish, concur or join in establishing with associated companies schemes or funds for providing pensions, annuities, sickness or compassionate allowance, life assurance benefits, donations, gratuities or other benefits for employees and to make contributions out of the Company's money to such schemes or funds including in relation to benefits relating to death and disability.

4.9.14 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future, including uncalled capital and, subject to certain legislation, to issue debentures and other such securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

The Directors may mortgage or charge all or any of the Company's undertaking, property and uncalled share capital (subject to certain legislation) and may issue or sell any bonds, loan notes, debentures or other securities for such purpose and upon such terms as thought proper, including the right for the holders of bonds, loan notes, debentures and other securities to exchange them for shares in the Company or any class of share authorised to be issued.

4.9.15 Indemnity of officers

Subject to the Companies Act and without prejudice to any indemnity to which the concerned person may be otherwise entitled to, the Company may indemnify every director, alternate director, former director, Company secretary or other officer of the Company (except the auditor) against all costs, charges, losses, expenses and liabilities incurred by them in the execution and discharge of their duties or the exercise of their powers or otherwise in relation to or in connection with their duties, powers or office, including any liability which may attach to them in respect of any negligence, default, breach of duty or breach of trust, and any liability incurred in connection with the Company's activities as a trustee of an occupational pension scheme, provide that such indemnity will not apply to any liability incurred by a director or former director:

- (a) in relation to a qualifying third party indemnity under section 234 of the Companies Act to any member of the Company's group, the Company or an associated company; or
- (b) to pay a fine imposed in criminal proceedings; or
- (c) to pay a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature;

- (d) in relation to a qualifying third party indemnity in defending any civil proceedings brought by the Company or any associated company in which judgment is given against such person; or
- (e) in defending any criminal proceedings in which they are convicted; or
- (f) in connection with any application in respect of the acquisition of shares by an innocent nominee or general power to grant relief in case of honest and reasonable conduct, in which the court refuses to grant relief.

The Directors may purchase and maintain at the cost of the Company insurance cover for or for the benefit of every director, alternate director, former director, Company secretary or other officer of the Company or of any associated company against any liability which may attach to such person in respect of any negligence, default, breach of duty or breach of trust by him in relation to the Company or any associated company, including anything done or omitted to be done by him in his role within the Company or associated company.

So far as may be permitted by the Companies Act, the Company shall be entitled to fund the expenditure of every director, alternate director, former director, Company secretary or other officer of the Company incurred to defend any criminal or civil proceedings relating to negligence, default, breach of duty or trust, or in connection with any applications under certain legislation, provided that such officer must pay such sums back to the Company if a conviction or judgement is found against him or the grant of relief is refused.

4.9.16 *Delegation to individual directors*

The Directors may, on such terms as they think fit, give an executive director any of the powers exercisable under the Articles by the Directors (other than to make calls, forfeit shares, borrow money or issue debentures). Such powers may from time to time be revoked, varied or withdrawn.

4.9.17 *Committees*

The Directors may appoint committees consisting of such directors as they think fit and may delegate their powers to any such committee (with the power to sub-delegate), but may revoke such delegation in whole or part from time to time. The Directors may place onto such committee persons who are not directors of the Company and give such person voting rights on that committee, though such co-opted members shall be less than one-half of the total membership of such committee and a resolution of the committee shall not be effective unless the majority of members of the committee present are directors of the Company.

Meetings of any committee which consists of two or more directors will be governed by the Articles regulating the meetings and proceedings of the Directors.

4.9.18 *Board meetings*

The Directors may meet, adjourn and regulate their meetings as they deem fit. A meeting may be called by any director and must be called by the Company secretary if a director requests a meeting.

4.9.19 *Notice of board meetings*

Meetings are called by serving notice on all Directors. There is no set notice period.

4.9.20 Quorum

The quorum necessary for the transaction of the business of the Directors shall be two, one of whom may be an alternate director (provided he is not also a director).

4.9.21 Voting

Questions arising at any meeting shall be determined by a majority vote and if votes are equal, the chairman of the meeting shall have a second or casting vote.

4.9.22 Telephone and video conference meetings

All Directors or members of any committee appointed by the Directors can participate in a Directors' or committee meeting by means of conference telephone, video teleconference or similar equipment whereby all participants can hear each other.

4.9.23 Resolutions in writing

A resolution may be in writing provided that it is authenticated or approved by all the Directors (or by all members of a committee appointed by the Directors), who are entitled to vote on the resolution, such approval is in writing and the number of Directors (or of the specified committee) is sufficient to form a quorum.

A resolution in writing of the Directors will be as effective as a resolution passed at a duly convened Director or committee meeting and such resolution may consist of several copies of a document, each copy authenticated or approved by one or more of the Directors or committee members.

If a director is unable to act through disability or ill health, but has appointed an alternate director, then such alternate director may approve the resolution.

5 THE GROUP'S EXISTING SHARE INCENTIVE SCHEMES

5.1 *Executive Share Option Scheme*

5.1.1 Eligibility

Any individual who is an employee (including an executive director) of the Company or any company within the Group may be selected by the remuneration committee of the Board to receive an Option.

5.1.2 Exercise price

The exercise price payable in respect of an Option shall not be less than the market value of an Ordinary Share on the date of the grant of the Option provided that where an Option is to subscribe for Ordinary Shares, the price shall not be less than the greater of the nominal value of an Ordinary Share at any time and the market value of an Ordinary Share on the date of the grant of the Option.

5.1.3 Performance conditions

Options may be granted subject to such other objective conditions (in addition to the rules in the Executive Share Option Scheme) as the remuneration committee of the Company may decide. Such objective conditions may relate to the achievement of a target by the Company or by any member of the Group provided the basis of the determination as to whether such target has been achieved is objective.

Any performance condition imposed on an Option may provide that it becomes capable of exercise in respect of a given proportion of Ordinary Shares, or that the Option may be satisfied notwithstanding the performance condition has not been satisfied.

A condition imposed upon an Option may only be waived or amended by the remuneration committee on the occurrence of a special event or events which are fixed by the remuneration committee on the grant of the Option or on the occurrence of any other event or events which causes the committee to reasonably consider the condition should be waived or a different condition would be a fairer measurement of performance. The amendment of any performance condition may not cause the target to be materially more difficult to perform or harder to achieve than prior to the amendment. Option holders must be notified as soon as reasonably practicable after any amendment.

In the event that an Option is exercised earlier than the end of the relevant performance period, the remuneration committee will make an early assessment of the extent to which the condition has been satisfied at that point, modifying the condition if it thinks fit to reflect the abbreviated performance period, provided that any modification must not make the amended condition materially more difficult to satisfy than the original.

5.1.4 Grant of Options

Options may be granted under the Executive Share Option Scheme within the period of six weeks following the dealing day following the date on which the Company announces its annual or interim results and at any other time when the remuneration committee determines that circumstances are exceptional so as to justify the grant of an Option.

5.1.5 Terms of Options and issue of Ordinary Shares

Options cannot be granted under the Executive Share Option Scheme after 30 May 2018.

Options lapse and cease to be exercisable upon the earliest of:

- (a) the expiry of the Option period relating to the relevant Option (no later than the tenth anniversary of the date of grant);
- (b) on the commencement of the winding up of the Company;
- (c) upon a bankruptcy order being made in respect of the relevant option holder; and
- (d) the date the Option holder ceases to be a director or employee of a member of the Group.

All allotments, issues and transfers of shares shall be made within 30 days of the date of the exercise of the relevant Option, though subject to the AIM Rules for Companies and any necessary consent needed from HMRC or other authorities. Such shares issued under an Option shall be issued subject to the Articles and shall rank in full for all dividends or other distributions payable to the Shareholders and in all other respects shall rank *pari passu* with the Ordinary Shares in issue on the date of the Option exercise.

5.1.6 Variation of capital

Upon an issue of Ordinary Shares, rights issue, or other variation of the Company's share capital, the number and/or nominal value of the shares comprising each Option, or the Option price may be adjusted in such a manner as the remuneration committee may deem appropriate.

Notice of any adjustment shall be made by the remuneration committee to the relevant option holders.

5.1.7 *Amendment*

The rules of the Executive Share Option Scheme may be amended in any manner by a resolution of the Board, though no amendment may adversely affect existing Options or Option holders (except with the consent of those holders). The Board may make minor amendments to benefit the Executive Share Option Scheme, or to take into account changes to tax, legislation and exchange and regulatory treatment.

5.1.8 *Overall limit*

No Option may be granted if (immediately following the grant of the Option), the aggregate nominal value of the Ordinary Shares (within the preceding 10 year period) which are capable of being issued pursuant to Options granted under the Executive Share Option Scheme or granted pursuant to any other employee scheme, would exceed 10 percent of the nominal value of the Ordinary Share capital of the Company at the time in issue.

5.1.9 *Impact of Acquisition*

Although the Acquisition will have no effect on outstanding options under the Executive Share Option Scheme, holders of options under this scheme have been offered the opportunity to exercise their vested and exercisable options, subject to and conditional upon completion of the Acquisition, and all of them have elected to do so. Unvested options under this scheme will continue unaffected.

5.1.10 *Summary of Options granted under Executive Share Option Scheme*

The following Options have been granted under the Executive Share Option Scheme.

Date of grant	Number of Ordinary Shares	Exercise Price	Vesting Date	Exercise expiry date
2 August 2012	110,000	£1.30	2 August 2015	2 August 2018
20 November 2012	50,000	£1.325	20 November 2015	20 November 2018
21 February 2013	90,000	£1.40	26 February 2016	26 February 2019
20 June 2013	70,000	£1.415	30 June 2016	30 June 2019
20 June 2013	90,000	£1.415	30 June 2016	30 June 2019
1 August 2013	20,000	£1.405	31 July 2016	31 July 2019
14 April 2014	20,000	£1.54	14 April 2017	14 April 2020
28 June 2014	57,500	£1.55	30 June 2017	30 June 2020
20 April 2015	20,000	£1.725	20 April 2018	20 April 2021
2 July 2015	20,000	£2.21	2 July 2018	2 July 2021
4 August 2015	65,000	£2.145	4 August 2018	4 August 2021

5.2 ***Savings Related Share Option Scheme***

5.2.1 *Status*

The Savings Related Share Option Scheme will expire in June 2018, the tenth anniversary of the approval of the Savings Related Share Option Scheme by HMRC. This summary gives details of post-grant terms.

5.2.2 *Exercise and lapse of Options*

Options granted under the Savings Related Share Option Scheme are personal to the relevant participants and may not be charged, assigned or transferred. An Option will lapse immediately if it is charged, assigned or transferred or if the relevant participant is adjudged bankrupt.

Except as described below, Options may normally only be exercised within six months of the maturity of the relevant savings contract by a person who is then a director or

an employee of a member of the Group or an associated company of the Company or a company of which the Company has control.

Where a participant who is an employee or director dies before the maturity of the savings contract his or her Option may be exercised by his or her personal representatives within 12 months of the date of death or, if later, the maturity of the savings contract. Options not exercised within these time periods will lapse.

A participant may also exercise his or her Option within 6 months of ceasing to be employed or holding office within the Group where the cessation occurs as a result of:

- injury, disability, redundancy or retirement;
- his or her employing company or business being disposed of outside the Group; or
- any other reason (but only after the expiry of three years from the date of grant of the relevant Option).

Options not exercised within the relevant time periods will lapse.

A participant may also exercise his or her Options within a limited period following the take-over or a reconstruction, amalgamation or voluntary winding up of the Company.

Where the exercise of an Option occurs before the maturity of the relevant savings contract the number of Ordinary Shares over which it can be exercised will be limited by reference to the accrued proceeds of the savings contract at the date of exercise.

In certain circumstances participants may release their Options in exchange for options over shares in a company acquiring the Company, provided that the options are equivalent for the purposes of the legislation governing savings-related share option schemes.

5.2.3 *Variation of capital*

If an increase or variation in the capital of the Company occurs by reason of a capitalisation or rights issue (including an increase or variation having an effect similar to a rights issue) or a sub-division, consolidation or reduction or otherwise, the Board may make appropriate adjustments to the exercise price and the number of shares under Option or, where an Option has been exercised at that time, the number of shares to be allotted or transferred provided that (except in the case of a capitalisation issue) the Board has been independently advised in writing that the adjustments are fair and reasonable and the value of the shares in the Option and its aggregate exercise price are the same immediately before and after the adjustment. Where the Option is to subscribe for new shares in the Company, the exercise price may not be less than the nominal value of an Ordinary Share.

5.2.4 *Amendment and termination*

The terms of the Savings Related Share Option Scheme may only be amended to the advantage of current or potential Option holders with the prior authority of the Company in general meeting, except for minor amendments to benefit the administration of the Savings Related Share Option Scheme or an amendment that is necessary to comply with the requirements of the legislation governing savings related share option schemes. No amendment may be made that causes the Savings Related Share Option Scheme to cease to meet the requirements of the legislation governing savings related share option schemes.

5.2.5 Miscellaneous

Benefits provided to participants under the Savings Related Share Option Scheme will not form part of their wages or remuneration or count as pay or remuneration for pension fund or other purposes.

5.2.6 Impact of Acquisition

The Acquisition has no direct effect on options under this scheme, which will continue until they become exercisable in due course. They will normally be exercisable during the six month period after maturity of the related savings contract.

5.2.7 Summary of Options granted under Savings Related Share Option Scheme

The following Options have been granted under the Savings Related Share Option Scheme.

Year of grant	Number of Ordinary Shares	Exercise Price	Vesting Date	Exercise expiry date
2014	119,988	£1.05	January 2018	July 2018
2016	85,953	£2.28	January 2020	July 2020

5.3 The Existing LTIP

Under the Existing LTIP, participants hold awards in the form of shares in Animalcare Limited as follows:

	Number of A ordinary shares in Animalcare Limited ("A Ordinary Shares")	Number of B ordinary shares in Animalcare Limited ("B Ordinary Shares")
Iain Menneer	31,995	—
Chris Brewster	19,173	11,800
Total	51,128	11,800

The rights attaching to the award shares are set out in the articles of association of Animalcare Limited. Provided the participants remain employed by the Company, they can, on the third anniversary (27 June 2017) of the date of the acquisition of the award shares, or earlier in the event of an acquisition of a controlling interest in the Company or Animalcare Limited, or a listing of Animalcare Limited, exercise "put" options, requiring the Company to exchange their A Ordinary Shares for Ordinary Shares (the "Put Options").

The number of Ordinary Shares they would receive would be equal in value to a percentage of the excess of the market capitalisation of the Company on the relevant date over £39 million. In addition, award holders are entitled to receive an additional number of Ordinary Shares with a value equal to the subscription price that they paid for their award shares (£1 per A Ordinary Share and £1 per B Ordinary Share). The Company has a discretion to satisfy any value due to the award holders in cash, rather than Ordinary Shares.

It has been agreed between the Company and the award holders that the Put Options will not become exercisable as a result of the Acquisition. The Company however determined that it would be appropriate to offer them the opportunity to exchange their A and B Ordinary Shares for Ordinary Shares on the same basis as they would have been able to do when exercising the Put Options following the third anniversary of the award and they have taken

up that right. The number of Ordinary Shares that a participant will receive for their award shares will be calculated as follows:

$$\frac{\text{Specified Percentage} \times (\text{Market Capitalisation} - \text{£39 million}) + \text{subscription value}}{\text{Animalcare share price}}$$

Where:

Specified Percentage = 5%, in the case of Iain Menneer, and 3%, in the case of Chris Brewster

Market Capitalisation = the number of Ordinary Shares in issue on the day preceding the date of the letter from the Company offering the exchange (the “Exchange Letter”), multiplied by the lower of:

- the closing middle market price for an Ordinary Share on the dealing day immediately prior to the date of the Exchange Letter; and
- the average of the closing middle market prices for an Ordinary Share over the dealing days in the period of thirty days immediately prior to the date of the Exchange Letter.

Animalcare share price = the closing price for an Ordinary Share on the dealing day immediately prior to the date of the Exchange Letter.

As a consequence of this arrangement, 918,896 New Ordinary Shares will be issued to Iain Menneer and Chris Brewster prior to Admission, as described in paragraph 16 of Part I.

6 NEW SHARE INCENTIVE SCHEME

6.1 Outline

The Animalcare Group plc Long Term Incentive Plan 2017 (the “New LTIP”) is a new share incentive plan designed to enable the remuneration committee of the Company to make share awards that will motivate the key individuals in the Company’s business as well as the wider employee base. It was adopted by the Board on 22 June 2017 and will become effective from Admission.

6.2 Participation

Awards may be made under the New LTIP to employees and executive directors of the Enlarged Group. The remuneration committee will determine which employees and executive directors will participate. The maximum number of Ordinary Shares over which Chris Cardon may be granted options or awards under the New LTIP will not exceed 0.5 per cent. of the Enlarged Issued Share Capital (being 299,569 Ordinary Shares) in aggregate.

Normally awards may only be made during the period of 42 days commencing on the day on which the Company releases its financial results for any period and at other times in exceptional circumstances. However, the first round of awards may be made within 6 weeks of the date of adoption of the New LTIP.

6.3 Nature of Awards

Awards will give participants a right to receive up to a maximum of a specified number of Ordinary Shares in the Company at the end of a period of at least three years, subject to continued employment and, in the case of directors of the Company, the satisfaction of performance conditions set by the remuneration committee when the awards are granted. Awards can be made in the form of:

- (a) an option to acquire Ordinary Shares exercisable for a nil or a nominal consideration, or with an exercise price equal to the market value of a share at the date of grant;

- (b) an immediate award of Ordinary Shares, subject to restrictions or forfeiture;
- (c) a promise of free Ordinary Shares; or
- (d) any other form which the remuneration committee considers has a substantially similar economic purpose or effect.

Ordinary Shares can be issued to participants (provided an award has an exercise price of at least nominal value of an Ordinary Share), or at the discretion of the remuneration committee, transferred to participants either from treasury or from any employee benefit trust that may be established for the purpose of satisfying awards under the New LTIP.

6.4 ***Cessation of Employment***

If a participant ceases to be employed in the Enlarged Group by reason of death, injury, disability, long-term illness, redundancy or retirement, an award may be exercised within 6 months of that cessation (12 months in the case of death) or at the discretion of the remuneration committee, the end of the normal three-year vesting period, but the number of Ordinary Shares to which the award relates will be pro-rated to reflect that proportion of the three-year period which has elapsed at the date of cessation of employment unless the remuneration committee determines otherwise. The remuneration committee will assess the extent to which any applicable performance condition has been satisfied at the date of cessation of employment. If a participant ceases to be employed for any other reason, options will lapse unless the remuneration committee in its discretion permits otherwise.

6.5 ***Performance Conditions***

At the time of grant of an award under the New LTIP to a director of the Company, the remuneration committee will determine the performance conditions that must be satisfied in order for the participant to receive the maximum number of Ordinary Shares to which the award relates. The remuneration committee will have limited powers to adjust that condition to take account of exceptional circumstances.

6.6 ***Clawback***

An award may be cancelled in whole or part, or the participant may be required to pay back cash or transfer shares received under the New LTIP or any other incentive plan operated by the Company, in the event of (i) the participant committing an act of fraud or dishonesty or (ii) mis-statement of the Company's financial results due to the participant's act or omission.

6.7 ***Change of Control***

In the event of a change in control of the Company (other than as a result of re-organisation of the Enlarged Group) participants will normally be entitled to exercise their awards within a limited period. Such exercise will still be subject to the satisfaction of any applicable performance conditions unless the remuneration committee determines otherwise. The number of Ordinary Shares in respect of which an award may be exercised will normally be pro-rated to reflect the proportion of the three-year vesting period represented by the period between grant of the award and the takeover becoming effective, unless the remuneration committee determines otherwise.

6.8 ***Limits***

No more than five per cent. in aggregate of the issued Ordinary Shares of the Company for the time being may be issued or transferred out of treasury to satisfy awards granted under the New LTIP and any other employees' share schemes operated by the Company. Ordinary Shares held by an employee benefit trust or the subject of awards or options granted before Admission under any share incentive plan operated by the Company will not count towards this limit.

No award may be made to an individual if the aggregate value of the Ordinary Shares comprised in that award and all other awards under the New LTIP made to him in any financial year would exceed one times his basic annual salary, or up to 200 per cent. of his basic annual salary in circumstances that the remuneration committee considers exceptional.

The participant is responsible for paying any tax and employee's National Insurance contributions that arise in respect of an award. At the discretion of the remuneration committee, an award may be made on the condition that the participant bears the cost of any employer's National Insurance liability that arises in respect of that award.

6.9 **Variation of Share Capital**

In the event of a variation of share capital of the Company, the remuneration committee may make appropriate adjustments to the number of Ordinary Shares to which awards relate.

6.10 **Amendments**

The directors of the Company may amend the provisions of the New LTIP or the terms of awards granted under it in any way, provided that no amendment may be made that would materially abrogate or adversely affect the subsisting rights of Participants without the prior consent or the majority of the Participants (by number of shares comprised in those awards).

The directors may add schedules to the New LTIP setting out the terms governing awards to participants in non-UK jurisdictions to take account of local laws, in particular securities law and taxation.

6.11 **Pensionability**

Benefits under the New LTIP are not pensionable.

7 **INTERESTS OF THE EXISTING DIRECTORS, PROPOSED DIRECTORS AND SIGNIFICANT SHAREHOLDERS**

- 7.1 As at 22 June 2017 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, the interests of the Existing Directors and Proposed Directors and any person connected with them within the meaning of section 252 of the Companies Act (including any interest known to or which could with reasonable diligence be ascertained by the Existing Directors or Proposed Directors) in the Company's issued share capital are or are expected to be as follows:

Director	As at 22 June 2017		Following Admission	
	Number of Ordinary Shares	Percentage of Existing Issued Share Capital	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital
Existing Directors				
James Lambert	1,313,691	6.19	1,313,691	2.19
Iain Menneer	44,501	0.21	601,932	1.00
Chris Brewster	28,048	0.13	280,513	0.47
Lord Nick Downshire	1,420,029	6.69	1,170,029	1.95
Raymond Harding	—	—	—	—
Proposed Directors				
Chris Cardon*	—	—	13,857,297	23.13
Walter Beyers	—	—	—	—
Jan Boone	—	—	50,171	0.08
Marc Coucke**	—	—	13,857,213	23.13
Edwin Torr	22,000	0.10	107,455	0.18

* Number of Ordinary Shares held by Chris Cardon includes shares held by Ecuphar Invest NV and Jaak Cardon and he will not, on Admission, directly hold Ordinary Shares.

** Number of Ordinary Shares held by Marc Coucke includes Alychlo NV and he will not, on Admission, directly hold Ordinary Shares.

7.2 As at 22 June 2017 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, the Options issued to the Existing Directors and Proposed Directors under the Executive Share Option Scheme and the Savings Related Option Scheme are or are expected to be as follows:

<u>Director</u>	<u>As at 22 June 2017</u>		<u>Following Admission</u>	
	<u>Number of Ordinary Shares under Option</u>	<u>Percentage of Existing Issued Share Capital</u>	<u>Number of Ordinary Shares under Option</u>	<u>Percentage of Enlarged Issued Share Capital</u>
Existing Directors				
James Lambert	—	—	—	—
Iain Menneer	295,142	1.39	5,142	0.0**
Chris Brewster	78,571	0.37	8,571	0.0**
Lord Nick Downshire	—	—	—	—
Raymond Harding	—	—	—	—
Proposed Directors				
Chris Cardon*	—	—	—	—
Walter Beyers	—	—	—	—
Jan Boone	—	—	—	—
Marc Coucke	—	—	—	—
Edwin Torr	—	—	—	—

* The maximum aggregate number of Ordinary Shares that Chris Cardon would be entitled to receive pursuant to any awards made to him under the New LTIP will be equal to 0.5 per cent. of the Enlarged Issued Share Capital.

** Negligible.

7.3 As at 22 June 2017 (being the latest practicable date prior to the date of this document) and as expected to be held on Admission, save for the interests of the Directors which are set out in paragraph 7.2 above, the Company is aware of the following persons who are or who will hold, directly or indirectly, voting rights representing three per cent. or more of the issued share capital of the Company to which voting rights are attached:

<u>Shareholder</u>	<u>As at 22 June 2017</u>		<u>Following Admission</u>	
	<u>Number of Ordinary Shares</u>	<u>Percentage of Existing Issued Share Capital</u>	<u>Number of Ordinary Shares</u>	<u>Percentage of Enlarged Issued Share Capital</u>
Liontrust	2,760,763	13.01	4,228,277	7.06
Unicorn	1,656,900	7.81	1,656,900	2.77
Hargreave Hale	1,446,887	6.82	3,176,744	5.30
Octopus	1,425,384	6.72	1,540,384	2.57
Investec Wealth & Investment	1,250,117	5.89	1,280,117	2.09
Lazard Freres Gestion	1,160,000	5.47	1,510,000	2.52
Hargreaves Lansdown Asset Mgmt.	747,040	3.52	747,040	1.25

- 7.4 Save as disclosed in this document, the Company is not aware of any person who at the date of this document directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.5 On completion of the Acquisition, Ecuphar Invest NV and Alychlo NV will collectively own 46.3 per cent. of the Enlarged Issued Share Capital. The Company has entered into the Relationship Agreement with the Majority Vendors and Panmure Gordon which governs the relationship between the parties. Further details of the Relationship Agreement are set out in paragraph 15.1.4 of this Part IX.
- 7.6 Other than pursuant to the Acquisition, the Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 7.7 The persons including the Existing Directors and Proposed Directors, referred to in paragraph 7.1 and paragraph 7.2 above, do not have voting rights that differ from those of other Shareholders.
- 7.8 No Existing Director or Proposed Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Existing Group and which were effected by any member of the Existing Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 7.9 Other than in respect of the Company, the Existing Directors and Proposed Directors currently hold, and have during the past five preceding years from the date of this document held, the following directorships or are or have been partners in the following partnerships:

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships (held in the past five years)</u>
<i>Existing Directors</i>		
James Lambert	121Workwear Ltd Frontier TopCo Limited Inspired Pet Nutrition Holdings Limited Inspired Pet Nutrition Limited JSL Tunstall Consulting Limited P&P Green Jersey Holdings Limited Story Homes Limited	Creamice Limited Fredericks Dairies Limited Fredericks Holdings Limited Froneri International Plc Kelly's Cornish Dairy Ices Limited Kelly's of Cornwall Limited New R & R Ice Cream Limited Oldfield's Ice Cream Limited R&R Ice Cream UK Limited R&R PIK Plc Richmond Foods Limited Richmond Ice Cream Limited Richmond Operations Limited Richmond Shelf Company Limited Riviera Acquisitions Limited Riviera Topco Limited Ruby Acquisitions Limited Treats Frozen Confectionery Limited Windsor Creameries Manufacturing Limited Yoomoo International Limited
Iain Menneer	Animalcare Limited	Brookwick Ward & Company Limited Naychem Limited

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships (held in the past five years)</u>
Chris Brewster	Animalcare Limited	Brookwick Ward & Company Limited Naychem Limited
Lord Nick Downshire	Clifton Castle Farms Limited East Witton Hydro Limited Game and Wildlife Conservation Trust MFB Corporate Member Limited O.A.M. Limited Spices Galore Limited The Moorland Association Willey Estates (1950) No.1 Company Ltd Willey Estates (1950) No.2 Company Limited Willey Estates (1985) No.1 Company Ltd Willey Estates (1985) No.2 Company Ltd Willey Estates (1994) No.1 Company Limited Willey Estates (1994) No.2 Company Limited Willey Estates (Will) No.1 Company Ltd Willey Estates (Will) No.2 Company Ltd	Aysgarth School Trust Limited Farmway Limited The Nadler Kensington Limited Queen Mary's School (Baldersby) Ltd
Raymond Harding	None	Anpharm Limited
<i>Proposed Directors</i>		
Chris Cardon	Bellevue NV Belpfar Lda Bordeaux I NV Chimexport BVBA Ecuphar GMBH Ecuphar Invest NV Ecuphar NV Ecuphar Veterinaria SLU F.F.F. BVBA La Haye Wines SA Medini NV Mooss Pharma NV Ornis S.A.R.L Orthopaedics.be NV Oryx NV V Sales and Marketing Limited	Apotheek Soetkin op de Beéck NV Ecuphar Ltd Fleterna BVBA

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships (held in the past five years)</u>
Walter Beyers	Asara BVBA Kempisch Laboratorium NV Kela Pharma NV	Call – it Belgium NV Call – it NV The Crew Flex NV The Crew Projects NV Express Medical NV Metwerk BV Receptel NV Secretary Plus Italy SPA Secretary Plus Management Support NV Secretary Plus Outsourcing Solutions NV Secretary Plus SA Start People Abroad NV Start People Construct NV Start People diensten BV Start People Italy SPA Start People NV Start People Projects NV Start People Services NV Unique BV Unique Career NV Unique NV Uniman SA USG People Austria GMBH USG People Business Solutions NV USG People France SAS USG People Spain Service SL
Jan Boone	AB Annas Pepparkakor Annas – Lotus Bakeries Holding AB Annas Pepparkakor Holding AB B.W.I BVBA Beukenlaan NV Biscuiterie Willems BVBA Boonus NV Caracookie CVBA Club Brugge Development NV Club Brugge NV Club Brugge Oefencentrum NV Club Brugge Stadion NV Cremers-Ribert NV Die Tafelberg BVBA Excelsus NV Interwaffles NV Koninklijke Peijnenburg BV Lotus Bakeries Asia Pacific Limited Lotus Bakeries Belgie NV Lotus Bakeries Chile SpA	Club Brugge Koninklijke Voetbalvereniging VZW Durabrik Holding NV Omega Pharma Invest NV Omega Pharma NV

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships (held in the past five years)</u>
Jan Boone (continued)	Lotus Bakeries China Limited Lotus Bakeries Corporate NV Lotus Bakeries CZ s.r.o Lotus Bakeries GmbH Lotus Bakeries Ibérica S.L. Lotus Bakeries Korea, Co. Lotus Bakeries North America Calgary Inc. Lotus Bakeries North America Inc. Lotus Bakeries NV Lotus Bakeries Réassurances SA Lotus Bakeries Schweiz AG Lotus Bakeries UK Limited Mercuur Consult BVBA Natural Balance Foods Limited Natural Balance Foods USA Inc. Ourson Sports NV Pepparkakshuset i Tyresö AB Simboli NV Urban Fresh Foods Limited	
Marc Coucke	Affinity Invest NV Alychlo NV ARE ² NV ARE ³ NV (via Alychlo NV) Ecuphar NV (via Mylecke Management, Art & Invest NV) Fagron NV (via Alychlo NV) Immobilière Catherine Caerdinael SA (via Alychlo NV) Jean de Bohême SA (via Alychlo NV) Kamacoucka BVBA (via Alychlo NV) KVO NV (in person, via Alychlo NV and via Mylecke Management, Art & Invest NV) KVO Oostende Stadion NV (via Mylecke Management, Art & Invest NV) LPM Holding NV (via Alychlo NV) Manica SCA (via Alychlo NV) MC ³ Health NV (via Alychlo NV) miDiagnostics NV (via Mylecke Management, Art & Invest NV) Mithra Pharmaceuticals SA (via Alychlo NV) Mylecke Management, Art & Invest NV Versluys Invest NV (via Alychlo NV)	Enfinity NV LOSC Lille SA Modi-Omega Pharma (India) Private Ltd Omega Pharma Invest NV (via Mylecke Management, Art & Invest NV) Omega Pharma NV (via Mylecke Management, Art & Invest NV) Perrigo Company plc Pharma Pension Fund NV (in person and via Mylecke Management, Art & Invest NV)

<u>Name</u>	<u>Current directorships/partnerships</u>	<u>Previous directorships/partnerships (held in the past five years)</u>
Marc Coucke (continued)	Perennitas SA (via Alychlo NV) Smartphoto Group NV (via Alychlo NV)	
Edwin Torr	MSJ Torr Limited	Arnolds Veterinary Products Limited Broomco 4263 Limited Dales Pharmaceuticals Limited Dechra Investments Limited Dechra Limited Dechra Pharmaceuticals PLC Dechra Veterinary Products Limited

- 7.10 None of the Existing Directors or Proposed Directors has any unspent convictions in relation to indictable offences.
- 7.11 None of the Existing Directors or Proposed Directors has been the subject of any public criticism and/or investigation by any statutory or regulatory authority (including a recognised professional body).
- 7.12 None of the Existing Directors or Proposed Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 7.13 None of the Existing Directors or Proposed Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 7.14 No asset of any Existing Director or Proposed Director has at any time been the subject of a receivership.
- 7.15 None of the Existing Directors or Proposed Directors is or has been bankrupt nor been the subject of any form of individual voluntary arrangement.
- 7.16 None of the Existing Directors or Proposed Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.17 Save as disclosed, there are no outstanding loans or guarantees provided by any member of the Existing Group for the benefit of any of the Existing Directors or Proposed Directors nor are there any loans, guarantees or related financial products provided by any of the Existing Directors or Proposed Directors for any member of the Existing Group.

8 EXISTING DIRECTORS' AND PROPOSED DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

The following agreements have been entered into between the Company and the proposed Directors of the Company on Admission in connection with the Acquisition and Admission:

- (a) a non-executive director letter of appointment dated 23 June 2017 between the Company and each of Jan Boone, James Lambert, Marc Coucke, Nick Downshire and Edwin Torr; and

- (b) service agreements dated 23 June 2017 between (1) the Company and each of Chris Cardon and Walter Beyers, and (2) Ecuphar and each of Chris Cardon and Walter Beyers; and
- (c) service agreements dated 23 June 2017 between (1) the Company and Iain Menneer, and (2) Animalcare Limited and Iain Menneer.

In the case of the Existing Directors, these letters of appointment and service agreements will replace the corresponding agreements with the Company which are currently in place, and such existing letters of appointment and agreements will terminate with effect from Admission.

8.1 *Executive Directors Service Agreements*

Chris Cardon

In connection with the Acquisition, Chris Cardon has entered into a service agreement with the Company and a consultancy agreement with Ecuphar. Under these agreements, which take effect from Admission, Mr Cardon will be engaged as Chief Executive Officer of the Enlarged Group.

Under these agreements he will receive an aggregate annual gross salary of £335,000 and is entitled to the following benefits: a monthly car allowance of £500, life insurance of up to four times annual salary and private medical insurance for him and his family.

At the discretion of the Company, Mr Cardon is eligible to receive an annual cash bonus of up to £120,000, subject to the achievement of company and personal performance conditions.

The agreements are terminable on 12 months' written notice by either party.

Mr Cardon is subject to a range of post-termination restrictive covenants, which apply for a period of 12 months following termination of the agreements and which include non-compete, non-engagement with customers and non-solicitation of employees or suppliers clauses. Save for any payment in respect of any unexpired period of notice, Mr Cardon is not entitled to receive any benefits on the termination of his employment.

Mr Cardon does not have any previous service agreement with the Company. Mr Cardon's current consultancy agreement with Ecuphar will be terminated with effect from Admission.

Walter Beyers

In connection with the Acquisition, Walter Beyers has entered into a service agreement with the Company and a consultancy agreement with Ecuphar. Under these agreements, which take effect from Admission, Mr Beyers will be engaged as Chief Financial Officer of the Enlarged Group.

Under these agreements he will receive an aggregate annual gross salary of £235,000 and is entitled to the following benefits: a monthly car allowance of £500, life insurance of up to four times annual salary and private medical insurance for him and his family.

At the discretion of the Company, Mr Beyers is eligible to receive an annual cash bonus of up to £80,000, subject to the achievement of company and personal performance conditions.

The agreements are terminable on 12 months' written notice by either party.

Mr Beyers is subject to a range of post-termination restrictive covenants, which apply for a period of 12 months following termination of the agreements and which include non-compete, non-engagement with customers and non-solicitation of employees or suppliers clauses. Save for any payment in respect of any unexpired period of notice, Mr Beyers is not entitled to receive any benefits on the termination of his employment.

Mr Beyers does not have any previous service agreement with the Company. Mr Beyers' current consultancy agreement with Ecuphar will be terminated with effect from Admission.

Iain Menneer

Iain Menneer is currently employed under a service agreement with the Company dated 11 January 2013. Mr Menneer's current salary under this agreement is £167,000 per annum plus all reasonable out of pocket expenses. At the discretion of the Company, Mr Menneer may be entitled to participate in the company bonus scheme as operated from time to time and make use of a company car in accordance with the Company's fleet policy.

The appointment may be terminated by either party to the agreement giving to the other not less than 12 calendar months' written notice. The appointment can also be terminated immediately by summary notice if there is a serious breach of the agreement, gross misconduct in the performance of the duties under the agreement and committing a criminal offence or becoming bankrupt, amongst other things.

The restrictive covenants in the agreement are limited to a period of three months.

This agreement was in force during the six month period prior to the date of this document. However, in connection with the Acquisition, Mr Menneer has entered into new service agreements with the Company and Animalcare Limited. Under these service agreements, which take effect from Admission, Mr Menneer will be employed as Chief Operating Officer of the Enlarged Group.

Under these agreements he will receive an aggregate annual gross salary of £235,000 and is entitled to the following benefits: an annual car allowance of £10,100 or the use of a company car up to a lease value of £600 per month, life insurance of up to four times annual salary and private medical insurance for him and his family. A contribution of 12 per cent. of Mr Menneer's basic salary is paid by his employers to a personal pension scheme.

At the discretion of Animalcare Limited, Mr Menneer is eligible to receive an annual cash bonus of up to £80,000, subject to the achievement of company and personal performance conditions.

The agreements are terminable on 12 months' written notice by either party.

Mr Menneer is subject to a range of post-termination restrictive covenants, which apply for a period of 12 months following termination of the agreements and which include non-compete, non-engagement with customers and non-solicitation of employees or suppliers clauses. Save for any payment in respect of any unexpired period of notice, Mr Menneer is not entitled to receive any benefits on the termination of his employment.

Chris Brewster

Chris Brewster is currently employed under a service agreement with the Company dated 24 January 2012. Mr Brewster's current salary under this agreement is £126,000 per annum plus all reasonable out of pocket expenses. At the discretion of the Company, Chris Brewster may be entitled to participate in the company bonus scheme as operated from time to time and make use of a company car in accordance with the Company's fleet policy which at the time of signing the agreement was valued at £10,100 per annum.

The appointment may be terminated by either party to the agreement giving to the other not less than six calendar months' written notice. The restrictive covenants in the agreement are limited to a period of three months. Save for any payment in respect of any unexpired period of notice, Mr Brewster is not entitled to receive any benefits on the termination of his employment.

This service agreement will be terminated, and Mr Brewster will cease to be a Director, with effect from Admission. In connection with Mr Brewster's continuing role within the Group, on 23 June 2017 he entered into a new service agreement with Animalcare Limited.

8.2 **Non-Executive Director Appointment Letters**

Each of Jan Boone, James Lambert, Marc Coucke, Lord Nick Downshire and Edwin Torr has entered into a letter of appointment with the Company pursuant to which each of them are appointed (or, in the case of James Lambert and Nick Downshire, re-appointed) as non-executive directors of the Company with effect from Admission. The letters of appointment provide for payment of annual remuneration for each of the relevant Directors as follows (which include any fees for chairing any committee of the Board):

Jan Boone – £70,000
 James Lambert – £40,000
 Marc Coucke – £40,000
 Nick Downshire – £40,000
 Edwin Torr – £40,000

The letters of appointment are terminable on one month's written notice by either party and, under the letters of appointment, the relevant Director is subject to confidentiality restrictions following termination.

It is estimated that the aggregate remuneration including proposed fees for new non-executive directors, pension fund contributions and benefits in kind but excluding bonuses payable to the Directors by members of the Enlarged Group in respect of the current financial year (under the arrangements in force at the date of this document) will be £1,093,200.

9 THE COMPANY AND ITS SUBSIDIARIES

- 9.1 The Company has the following principal subsidiary (which is wholly-owned, directly or indirectly, by the Company):

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Principal activity</u>
Animalcare Limited	England & Wales	Wholesale of pharmaceutical goods and veterinary activities

- 9.2 Animalcare Limited has its registered office at Unit 7, 10 Great North Way, York Business Park, Nether Poppleton, York, YO26 6RB. Animalcare Limited operates principally within the UK.

- 9.3 Following Admission, the below companies will also be wholly owned subsidiaries of the Company:

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Principal activity</u>
Ecuphar NV	Belgium	Provider, researcher and developer of healthcare products and services for veterinarians
Orthopaedics.be NV	Belgium	Provider of orthopedic equipment and equine veterinary products to veterinarians

<u>Name</u>	<u>Country of registration or incorporation</u>	<u>Principal activity</u>
Medini NV	Belgium	Provider of medicine, veterinary medicine and paramedical products to veterinarians
Ecuphar GmbH	Germany	Provider of healthcare products and services for veterinarians
Euracon GmbH	Germany	Provider of healthcare products and services for veterinarians
Ecuphar BV	The Netherlands	Provider of healthcare products and services for veterinarians
Ecuphar Vet. Products	The Netherlands	Provider of healthcare products and services for veterinarians
Ornis SARL	France	Provider, researcher and developer of healthcare products and services for veterinarians
Ecuphar Italia SARL	Italy	Provider of healthcare products and services for veterinarians
Belphar Lda*	Portugal	Provider of healthcare products and services for veterinarians
Ecuphar Veterinaria SLU	Spain	Provider, researcher and developer of healthcare products and services for veterinarians

* One share is held by Chris Cardon.

10 PRINCIPAL ESTABLISHMENTS

10.1 The principal establishments of the Existing Group are the following leasehold properties:

<u>Unit</u>	<u>Location</u>	<u>Tenure</u>
Unit 7	10 Great North Way, York Business Park, Nether Poppleton, York, YO26 6RB	10 years, from 22 November 2012 until 21 November 2022
Unit 8	The Forum, York Business Park	5 years, from 22 November 2012 until 21 November 2017

10.2 The principal establishments of the Enlarged Group will also comprise of the following:

Unit	Location	Tenure
Office space K091	8020 OOSTKAMP, Legeweg 157	9 years, from 1 January 2016 until 31 December 2024
Office space K090	8020 OOSTKAMP, Legeweg 157	9 years, from 1 January 2016 until 31 December 2024
Storage space L090	8020 OOSTKAMP, Legeweg 157	9 years, from 1 January 2016 until 31 December 2024
Storage space L040A and L040B	8020 OOSTKAMP, Legeweg 157	9 years, from 1 January 2016 until 31 December 2024
Storage space L050 and L060	8020 OOSTKAMP, Legeweg 157	9 years, from 1 January 2016 until 31 December 2024
Office: approximately 95 sqm; Storage Room A: approximately 13 sqm and Storage Room B: approximately 25 sqm	Business Center Unterschleissheim, Max- Planck-Str. 11, 85716 Unterschleissheim, Germany and Business Center Unterschleissheim, Max- Planck-Str. 13, 85716 Unterschleissheim, Germany	Office and storage room A: 1 January 2013 to 31 December 2013, with subsequent 1 year auto renewals. This has been terminated with effect from 31 December 2017. Storage room B: starting date 1 August 2013
Apartment at NY LIVING and parking space	Building 23, Apartment no. 23.4.2, Nymphenburger Str. 6, 4. OG Mitte, 80335 Munich, Germany	Unlimited
Office, storage rooms and laboratory	Technologiezentrum Vorpommern, Brandteichstr. 20, 17489 Greifswald, Germany	3 years, 1 February 2017 to 31 January 2020
12 storage spaces for pallets; other storage space	Herrenhufenstr. 1A. Greifswald, Germany	Unlimited
Virtual office space at Breda	Regus Breda Business Park BV, Verlengde Foolseweg 16, Breda, 1818 CL, Netherlands	Initial term 24 April 2013 to 30 April 2014, though the lease does not terminate on expiry of the term.
Office space	Viale Restelli 3/7, Milan, 20124, Italy	Initial term 1 October 2015 to 30 November 2021, with subsequent 6 year renewals
Office space	Floor 13, Avenida Rio de Janeiro, 60-66, 08016, Barcelona	1 August 2015 to 31 July 2020

Unit	Location	Tenure
Office space	Sintra Business Park No 7, Edificio 1, Escritorio 2K, Zona Industrial da Abrunheira, 2710-089 Sintra	Initial term of three years from 1 May 2017, with automatic annual renewals thereafter

11 EMPLOYEES

As at 23 June 2017, the Existing Group employed 67 full time equivalent employees, all of whom are located in the United Kingdom.

After the Acquisition, the Enlarged Group will employ a total of 246 full time equivalent employees, the geographic location for such employees being as follows:

	Full time equivalents
UK	67
Belgium	57
Germany	30
Spain	69
Portugal	11
Italy	10
Netherlands	2

Note: rounded up, excluding consultants and agents.

12 THE TAKEOVER CODE AND COMPANIES ACT

12.1 *Mandatory takeover bids*

The Company is subject to the Takeover Code. Brief details of the Panel, the Takeover Code and the protections they afford are described below.

The Takeover Code is issued and administered by the Panel. The Takeover Code applies to all takeover and merger transactions, however effected, where the offeree company is, inter alia, a listed public company resident in the United Kingdom. The Company is a public company resident in the United Kingdom and its shareholders are therefore entitled to the protections afforded by the Takeover Code.

Under Rule 9 of the Takeover Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the Takeover Code) which (taken together with shares already held by him and any interest in shares held or acquired by persons acting in concert with him) carry 30 per cent. or more of the voting rights of a company, that person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights in that company to acquire the balance of their interests in the company.

Rule 9 of the Takeover Code also provides that, among other things, where any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of the voting rights of such a company, and such person, or any person acting in concert with him, acquires an additional interest in shares which increases the percentage of shares carrying voting rights in which he is interested, then such person is normally required to make a general offer to all the holders of any class of equity share capital or other class of transferable securities carrying voting rights of that company to acquire the balance of their interests in the company.

An offer under Rule 9 of the Takeover Code must be in cash (or with a cash alternative) and at not less than the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with him.

Rule 9 of the Takeover Code further provides, among other things, that where any person who, together with persons acting in concert with him holds over 50 per cent. of the voting rights of a company, acquires an interest in shares which carry additional voting rights, then they will not generally be required to make a general offer to the other shareholders to acquire the balance of their shares. However, individual members of a concert party will not be able to increase their percentage interest in shares through or between a Rule 9 threshold without Panel consent.

For the purposes of the Takeover Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal), cooperate to obtain or consolidate control of a company. Paragraph (9) of the definition of 'acting in concert' also deems any shareholders in a private company who sell their shares in that company in consideration for the issue of new shares in a company to which the Takeover Code applies to be acting in concert for the purposes of the Takeover Code unless the contrary is established.

12.2 **Squeeze out**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made for the Ordinary Shares and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the Ordinary Shares to which the takeover offer relates (the "Takeover Offer Shares") and not less than 90 per cent. of the voting rights attached to the Takeover Offer Shares within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will acquire compulsorily their Takeover Offer Shares and then, six weeks later, it would execute a transfer of the outstanding Takeover Offer Shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the outstanding Shareholders. The consideration offered to the Shareholders whose Takeover Offer Shares are acquired compulsorily under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

12.3 **Sell Out**

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares (being voting shares that carry voting rights in the Company), any holder of Ordinary Shares to which the offer relates who has not accepted the offer is entitled by a written communication to the offeror to require it to acquire its Ordinary Shares. The offeror is required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, the giving notice. If a Shareholder exercises his or her rights, the offeror is bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

13 **NOTIFICATIONS OF SHAREHOLDINGS**

The Disclosure Guidance and Transparency Rules require a member to notify the Company if the voting rights held by such member (including by way of certain financial instruments) reach, exceed or fall below 3 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. Under the

Disclosure Guidance and Transparency Rules, certain voting rights in the Company may be disregarded.

14 UK TAXATION

The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this document, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold 5 per cent. or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or any non-UK resident Shareholder holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.

14.1 *Taxation of dividends*

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

UK resident individual Shareholders

Under current UK tax rules, specific rates of tax apply to dividend income. As of 1 April 2016 the notional dividend tax credit system was abolished. Instead, there is a nil rate of tax (the "nil rate band") for the first £5,000 of dividend income received by an individual Shareholder who is resident for tax purposes in the UK in any tax year. It was announced in the Spring Budget 2017 that the nil rate band will reduce to £2,000 from 6 April 2018. Dividend income in excess of the nil rate band (taking account of any other dividend income received by the Shareholder in the same tax year) will be taxed at the following rates: 7.5 per cent. (to the extent that it falls below the threshold for higher rate income tax); 32.5 per cent. (to the extent that it falls above the threshold for higher rate income tax and is within the higher rate band); and 38.1 per cent. (to the extent that it is within the additional rate). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder's income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher

rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

UK resident corporate Shareholders

Shareholders that are within the charge to corporation tax will be subject to corporation tax on dividends paid by the Company on the Ordinary Shares, unless (subject to special rules for such Shareholders that are small companies) the dividends fall within an exempt class and certain other conditions are met. Each Shareholder's position will depend on its own particular circumstances, although it would normally be expected that the dividends paid by the Company on the Ordinary Shares would fall within an exempt class. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

Non-UK resident Shareholders

No tax credit will attach to any dividend paid by the Company on the Ordinary Shares. A Shareholder who is tax resident outside the United Kingdom should not be subject to UK taxation but may be subject to non-UK taxation on dividend income under local law. Shareholders who are not resident for tax purposes in the UK should obtain their own tax advice concerning tax liabilities on dividends received from the Company.

14.2 Taxation of chargeable gains

Individual and corporate Shareholders who are resident in the United Kingdom may, depending on their circumstances (including the availability of allowances, exemptions or reliefs), realise a chargeable gain or an allowable loss for the purposes of taxation of capital gains on a sale or other disposal (or deemed disposal) of Ordinary Shares.

An individual Shareholder who is only temporarily resident outside the United Kingdom may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to available allowances, exemptions or reliefs) upon a sale or other disposal (or deemed disposal) of Ordinary Shares.

Shareholders who are not tax resident in the United Kingdom and, in the case of an individual Shareholder, not temporarily non-resident, will not generally be subject to UK taxation of capital gains on a sale or other disposal (or deemed disposal) of Ordinary Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or, in the case of a corporate Shareholder, through a permanent establishment. Shareholders who are not resident in the United Kingdom may be subject to non-UK taxation on any gain under local law.

14.3 Inheritance tax

Ordinary Shares will be assets situated in the United Kingdom for the purposes of UK inheritance tax. A gift of such assets by, or upon the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is or was neither domiciled in the United Kingdom nor deemed to be domiciled there, under certain rules relating to long residence or previous domicile. Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to the death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold Ordinary Shares bringing them within the charge to inheritance tax. Holders of Ordinary Shares should consult an appropriate professional adviser if they make a gift of any kind or a transfer at less than market value, or if they intend to hold any Ordinary Shares through a trust or similar

indirect arrangements. They should also seek professional advice in a situation where there is potential for a double charge to UK inheritance tax and an equivalent tax in another country or if they are in any doubt about their UK inheritance tax position.

14.4 Stamp duty and stamp duty reserve tax (“SDRT”)

No UK stamp duty or SDRT will be generally payable on the issue of Ordinary Shares.

AIM qualifies as a recognised growth market for the purposes of the UK stamp duty and SDRT legislation. Accordingly, for so long as the Ordinary Shares are admitted to trading on AIM and are not listed on any other market no charge to UK stamp duty or SDRT should arise on their subsequent transfer.

If the Ordinary Shares cease to qualify for this exemption their transfer on sale will be subject to stamp duty and/or SDRT (generally at the rate of 0.5% of the consideration subject to a de minimis threshold), although special rules apply in respect of certain transfers including transfers to market intermediaries and transfers into clearance services or depositary receipt arrangements.

The statements in this paragraph apply to any holders of Ordinary Shares irrespective of their residence, and are a summary of the current position and are intended to be a general guide to the current stamp duty and SDRT position. Shareholders in any doubt about their position should seek appropriate tax advice.

14.5 Close Company

It is considered that the Company and each member of the Enlarged Group is not a “close company” within the meaning of Part 10 of the Corporation Tax Act 2010 as at the date of this document. If the Company is a close company following the completion of the Acquisition, certain transactions entered into by the Company or other members of the Enlarged Group may have tax implications for Shareholders. In particular, certain gifts, transfers of assets at less than market value or other transfers of value by the Company or other members of the Enlarged Group may be apportioned to Shareholders for the purposes of UK inheritance tax, although the payment of a dividend to a Shareholder or the payment of dividends or transfers of assets between members of the Enlarged Group will not normally attract such an apportionment. Any charge to UK inheritance tax arising from such a transaction will primarily be a liability of the relevant company, although in certain circumstances Shareholders may be liable for the tax if it is left unpaid by that company. In addition, any transfer of assets at less than market value by the Company or other members of the Enlarged Group may result in a reduction of a Shareholder’s base cost in his Ordinary Shares for the purposes of UK taxation of capital gains, although transfers of assets between members of the Enlarged Group will not normally attract such treatment. Shareholders should consult their own professional advisers on the potential impact of the close company rules.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE SHARES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.

15 MATERIAL CONTRACTS

15.1 Material contracts in relation to the Existing Group

The following contracts, not being contracts entered into in the ordinary course of business, have been: (i) entered into by a member of the Existing Group within the two years immediately preceding the date of this document and are, or may be, material; or (ii) entered into by a member of the Existing Group and contain any provision under which any member

of the Existing Group has any obligation or entitlement which is (or may be) material to the Existing Group as at the date of this document.

15.1.1 *Share Purchase Agreement*

On 23 June 2017, the Company and the Vendors, among others, entered into the Share Purchase Agreement. Pursuant to the Share Purchase Agreement:

- (a) the Company has agreed, subject to certain conditions, to acquire the entire issued share capital of Ecuphar from the Vendors in consideration for:
 - (i) the payment of a cash amount equal to the net proceeds received by Animalcare from the issue of the New Placing Shares after deducting from the gross proceeds an amount equal to the amount of commission payable to Panmure Gordon and Degroof Petercam by Animalcare pursuant to clause 7.3 of the Placing and Admission Agreement, plus the sum of £4,000,000 (funded from Animalcare's existing cash reserves); and
 - (ii) the issue to the Vendors of a certain number of Consideration Shares, to be calculated by reference to a formula structured on a consolidated Animalcare/Ecuphar Enlarged Issued Share Capital ratio of 37:63, but after deducting from the number of Consideration Shares to be issued to the Vendors the amount of shares calculated by dividing the gross proceeds received by Animalcare from the issue of New Placing Shares plus the sum of £4,000,000 by the Placing Price;
- (b) completion of the Acquisition is conditional on, among other things, the passing of Resolutions 1 to 6 at the General Meeting, Admission and the Placing and Admission Agreement having become unconditional;
- (c) Ecuphar Invest NV and Alychlo NV, being the majority Vendors, have agreed to give warranties to the Company in relation to the Ecuphar group and its business and a tax covenant in respect of pre-completion tax liabilities on a several basis;
- (d) the liability of the majority Vendors in respect of the warranties and tax covenant given by them is subject to limitations, as more particularly set out in the Share Purchase Agreement, which include a cap on each majority Vendor's liability in respect of the warranties and tax covenant of £7,500,000 (being £15,000,000 in aggregate);
- (e) the Company gives certain warranties to the Vendors in relation to the Company and its business;
- (f) the liability of the Company in respect of the warranties given by it is subject to limitations, as more particularly more set out in the Share Purchase Agreement, which include a cap on the Company's liability in respect of the warranties of £8,800,000;
- (g) the majority Vendors, have agreed to give covenants restricting them from competing with the Enlarged Group for a period of 24 months following Completion;
- (h) pending satisfaction of the conditions to the Share Purchase Agreement, the majority Vendors have agreed to procure that the Ecuphar Group continues to run its business in the ordinary course, with the Company's consent required for certain customary matters that are outside of the ordinary course; and

- (i) pending satisfaction of the conditions to the Share Purchase Agreement, the Company has agreed to continue to run its business in the ordinary course, with the majority Vendors' consent required for certain customary matters that are outside of the ordinary course.

15.1.2 *Placing and Admission Agreement*

On 23 June 2017, the Company, the Majority Vendors, the Existing Directors, the Proposed Directors, Degroof Petercam and Panmure Gordon entered into the Placing and Admission Agreement. Pursuant to the Placing and Admission Agreement:

- (a) the Company has appointed each of Panmure Gordon and Degroof Petercam as its agent, subject to certain conditions, to use their respective reasonable endeavours to procure subscribers for the New Placing Shares at the Placing Price;
- (b) in consideration for the services provided to the Company, the Company has agreed to pay the Joint Bookrunners the costs and expenses incurred by the Joint Bookrunners in connection with the Placing and Admission, and the following fees and commissions:
 - (i) Panmure Gordon will receive a corporate advisory fee of £250,000 and a commissions of (1) 3 per cent. on the aggregate value at the Placing Price of the New Placing Shares subscribed for by placees procured by Panmure Gordon which total up to £20 million, (2) 2.5 per cent. on the aggregate value at the Placing Price of the New Placing Shares subscribed for by placees procured by Panmure Gordon which total between £20 million and £25 million, and (3) 2 per cent. on the aggregate value at the Placing Price of the New Placing Shares subscribed for by placees procured by Panmure Gordon which total above £25 million; and
 - (ii) Degroof Petercam will receive a commission of 3 per cent. on the aggregate value at the Placing Price of the New Placing Shares subscribed for by placees procured by Degroof Petercam.
- (c) the obligations of the Joint Bookrunners to procure subscribers for the New Placing Shares on the terms of the Placing and Admission Agreement is subject to certain conditions which are customary in an agreement of this nature;
- (d) the Placing and Admission Agreement contains provisions entitling the Joint Bookrunners (having consulted with each other) to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. The termination rights are customary for agreements of this nature and include, amongst others, material adverse change, breach of representation, warranty or undertaking by any party giving such representation, warranty or undertaking and non-compliance by such persons with any obligation contained in the Placing and Admission Agreement or breach of the Share Purchase Agreement;
- (e) each of the Company, the Majority Vendors, the Existing Directors and the Proposed Directors has given certain warranties and undertakings to the Joint Bookrunners. The liability of the Company in respect of its obligations under the Placing and Admission Agreement is unlimited as to the amount and time. The liabilities of the Majority Vendors, the Existing Directors and the Proposed Directors under the Placing and Admission Agreement are limited as to the amount and time;

- (f) the Company has given certain indemnities to the Joint Bookrunners on customary terms;
- (g) the parties to the Placing and Admission Agreement have given certain warranties and undertakings regarding compliance with certain laws and regulations affecting the making of the Placing in relevant jurisdictions;
- (h) the Company has also undertaken for a period of 120 days following Admission, amongst other things, to the Joint Bookrunners that it will not, without prior consultation with the Joint Bookrunners enter into any commitment or agreement or arrangement or knowingly do or permit to be done any other act or thing which, in any such case, constitutes a significant new matter which would give rise to any obligation to make any announcement to the London Stock Exchange or which may involve any increase in or obligation (whether contingent or otherwise) to allot any of the capital of the Company; and
- (i) the Participating Directors and the Majority Vendors have each undertaken to the Company and Panmure Gordon:
 - (i) not, without the prior written consent of each of the Company and Panmure Gordon, to dispose of any of the Ordinary Shares held by them or their respective associates at Admission for a period of 12 months following Admission; and
 - (ii) for a further period of 12 months following the end of such lock-in period, to be subject to customary orderly marketing restrictions.

15.1.3 *Selling Shareholders' Agreement*

On 23 June 2017, the Company, the Selling Shareholders and Panmure Gordon entered into the Selling Shareholders' Agreement. Pursuant to the Selling Shareholders' Agreement:

- (a) Panmure Gordon has agreed, subject to certain conditions, to use its reasonable endeavours to procure purchasers for the Sale Shares owned by the Selling Shareholders pursuant to the Placing at the Placing Price;
- (b) in consideration for the services provided by Panmure Gordon, the Company (on behalf of the Selling Shareholders) has agreed to pay to Panmure Gordon a commission of 3 per cent. of an amount equal to the Placing Price multiplied by the aggregate number of the Sale Shares to be sold in the Placing;
- (c) the obligation of Panmure Gordon to procure purchasers for the Sale Shares on the terms of the Selling Shareholders' Agreement is subject to certain conditions which are customary in an agreement of this nature; and
- (d) the Selling Shareholders' Agreement contains provisions entitling Panmure Gordon to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. Panmure Gordon's termination rights are customary for agreements of this nature and include, amongst others, breach of warranty or undertaking by any party giving such warranty or undertaking.

15.1.4 *Relationship Agreement*

On 23 June 2017, the Majority Vendors entered into the Relationship Agreement with the Company and Panmure Gordon. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Majority Vendors and their respective associates.

The Relationship Agreement takes effect from Admission and continues for so long as (1) the Ordinary Shares are admitted to trading on AIM and (2) the Majority Vendors together with their respective groups are interested in voting rights representing, in aggregate, 25 per cent. or more of total voting rights attaching to the Ordinary Shares (provided that, if the interest of a Majority Vendor together with its associates falls below 5 per cent. the Relationship Agreement shall cease to apply to that Majority Vendor).

Under the Relationship Agreement, the Majority Vendors shall, and have agreed to procure that their respective associates shall, amongst other things:

- (a) ensure that the Group shall be managed for the benefit of the Shareholders as a whole and independently of the Majority Vendors and their associates;
- (b) conduct all transactions, and arrangements with the Company and any other member of the Group on an arm's length basis and on normal commercial terms;
- (c) not take any action that would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the AIM Rules for Companies or other applicable law;
- (d) not influence or seek to influence the running of the Company or any member of the Group at an operational level (it being acknowledged that this will not prevent Chris Cardon or Marc Coucke from exercising their duties as Directors); and
- (e) not exercise any of its voting or other rights and powers:
 - (i) in respect of any resolution relating to a transaction, agreement or arrangement with or relating to a Majority Vendor or any member of its group (other than any resolution relating to the role of any member of its group as a Director); or
 - (ii) to procure or propose, or vote in favour of, any resolution for any amendment to the Articles which would be inconsistent with or undermine any of the provisions of the Relationship Agreement or undermine the effect the Relationship Agreement to the detriment of the Group.

15.1.5 *Lock-in Agreement*

On 23 June 2017, the minority shareholders of Ecuphar (the "Minority Shareholders") entered into a lock in agreement with the Company and Panmure Gordon under which the Minority Shareholders have undertaken with Panmure Gordon and the Company (subject to certain exceptions) not to dispose of any interest in any of their Ordinary Shares until the first anniversary of Admission. The Minority Shareholders have further undertaken to observe certain orderly market restrictions with respect to the disposal of such Ordinary Shares in the period of 12 months following the first anniversary of Admission.

15.1.6 *Orderly Market Agreement*

On 23 June 2017, James Lambert and Ed Torr entered into an orderly market agreement with the Company and Panmure Gordon under which James Lambert and Ed Torr have undertaken to observe certain orderly market restrictions with respect to the disposal of any of their Ordinary Shares in the period of 12 months following the first anniversary of Admission.

15.2 ***Material contracts in relation to the Ecuphar Group***

The following contracts, not being contracts entered into in the ordinary course of business, have been: (i) entered into by a member of the Ecuphar Group within the two years immediately preceding the date of this document and are, or may be, material; or (ii) entered into by a member of the Ecuphar Group and contain any provision under which any member of the Ecuphar Group has any obligation or entitlement which is (or may be) material to the Ecuphar Group as at the date of this document.

15.2.1 *Ecuphar Ltd Share Sale Agreement*

A share sale agreement was entered into between (1) Ecuphar and (2) Swedencare AB (publ) on 16 November 2016 in relation to the sale by Ecuphar of the entire issued share capital of Ecuphar Ltd (the “Ecuphar Ltd SPA”). The total consideration paid under the Ecuphar Ltd SPA was approximately €4.3 million (c.£3.7 million), consisting of cash consideration of approximately €3.8 million (£3.3 million) and new shares in Swedencare AB (publ). The Ecuphar Ltd SPA contains standard warranties given by Ecuphar. All warranties (except for tax and environmental) fall away after one year, environmental warranties fall away after two years and tax warranties fall away after five years. Ecuphar has agreed to indemnify and hold harmless Swedencare AB (publ), its affiliates and officers against any and all liability, losses, costs or expenses of any nature which Swedencare AB (publ) may at any time suffer, incur or be required to pay as a result or in connection with (1) the export trading business conducted by Ecuphar Ltd up to the date of completion of the Ecuphar Ltd SPA and as transferred to Swedencare AB (publ) on completion of the Ecuphar Ltd SPA and (2) certain employment matters. Ecuphar also agreed to give indemnities in respect of the receivables listed in the 31 July 2016 accounts and in respect of accounts receivable relating to the export trading business of Ecuphar to the extent various invoices had not been paid within one month of completion and within one month of any specific invoice payment date.

15.2.2 *Laboratorios del Dr. Esteve, S.A. Asset Purchase and Sale Agreement*

Laboratorios del Dr. Esteve, S.A.; Esteve, S.P.A. and Esteve Farma, LDA (the “Sellers”) and Ecuphar Italia, S.R.L.; Ecuphar; Ecuphar Veterinaria, S.L.U; Ecuphar GmbH; and Belpar Lda. (the “Buyers”) entered into an asset purchase agreement on 6 March 2015 whereby the Sellers transferred various assets, including trademarks and business authorisations in relation to Esteve’s veterinary business to the Buyers (the “LDE APA”). Under the LDE APA, the Spanish company Veter, S.A. also sold to Ecuphar one share, representing the entire issued share capital of Euracon Pharma Consulting & Trading GmbH. The consideration paid under the LDE APA was approximately €36 million (£26 million). Under the LDE APA the Sellers gave standard warranties for which, save for the employment warranties, liability has expired. The Sellers remains liable under the employment warranties until 6 May 2018.

15.2.3 *Elanco licence and distribution agreement*

Novartis Sanidad Animal S.L., now Elanco Spain (“Elanco”) and Ecuphar entered into an exclusive licence and distribution agreement on 12 October 2015 whereby Elanco has granted exclusive licences for certain products to Ecuphar in Spain and Portugal (the “Elanco Agreement”). Under the Elanco Agreement, Ecuphar was granted exclusive licenses in the Spanish and Portuguese markets for certain companion animal and production animal veterinary products for a duration ranging from several years to lifelong. The Elanco Agreement includes a change of control clause which may have allowed Elanco to terminate the Elanco Agreement following the Acquisition. An amendment to the Elanco Agreement was signed on 9 June 2017 under which Elanco waived and amended the change of control clause of the Elanco Agreement in view of the Acquisition (the “Elanco Amendment”).

Under the Elanco Amendment Ecuphar will be prohibited from selling one product in Spain and one product in Portugal after 31 December 2017 (which together represented less than £0.4 million of revenue for Ecuphar in 2016). The duration of the other exclusive licenses under the Elanco Agreement was amended to 30 June 2022 (with automatic five-year renewal and an 18 month notice period) and other than for the largest product for Ecuphar under the Elanco Agreement, which has remained a life long licence.

15.2.4 Facility agreements

Ecuphar has entered into the following bilateral credit facilities with KBC Bank NV, BNP Paribas Fortis NV, Belfius Bank NV and ING België NV (together, the “Banks”): (i) a €10 million bullet term facility dated 31 August 2016 to finance permitted acquisitions of which €10 million was available as at 31 December 2016 (the “Term Loan A”), (ii) a €4.08 million quarterly amortising term facility dated 31 August 2016 to refinance existing financial indebtedness of which €3.725 million was outstanding on 31 December 2016 (the “Term Loan B”), and (iii) a €41.5 million revolving credit facility dated 31 August 2016 to refinance a bridge loan which was used to finance the LDE APA and other existing financial indebtedness and for general corporate purposes and permitted acquisitions of which €25.2 million was drawn as at 31 December 2016 and €16.3 million is available (the “RCF”) (together, the “Facilities”). The Facilities mature in March 2022 and carry a floating interest rate calculated as EURIBOR plus a margin of 1.75% for the Term Loan A, 1.50% for the Term Loan B, and 1.50% for the RCF.

Ecuphar has granted the following security interests to the Banks on a pari passu basis to secure the Facilities: (i) a business pledge and a business pledge mandate covering substantially all the business assets of Ecuphar, (ii) a pledge on all the shares Ecuphar holds in Medini NV and Orthopaedics.be NV, (iii) a pledge on receivables relating to the LDE APA, and (iv) a pledge on all intellectual property rights owned by Ecuphar.

In terms of financial covenants, the Facilities provide for: (i) a minimum adjusted solvency ratio measured as consolidated adjusted equity to consolidated adjusted total assets, (ii) a maximum leverage ratio measured as consolidated net debt to consolidated EBITDA, and (iii) a minimum interest coverage ratio measured as consolidated EBITDA to consolidated interest expenses.

The Facilities are subject to general terms and conditions which contain customary covenants (e.g. a negative pledge and restrictions on additional financial indebtedness, acquisitions and disposals), information undertakings, representations and events of default.

If a change of control over Ecuphar takes place, the Banks may require a cancellation and repayment of the Facilities prior to their maturity date. Each of the Banks has provided a written waiver and consent letter whereby they have consented to the Acquisition and the change of control resulting from the Acquisition. The Banks have also confirmed that Ecuphar can draw down under the Facilities in order to fund part of the consideration payable in respect of the proposed acquisition of Animalcare Limited following Completion, subject to the satisfaction of certain condition precedents. The Bank may require security to be granted over the shares or assets of Animalcare Limited as one such condition.

16 RELATED PARTY TRANSACTIONS

16.1 *Related party transactions in relation to the Existing Group*

Save as set out in note 26 to the Company’s audited financial statements for the year ended 30 June 2014, note 26 to the Company’s audited financial statements for the year ended

30 June 2015, and note 26 to the Company's audited financial statements for the year ended 30 June 2016 (each of which is incorporated by reference in this document), neither the Company nor Animalcare Limited is, nor has been, party to any transactions with related parties which were material to the Existing Group during the three year and six month period ended on 31 December 2016 or from the period ended 31 December 2016 to the date of this document.

16.2 *Related party transactions in relation to Ecuphar*

Save as set out in note 24 to the consolidated historical financial information for the Ecuphar Group set out in Section B of Part VI of this document and as set out below, neither Ecuphar nor any other member of the Ecuphar Group is, nor has been, party to any transactions with related parties which were material to the Ecuphar Group respectively during the three year period ended on 31 December 2016 or in the period from 31 December 2016 to the date of this document.

The following table sets out the total amount of transactions entered into with related parties for the period from 31 December 2016 to the date of this document:

In £000	Fees paid to	Liabilities
Non-executive directors of the Ecuphar Group	27	—
Shareholders of the Ecuphar Group	9	—

The following table sets out the compensation of key management personnel in the period from 31 December 2016 to the date of this document:

In £000	
Short-term employee benefits	601
Post-employment benefits	—
Termination benefits	—
Total:	601

Note: The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

These disclosures provide an overview of all transactions with related parties. Transactions between Ecuphar and its subsidiaries, which are related parties, are eliminated in the consolidated account and no information is provided hereon in this section. Ecuphar is at the date of this document controlled by MC³ Health NV, who currently holds about 96 per cent. of the Ecuphar shares. The two shareholders of MC³ Health NV are Ecuphar Invest NV (with ultimate controlling party Chris Cardon) and Alychlo NV (with ultimate controlling party Marc Coucke). Both Ecuphar Invest NV and Alychlo NV hold 50 per cent. of the MC³ Health NV shares as at the date of this document.

17 WORKING CAPITAL

In the opinion of the Existing Directors and the Proposed Directors, having made due and careful enquiry the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least 12 months from Admission.

18 LITIGATION

18.1 *Litigation in relation to the Existing Group*

Neither the Company nor Animalcare Limited is, or has been, involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Existing Group's financial position or profitability.

18.2 *Litigation in relation to Ecuphar*

No member of the Ecuphar Group is, or has been, involved in the previous 12 months in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Ecuphar Group's financial position or profitability.

19 NO SIGNIFICANT CHANGE

- 19.1 There has been no significant change in the financial or trading position of the Existing Group since 31 December 2016, the date to which the last interim financial information of the Existing Group was prepared.
- 19.2 Net debt of the Ecuphar Group at 31 May 2017 (being the latest practicable date prior to publication of this document) was £28.8 million compared with net debt of £23.8 million at 31 December 2016, being the date to which the consolidated financial information for the Ecuphar Group set out in Section B of Part VI of this document was prepared. Management attribute this increase principally to movements in working capital, with the Ecuphar Group carrying higher levels of inventory and trade accounts receivable, and a lower level of trade payables. Except as set out in this paragraph 19.2, there has been no significant change in the financial or trading position of the Ecuphar Group since 31 December 2016, the date to which the consolidated historical financial information for the Ecuphar Group set out in Section B of Part VI of this document was prepared.

20 GENERAL

- 20.1 The estimated costs and expenses relating to the Acquisition, Placing and Admission (including those fees and commissions referred to in paragraph 15.1.2 above) payable by the Company are estimated to amount to approximately £3.7 million (excluding VAT).
- 20.2 The Company's net proceeds from the Placing are expected to be approximately £29.1 million, which will be applied in full to partially paying the cash component of the consideration for the Acquisition.
- 20.3 The financial information set out in this document relating to the Existing Group does not constitute statutory accounts within the meaning of section 434 of the Companies Act. KPMG LLP have been the auditors of the Existing Group for the three financial years ended 30 June 2016 and have given unqualified audit reports on the statutory accounts of the Existing Group for those financial years within the meaning of section 495 of the Companies Act. None of those reports contained any statements under sub-section 498(2) or (3) of the Companies Act. Statutory accounts of each member of the Existing Group for each of the three financial years ended 30 June 2016 have been delivered to the registrar of Companies in England and Wales pursuant to section 441 of the Companies Act.
- 20.4 PwC Bedrijfsrevisoren bcvba/Reviseurs d'Entreprises scrl as reporting accountants to the Company in relation to Ecuphar has given and not withdrawn its written consent to the inclusion in this document of their accountant's report on the consolidated historical financial information of Ecuphar as at and for the three years ended 31 December 2016 as set out in Section A of Part VI of this document.
- 20.5 Rothschild is registered in England and Wales under number 925279 and its registered office is at New Court, St Swithin's Lane, London EC4N 8AL. Rothschild is authorised and regulated by the FCA and is acting in the capacity as financial adviser to the Company. Rothschild has given and not withdrawn its written consent to the inclusion in this document of its name in the form and in the context in which it appears.
- 20.6 Panmure Gordon is registered in England and Wales under number 04915201 and its registered office is at One New Change, London, EC4M 9AF. Panmure Gordon is authorised and regulated by the FCA and is acting in the capacity as nominated adviser and broker to

the Company. Panmure Gordon has given and not withdrawn its written consent to the inclusion in this document of its name in the form and in the context in which it appears.

- 20.7 Degroof Petercam is registered in Belgium with the Crossroad Bank for Enterprises (Legal Persons Register Brussels) under number 0403.212.172 and its registered office is at Nijverheidsstraat 44, Rue de l'Industrie 44, 1040 Brussels, Belgium. Degroof Petercam is authorised and regulated by the Belgian Financial Services and Markets Authority (FSMA) and the National Bank of Belgium (NBB) is acting in the capacity of joint bookrunner for the Placing of the New Placing Shares. Degroof Petercam has given and not withdrawn its written consent to the inclusion in this document of its name in the form and in the context in which it appears.
- 20.8 To the extent that information in this document has been sourced from third parties, it has been accurately reproduced and as far as the Company is aware and has been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.9 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- (a) received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - (i) fees totalling £10,000 or more, other than fees payable to Saxa Vord who provided certain services to the Company in connection with the Acquisition and Admission which amounted to £102,380.75 plus VAT;
 - (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

21 DOCUMENTS AVAILABLE FOR INSPECTION

- 21.1 Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and English public holidays excepted) for a period of 12 months from Admission at the Company's registered office and at the offices of Panmure Gordon (UK) Limited, One New Change, London EC4M 9AF. The documents will also be available for inspection at the General Meeting and on the Company's website at www.animalcaregroup.co.uk:
- (a) the Articles;
 - (b) the audited accounts of the Company for the periods ended 30 June 2014, 30 June 2015 and 30 June 2016, and the unaudited accounts of the Company for the six months ended 31 December 2016;
 - (c) the report from PwC Bedrijfsrevisoren bcvba/Reviseurs d'Entreprises scrl as reporting accountants to the Company in relation to Ecuphar on the consolidated historical financial information of Ecuphar NV as at and for the three years ended 31 December 2016 as set out in Section A of Part VI of this document;
 - (d) the consolidated historical financial information on Ecuphar for the three years to 31 December 2016 set out in Section B of Part VI of this document;

- (e) the Share Purchase Agreement, the Placing and Admission Agreement and the Relationship Agreement;
- (f) the irrevocable undertakings to vote referred to in paragraph 21 of Part I of this document;
- (g) the letters of consent referred to in paragraph 20 of this Part IX; and
- (h) this document.

24 June 2017

NOTICE OF GENERAL MEETING

ANIMALCARE GROUP PLC

(Registered number 1058015)

NOTICE IS HEREBY GIVEN that a General Meeting of Animalcare Group plc (the “**Company**”) will be held at Squire Patton Boggs (UK) LLP, 7 Devonshire Square, London EC2M 4YH at 10.00 a.m. on 12 July 2017 for the purpose of considering and, if thought fit, passing the resolutions set out in this Notice of General Meeting.

Terms used in this Notice of General Meeting shall have the same meaning as defined in the admission document of the Company dated 24 June 2017 of which this Notice of General Meeting forms a part (“**Admission Document**”), unless the context requires otherwise.

Resolutions 1 to 3 will be proposed as ordinary resolutions and resolutions 4 to 7 will be proposed as special resolutions. All of Resolutions 1 to 6 need to be passed at the General Meeting in order for the Acquisition to be implemented and if any one of those Resolutions is not passed, the Acquisition will not go ahead. All of the Resolutions will be taken on a poll of the Shareholders present and voting by proxy at the General Meeting. Resolution 2 will be taken on a poll of Independent Shareholders present and voting by proxy at the General Meeting.

ORDINARY RESOLUTIONS

1. **THAT** the Acquisition, on the terms and conditions of the Share Purchase Agreement, which comprises a reverse takeover pursuant to rule 14 of the AIM Rules for Companies, be and is hereby approved for all purposes (including, without limitation, for the purposes of the AIM Rules for Companies) and the Directors or any duly constituted committee thereof be authorised to: (i) take all such steps as may be necessary or desirable in connection with, and to implement, the Acquisition; and (ii) agree all such modifications, variations and amendments to the terms and conditions of the Acquisition, and to any documents relating thereto, as they may in their absolute discretion see fit.
2. **THAT** the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party or persons acting in concert with them, individually and/or collectively, to make a general offer to the shareholders of the Company under Rule 9 of the Takeover Code, as a result of the allotment and issue to them of 27,714,510 Ordinary Shares pursuant to the Share Purchase Agreement or as a result of the allotment and issue to Chris Cardon of a maximum aggregate number of 299,569 Ordinary Shares pursuant to the terms of the New LTIP be and is hereby approved.
3. **THAT**, conditional on Resolutions 1, 2, 5 and 6 being passed, in addition to all previous authority given to them and still subsisting, the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or to convert any security into shares in the Company (together ‘relevant securities’), up to an aggregate nominal amount of £7,738,358 in connection with the Acquisition and the Placing. This authority shall expire (unless renewed, varied or revoked by the Company in general meeting) at the conclusion of the next annual general meeting of the Company or, if earlier, the date which is 15 months after the date on which this resolution is passed, except that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if such authority had not expired.

SPECIAL RESOLUTIONS

4. **THAT**, conditional on Resolutions 1 to 3 (inclusive), 5 and 6 being passed, the Directors be authorised pursuant to section 570 of the Companies Act, to allot equity securities (as

defined in section 560(1) of the Companies Act) pursuant to the authority granted by Resolution 3, in respect of the New Placing Shares, as if section 561(1) of the Companies Act did not apply to any such allotment. This authority shall expire, unless previously revoked or renewed by the Company in general meeting, at such time as the general authority conferred on the Directors by resolution 3 above expires, except that the Company may at any time before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred by this resolution had not expired.

5. **THAT** the restriction on the authorised share capital of the Company set out in paragraph 6 of the memorandum of association of the Company, which by virtue of section 28 of the Companies Act 2006 is treated as a provision of the Company's articles of association, is hereby revoked and deleted.
6. **THAT** the restriction on the authorised share capital of the Company set out in article 4 of the articles of association of the Company is hereby revoked and deleted.
7. **THAT**, conditional on Resolutions 1 and 2 being passed, the articles of association of the Company be amended as set out in the Annex to this Notice of General Meeting.

By Order of the Board

Christopher Brewster
Company Secretary

Dated: 24 June 2017

Registered Office

Unit 7
10 Great North Way
York Business Park
Nether Poppleton
York
YO26 6RB

ANNEX

Proposed amendments to Articles of Association

Article No.	Current text	Proposed change ²⁹
57.	<p>ANNUAL GENERAL MEETINGS</p> <p>An annual general meeting shall be held once in every year, in accordance with the Statutes and at such time and in such place as the Directors determine.</p>	<p>To be amended as follows:</p> <p>ANNUAL GENERAL MEETINGS</p> <p>An annual general meeting shall be held once in every year <u>or as otherwise permitted by the Statutes</u>, in accordance with the Statutes and at such time and in such place as the Directors determine.</p>
59	<p>POWER TO CALL GENERAL MEETINGS</p> <p>The Directors may call a general meeting whenever they think fit and shall do so if the Statutes so require. If there are not enough directors within the United Kingdom to form a quorum for a meeting of the Directors, any director or any 2 members of the Company may convene a general meeting in the same manner as nearly as possible as the Directors could have done.</p>	<p>To be amended as follows:</p> <p>“POWER TO CALL GENERAL MEETINGS</p> <p>The Directors may call a general meeting whenever they think fit and shall do so if the Statutes so require. If there are not enough directors within the United Kingdom to form a quorum for a meeting of the Directors, any director or any 2 members of the Company may convene a general meeting in the same manner as nearly as possible as the Directors could have done.”</p>
94	<p>NUMBER OF DIRECTORS</p> <p>Subject to the provisions of Article 113 the Company must have not less than 2 and not more than 8 directors.</p>	<p>To be amended as follows:</p> <p>“NUMBER OF DIRECTORS</p> <p>Subject to the provisions of Article 113 the Company must have not less than 2 and not more than 8 10 directors.”</p>
117.2	<p>DIRECTORS' MEETINGS</p> <p>Meetings are called by serving a notice on all the directors. It is not necessary to serve notice on a director who is absent from the United Kingdom but an alternate director acting in his place must, subject to the provisions of Article 117.3, be served with notice. A director may prospectively or retrospectively waive his right to receive notice of any meeting.</p>	<p>To be amended as follows:</p> <p>“DIRECTORS' MEETINGS</p> <p>Meetings are called by serving a notice on all the directors. It is not necessary to serve notice on a director who is absent from the United Kingdom but an alternate director acting in his place must, subject to the provisions of Article 117.3, be served with notice. A director may prospectively or retrospectively waive his right to receive notice of any meeting.”</p>

²⁹ Deletions shown in strikethrough, additions shown underlined.

Article No.	Current text	Proposed change ²⁹
119.1	<p>RESOLUTIONS IN WRITING</p> <p>A resolution of the Directors may be in writing provided that:</p> <p>119.1.1 it is authenticated or approved by all the Directors (or by all the members of a committee appointed by the Directors) who are in each case entitled to vote on the resolution and present in the United Kingdom;</p> <p>119.1.2 the approval is in writing; and</p> <p>119.1.3 the number of Directors (or of the committee) referred to in Article 119.1.1 is sufficient to form a quorum.</p>	<p>To be amended as follows:</p> <p>“RESOLUTIONS IN WRITING</p> <p>A resolution of the Directors may be in writing provided that:</p> <p>119.1.1 it is authenticated or approved by all the Directors (or by all the members of a committee appointed by the Directors) who are in each case entitled to vote on the resolution and present in the United Kingdom;</p> <p>119.1.2 the approval is in writing; and</p> <p>119.1.3 the number of Directors (or of the committee) referred to in Article 119.1.1 is sufficient to form a quorum.”</p>
119.4	<p>RESOLUTIONS IN WRITING</p> <p>If a director is not present in the United Kingdom or is temporarily unable to act through ill health or disability, but has appointed an alternate director, who is in the United Kingdom, the alternate director must authenticate or approve the resolution.</p>	<p>To be amended as follows:</p> <p>“RESOLUTIONS IN WRITING</p> <p>If a director is not present in the United Kingdom or is temporarily unable to act through ill health or disability, but has appointed an alternate director, who is in the United Kingdom, the alternate director must authenticate or approve the resolution.”</p>
173	<p>MEMBERS WITH ADDRESSES OUTSIDE THE UK</p> <p>A member who has no registered address within the United Kingdom and has not supplied to the Company an address within the United Kingdom for service of notices or an address to which notices may be sent in electronic form shall not be entitled to receive notices or documents from the Company.</p>	<p>To be deleted and replaced with the following wording:</p> <p>“Intentionally left blank.”</p>

²⁹ Deletions shown in strikethrough, additions shown underlined.

Notes:

1. A member entitled to attend and vote at the above meeting or any adjournment thereof may appoint one or more proxies to attend and vote instead of them on a show of hands or on a poll. A proxy need not be a member of the Company. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf in respect of different shares. Where a member has appointed more than one proxy, the proxies so appointed will together only have the same number of votes as the member who appointed them would have if he were present at the meeting. Voting on all the Resolutions will be taken by way of a poll.
2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Details of how to appoint the Chairman or (an) other person(s) as your proxy/proxies are set out in the notes to the form of proxy. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
3. To be valid, the form of proxy must be lodged with the Company's UK branch registrars, Capita Asset Services, at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, not later than 10.00 a.m. on 10 July 2017.
4. Only those members entered on the register of members of the Company at close of business on 10 July 2017 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 10 July 2017 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this regard, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. In the case of joint holders of shares, the vote of the person whose name appears before the names of the other joint holder(s) on the register of members of the Company in respect of the shares and who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s).
9. If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming their appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority.
10. The total number of issued Shares as at 22 June 2017, being the latest practicable day before the date of this document, is 21,222,110, none of which are held in treasury. Therefore the total number of voting rights in the Company as at 22 June 2017 is 21,222,110.

