



# BOARD OF DIRECTORS



## Jan Boone

### Non-Executive Chairman

Jan was appointed Non-Executive Chairman of the Group in 2017 following the acquisition of Ecuphar NV.

#### Committee membership

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

#### Relevant skills and experience

Jan is Chief Executive Officer of Lotus Bakeries which is listed on Euronext Brussels.

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

Jan also serves as a Non-Executive Director of Club Brugge KV.



## Jennifer Winter

### Chief Executive Officer

Jennifer was appointed as Chief Executive Officer of the Group in October 2018.

#### Committee membership

By invitation

#### Relevant skills and experience

Jennifer has over 20 years' experience in the pharmaceuticals sector including various senior commercial roles at AstraZeneca and GlaxoSmithKline. From 2015 until her appointment in 2018, she was Vice-President of Respiratory products – Global Supply Chain and Strategy at AstraZeneca. Other roles at AstraZeneca included Vice-President Cardiology – Global Product and Portfolio Strategy, Commercial Director – Eastern Europe, Marketing Company President Hungary, where she led a major change programme to drive future success, and Global Vice President, Group Public Affairs.

She was a Non-Executive Director of Allied Irish Bank from 2004 to 2010, and Chief Executive Officer of Barretstown from 2003 to 2007, transforming it into a successful leading children's charity.

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



**Chris Brewster**  
**Chief Financial Officer and  
 Company Secretary**

Chris was appointed Chief Financial Officer in 2012.

**Committee membership**

By invitation

**Relevant skills and experience**

Chris has a broad range of experience gained during his ten years of working across a number of functions at KPMG and through his role as Group Accounting Manager at Findus Group.

Since joining Animalcare, he developed the systems, controls and management information needed to support the growth and strategy of the former stand-alone UK business.

Following the acquisition of Ecuphar NV, Chris has taken responsibility for the changes required within the Finance and IT functions to create a robust platform for growth whilst supporting Jennifer with the integration and strategy of the Group.



**Chris Cardon**  
**Non-Executive Director**

Chris moved to a Non-Executive role in July 2019. He was Chief Executive Officer of Ecuphar NV until its acquisition by the Group in July 2017 when he was appointed Chief Executive Officer of the Group and was Chief Strategy Officer from October 2018 to July 2019.

**Committee membership**

By invitation

**Relevant skills and experience**

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

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

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



# BOARD OF DIRECTORS

## CONTINUED



### **Marc Coucke**

#### **Non-Executive Director**

Marc was appointed as a Non-Executive Director in 2017 following the acquisition of Ecuphar NV.

#### **Committee membership**

Member of the Remuneration and Nomination Committee

#### **Relevant skills and experience**

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

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

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



### **Nick Downshire**

#### **Independent Non-Executive Director**

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

#### **Committee membership**

Chairman of the Audit and Risk Committee

#### **Relevant skills and experience**

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

Nick runs a rural estate in Yorkshire and is Chair of Audit and Risk for the CLA (Country Land and Business Association), as well as acting as a Trustee for a number of charitable and land related trusts. He is a council member and chairs the Audit and Risk Committee for the Duchy of Lancaster.

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



## Ed Torr

### Independent Non-Executive Director Senior Independent Director

Ed was appointed as a Non-Executive Director and Senior Independent Director in 2017 following the acquisition of Ecuphar NV and was appointed Chairman of the Remuneration and Nomination Committee in February 2019.

#### Committee membership

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

#### Relevant skills and experience

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

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

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



# CORPORATE GOVERNANCE STATEMENT

*“As Chairman, I am responsible for leading the Board and upholding high standards of corporate governance throughout the Group and particularly at Board level.”*

**Jan Boone**  
Non-Executive Chairman

## **An introduction from our Chairman**

As a Board, we recognise that applying sound governance principles is essential to the successful running of the Group, and supports its long-term success and strategy for growth. I am therefore pleased to introduce our Corporate Governance Statement.

My colleagues share the view that sound governance is fundamental to the successful growth of the business. We continue to apply the principles of the QCA Corporate Governance Code (the “QCA Code”). Our Corporate Governance Report on pages 34 to 37 sets out how we apply the QCA Code principles and explains how our Board and Committees operates.

## **The principles of corporate governance** **Compliance with the QCA Code**

The Board believes that it applies the ten principles of the QCA Code. We recognise the need to continue to develop our governance practices and disclosures in order to ensure that they support the growth and strategic progress of the Group and the effective application of the principles going forwards. Our governance structure provides a framework of clearly established roles, policies and procedures which are designed to support our compliance with the QCA Code, the AIM Rules and other legal, regulatory and compliance requirements which apply to the Group. The Board regularly reviews the structure to ensure that it develops in line with the growth and strategic plans of the Group.

## **Deliver growth**

The Board has collective responsibility for setting the strategic aims and objectives of the Group and our strategy is articulated on pages 12 to 13 and on our website, along with our business model on pages 08 to 09. In the course of implementing our strategic aims, the Board takes into account expectations of the Company’s shareholder base and also its wider stakeholder and social responsibilities.

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

## **Dynamic management framework**

In June last year, James Lambert stood down from the Board after sixteen years as a Non-Executive Director of the Group. In July, Chris Cardon stepped down from his executive role as Chief Strategy Officer to become a Non-Executive Director. We will continue to monitor the composition of the Board. Future appointments will continue to be on merit, with due consideration given to the need for diversity, and to complement the existing balance of skills and experience on the Board.



As Chairman, I consider the operation of the Board as a whole and the performance of the Directors individually. During the year, we conducted a detailed Board performance evaluation process. A description of the process and the results and action taken are described on page 36.

The Company operates an open and inclusive culture and this is reflected in the way that the Board conducts itself. The Non-Executive Directors attend the Group's offices and other Group events. With a relatively small employee base, such interactions mean it is relatively straightforward for the Board to promote and assess the desired corporate culture. The Board recognises the importance of maintaining a proactive focus on culture as the Group grows and we intend to continue our focus on corporate culture and ethical values during the coming year. A more detailed explanation of the Board's monitoring of culture is explained on page 37.

## Build trust

The Board recognises the importance of understanding the expectations of, and maintaining regular dialogue with, shareholders to ensure that the Group's strategy is communicated. A description of this activity is set out on page 10. The Board receives regular feedback from the Executive team on their discussions with shareholders and potential investors.

We will continue to monitor our application of the QCA Code and ensure that our governance framework continues to evolve in line with the strategic development of the Group and to understand the expectations of our shareholders.

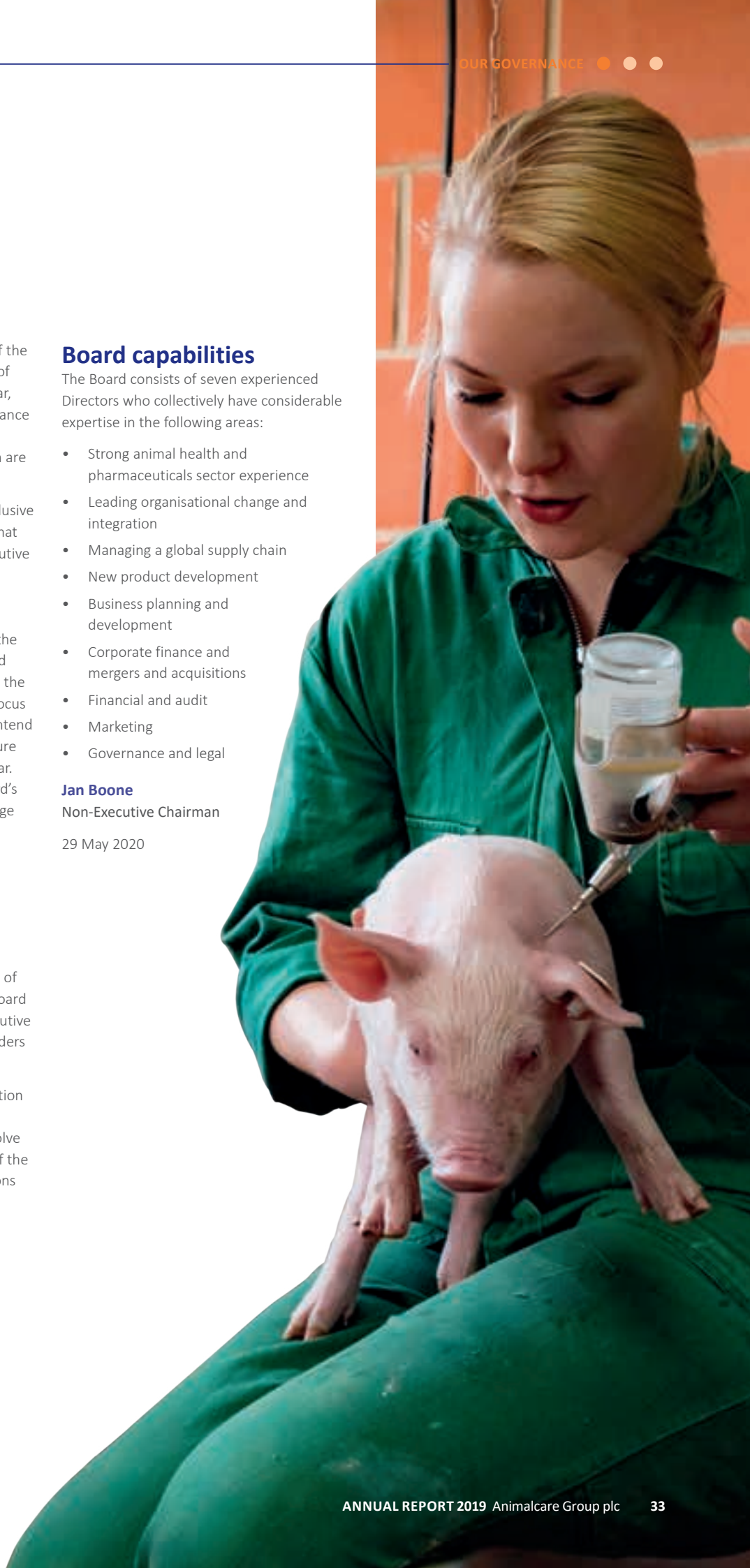
## Board capabilities

The Board consists of seven experienced Directors who collectively have considerable expertise in the following areas:

- Strong animal health and pharmaceuticals sector experience
- Leading organisational change and integration
- Managing a global supply chain
- New product development
- Business planning and development
- Corporate finance and mergers and acquisitions
- Financial and audit
- Marketing
- Governance and legal

**Jan Boone**  
Non-Executive Chairman

29 May 2020





# CORPORATE GOVERNANCE REPORT

## Composition of the Board

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

The Board currently comprises two Executive Directors and five Non-Executive Directors. The biographies of the current Directors can be found on pages 28 to 31.

James Lambert resigned from the Board on 25th June 2019.

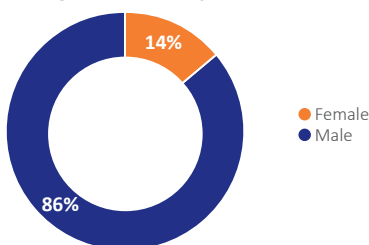
On 25th July 2019, Chris Cardon moved to a non-executive role on the Board.

Collectively, the Non-Executive Directors bring an appropriate balance of functional and sector skills and experience such that they are able to provide constructive support and challenge to the Executive Directors. The Directors believe that collectively the Board as a whole possesses the necessary mix of skills, experience, capabilities and personal qualities to deliver the strategy of the Group for the benefit of the shareholders and its wider stakeholders over the medium to long term.

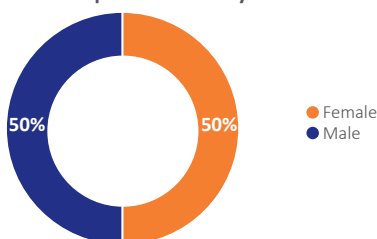
The Board recognises the benefits of diversity, including gender balance, and is committed to creating an inclusive culture, free from discrimination of any kind, and this extends to Board appointments.

A breakdown by gender of the Board and the Leadership Team is provided below.

### Board gender diversity



### Leadership Team diversity



The Board also recognises that as the Group evolves, the mix of experience and skills on the Board may change and the Board composition will need to reflect that change. The Remuneration and Nomination Committee has responsibility for succession planning for Board Directors and other Senior Executives and will increase its focus on this area as the Board and Leadership Team develops. Members of the Leadership Team are invited to present at Board meetings throughout the year.

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

## Independence

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

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

The Board is aware of its duty to hear the voices of, and protect the interests of, all shareholders and has put in place contractual arrangements with Ecuphar Invest NV and Alychlo NV, in the form of a relationship agreement in order to protect minority shareholder interests. A summary of the key terms of the relationship agreement is set out in the Admission document dated 24 June 2017 which is available on the Company's website ([www.animalcaregroup.co.uk](http://www.animalcaregroup.co.uk)).

## Appointments to the Board and re-election

The Board has delegated to the combined Remuneration and Nomination Committee the tasks of reviewing Board composition, searching for appropriate candidates and making recommendations to the Board on candidates to be appointed as Directors. Further details on the role of the Remuneration and Nomination Committee are set out in its report on page 41.

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

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

## How the Board operates

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

These include matters relating to:

- The Group's strategic aims and objectives
- The structure and capital of the Group financial reporting, financial controls and dividend policy
- Internal control, risk and the Group's risk appetite
- The approval of significant contracts and expenditure
- Effective communication with shareholders
- Any changes to Board membership or structure

## Board meetings

The Board met formally five times during the year. Non-Executive Directors communicate directly with Executive Directors and senior management between formal Board meetings and Board members are also invited to a Budget review meeting with senior management held in November each year.

Directors are expected to attend all meetings of the Board and the Committees on which they sit, and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. This requirement is also included in their letters of appointment. In the event that Directors are unable to attend a meeting, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion. The Board is satisfied that each of the Non-Executive Directors devotes sufficient time to the business, in accordance with the time commitment requirements set out in their Letters of Appointment.

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

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

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

	Board	Audit and Risk Committee	Remuneration and Nomination Committee
Jan Boone	5/5	3/3	2/2
Chris Brewster	5/5	–	–
Chris Cardon	5/5	–	–
Marc Coucke <sup>1</sup>	2/5	–	2/2
Nick Downshire	5/5	3/3	–
Ed Torr	5/5	3/3	2/2
Jennifer Winter	5/5	–	–

<sup>1</sup> Marc Coucke was unable to attend three Board meetings due to conflicting business meetings. His comments on papers to be considered at those meetings were discussed in advance with the Chairman so that his contribution could be included in the wider Board discussion.

## Board decisions and activity during the year

The Board has an agreed schedule of activity for the financial year covering regular business updates and operational, financial and governance issues. Each Board Committee also has an agreed schedule of activity. This ensures that all areas for which the Board has overall responsibility are addressed during the year. These schedules of activity are reviewed at least once a year to ensure that matters are considered at an appropriate time.

Board and Committee agenda and papers are circulated to the Board in good time in advance of the meetings and each meeting is minuted.

The Board agenda includes the CEO's report and operations reports, financial reports, consideration of reports from the Board Committees and investor relations updates. In addition, key areas put to the Board for consideration and review during the year included:

- Trading updates
- New product development and opportunities
- Strategy and integration
- Presentations from members of the Leadership Team
- Approval of annual and half-year report and financial statements
- Review of budget
- Going concern and cash flow
- Briefing and review of conflicts of interest
- Board performance evaluation
- Review of AGM business
- Share Dealing Code
- Investor relations and share register analysis

Details of some of the Board's key discussions and stakeholder considerations are set out in the Strategic report on pages 12 to 13.

## Leadership Team

The Leadership Team consists of the Group Function Heads, Country Managers and Executive Directors. The team meets in person quarterly and via conference call at least once a month. Their responsibilities include tracking financial performance, progress against our strategic objectives, leadership development, improving employee engagement and all aspects of the operational leadership of the organisation.





# CORPORATE GOVERNANCE REPORT

## CONTINUED

### The Board Committees

The Board has delegated specific responsibilities to its two Board Committees, the Audit and Risk Committee and the Remuneration and Nomination Committee which are each comprised of at least two independent Non-Executive Directors.

Each Board Committee has written Terms of Reference setting out their duties, authority and reporting responsibilities. These Terms of Reference were reviewed and approved by the Board during the year and are available on the Company's website ([www.animalcargroup.com](http://www.animalcargroup.com)).

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

### External advisers

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

### Development, information and support

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

### Board evaluation

The Board reviewed the outcome of a formal performance evaluation process during the year. The process was conducted by way of a detailed questionnaire completed by each member of the Board to obtain the Directors' views on the effectiveness of the Board, its committees and on key governance areas. The responses were collated and reviewed by the Chairman and a summary of the results presented to the Board in April. The Board discussed the results in detail at the Board meeting in June. As a result of the open discussion, some areas of focus were agreed to improve the balance, composition and effectiveness of the Board over the course of the year. These included consideration of the composition of the Board, the addition of a dedicated strategy session to the Board calendar, increasing the Audit Committee's focus on the Group's integrated risk management plan and continuing to ensure the Group's culture is articulated and embedded across the Group.

### Conflicts of interest

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

### Internal controls

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

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

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

- Close management of the day-to-day activities and financial performance of the Group by the Executive Directors and the Leadership Team
- An organisational and IT systems structure with defined levels of responsibility and user access
- Specified contract approval levels and financial authority limits
- An annual budgeting process which is approved by the Board
- Controls to ensure that the assets of the Group are safeguarded and that appropriate accounting records are maintained

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

### Independent professional advice

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

### Directors' and officers' liability insurance

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

## Risk management

Risks throughout the Group are considered and reviewed by the Audit and Risk Committee and reported to the Board on a regular basis. Risks are identified and mitigating actions put into place as appropriate. Principal risks identified are set out in the Strategic Report on pages 12 to 13. Internal control and risk management procedures can only provide reasonable and not absolute assurance against material misstatement. The internal control procedures were in place throughout the financial year and up to the date of approval of this report.

## Culture

The Board sets clear expectations concerning the Group's culture and values. During the year we established the values and behaviours for the organisation and rolled out group wide policies, including a new Code of Conduct, to strengthen compliance, which have all been cascaded throughout the organisation.

We believe that by encouraging the right way of thinking and behaving across the Group, we will reinforce our corporate governance culture, enabling us to conduct business ethically and responsibly, drive our growth- and customer-focused, people-led strategy and deliver value for our shareholders.

The Board understands how important it is that it leads by example. Members of the Board engage with members of the Leadership Team and wider employee base, in particular, through holding Board meetings at different business units. During the year we established the values and behaviours for the organisation and rolled out group wide policies, including a new Code of Conduct, to strengthen compliance, which have all been cascaded throughout the organisation. We communicate regularly with staff through such interactions provide valuable insight into our corporate culture and assists the Board in monitoring and promoting a healthy corporate culture throughout the business.

## Relations with shareholders

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

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

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

## Employee engagement

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

Our 2019 Employee Engagement survey results showed an overall improvement on the 2018 results, particularly in terms of employee recognition, reflecting the implementation of our Purpose and Core values and the introduction of a process of regular feedback across the Group. Key focus areas for 2020 include Performance Management & Development and the implementation of a Talent Management program across the Group.

## Annual General Meeting

The Company's Annual General Meeting ("AGM") is scheduled to be held at 3pm on Tuesday 30 June. Due to the ongoing COVID-19 pandemic, and the control measures put in place by the UK Government, the Directors do not expect that it will be possible to hold the AGM in the way we had originally planned and the Board has therefore decided that it should be run as a closed meeting. As a result, shareholders will not be permitted to attend in person. Given these circumstances, the Board strongly advises shareholders to appoint the chairman of the meeting as proxy for their votes. We encourage shareholders to submit questions for the Board ahead of the AGM by email to [communications@animalcaregroup.com](mailto:communications@animalcaregroup.com). The Board will, where appropriate, post answers on the Group's website [www.animalcaregroup.com/investors/aggm](http://www.animalcaregroup.com/investors/aggm) after the AGM.



# AUDIT AND RISK COMMITTEE REPORT

*“As Chairman of the Audit and Risk Committee, I am pleased to present the Committee’s report for the year ended 31 December 2019.”*

**Nick Downshire**  
Chairman of the  
Audit and Risk Committee

On behalf of the Board, I am pleased to present the Audit and Risk Committee’s report for the year ended 31 December 2019.

In December 2019, it was agreed that the Committee would take a more active role in monitoring and reviewing the Group’s integrated risk management framework and that, as a result, the name of the Committee would formally change to the Audit and Risk Committee with effect from 1st January 2020.

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

## Members of the Audit and Risk Committee

The Committee comprises three independent Non-Executive Directors:

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

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

The Committee met three times during the year and on one occasion since the year end and will continue to meet at appropriate times in the reporting and audit cycle

and at such other times as is necessary to discharge its duties. Although only members of the Committee have the right to attend meetings, the Chief Executive Officer, Chief Financial Officer and external advisers may be invited to attend for all or part of the meeting.

## Duties

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

- To monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements that they contain
- To review the adequacy and effectiveness of the Company’s internal financial controls and internal control and risk management systems to identify, assess, manage and monitor financial risks, including the appropriateness and effectiveness of the risk management framework
- To review the arrangements for whistleblowing enabling its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters



- To consider annually whether the Company's size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board
- To consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Company's external auditor
- To monitor and review the external auditor's independence and objectivity, taking into account relevant statutory, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
- To develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant statutory, professional and regulatory requirements on the matter
- To report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee reviews its Terms of Reference annually and the Board approved the current Terms of Reference on 17th December 2019, which included the renaming of the Committee to the Audit and Risk Committee with effect from 1st January 2020 to reflect the Committee's more active role in monitoring of the Group's integrated risk management plan.

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

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

## Principal activities during the year

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

- Review of the 2018 financial statements and Annual Report
- Consideration of the external audit report and management representation letter
- Going concern review
- Review and approval of the interim results
- Assessment of the need for an internal audit function
- Meeting with the external auditor without management present
- Review of the 2019 audit plan and audit engagement letter
- Review of the integrated risk management framework and internal control systems

As regards the 2019 Annual Report, during May 2020, the Committee considered the potential impact of the COVID-19 pandemic on the cashflows and liquidity of the Group, particularly in relation to the preparation of the Group's financial statements on a going concern basis. Management prepared a series of future trading scenarios to June 2021 to factor in a range of downside revenue estimates with mitigating actions on cost and cash flow. Further details are included in the Chief Financial Officer's review and note 3 Summary of Significant Accounting Policies.

## Role of the external auditor

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

Having reviewed and assessed the auditor's independence and performance, the Committee recommended to the Board that a resolution to reappoint PricewaterhouseCoopers LLP as the Group's external auditor be proposed at the forthcoming Annual General Meeting.

## Audit process

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

## Internal audit

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



# AUDIT AND RISK COMMITTEE REPORT CONTINUED

## Significant issues considered in relation to the Financial Statements

As part of the monitoring of the integrity of the financial statements, significant issues and accounting judgements identified by the finance team and the external audit process are then reviewed by the Committee and reported to the Board. The significant issues considered by the Committee in respect of the year ended 31 December 2019 are set out below:

Carrying value of goodwill and intangible assets of the Group and the carrying value of investments held by Animalcare Group plc	Consideration of the carrying value of goodwill and intangibles assets and the assumptions underlying the impairment review. The judgements in relation to the valuation primarily relate to the assumptions underlying the cash flows of the long-term business plans, including revenues from the R&D pipeline, the discount rate and the long-term growth rate. The assumptions are sensitised to demonstrate there is adequate headroom between the recoverable amount and the carrying value of the asset being tested for impairment.
Recognition and valuation of judgmental provisions	Determining the appropriateness of the assumptions used in the recognition and valuation of judgemental provisions which relate mainly to inventory, customer rebates, restructuring and integration.
Presentation of underlying profit adjustments	A review of the appropriateness of items disclosed as non-recurring items including amortisation of acquired intangibles, restructuring and integration costs.
Impact of IFRS 16	A review of the impact of IFRS 16 in the current financial year and the application of relevant procedures following the adoption of the standard.

The Committee was satisfied that each of the matters set out above had been fully and adequately addressed by the Executive Directors, appropriately tested by the external auditor and that the disclosures made in this Annual Report and Accounts were appropriate.

## Risk management and internal controls

The Group has established a framework of risk management and internal control systems, policies and procedures. The Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee undertook a review of the integrated risk management framework, the risks facing the Group and the actions taken to mitigate each risk. The Committee is satisfied that the internal control systems which have been established are currently operating effectively.

## Share dealing

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

## Whistleblowing

The Group's whistleblowing procedures under which staff may report any suspicion of fraud, financial irregularity or other malpractice were reviewed and updated during the year.

### Nick Downshire

Chairman of the Audit and Risk Committee

29 May 2020

# REMUNERATION AND NOMINATION COMMITTEE REPORT

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

## Members of the Remuneration and Nomination Committee

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

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

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

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

## Duties

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

### Nomination

- Reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes necessary;
- Considering succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company; and
- Leading the process for all potential appointments to the Board and making recommendations to the Board in relation to potential appointments.

### Remuneration

- Setting remuneration for the Executive Directors, including pension rights and any compensation payments;
- Approving the design of, and determining targets for performance-related pay schemes and approving the total annual payments made under these schemes; and
- Recommending and monitoring the level and structure of remuneration for senior management.

## Principal activities during the year

During the year, the Committee considered the following matters:

- Benchmarking and review of Executive Directors' remuneration
- Benchmarking and review of the remuneration of the Leadership Team
- Performance criteria for the Long Term Incentive Plan ("LTIP") and future awards under the LTIP
- Review of performance of the Executive Directors
- Approval of salary increase for the CEO
- Review of Board composition
- Succession planning
- Board evaluation
- Re-election of Directors at the AGM
- Review of the Committee's terms of reference

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

## Diversity

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

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

The Leadership Team consists of 50% (six) male and 50% (six) female members.



# DIRECTORS' REMUNERATION REPORT

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

This report covers the financial year ended 31 December 2019.

## The Remuneration and Nomination Committee

The Board has delegated certain responsibilities for executive remuneration to the Remuneration and Nomination Committee ("the Committee"). Details of the Committee, its remit and its activities are set out on page 41.

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

## Remuneration policy

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

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

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

## Executive Directors

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

## Base salary

Base salary is reviewed annually by the Committee.

## Annual bonus

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

## Long Term Incentive Plan

A Long Term Incentive Plan, the Animalcare Group plc Long Term Incentive Plan 2017 ("the LTIP") was approved by the Board in June 2017. A summary of the LTIP was set out in the circular sent to shareholders on 24th June 2017 which is available on the Company's website ([www.animalcaregroup.co.uk](http://www.animalcaregroup.co.uk)).

On 6th June 2019, the Board approved the grant of nil-cost options under the LTIP over a total of 425,279 ordinary shares with a nominal value of 20p per share ("the Options") awarded to the Executive Directors and to members of the Leadership Team. Details of the nil-cost options granted to the Executive Directors are set out on page 45.

The LTIP awards will normally vest three years after the date of grant subject to the following performance criteria being met over the three-year financial period ending 31 December 2021. The Options will vest to the extent the following performance conditions based on EPS and TSR are met:

Earnings Per Share growth	Extent to which EPS tranche will vest
Less than 3%	0%
3%	25%
8%	100%
Between 3% and 8%	Between 25% and 100% on a straight line basis

Rank of the Company's TSR compared to the Comparator Group	Extent to which the TSR tranche will vest
Upper quartile or above	100%
Between median and upper quartile	Pro rata between 25% and 100% on a ranking basis
Median	25%
Below median	0%

50% of the option award will be subject to the EPS performance condition and the remaining 50% will be subject to the TSR performance condition. Accordingly, if one of the performance conditions is met but the other is not, the Option award will vest in part. The details of the LTIP are set out in note 25 to the consolidated financial statements.

Non-Executive Directors are not eligible to participate in the LTIP.

## Other benefits

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

## Service agreements and termination payments

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

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

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

Iain Menneer resigned as a Director of the Company on 26th April 2018 and was placed on gardening leave for his 12-month notice period which expired on 25th April 2019.

## Employees' pay

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

## Non-Executive Directors

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

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

## Terms of appointment

Each of the Non-Executive Directors signed a letter of appointment on 23rd June 2017 for an initial term of three years which can be terminated by either party giving to the other one month's prior written notice. The initial term is due to expire at the conclusion of the 2020 AGM. The Directors intend to renew these appointments for a further period of three years expiring at the conclusion of the 2023 AGM of the Company and recommend the re-election of each of the Non-Executive Directors at the 2020 AGM.

## Remuneration policy for 2020

The remuneration policy for 2020 will operate as follows:

	Role	Basic salary/fee £'000s	Maximum bonus potential
<b>Executive</b>			
Jennifer Winter <sup>1</sup>	Chief Executive Officer	300	50%
Chris Brewster	Chief Financial Officer	205	40%
<b>Non-Executive</b>			
Jan Boone	Chair	70	–
Nick Downshire	Chair of Audit and Risk Committee	40	–
Ed Torr	Chair of Remuneration and Nomination Committee	43	–
Marc Coucke	Non-Executive Director	40	–
Chris Cardon	Non-Executive Director	40	–

<sup>1</sup> Following benchmarking and review of remuneration and fees, the CEO's salary was increased from £285,000 to £300,000.





# STATUTORY INFORMATION

The following information includes disclosures required by the AIM Rules and UK company law in respect of Directors who served during the year to 31 December 2019.

## Directors' remuneration (audited)

The following table summarises the gross aggregate remuneration of the Directors who served during the year to 31 December 2019:

£'000		Salary and fees	Annual bonus	Benefits	Pension	Compensation for loss of office	Total
<b>Executive Directors</b>							
Jenny Winter <sup>1</sup>	<b>2019</b>	<b>285</b>	<b>71</b>	<b>14</b>	–	–	<b>370</b>
	2018	71	–	3	–	–	74
Chris Brewster	<b>2019</b>	<b>205</b>	<b>41</b>	<b>13</b>	<b>25</b>	–	<b>284</b>
	2018	205	–	12	25	–	242
Chris Cardon <sup>2,3,4</sup>	<b>2019</b>	<b>159</b>	–	–	–	–	<b>159</b>
	2018	352	–	7	27	–	386
Iain Menneer <sup>5</sup>	<b>2019</b>	–	–	–	–	<b>90</b>	<b>90</b>
	2018	32	–	3	28	203	266
<b>Non-Executive Directors</b>							
Jan Boone	<b>2019</b>	<b>70</b>	–	–	–	–	<b>70</b>
	2018	70	–	–	–	–	70
Marc Coucke	<b>2019</b>	<b>40</b>	–	–	–	–	<b>40</b>
	2018	40	–	–	–	–	40
Nick Downshire	<b>2019</b>	<b>40</b>	–	–	–	–	<b>40</b>
	2018	40	–	–	–	–	40
James Lambert <sup>6</sup>	<b>2019</b>	<b>20</b>	–	–	–	–	<b>20</b>
	2018	40	–	–	–	–	40
Ed Torr	<b>2019</b>	<b>43</b>	–	–	–	–	<b>43</b>
	2018	40	–	–	–	–	40
<b>Total</b>	<b>2019</b>	<b>162</b>	<b>112</b>	<b>27</b>	<b>25</b>	<b>90</b>	<b>1,115</b>
	2018	890	–	25	80	203	1,198

<sup>1</sup> Jennifer Winter was appointed as a Director on 1st October 2018 with an annual salary of £285,000. Her salary for 2018 was prorated accordingly

<sup>2</sup> From 1st January to 23rd July 2019, Chris Cardon's salary was £250,000. On his change of role to Non-Executive Director on 25th July 2019, he received an annual fee of £35,000 prorated from the date of his change of role. (From 1st January to 31st September 2018, Mr Cardon's annual salary was €335,000. On his change of role from 1st October 2018, his annual salary was €250,000.) Prorated salary is converted to GBP at the Group 2019 average rate of £1:€1.14.

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

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

<sup>5</sup> Iain Menneer resigned as a Director of the Company on 26th April 2018 and was placed on gardening leave for his 12-month notice period. Compensation for loss of office for 2019 represents the salary paid to Mr Menneer during his gardening leave from 1st January 2019 to 26th April 2019 (and from 27th April to 31 December 2018).

<sup>6</sup> James Lambert resigned as a Director on 25th June 2019.

## Share options (audited)

The individual interests of the Executive Directors under the LTIP are set out below:

	Date of grant	Number of LTIP options awarded	First exercise date
Jennifer Winter	06/06/19	177,570	06/06/22
Chris Brewster	06/06/19	76,636	06/06/22

A total of 171,073 options over ordinary shares were also granted to members of the Leadership Team.

Chris Cardon did not receive an award under the LTIP.

## Directors' interests in the share capital of the Company

The Directors' interests in the share capital of the Company as at 31 December 2019 and the movements during the year are set out below:

Director	Number of shares held as at 1st January 2019	Acquired/ (disposed) during the period	Number of shares held as at 31 December 2019	Percentage of ISC as at 31 December 2019
Jan Boone	50,171	–	50,171	0.08
Chris Brewster	280,513	–	280,513	0.47
Chris Cardon	13,857,213	–	13,857,213	23.07
Marc Coucke	13,857,213	–	13,857,213	23.07
Nick Downshire	1,031,529	–	1,031,529	1.75
Edwin Torr	107,455	–	107,455	0.18
Jennifer Winter	–	–	–	–

In addition, as at 1st January 2019, Nick Downshire had a non-beneficial interest of 190,446 shares; as at 31 December 2019, he had a non-beneficial interest of 190,446 shares.

There were no changes in the Directors' interests in shares between 31 December 2019 and 29 May 2020.

### Ed Torr

Chairman of the Remuneration and Nomination Committee

29 May 2020



# DIRECTORS' REPORT

The Directors present the Directors' Report, together with the audited Financial Statements of the Group and the Company for the year ended 31 December 2019.

## Principal activities

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

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

## Statutory information contained elsewhere in the Annual Report

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

Results in the Chief Financial Officer's review on pages 18 to 23.

Corporate Governance and the Group's financial risk management objectives in the Corporate Governance Report on pages 34 to 37.

The Directors' remuneration report can be found on pages 42 to 45.

Details of the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk can be found in Note 23 of the financial Statements.

Details of the salaries, bonuses, benefits and share interests of Directors in the Directors' Remuneration Report on pages 42 to 45.

Section 172 statement, the key issues and stakeholder considerations discussed by the Board during the year and how the Company engages with its stakeholders are set out on page 10 of the Strategic report.

Directors' responsibility statements on page 49.

Likely future events are disclosed within the Strategic report on pages 12 to 13.

Post balance sheet events are set out in the Strategic Report on page 17 and in note 28.

## Dividend

On 25 March 2020, the Group announced that payment of the final dividend had been deferred with the aim of supporting our financial strength and providing a platform to continue progressing opportunities during the global COVID-19 pandemic. This decision by the Board, which had the effect of retaining an additional approximately £1.4m in cash, will be reviewed later in 2020. At that point, the Board will consider what actions are in the best interests of shareholders.

## Directors and Directors' interests

The names of the current Directors of the Company and their biographical details are shown on pages 28 to 31. Changes to directorships during the reporting period are shown on page 32. Details of Directors' interests in the shares of the Company are shown on page 45. This information is incorporated into this report by reference.

## Share capital structure

The Company's issued share capital as at 31 December 2019 was £12,011,432.20 divided into 60,057,161 ordinary shares of 20 pence each.

There have been no changes to the Company's issued share capital between 31 December 2019 and the date of this report.

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

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

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

## Authority for the Company to purchase its own shares

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

At the AGM on 25th June 2019, the Company was generally and unconditionally authorised by its shareholders to make market purchases (within the meaning of section 693 of the Companies Act 2006) of up to a maximum of 6,005,716 of its ordinary shares. The Company has not repurchased any of its ordinary shares under this authority, which is due to expire on the date of this year's AGM.

## Research and development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Chief Executive Officer's Review. During the period under review, the Group incurred research and development expenditure including additions to intangibles of £4.7m (2018: £6.2m).

## Articles of Association

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

## Financial instruments and risk management

Disclosures regarding risk management and financial instruments are provided within the Strategic Report and in note 20 to the Consolidated Financial Statements on page 88.

## Directors' indemnities and liability insurance

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

The Group purchases and maintains directors' and officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 31 December 2019 and remains in place at the date of this report. The Company reviews its level of cover annually.

## Political donations

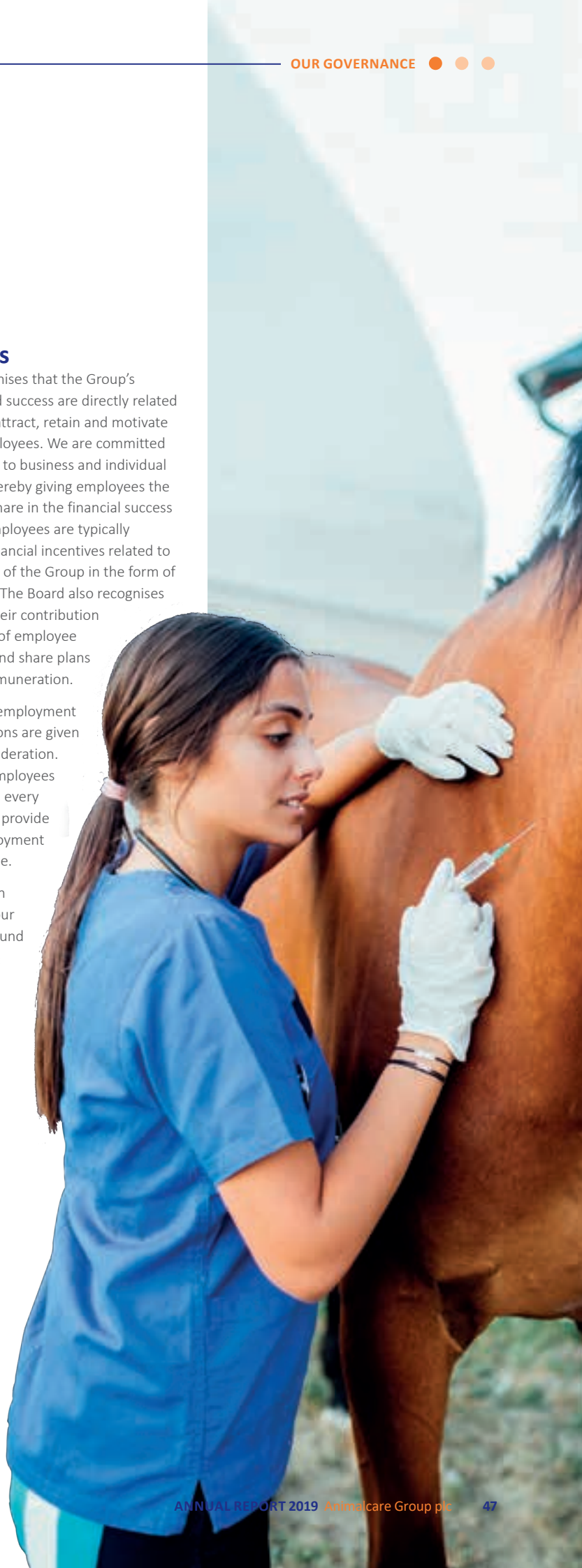
No political donations were made during the year (2018: £nil).

## Employees

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

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

Further details on employees and our culture can be found on page 37.





# DIRECTORS' REPORT CONTINUED

## Stakeholder engagement and key decisions

Details of the key decisions and discussions of the Board during the year and the main stakeholder inputs into those decisions are set out in the Strategic Report on page 12.

## Significant shareholdings

The Company has been notified of the following interests or is otherwise aware of the following interests, representing 3% or more of the issued share capital of the Company as at 15 May 2020:

Name of holder	No. of ordinary shares	% holding
Alychlo NV	13,857,213	23.07
Ecuphar Invest NV	13,857,213	23.07
Liontrust Asset Management	6,975,389	11.61
Canaccord Genuity Wealth Management	2,103,407	3.50

## Relationship agreement

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

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

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

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

## Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements. The going concern basis of accounting has therefore continued to be adopted in preparing the financial statements.

In reaching this conclusion the Directors have undertaken an assessment of the future prospects of the Group taking into account the Group's current financial position and principal risks. This review considered forecasts of future trading, including working capital and investment requirements for 12 months from the reporting date that take into account reasonably possible changes in trading performance, in particular the inherent uncertainty and potential impact of COVID-19 post year end. Further details on the potential impact of COVID-19 and the conclusion thereon are included in the statement on going concern in note 3 on page 61.

## Disclosure of information to auditor

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

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

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

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

## Annual General Meeting

The Company's Annual General Meeting is scheduled to be held at 3pm on Tuesday 30 June 2020 at 10 Great North Way, York, YO26 6RB. The Notice of Annual General Meeting, including the resolutions to be proposed, is set out in a separate Notice of Meeting which accompanies this report and is available on the Company's website [www.animalcaregroup.com](http://www.animalcaregroup.com).

## Approval

The Strategic Report on pages 01 to 27 and this Directors' Report on pages 46 to 48 were approved by the Board on 28 May 2020.

Approved by the Board and signed on its behalf by

**Chris Brewster**  
Chief Financial Officer and  
Company Secretary

29 May 2020

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

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

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

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

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

**Chris Brewster**  
Chief Financial Officer and Company Secretary

29 May 2020