Animalcare Group plc

Annual Report
for the year ended 30th June 2015

Supplying & Supporting
Veterinary Professionals throughout the **UK**

Animalcare Group plc

www.animalcaregroup.co.uk

Stock Code: ANCR

WELCOME TO
ANIMALCARE GROUP PLC

Animalcare Group plc is **focused on growing** its veterinary business.

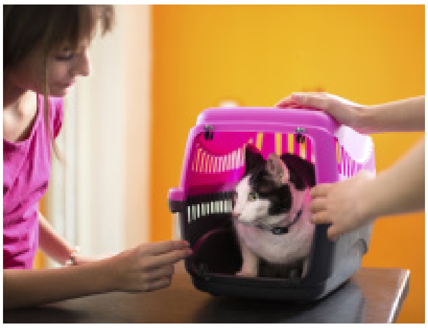
We are a leading supplier of generic veterinary medicines and animal identification products to companion animal veterinary markets.

We develop and sell goods and services to veterinary professionals principally for use in companion animals; operating through UK wholesalers and distribution and development partners in key markets in Western Europe.

We have three product groups:

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

For more information see pages **04** and **05**



Animalcare Group plc

INVESTMENT CASE

- Animalcare is a sustainable business in a growing market. In the year ended 30th June 2015 Animalcare recorded revenue and gross profit growth of 5.1% and 6.0% respectively; continuing its track record of topline growth
- Animalcare is cash generative and debt free, hence in a strong financial position to invest in future growth
- Animalcare is dividend paying and given its strong balance sheet expects to maintain its current dividend policy during the investment phase
- Animalcare has a clear strategy for growth by investing in the development of enhanced veterinary generic pharmaceuticals to accelerate its progress over the next three to five years

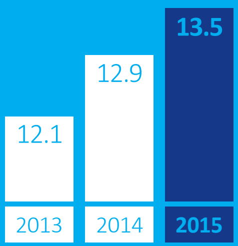
LOOK OUT FOR THESE ICONS

See further content for the Annual Report and Accounts 2015 online at : **animalcare.annualreport2015.com**

View more content within this report

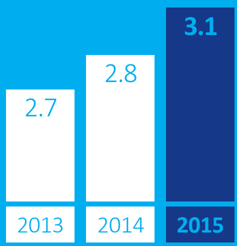
FINANCIAL HIGHLIGHTS

REVENUE
£m



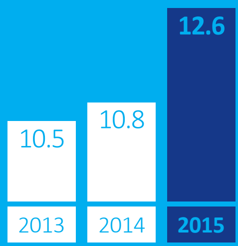
+5.1%
at £13.5m

UNDERLYING OPERATING PROFIT
£m



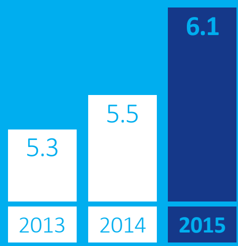
+11.0%
at £3.1m

UNDERLYING BASIC EPS
Pence



+16.7%
at 12.6p

DIVIDEND PER SHARE
Pence



+10.9%
at 6.1p

Read more about our financial performance, definition of underlying and dividend per share in the Chief Financial Officer's review on pages **13** and **14**.

View our Financial Highlights online at:
animalcare.annualreport2015.com

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OPERATIONAL HIGHLIGHTS

- Strong increase in sales of Licensed Veterinary Medicines, by 8.8%
- Volume of microchips sold increased in the period with revenues impacted by the timing of a horse microchip tender
- Revenues from the Animal Welfare Products range increased slightly in the year, 2.6%
- Investment in product development pipeline has increased substantially in the period. 3 development projects progressed to regulatory submission, of which 1 licence has been granted
- A new post of European Development Manager has been successfully filled to focus entirely on expanding potential from territories outside the UK

Read more about our Chief Executive Officer's Review on pages **10** to **12**

View our Financial Highlights online at:
animalcare.annualreport2015.com

CHAIRMAN'S STATEMENT

"The three areas of the business have performed well during the year; in particular the continued growth of Licensed Veterinary Medicines"

James Lambert Chairman

Animalcare remains focused on three product groups: Licensed Veterinary Medicines, Companion Animal Identification and Animal Welfare Products; all sold through veterinary practices. The three areas of the business have performed well during the year; in particular the continued growth of Licensed Veterinary Medicines by 8.8% is very pleasing and follows a strong year in 2014.

Financial Trading

Group revenues increased by 5.1% from £12.9m to £13.5m principally due to the growth in sales of Licensed Veterinary Medicines by £696k to £8.6m. This good performance has led to pre-tax profits increasing by 12.7% during the year and over 30% in the past two years. Basic earnings per share have increased from 10.3p to 12.1p, up 17.5% in the period and 33% in the past two years. Cash generation has remained very strong, with cash increasing from £3.8m to £5.8m.

People

The senior management of your business has been further strengthened during the year with high calibre individuals from the human and animal pharmaceutical industry. A Senior Management Team meeting made up of all the heads of departments is chaired monthly by our CEO Iain Menneer, setting and monitoring budgets, and running the business day-to-day.

The plc Board, which meets eight times a year, is chaired by myself as Non-Executive Chairman, having held CEO and Chairman roles for thirty years. Nick Downshire also has wide business experience and is a qualified accountant and chairs the Audit Committee. Ray Harding is a qualified veterinary surgeon and set up and ran a successful pharmaceutical regulatory consultancy for fifteen years and is Chairman of the Remuneration and the Nomination Committees. Along with the CEO and CFO your Board sets the strategy to enhance shareholder value in all three main operating areas of the business. I believe the success and the long-term growth of Animalcare are well served by a stable, experienced, well balanced and challenging Board. This coupled with an able, talented hard working management team gives your Company real opportunity for continued growth over the coming years.

Product Development Pipeline

Progress has been made during the period developing new products in our in-house development pipeline. Our investment in product development and in regulatory assessment fees has grown significantly during the year to almost £800k, an area which is core to our growth strategy. Further information is available on pages 8 and 9.

Dividend

Your Board proposes, subject to shareholder approval, an increased final dividend of 4.3 pence per share. With 1.8 pence per share paid as the interim dividend this brings the total for the year to 6.1 pence per share, representing growth of 10.9% (2014: 5.5 pence per share), which is in line with underlying operating profit and is well covered by the increase in cash balances.

Prospects

With the significant increase in investment in new product development and in the infrastructure across all areas of its business, Animalcare is well positioned and delivering its strategy for growth in sales from 2017 onwards. Your Company possesses not only an experienced, talented and well balanced leadership team but also a capable hard working workforce. I would like to thank them all for their commitment during the year, which continues to deliver an exciting growing business.

James Lambert
Non-Executive Chairman

GROUP AT A GLANCE

OUR MAIN LOCATION

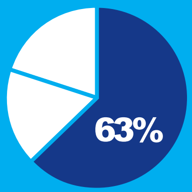
Our head office and increased warehousing operation are both located in York, UK.

OUR DISTRIBUTION POINTS

Animalcare has a strong network of distribution and development partners across Western Europe.

REVENUE

£8.6m



61% (2014) | **59%** (2013)

Licensed Veterinary Medicines

Market Overview

Total UK veterinary medicines market is worth £610m, of which £332m is for companion animals (dogs, cats, horses and small mammals). In the year to March 2015 the whole medicines market grew by 1.5% and 1.1% for companion animals (www.noah.co.uk).

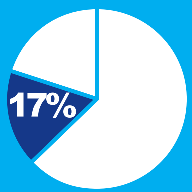
Read more online at:
www.animalcaregroup.co.uk

Operational Achievements

- Successful launch of 5 new products in the period
- Focus on anaesthetics and analgesics range has driven market penetration for these key products
- Product development pipeline has gained momentum

REVENUE

£2.3m



19% (2014) | **19%** (2013)

Companion Animal Identification

Market Overview

Annual UK sales volume currently estimated to be approximately 960,000 microchips for companion animals (excluding equine). Two main microchip database providers servicing the UK (The Kennel Club's Petlog ~7.7m pets, Animalcare's Anibase ~4.2m pets), with several much smaller operators.

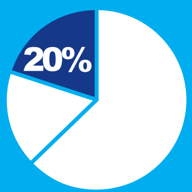
Read more online at:
www.animalcaregroup.co.uk

Operational Achievements

- Volume of Identichip units sold increased by 1.7% in the period
- Operational efficiencies implemented in pet owner database during the year offering cost savings whilst maintaining service levels
- New microchip launched just after the year end offering slimmer form factor for smaller pets but without losing all the performance features

REVENUE

£2.6m



20% (2014) | **22%** (2013)

Animal Welfare Products

Market Overview

This grouping covers a wide range of products and consequently suppliers. Accessing the veterinary market through different channels for example established veterinary and human healthcare wholesalers, internet providers and ad hoc local suppliers. Accordingly this fragmented market is very hard to quantify with any certainty.

Read more online at:
www.animalcaregroup.co.uk

Operational Achievements

- Infusion Accessories range continuing to grow
- Preparations nearing completion for our hygiene range ahead of implementation of stringent EU Biocides Regulations

BUSINESS MODEL

"This is the Animalcare Group plc Business Model, which seeks to outline how we create, deliver and capture shareholder value."

Primary Markets: Supply of goods and services to veterinary professionals.

Animal Types: Primarily companion animals.

Products and Services: Licensed Veterinary Medicines, Companion Animal Identification and Animal Welfare Products.

Geographic Reach: Currently 93% revenue in the UK; 7% in EU with expansion plans to further penetrate the EU.

- Robust process of identification of generic pharmaceuticals
- Core competence in pharmaceutical licence applications
- Broad experience of pharmaceutical formulation and contract manufacturers
- Strong EU partner network for pharmaceutical co-development projects and quid pro quo distribution
- Extensive reach of sales and marketing into UK veterinary customer base

DEVELOPMENT TEAM

Our in-house and partner developers identify pharmaceutical products to develop undifferentiated, differentiated and enhanced generics. Each project is assessed against technical and commercial criteria to determine its suitability to become a full development project. Our development pipeline has generated in excess of £25m revenue since 2006.

DISTRIBUTION

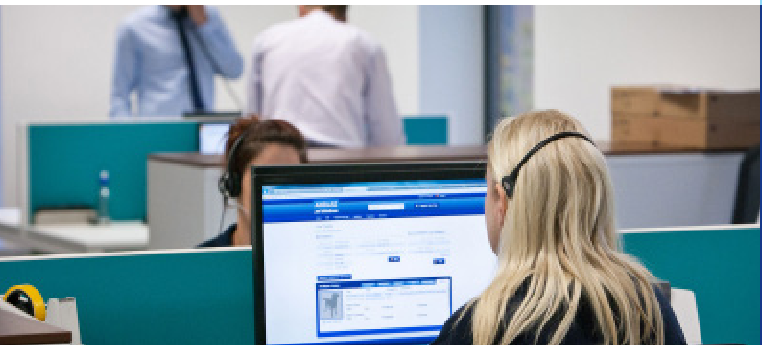
Animalcare sells its products to veterinary wholesalers in bulk. These products are then sold by the wholesalers to their veterinary practice customers. Similarly, some pharmaceutical products are sold to our European partners to distribute in their home territories.

SALES AND MARKETING TEAM

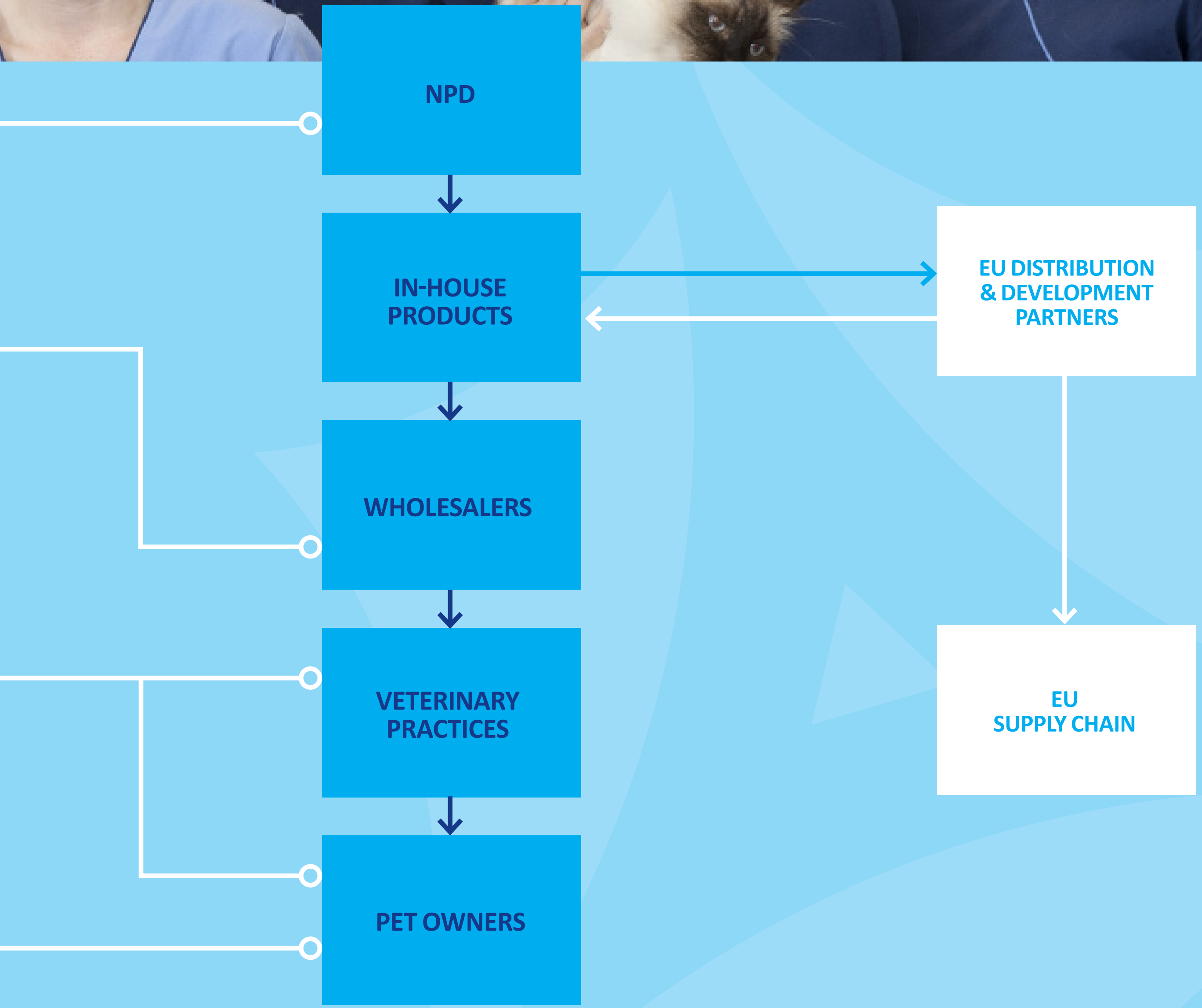
Our marketing team provides promotional literature for our sales team and support materials to help veterinary professionals explain medical conditions and therapies to their pet owning clients. Our highly trained sales team call on veterinary practices across the UK to promote our products and services, thereby pulling demand through the veterinary wholesalers. The regular visits from our sales representatives mean we have first hand experience of what our customers need, and can channel their feedback back to our development team. Our European partners distribute in their home territories.

PET MICROCHIP DATABASE

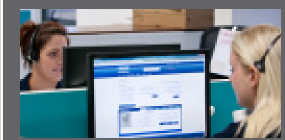
Our database staff receives over 100,000 calls a year from owners updating their contact details and animal welfare professionals wanting to reunite lost pets.



STRENGTH THROUGH OUR PEOPLE



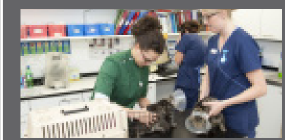
COMPANY CULTURE



STAFF DEVELOPMENT

KNOWLEDGE & EXPERTISE

STRONG EXTERNAL RELATIONSHIPS



STRATEGY

In recent years UK veterinary practices have consolidated; be it by corporate acquisition or joint-venture partnership, joining buying groups and growth of the charitable sector.

The veterinary pharmaceutical sector has seen increased competition through numbers of suppliers and generic products.

Conversely, in part through M & A activity, there are now fewer high quality routes to market for those pharmaceutical licence holders without domestic sales channels.

We have developed our internal capability, expertise and cash position to take advantage of these market conditions and opportunities to focus our strategy in the following areas.

Our strategy for 2015 to 2018 is to:

1. **Identify product candidates to maintain flow into and through development pipeline**
2. **Increase efforts to license in new pharmaceutical products**
3. **Assess opportunities to innovate and strengthen Companion Animal Identification group**
4. **Increase the sales of our current products outside the UK**

NEW PRODUCT DEVELOPMENT (NPD) PROCESS

Identification	Feasibility
Candidate identification and selection	Investment case prepared based on development, contract manufacturing, active ingredient source and market intelligence
28 Candidates	9 Projects

Identification

Animalcare draws on many areas to identify products to be considered for the pipeline. Our experienced staff use their market and practical knowledge as a great source of ideas and innovation along with market research with veterinary customers. Each project is assessed against criteria to determine its suitability.

The main criteria include:

- **size of market**
- **technical and regulatory feasibility**
- **number of competitors**
- **competitor profile**
- **fit to existing and future range**

Feasibility

If an opportunity satisfies these criteria the team assemble a project file that will include the regulatory strategy and a shortlist of facilities able to develop and manufacture the product. Early stage feasibility work may be undertaken. The investment proposal is submitted to the Board to gain their approval.

NPD Pipeline Monitoring

Regular project meetings are held with in-house teams and external partners, with progress monitored against the project timeline and budget using project management software. The development pipeline is reviewed by the Board at all Board meetings.

The varied nature of product development dictates that the exact process can be different for each project; however the diagram below explains some of the key steps in the Animalcare process.

Read more online at:
www.animalcaregroup.co.uk

Development	Regulatory	Commercial	
Data generated from manufacturing and clinical trials	Licence application dossier prepared and submitted	New product launched First Product Launches Planned H2 FY16	**2-3 years to maturity**
7 Projects	**4 NPD + 4 EPD Projects**		

Development

In most cases the product will be developed at the Contract Manufacturing Organisation (CMO) which will ultimately manufacture the product. Work will start immediately to source the Active Pharmaceutical Ingredient (API) and develop analytical methods. Small scale development batches will be manufactured for setting aside on stability and for use in any clinical studies.

Regulatory

The dossier is assembled and submitted to the regulatory authorities and is monitored through the process by the Animalcare team. The regulatory assessment process is controlled by a strict timetable; for most of our projects this is 210 days. In our experience it takes 12 months from submitting the dossier to launching the product on the UK market.

Launch

Once the marketing authorisation is received, and packaging layouts have been approved by the 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.

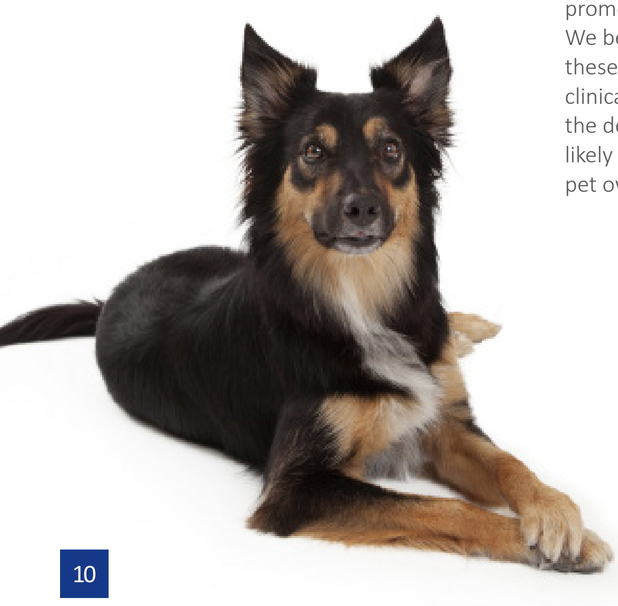
Existing Product Development

Whilst the model and stages outlined above are followed for new product development, from time to time we identify an opportunity to modify an existing pharmaceutical product in our range, which would provide additional features to increase sales or prolong the product life cycle. These types of projects are termed Existing Product Development (EPD) and necessitate trials, studies and regulatory fees, therefore an investment proposal would still be considered by the Board as with the NPD process.

CHIEF EXECUTIVE'S REVIEW

"I am very pleased to report that good progress has been made in our product development pipeline."

Iain Menneer Chief Executive Officer



Introduction

I am very pleased to report increased sales for the business during a period of investment. Revenues have grown in the period by 5.1% to £13.5m (2014: £12.8m). During the last two years we have been building a business that provides a strong platform from which to launch a new period of growth. This has been based on bringing together the best team possible and giving them the right environment to deliver our key strategic objectives. I am very happy with the progress we are making to deliver that growth.

Business Review

The veterinary market continues to evolve, presenting new opportunities to work differently with a customer base that is consolidating and looking for increasing value from the products and services we provide.

Latest industry figures show that dog numbers in the UK have declined by 4.7% to 8.5m and cats by 6.8% to 7.4m (Pet Food Manufacturers' Association, www.pfma.co.uk), with this trend appearing to reflect across other pet species too. There are no clear reasons for this change at a time when the economy is getting stronger in the UK after several years of recession. The national dog and cat charities believe these changes are as a result of their campaigns promoting responsible pet ownership. We believe we have limited exposure to these changes in pet population due to the clinical nature of our product portfolio and the demographic of veterinary customers likely to have been affected by changes in pet ownership.

Licensed Veterinary Medicines

The Licensed Veterinary Medicines group again generated strong sales, growing by 8.8%. During the first half of the period the main competitor to our product Buprecare (an analgesic and controlled drug) was absent from the market for a period of several months allowing Animalcare to benefit from non-recurring sales estimated at £0.2m.

In the first half of the year we launched the Pet Remedy range of over the counter products on distribution in the UK and Ireland. Pet Remedy is based on a patented formulation containing valerian at a specific level to calm pets. It can be used across all species and has proved very popular and effective in many domestic and veterinary settings.

During the second half we launched four new pharmaceutical products, all on distribution from an EU partner. Synthadon and Anaestamine both complemented our growing anaesthetic and analgesic range; Clavubactin and Fungiconazole are an antibiotic and antifungal product respectively. All are focused on the companion animal market. Whilst in the first few months of their launch phase, sales of each are progressing well.

Encouragingly, our pharmaceutical products are growing above market rates in comparison to the most recent UK market data which show a 1.1% increase for companion animal medicines revenues in the 12 months to March 2015 (National Office of Animal Health, www.noah.co.uk).

Companion Animal Identification

The sales volume of our Identichip microchips increased in the period by 1.7%, however UK revenues decreased by 2.2%, like for like. A significant equine order fulfilled late in the prior period adversely affected revenues from the equine channel in this reporting period.

In April 2016 it will be a legal requirement for all dogs in England to be microchipped and in addition it will be an offence if the owners' details are not kept up to date on the associated microchip database. The Scottish Parliament and Welsh Assembly have recently followed suit in introducing similar legislation, effective April 2016.

This impending change in the law has not had a dramatic effect on the uptake of microchipping. However, our veterinary customers have become more price sensitive and responsive to short-term promotional campaigns. We have plans underway to bring value back into the market once it settles down.

Pleasingly through this period our revenues from services derived from the microchip database have continued to rise.

Animal Welfare Products

The Animal Welfare Products group grew by 2.6% in the period. The infusion accessories range complements our prescription medicine intravenous fluids range and grew in the period by 5.3%, representing over 50% of the product group. Other categories in this group achieved revenues meeting our expectations with very modest levels of commercial support.

As stated before, we continue to assess our product portfolio not only to rationalise poor performing or lower margin items but to selectively invest in new opportunities that complement our existing ranges to enhance revenue growth and profit generation.

People

General

Animalcare is a great place to work and we pride ourselves on the positive and supportive culture. I have highlighted in previous reports that changes have been made to bring the personnel systems up to date and to a level befitting a company of its size and stature. I am very pleased that further progress has been made during the year to incentivise and reward colleagues better. Attention has now focused on staff engagement by improving company-wide communication and awareness raising. These efforts are having a positive effect in all areas of the business; and I am pleased that this year we have again experienced more staff promotions into new and responsible positions.

Management

Senior management changes during the financial year have resulted in a stronger, more capable leadership team. Sarah McKenzie joined as Head of Marketing from a senior commercial position at Teva UK, the global generic pharmaceutical company. Sarah brings directly applicable skills and experience from some very similar dynamics in the human generics market.

More recently, Martin Gore, formerly of Novartis Animal Health's leadership team in the UK, was appointed to a newly created position to focus on European development. Martin has a wealth of commercial skills gained in the animal and human health sector and has recent experience as a country manager in Ireland.

Sales

During the period we have concluded the reorganisation of our sales team. It is divided into two regions addressing the north and south of the UK. A structure has been introduced to support sales management. This change allows us to reward and motivate senior representatives more effectively. Field sales have been supported by the successful introduction of a telesales team. The final development is the strengthening of our key account support necessitated by the increase in corporate and buying group customers. Structural changes have been complemented by significant investment in training and development of our sales team. It is our goal to better serve our customers' changing requirements and build a team that is capable of fully exploiting the new products and services that our product pipeline will bring to market.

Product Pipeline

I am very pleased to report that good progress has been made in our product development pipeline. Development work has focused on identifying new product opportunities and also ways to significantly enhance the commercial potential of existing pharmaceutical products.

Four new and four existing product development projects reached the 'Regulatory' stage of our pipeline (see page 9), three being submitted to the authorities for assessment. One of these products has already been approved and will be launched to the UK market early in the second half of the current financial year. The other two are currently progressing through regulatory assessment successfully to date.

CHIEF EXECUTIVE'S REVIEW CONTINUED

These submissions are a clear sign that the strengthening of the development process is having an effect and that progress is being made; evidence of which will be in their launch from January 2016 onwards. Furthermore, other submissions will be made during the current financial year.

Europe

Animalcare's sales outside the UK have been broadly constant for several years, averaging 8% of total turnover. The growth in our home UK market has not been reflected in mainland Europe. Therefore one of Animalcare's stated strategic objectives is to increase sales outside the UK and reach the potential that patently exists.

A major step forward was the creation of a new post with the sole responsibility to achieve this. As outlined above, Martin Gore was appointed Head of Export Development late in the period.

Martin will assess current distribution arrangements in existing territories, offering support and insight from our central technical and marketing functions as required. In addition he will also identify new territory and distribution partner opportunities. In doing so Martin will increase our exposure in Europe with the intention to stimulate more inward product opportunities too.

Operations

Supply Chain

During the year our operations function has started a structured programme to manage the supply chain more robustly, including monitoring supplier performance and developing more informed forecasting models. It is believed that both of these elements will improve product supply and tighten control of stock levels.

Outlook

Over the past two financial years significant effort has been made to build a strong platform to launch into a new growth phase in Animalcare's history. I believe the essential ingredients are now in place and are already delivering progress in key areas of sales, product development and European growth.

During the past six months significant progress has been made increasing networks and contacts in an effort to source products to acquire or in-license. Whilst still in the early stages, there are some exciting opportunities under discussion.

Our business is strongly cash generative giving us the necessary resources to invest significantly in our product pipeline. We will continue to invest in and develop our enthusiastic and committed Animalcare team who are at the core of everything we do.

Iain Menneer
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

"The Group continues to make good progress which is reflected in our financial performance."

Chris Brewster Chief Financial Officer

Presentation of results

We present our financial results on two bases. Underlying results show the performance of the business before exceptional and other items since the Directors believe this provides a clearer understanding of business performance. IFRS results include these items to give the statutory results.

Overview

We delivered another solid performance during the financial year to 30th June 2015, with underlying operating profit increasing by 11.0% compared with previous year to £3.1m. This reflects our strong operational performance, both in revenue and margin terms, while continuing to make the necessary investment in our business to support future growth.

Our balance sheet strength continues to build, with Group cash balances of £5.8m at 30th June 2015. The Group's consistent profitable growth has enabled us to generate the funds we need to invest in our product development pipeline, a key part of our organic growth strategy.

Revenue and gross profit

Revenue £'000	2015	2014	% change
Licensed Veterinary Medicines	**8,579**	7,883	8.8%
Companion Animal Identification	**2,309**	2,418	(4.5%)
Animal Welfare Products	**2,648**	2,580	2.6%
TOTAL	**13,536**	12,881	5.1%

Overall revenues grew by 5.1% to £13.5m (2014: £12.8m). Our Licensed Veterinary Medicines group, which represents 63% of total revenue, again delivered good growth of 8.8%, 5.5% of which is like-for-like growth. As we noted in our Interim Report dated 31st December 2014, this includes a circa £0.2m non-recurring first half benefit from sales of Buprecare as a result of supply issues with a competitor product. The remaining growth is largely driven by sales of recently launched new products.

The strong performance in Licensed Veterinary Medicines was offset by a decline in Companion Animal Identification sales, mostly due to the phasing of export equine chip sales.

Our Animal Welfare Products group grew modestly driven by our growing infusion accessories range, which represents around 50% of the £2.6m sales.

Gross profit increased by 6.0% to £7.6m (2014: £7.1m). Our gross margins improved to 55.9% (2014: 55.4%), primarily due to the non-recurring Buprecare benefit noted above. Due to favourable sales mix, underlying gross margins remain comparable with the prior year.

The financial performance of each product group is reviewed in more detail within the Business Review section of the Chief Executive's Review.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Operating results

Revenue £'000	2015	2014	% change
Underlying EBITDA	3,423	3,162	8.3%
Depreciation & amortisation	(313)	(360)	
Underlying operating profit	3,110	2,802	11.0%
Profit before tax	3,010	2,672	12.7%

Underlying operating profit increased by 11.0% to £3.1m and our operating margin improved by 120 basis points to 23% (2014: 21.8%). Overheads, excluding research and development expenses, increased by £0.2m to £4.3m, as we continue to make the necessary investment, in particular in our management and support teams, to position the business for future growth. Research and development costs, which incorporate a share of the salaries of the product development team, have decreased by £0.1m against last year, reflecting the largely capital nature of the overall spend on our product pipeline.

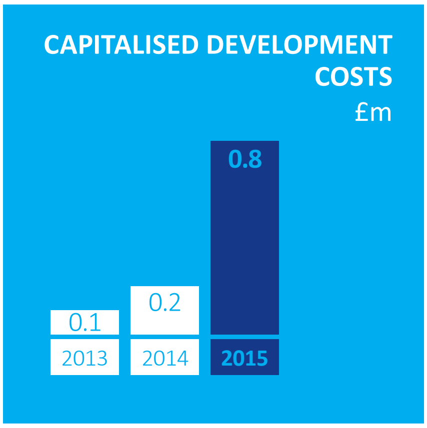
Non-underlying items principally incorporate the amortisation of acquired intangibles as detailed in note 4 on page 32.

Reflecting all of the above, Group profit before tax was up 12.7% to £3.0m (2014: £2.7m).

Cash flow

Our Group cash position grew by £2.0m to £5.8m as at 30th June 2015. Cash generated by operations was very strong at £4.5m (2014: £1.6m). We have focused on optimising our stock position following the peak seen in FY14 which has, to date, delivered a reduction of £0.8m. This project continues to ensure we maintain the necessary focus on our supply chain and the resulting impact of streamlining our working capital.

It is of primary importance that the Group reinvests the free cash in our business to support future growth and, as planned, during the year we have substantially increased our expenditure in our product development pipeline as shown in the chart below:



The four-fold increase in expenditure vs 2014 highlights the progress made in our pharmaceutical pipeline, as a result of the decisions made during FY14 to recruit additional resource within our Technical and Business Development teams.

Earnings per share ("EPS")

Basic underlying EPS improved by 16.7% to 12.6 pence (2014: 10.8 pence). Basic EPS rose by 17.5% to 12.1 pence (2014: 10.3 pence) reflecting the lower cost of exceptional items incurred during 2015.

Dividends

Since 2008 we have returned £5.5m to shareholders or 26.6 pence per share. This reflects the consistent and continuing strength of our operations, our balance sheet and cash position.

The Board is proposing a final dividend in respect of the year of 4.3 pence per share, giving a total dividend of 6.1 pence per share for 2015 (2014: 5.5 pence per share). This final dividend is subject to shareholder approval at the Annual General Meeting on 17th November 2015 and will be paid on 27th November 2015 to shareholders on the register at the close of business on 23rd October 2015. The Ordinary shares will become ex-dividend on 22nd October 2015.

The Board will continue to monitor the Group's cash position to ensure an appropriate balance between investment for future growth and dividend flow to deliver overall value for our shareholders.

Summary

The Group continues to make good progress which is reflected in our financial performance. We enter the 2016 financial year with a strong cash position, placing our business in an excellent position to take advantage of investment opportunities as and when they arise. Focused investment will continue, both within our employee base and product development pipeline, to deliver sustainable profitable growth in the coming years.

Chris Brewster
Chief Financial Officer

PRINCIPAL RISKS AND UNCERTAINTIES

Risk	Description and potential impact	Mitigation	Trend
Product development risk	Pharmaceutical development is complex, involving technical, regulatory and financial risk. Failure to successfully deliver new product development projects could have a material impact on the Group's results and damage our market position and relationship with our customers. Complete failure of a project or failure to meet commercial expectations due to for example competitor launches (generic or novel) would result in impairment of capitalised development costs.	Following careful selection of development strategy, each new product development project undergoes rigorous review by the cross-discipline senior management team with final sign off by the Board. The pipeline is reviewed regularly, with corresponding updates provided to the Board, to ensure each project is progressing according to plan. External consultants, where deemed necessary, are employed to aid effective management of the development and regulatory process.	Increase **The Group plans to commit significantly higher resources to expand our portfolio.**
Market risk	The veterinary market continues to see a customer base that is consolidating via the emergence of buying groups and corporate customers who are looking for value from the products and services we provide. This presents an opportunity for growth but potentially at the expense of margins.	The reorganisation of the sales team completed in the financial year was in part driven by our strategy to strengthen key account support and achieve our goal to better serve our changing customer base. Our marketing offering is also evolving via more tailored propositions to further strengthen support to our sales team, veterinary practices and their customers.	Unchanged
Supply chain risk	The Group purchases goods for resale under contract manufacturer supply and distribution agreements. Any disruption to the relationship with our key supply partners or interruption to the supply chain could result in significant loss of Group revenue. Generally, it is not in the commercial interests of the Group to implement dual sourcing for finished product.	Supply chain risk mitigation strategies include close monitoring of supplier performance, dual sourcing of raw material and the maintenance of contingency stocks where appropriate.	Unchanged
People risk	The Group has a small Executive and senior management team whose skills, knowledge, experience and performance make a large contribution to the success of the Group. Failure to retain and attract high calibre individuals could impact the successful implementation of our strategy.	Succession planning for the Board is overseen by the Nomination Committee. Planning for key senior management positions is given consideration by the Board. Remuneration packages are reviewed annually to help ensure that the Group has the right mix of base salary, short-term and long-term incentives to attract, retain and reward key employees to execute our growth strategy.	Unchanged

Increase Decrease Unchanged

BOARD OF DIRECTORS

James Lambert OBE

Non-Executive Chairman

Length of service

7 years; appointed to the Board in 2008

Committee membership

Nomination Committee

Key skills and experience

James was appointed Chairman of Animalcare in 2008 when Animalcare was acquired by Ritchey plc for whom he was chairman since 2005 and non-executive director since 2003. 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.

Lord Downshire

Non-Executive Director

Length of service

7 years; appointed to the Board in 2008

Committee membership

Audit Committee and Remuneration Committee

Key skills and experience

Nick joined the Board of Animalcare when it was acquired by Ritchey plc for whom he acted as a director since 1998. Nick is a qualified chartered accountant who has worked in corporate finance and venture capital, plus holding non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors. He runs an estate in Yorkshire with a range of activities including quarrying, renewables, forestry and a hotel as well as agriculture and property. He is also Chairman of the CLA for Yorkshire and sits on their national policy committee, as well as acting as a Trustee for a number of charitable and land related trusts.

Ray Harding

Non-Executive Director

Length of service

4 years; appointed to the Board in 2011

Committee membership

Chair of the Nomination Committee and Remuneration Committee

Key skills and experience

Ray has worked in the veterinary pharmaceutical industry since 1979 in many technical and product related roles for several international 'blue chip' companies. He established Cyton Biosciences Ltd in 1997 to provide specialist services in new product development and registration for bioscience industries in Europe. Ray left Cyton in 2012 and is now an independent consultant.

Being a qualified veterinary surgeon Ray brings unique technical expertise to the Board. He has extensive experience in the development of veterinary medicines and in the European regulatory environment. His knowledge encompasses the complete range of veterinary medicines and the market in which they compete in Europe.

Iain Menneer

Chief Executive Officer

Length of service

12 years; appointed to the Board in 2011

Committee membership

Secretary of the Nomination Committee and Remuneration Committee and by invitation

Key skills and experience

Iain joined Animalcare Ltd 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 in January 2013.

Chris Brewster

Chief Financial Officer
and Company Secretary

Length of service

3 years; appointed to the Board in 2012

Committee membership

By invitation

Key skills and experience

Chris has been Chief Financial Officer since June 2012. He qualified as a chartered accountant in 2003 and spent ten years at KPMG, working across a number of functions including Audit, Transaction Services and Corporate Finance, gaining a broad range of experience across a diversified portfolio of clients. Prior to joining Animalcare, Chris was Group Accounting Manager at Findus Group where he was responsible for the UK and European financial accounting, taxation and reporting requirements.

DIRECTOR'S REPORT

The Directors present their Annual Report on the affairs of the Group together with the financial statements and auditor's report for the year ended 30th June 2015.

Principal Activities

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

Business Review and Future Developments

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

Research and Development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Our Business and Strategy section of this report. During the year to 30th June 2015 the Group incurred research and development expenses of £143,000 (2014: £260,000) and a further £768,000 (2014: £156,000) was capitalised as development costs.

Dividends

Subject to shareholder approval at the Annual General Meeting on 17th November 2015, the Board proposes paying a final dividend of 4.3 pence per share on 27th November 2015 to shareholders on the register on 23rd October 2015. This will make a total dividend of 6.1 pence per share for 2015.

Capital Structure

The Company's issued share capital as at 30th June 2015 was 21,019,636 ordinary shares of 20 pence each, each credited as fully paid.

Directors

The following Directors held office during the year ended 30th June 2015 and subsequently:

C J Brewster
Lord Downshire
G Gunn (appointed 9th February 2015, resigned 2nd June 2015)
R B Harding
J S Lambert
I D Menneer

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

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 30th June 2015 and remains in place at the date of this report.

Creditor Payment Policy

We endeavour to maintain strong trading relationships with our suppliers. Terms of payment are agreed with suppliers in advance and it is the Group's policy to settle its liabilities in accordance with these terms. The number of days purchases included in trade creditors at 30th June 2015 was 44 days (2014: 54 days).

Corporate Governance

The Directors support the underlying principles of the UK Corporate Governance Code, notwithstanding that the Group is not required to comply with all of the Code's recommendations. The Board recognises its overall responsibility for the Group's systems of internal control and their effective operation and it has sought to comply with those provisions of the Code judged appropriate for the current size and nature of the Group, being the establishment of an audit committee, a remuneration committee and a nominations committee.

Formally constituted audit, remuneration and nominations committees, with membership comprising two of the Group's three Non-Executive Directors, were established on the Group's admission to AIM and are active in the conduct of internal financial control, Executive performance and remuneration and Board appointments respectively.

Charitable and Political Donations

During the year the Group made charitable donations of £325 (2014: £100). No political donations were made during the year (2014: £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.

Substantial Shareholdings

In accordance with the Disclosure Rules and Transparency Rules, the Company has been notified of the following interests exceeding the 3% notification threshold as at 30th September 2015, a date not more than one month before the date of the notice of the Annual General Meeting:

Name of holder	No. of ordinary shares	% holding
Investec Wealth Management Limited including the beneficial shareholding of S F Riddell of 863,500 shares (4.1%)*	2,259,497	10.7%
Liontrust Asset Management	2,059,251	9.8%
Octopus Investments	1,424,984	6.8%
Lord Downshire**	1,420,029	6.8%
Mr J S Lambert	1,413,691	6.7%
Unicorn Asset Management	1,250,800	6.0%
Lazard Freres Gestion	1,174,000	5.6%
Hargreave Hale	1,148,474	5.5%

* S F Riddell's shareholding includes a non-beneficial interest in 596,000 ordinary shares

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

Going Concern

The principal risks and uncertainties facing the Group are set out on page 15.

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

During the year the Group met its day-to-day general corporate and working capital requirements through existing cash resources. At 30th June 2015 the Group had cash on hand of £5.8m (30th June 2014: £3.8m).

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

Auditor

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

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

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

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

Animalcare Group plc

By order of the Board,

Chris Brewster
Company Secretary
13th October 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the Financial Statements for the year ended 30th June 2015

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

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

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Animalcare Group plc for the year ended 30th June 2015 set out on pages 22 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30th June 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Lindsey Crossland (Senior Statutory Auditor)
For and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
LS1 4DW
13th October 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended 30th June 2015

	Note	Underlying results before exceptional and other items 2015 £'000	Exceptional and other items[i] 2015 £'000	Total 2015 £'000	Underlying results before exceptional and other items 2014 £'000	Exceptional and other items[i] 2014 £'000	Total 2014 £'000
Revenue	5	13,536	—	13,536	12,881	—	12,881
Cost of sales		(5,963)	—	(5,963)	(5,739)	—	(5,739)
Gross profit		7,573	—	7,573	7,142	—	7,142
Distribution costs		(279)	—	(279)	(257)	—	(257)
Administrative expenses		(4,041)	(110)	(4,151)	(3,823)	(119)	(3,942)
Research & development expenses		(143)	—	(143)	(260)	—	(260)
Operating profit/(loss)	4, 6	3,110	(110)	3,000	2,802	(119)	2,683
Finance income		27	—	27	27	—	27
Finance expense	9	—	(17)	(17)	—	(38)	(38)
Profit/(loss) before tax	4, 6	3,137	(127)	3,010	2,829	(157)	2,672
Income tax (expense)/credit	10	(502)	26	(476)	(570)	35	(535)
Total comprehensive income/ (loss) for the year		2,635	(101)	2,534	2,259	(122)	2,137
Earnings per share							
Basic	12	12.6p		12.1p	10.8p		10.3p
Fully diluted	12	12.5p		12.0p	10.8p		10.2p

Total comprehensive income/(loss)for the year is attributable to the equity holders of the parent.

[i] In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are analysed in detail in note 4 to these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30th June 2015

Group	Note	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
Balance at 1st July 2013		4,149	6,192	7,621	17,962
Total comprehensive profit for the year		—	—	2,137	2,137
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,103)	(1,103)
Issue of share capital	23	43	199	—	242
Share-based payments	25	—	—	215	215
Balance at 1st July 2014		4,192	6,391	8,870	19,453
Total comprehensive profit for the year		—	—	2,534	2,534
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,217)	(1,217)
Issue of share capital	23	12	70	—	82
Share-based payments	25	—	—	139	139
Balance at 30th June 2015		**4,204**	**6,461**	**10,326**	**20,991**

Company	Note	Share Capital £'000	Share Premium Account £'000	Retained Earnings £'000	Total £'000
Balance at 1st July 2013		4,149	6,192	2,399	12,740
Total comprehensive profit for the year		—	—	2,166	2,166
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,103)	(1,103)
Issue of share capital	23	43	199	—	242
Share-based payments	25	—	—	86	86
Balance at 1st July 2014		4,192	6,391	3,548	14,131
Total comprehensive loss for the year		—	—	(327)	(327)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,217)	(1,217)
Issue of share capital	23	12	70	—	82
Share-based payments	25	—	—	74	74
Balance at 30th June 2015		**4,204**	**6,461**	**2,078**	**12,743**

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent Company is not presented as part of these financial statements.

BALANCE SHEETS

Year ended 30th June 2015

		Group		Company	
	Note	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Non-current assets					
Goodwill	13	**12,711**	12,711	**—**	—
Other intangible assets	14	**1,780**	1,327	**6**	—
Property, plant and equipment	15	**306**	372	**—**	—
Investments in subsidiary companies	16	**—**	—	**14,361**	14,361
Deferred tax asset	22	**—**	—	**88**	39
		14,797	14,410	**14,455**	14,400
Current assets					
Inventories	17	**1,653**	2,420	**—**	—
Trade and other receivables	18	**2,247**	1,883	**238**	144
Cash and cash equivalents	19	**5,777**	3,812	**1,576**	1,315
		9,677	8,115	**1,814**	1,459
Total assets		**24,474**	22,525	**16,269**	15,859
Current liabilities					
Trade and other payables	19	**(2,186)**	(1,606)	**(3,526)**	(1,728)
Current tax liabilities		**(212)**	(385)	**—**	—
Deferred income	21	**(234)**	(242)	**—**	—
		(2,632)	(2,233)	**(3,526)**	(1,728)
Net current assets/(liabilities)		**7,045**	5,882	**(1,712)**	(269)
Non-current liabilities					
Deferred income	21	**(724)**	(730)	**—**	—
Deferred tax liabilities	22	**(127)**	(109)	**—**	—
		(851)	(839)	**—**	—
Total liabilities		**(3,483)**	(3,072)	**(3,526)**	(1,728)
Net assets		**20,991**	19,453	**12,743**	14,131
Capital and reserves					
Called up share capital	23	**4,204**	4,192	**4,204**	4,192
Share premium account		**6,461**	6,391	**6,461**	6,391
Retained earnings		**10,326**	8,870	**2,078**	3,548
Equity attributable to equity holders of the parent		**20,991**	19,453	**12,743**	14,131

The financial statements of Animalcare Group plc, registered number 1058015, were approved by the Board of Directors and authorised for issue on 13th October 2015. They were signed on its behalf by:

Chris Brewster
Chief Financial Officer

CASH FLOW STATEMENTS

Year ended 30th June 2015

	Note	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Comprehensive income/(loss) for the year before tax	10	**3,010**	2,672	**(464)**	(519)
Adjustments for:					
Depreciation of property, plant and equipment	15	**73**	69	**—**	—
Amortisation of intangible assets	14	**359**	410	**1**	—
Finance income	9	**(27)**	(27)	**(15)**	(20)
Share-based payment expense	25	**139**	152	**74**	86
Release of deferred income	21	**(14)**	(49)	**—**	—
Operating cash flows before movements in working capital		**3,540**	3,227	**(404)**	(453)
Decrease/(increase) in inventories	17	**767**	(1,002)	**—**	—
(Increase)/decrease in receivables	18	**(392)**	(221)	**(6)**	7
Increase/(decrease) in payables	19	**608**	(376)	**1,798**	(2,294)
Cash generated by operations		**4,523**	1,628	**1,388**	(2,740)
Income taxes (paid)/received		**(631)**	(561)	**—**	552
Net cash flow from operating activities		**3,892**	1,067	**1,388**	(2,188)
Investing activities:					
Payments to acquire intangible assets	14	**(812)**	(199)	**(7)**	—
Payments to acquire property, plant and equipment	15	**(7)**	(32)	**—**	—
Receipts from sale of property, plant and equipment		**—**	2	**—**	—
Dividends received		**—**	—	**—**	2,553
Interest received		**27**	27	**15**	20
Net cash (used in)/generated by investing activities		**(792)**	(202)	**8**	2,573
Financing:					
Receipts from issue of share capital		**82**	305	**82**	242
Equity dividends paid	11	**(1,217)**	(1,103)	**(1,217)**	(1,103)
Net cash used in financing activities		**(1,135)**	(798)	**(1,135)**	(861)
Net increase/(decrease) in cash and cash equivalents		**1.965**	67	**261**	(476)
Cash and cash equivalents at start of year		**3,812**	3,745	**1,315**	1,791
Cash and cash equivalents at end of year		**5,777**	3,812	**1,576**	1,315
Comprising:					
Cash and cash equivalents	18	**5,777**	3,812	**1,576**	1,315

NOTES TO THE ACCOUNTS

Year ended 30th June 2015

1. General Information

Animalcare Group plc ("the Company") is a company incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The Group comprises Animalcare Group plc and its subsidiary, Animalcare Ltd. The nature of the Group's operations and its principal activities are set out in note 5 and within the Directors' Report.

The following new standards and amendments to standards are mandatory for the first time for financial periods beginning on or after 1st January 2014. Their effect has been limited to disclosure amendments.

IFRS 10: Consolidated Financial Statements

IAS 27: Separate Financial Statements

Amendments to IAS 32: Financial Instruments: Disclosures- Offsetting Financial Assets & Liabilities

Amendments to IAS 36: Recoverable Amount Disclosures for non-Financial Assets

The IASB and IFRIC have issued the following standards and interpretations, endorsed by the EU, with an effective date after the date of these financial statements. Their adoption, where applicable, is not expected to have a material effect on the financial statements of the Group.

International Financial Reporting Standards	Applies to periods beginning after
Annual Improvements to IFRSs 2010-2012 Cycle	1st February 2015
Annual Improvements to IFRSs 2011-2013 Cycle	1st February 2015

2. Significant Accounting Policies

Basis of preparation

The Group and Company financial statements have been prepared and approved by the Directors under the historical cost convention, except for the revaluation of certain financial instruments, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("adopted IFRSs") and the Companies Act 2006 as applicable to companies reporting under IFRS. They have also been prepared in accordance with the requirements of the AIM Rules.

Going concern

An analysis of the factors likely to impact on the Group's future business activities, performance and strategy are set out in the Chief Executive's Review and Chief Financial Officer's Review. The principal risks and uncertainties facing the Group are set out in the Strategic Report on page 15.

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

During the year the Group met its day-to-day general corporate and working capital requirements through existing cash resources. At 30th June 2015 the Group had cash on hand of £5.8m (30th June 2014: £3.8m).

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 30th June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used into line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Exceptional and other items

Exceptional items are material items of income or expense which, because of their nature and the expected frequency of the events giving rise to them, merit separate disclosure.

Other items relate to the amortisation of acquired intangible assets and fair value movements on foreign exchange hedging.

The separate presentation of exceptional and other items enables the users of the accounts to better understand the elements of trading performance during the year and hence to better assess trends in that performance.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in comprehensive income and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

The Group recognises intangible assets at cost less accumulated amortisation and impairment losses. Intangible assets arise both as a result of applying IFRS 3 which requires the separate recognition of intangible assets from goodwill on all business combinations from 1st January 2004, and from the purchase of software (that is separable from any associated hardware), and development machinery and from research and development (see below).

Intangible assets are amortised on a straight-line basis over their useful economic lives as follows:

Customer relationships	10 years
Brands	15 years
Software	Estimated useful life, normally 2–4 years
New product development costs & marketing authorisations	Estimated economic life, normally 5–7 years

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the year in which it is incurred.

An internally generated intangible asset arising from the Group's new product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as a new pharmaceutical product);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over their estimated economic lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue from the sale of goods is recognised when the risks and rewards of ownership are transferred which is generally when goods are delivered.

Income received in relation to long-term service contracts is deferred and subsequently recognised over the life of the relevant contracts. Further details are contained in note 21.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying value.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Retirement benefit costs Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in comprehensive income for the year.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out principle. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Dividends

Dividends paid are recognised within the Statement of Changes in Equity only when an obligation to pay the dividend arises prior to the year end.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of such equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions (with a corresponding movement in equity).

Fair value is measured by use of the Black–Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value of the shares issued under the new Long Term Incentive Plan were valued on a discounted cash flow basis in conjunction with a third party valuation specialist.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Land and buildings and other assets held for use in the production or supply of goods and services or for administrative purposes, fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Other than for land, which is not depreciated, depreciation is charged so as to write off the cost of assets, less their estimated residual value, over their estimated useful lives, as follows:

Straight-line

Leasehold improvements	10 years
Plant and equipment	4–7 years
Office furniture and equipment	3–5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as incurred.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation outstanding at the balance sheet date, and are discounted to present value where the effect is material.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments in Group companies are stated at cost less provisions for impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits repayable on demand, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Capitalised new product development expenditure

It is the Group's policy, where the relevant criteria of IAS 38 "Intangible Assets" are met, to capitalise new product development expenditure and to amortise this expenditure over the estimated economic life of the asset (product). Judgement is required when assessing the technical and commercial feasibility of new product development projects including whether regulatory approval will ultimately be achieved.

Capitalised software expenditure

The Group has historically capitalised software projects and developments. Expenditure on a bespoke web based system, designed to facilitate online ordering of its products and services, is currently capitalised in the Group's financial statements as the Directors have adjudged it to meet the relevant criteria.

The rate of depreciation on capitalised software is set so as to reflect the pattern of usage and the level of pace of change within the global information technology market.

Key sources of estimation uncertainty

Impairment of non-current assets

Determining whether a non-current asset is impaired requires an estimation of the "value in use" and/or the "fair value less costs to sell" of the cash-generating units ("CGUs") to which the non-current asset has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU. In the current year the Directors estimated the applicable rate to be 11.1% (2014: 10.2%). The Directors' sensitivity analysis indicates significant headroom to the carrying value of the CGU when taking into account a reasonably possible change in any one of the key assumptions used in the value in use calculations.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next five years, thereafter assuming an estimated growth rate of 2% (2014: 2%). The growth rates for the five year period are based on current performance of the existing product portfolio and the estimated contribution from the Group's new product development pipeline. The Directors believe that the long-term growth rate does not exceed the average long-term growth rate for the UK economy.

Impairment of slow-moving and obsolete inventory

The Group performs regular stock holding reviews, in conjunction with sales and market information, to help determine any slow-moving or obsolete lines. Where identified, adequate provision is made in the financial statements for writing down or writing off the value of such lines in order to reflect the realisable value of its stock.

4. Exceptional and Other Items

	Note	2015 £'000	2014 £'000
Amortisation of acquired intangible assets	14	119	119
Supplier legal dispute- dividend received		(9)	—
Interest rate swap refund		(18)	—
Fair value movements on foreign currency hedging	9	35	38
Total exceptional and other items		127	157

The amortisation charge totalling £119,000 (2014: £119,000) relates to brand and customer relationship intangible assets recognised on the acquisition of Animalcare Ltd in January 2008.

5. Revenue and Operating Segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to allocate resources and assess performance. The Chief Operating Decision Maker is considered to be the Board of Directors of Animalcare Group plc. Performance assessment is primarily based on underlying operating profit and cash generation.

The Group solely comprises one reportable segment, being Animalcare.

	Note	Animalcare 2015 £'000	Animalcare 2014 £'000
Revenue		13,536	12,881
Gross Profit		7,573	7,142
Underlying Operating Profit		3,110	2,802
Other Items	4	(119)	(119)
Exceptional items	4	9	—
Operating Profit		3,000	2,683
Finance income	9	27	27
Finance expense	9	(17)	(38)
Profit before tax		3,010	2,672

	Note	Animalcare 2015 £'000	Animalcare 2014 £'000
Products and Services			
Licensed Veterinary Medicines		**8,579**	7,883
Companion Animal Identification		**2,309**	2,418
Animal Welfare		**2,648**	2,580
		13,536	12,881
Other information			
Intangible asset additions	14	**812**	199
Property, plant and equipment additions	15	**7**	32
Depreciation and amortisation	14,15	**432**	479
Consolidated assets		**24,474**	22,525
Consolidated liabilities		**(3,483)**	(3,072)
Consolidated net assets		**20,991**	19,453

	2015 £'000	2014 £'000
Key customers		
Number	**3**	3
Percentage of total revenue	**91%**	82%

Key customers, all within the Animalcare segment, are those responsible for 10% or more of segmental revenue.

	2015 £'000	2014 £'000
Geographical market		
United Kingdom	**12,573**	11,557
Europe and Rest of World	**963**	1,324
	13,536	12,881

All the Group assets are wholly located in the United Kingdom and accordingly no geographical analysis of assets and liabilities is presented.

An analysis of total Group revenue is as follows:

	2015 £'000	2014 £'000
Revenue from sale of goods	12,590	11,951
Revenue from provision of services	946	930
	13,536	12,881
Finance income	27	27
	13,563	12,908

6. Total Comprehensive Income for the Year

	2015 £'000	2014 £'000
Total comprehensive income for the year has been arrived at after charging:		
Cost of inventories recognised as expense	5,831	5,639
Depreciation of tangible assets	73	69
Amortisation of intangible assets	359	410
Research and development	143	260
Operating lease rentals	199	187
Foreign exchange losses	1	21
Increase in provision for receivables	—	9
Increase in provision for inventories	23	34

The above items are those charged to total comprehensive income only. Full details on items charged/(credited) to exceptional and other items are contained in note 4.

The analysis of remuneration paid to the Company’s auditor is as follows:

	2015 £'000	2014 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13	12
The audit of the Company's subsidiaries pursuant to legislation	20	20
Total audit fees	33	32
Tax services	11	16
Other services	16	44
Total non-audit fees	27	60
Total auditors' remuneration	60	92

7. Directors' Remuneration and Interests

Emoluments

The various elements of remuneration received by each Director were as follows:

Year ended 30th June 2015	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Compensation for loss of office £'000	Total £'000
J S Lambert*	**34**	**—**	**—**	**—**	**—**	**34**
Lord Downshire*	**23**	**—**	**—**	**1**	**—**	**24**
R B Harding*	**23**	**—**	**—**	**—**	**—**	**23**
Dr I D Menneer	**140**	**16**	**17**	**8**	**—**	**181**
C J Brewster	**102**	**11**	**12**	**6**	**—**	**131**
Total	**322**	**27**	**29**	**15**	**—**	**393**
Year ended 30th June 2014						
J S Lambert*	33	—	—	—	—	33
Lord Downshire*	22	—	—	2	—	24
R B Harding*	22	—	—	—	—	22
S M Wildridge (resigned 31st October 2013)	30	34	—	—	66	130
Dr I D Menneer	135	23	16	7	—	181
C J Brewster	102	16	11	1	—	130
Total	344	73	27	10	66	520

* Indicates Non-Executive Directors.

Mr George Gunn was appointed to the Board as a Non-Executive Director on 9th February 2015 and subsequently resigned on 2nd June 2015. Mr Gunn received no remuneration during this period.

All Company pension contributions relate to defined contribution pension schemes. Benefits consist of company car and private medical insurance. The compensation for loss of office in relation to S M Wildridge was settled on 31st October 2013.

Share options

The Directors had the following beneficial options:

I D Menneer

Scheme	SAYE	EMI	EMI	EMI	Unapproved	SAYE	Unapproved	SAYE	Total
Exercise Price	£1.34	£1.675	£1.30	£1.325	£1.40	£1.03	£1.415	£1.05	
Date of Grant	4th October 2011	14th October 2011	2nd August 2012	20th November 2012	21st February 2013	22nd May 2013	20th June 2013	28th November 2014	
Outstanding at 30th June 2014	3,358	60,000	60,000	50,000	90,000	4,377	90,000	—	357,735
Granted during the year	—	—	—	—	—	—	—	5,142	5,142
Exercised during the year	(3,358)	—	—	—	—	—	—	—	(3,358)
Outstanding at 30th June 2015	**—**	**60,000**	**60,000**	**50,000**	**90,000**	**4,377**	**90,000**	**5,142**	**359,519**

C J Brewster

Scheme	EMI	EMI	SAYE	EMI	SAYE	Total
Exercise Price	£1.30	£1.30	£1.03	£1.415	£1.05	
Date of Grant	22nd June 2012	2nd August 2012	22nd May 2013	20th June 2013	28th November 2014	
Outstanding at 30th June 2014	**30,000**	**30,000**	**8,754**	**40,000**	**—**	**108,754**
Granted during the year	—	—	—	—	**8,571**	**8,571**
Outstanding at 30th June 2015	**30,000**	**30,000**	**8,754**	**40,000**	**8,571**	**117,325**

The Directors' interests in the shares of the Company as at 30th June are set out below:

	2015	2014
	Ordinary shares of 20p	Ordinary shares of 20p
J S Lambert	**1,413,691**	1,413,691
Lord Downshire	**1,109,583**	1,109,583
I D Menneer	**17,739**	14,381
C J Brewster	**4,079**	4,079

In addition to the above, Lord Downshire had a non-beneficial interest in 310,446 shares.

Long Term Incentive Plan (LTIP)

The Animalcare Group plc LTIP was introduced in June 2014 to provide an effective mechanism for senior executives to participate in the Company's equity at a meaningful level, aligning their interests with those of shareholders.

The Directors' interests in the LTIP, which was implemented via a subscription for growth shares in the capital of Animalcare Ltd, a subsidiary of the Company, are as follows:

- Iain Menneer – 31,955 A Ordinary Shares of £1.00 each ("A Shares") for a total cash subscription of £31,955, representing 5.2% of Animalcare Ltd's issued share capital; and
- Chris Brewster – 19,173 A Shares, representing 3% of Animalcare Ltd's issued share capital and 11,800 B Ordinary Shares of £1.00 each ("B Shares"), representing a further 2% of Animalcare Ltd's issued share capital, for a total cash subscription of £30,973.

Dr Menneer and Mr Brewster have the right to sell their A Shares to the Company at any time after 27th June 2017 in exchange for Ordinary Shares of 20 pence each in the Company ("Ordinary Shares"). The rights of Dr Menneer and Mr Brewster to sell their A Shares are subject to, amongst other provisions, the Company having a market capitalisation in excess of £39.0m ("the Hurdle") at the time of sale. The Hurdle was determined by Animalcare's Remuneration Committee and broadly represented a 20% premium to the Company's market capitalisation on 27th June 2014.

Each holder of A Shares would, on a sale of his entire holding to the Company, be entitled to receive Ordinary Shares representing a percentage of the increase in the Company's market capitalisation above the Hurdle; being 5% for Dr Menneer and 3% for Mr Brewster.

The B Shares are not entitled to participate in any increase in the value of the Company above the Hurdle but can be exchanged for Ordinary Shares of an equal value at any time after 27th June 2017.

Further details of the Plan, including the Hurdle, anti-dilution and other provisions, are set out in Animalcare Ltd's articles of association, which is available within the Investors section (constitutional documents) of the Company's website at http://www.animalcaregroup.co.uk.

8. Staff Costs

	2015	2014
Number of employees		
The average monthly number of employees (including Directors) during the year was:		
Production and distribution	**4**	4
Selling and administration	**56**	53
	60	57

	2015 £'000	2014 £'000
Related costs		
Wages and salaries	**2,024**	1,820
Social security costs	**187**	166
Other pension costs	**78**	89
	2,289	2,075

9. Finance Costs and Finance Income

	2015 £'000	2014 £'000
Fair value losses on financial instruments*	**35**	38
Interest rate swap refund	**(18)**	–
Finance costs	**17**	38
Other net finance income:		
Interest income on bank deposits	**(27)**	(27)
Finance income	**(27)**	(27)
Net finance (income)/costs	**(10)**	11

* Finance gains and losses arising from derivatives held at fair value through profit and loss relate to fair value movements on the Group's foreign exchange hedges. These gains and losses are included within "other items" on the face of the statement of comprehensive income.

10. Income Tax Expense

	Note	2015 £'000	2014 £'000
The income tax expense comprises:			
Current tax expense		**601**	690
Adjustment in the current year in relation to prior years		**(143)**	(105)
		458	585
The deferred tax (credit)/expense comprises:			
Origination and reversal of temporary differences	22	**(99)**	(70)
Adjustment in the current year in relation to prior years	22	**117**	20
		18	(50)
Total tax expense for the year		**476**	535
The total tax charge can be reconciled to the accounting profit as follows:			
Total comprehensive income for the year		**2,534**	2,137
Total tax expense		**476**	535
Profit before tax		**3,010**	2,672
Income tax calculated at 20.75% (2014: 22.5%)		**625**	601
Effect of expenses not deductible		**42**	55
Effect of share-based deductions		**(88)**	(13)
Innovation related tax credits		**(77)**	—
Change in UK tax rate		**—**	(23)
Effect of adjustments in respect of prior years		**(26)**	(85)
		476	535

The tax credit of £26,000 (2014: £35,000) shown within "exceptional and other items" on the face of the statement of comprehensive income, which forms part of the overall tax charge of £476,000 (2014: £535,000) relates to the items analysed in note 4.

The prior year current tax credits in respect of both 2015 and 2014 primarily relate to research and development tax credits. The prior year deferred tax charge in 2015 of £117,000 relates to the first time recognition of deferred tax in relation to capitalised development costs.

The Budget on 8th July 2015 announced that the UK corporation tax rate will reduce to 19% by 2017. The change in rates was not substantively enacted at the balance sheet date and therefore has not been reflected in the tax rates used for deferred tax purposes. The future rate reductions will affect the Group's future current tax charges.

11. Dividends

	2015 £'000	2014 £'000
Ordinary final dividend paid in respect of prior year	839	788
Ordinary interim dividend paid	378	315
	1,217	1,103

The final dividend paid during the year ended 30th June 2015 was 4.0 pence per share (2014: 3.8 pence per share). The interim dividend paid during the year ended 30th June 2015 was 1.8 pence per share (2014: 1.5 pence per share).

The proposed final dividend of 4.3 pence per share, which is subject to approval of shareholders at the Annual General Meeting, results in a total dividend for the year of 6.1 pence per share. The proposed dividend has not been included as a liability as at 30th June 2015, in accordance with IAS 10 "Events After the Balance Sheet Date".

12. Earnings per Share

Basic earnings per share amounts are calculated by dividing the total comprehensive income for the year attributable to ordinary equity holders of the Company by the weighted average number of fully paid ordinary shares outstanding during the year.

The following income and share data was used in the basic earnings per share computations:

	Underlying earnings before exceptional and other items 2015 £'00	Underlying earnings before exceptional and other items 2014 £'000	Total earnings 2015 £'000	Total earnings 2014 £'000
Total comprehensive income attributable to equity holders of the Company	2,634	2,259	2,534	2,137
	2015 No.	2014 No.	2015 No.	2014 No.
Basic weighted average number of shares	20,982,367	20,824,931	20,982,367	20,824,931
Dilutive potential ordinary shares	123,127	126,980	123,127	126,980
	21,105,494	20,951,911	21,105,494	20,951,911
Earnings per share:				
Basic	12.6p	10.8p	12.1p	10.3p
Fully diluted	12.5p	10.8p	12.0p	10.2p

13. Goodwill

	Group £'000
Cost	
At 1st July 2013, 1st July 2014 and **30th June 2015**	12,711
Accumulated impairment losses	
At 1st July 2013, 1st July 2014 and **30th June 2015**	—
Net book value	
At 30th June 2015 and 30th June 2014	**12,711**

The carrying amount of Group goodwill is allocated to the Group's sole cash-generating unit ("CGU"), being the Companion Animal segment.

The recoverable amount of goodwill is determined from value in use calculations.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next five years and thereafter assuming an estimated long-term annual growth rate of 2.0% (2014: 2.0%).

The financial budgets and projections are based on past experience and actual operating results. The growth rates for the five year period are based on current performance of the existing product portfolio and the estimated contribution from the Group's new product development pipeline. The Directors believe that the long-term growth rate does not exceed the average long-term growth rate for the UK economy, the principal geographic area in which Animalcare operates.

The Directors estimate the discount rates using the post-tax rates that reflect the current market assessments of the time value of money and the risks specific to the cash-generating unit. In the current year the Directors estimated the applicable pre-tax rate to be 11.1% (2014: 10.2%).

The Directors modelled a range of different scenarios by applying sensitivities to both the cash flow assumptions and the discount rate. Based on this sensitivity analysis there is significant headroom between the value in use calculation and the carrying value of the CGU.

14. Other Intangible Assets

Group	Acquired brands and customer relationships £'000	New product development costs £'000	Capitalised software £'000	Total £'000
Cost				
At 1st July 2013	1,361	1,491	122	2,974
Additions	—	156	43	199
At 30th June 2014	1,361	1,647	165	3,173
Additions	—	768	44	812
Disposals	—	—	(31)	(31)
At 30th June 2015	**1,361**	**2,415**	**178**	**3,954**
Amortisation				
At 1st July 2013	653	737	46	1,436
Charge for the year	119	253	38	410
At 30th June 2014	772	990	84	1,846
Charge for the year	119	195	45	359
Disposals	—	—	(31)	(31)
At 30th June 2015	**891**	**1,185**	**98**	**2,174**
Carrying value				
At 30th June 2015	**470**	**1,230**	**80**	**1,780**
At 30th June 2014	589	657	81	1,327

Veterinary medicine product development costs are amortised over four to seven years, acquired brands are amortised over 15 years and acquired customer relationships are amortised over ten years. The amortisation period for capitalised software, which principally relates to the bespoke Anibase pet database, is four years.

Company	Capitalised software £'000	Total £'000
Cost		
At 1st July 2014	—	—
Additions	7	7
At 30th June 2015	**7**	**7**
Amortisation		
At 1st July 2014	—	—
Charge for the year	1	1
Carrying value		
At 30th June 2015	**6**	**6**
At 30th June 2014	-	-

15. Property, Plant And Equipment

Group	Leasehold improvements £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1st July 2013	187	107	263	557
Additions	—	27	5	32
Disposals	(3)	—	—	(3)
At 1st July 2014	184	134	268	586
Additions	—	2	5	7
Disposals	—	(17)	(129)	(146)
At 30th June 2015	**184**	**119**	**144**	**447**
Depreciation				
At 1st July 2013	3	42	100	145
Charge for the year	19	14	36	69
At 1st July 2014	22	56	136	214
Charge for the year	19	18	36	73
Disposals	—	(17)	(129)	(146)
At 30th June 2015	**41**	**57**	**43**	**141**
Net book value				
At 30th June 2015	**143**	**62**	**101**	**306**
At 30th June 2014	162	78	132	372

16. Investments in Subsidiaries

Subsidiary undertakings

	Company **2015 £'000**	2014 £'000
Cost and net book value		
At 1st July 2013, 2014 and 30th June 2015	**14,361**	14,361

The sole subsidiary undertaking of the Company is detailed below.

	Country of registration or incorporation	Class	Shares held %
Animalcare Ltd	England	Ordinary	90

The principal activity of this undertaking for the last financial year was the sale of companion animal products and related services.

17. Inventories

	Group	
	2015 £'000	2014 £'000
Finished goods and goods for resale	**1,653**	2,420

In the Directors' opinion, the replacement cost of inventories is not materially different from their balance sheet value.

18. Other Financial Assets

Trade and other receivables

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade receivables	**1,924**	1,577	**—**	—
Amounts receivable from subsidiaries	**—**	—	**—**	—
Corporation tax – Group relief	**—**	—	**217**	129
Other receivables	**6**	4	**6**	4
Prepayments and accrued income	**317**	302	**15**	11
	2,247	1,883	**238**	144

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Movement in allowance for doubtful debts

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Balance at 1st July	**15**	6	**—**	—
Impairment losses recognised	**—**	9	**—**	—
Balance at 30th June	**15**	15	**—**	—

Ageing of past due but not impaired receivables

	Group	
	2015 £'000	2014 £'000
1–30 days past due	**—**	59
31–90 days past due	**1**	—
91 days and more	**—**	—
	1	59

Cash and cash equivalents

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash and cash equivalents	**5,777**	3,812	**1,576**	1,315

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less.

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The allowance for doubtful debts represents the difference between the carrying value of the specific trade receivables and the present value of the expected recoverable amount. The average credit period on sales of goods is 31 days (2014: 36 days). No interest has been charged on overdue receivables.

19. Other Financial Liabilities

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade payables	**936**	858	**73**	63
Amounts payable to subsidiaries	**—**	—	**3,385**	1,570
Other taxes and social security costs	**450**	226	**46**	40
Other creditors	**386**	299	**18**	15
Derivative financial instruments (see note 20)	**18**	28	**—**	—
Accruals	**396**	195	**4**	40
	2,186	1,606	**3,526**	1,728

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

20. Financial Instruments

Capital and liquidity risk management

At 30th June the Group was contractually obliged to make repayments of principal and payments of interest as detailed below:

	Within one year or on demand £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
2015					
Trade and other payables	**2,186**	**—**	**—**	**—**	**2,186**
2014					
Trade and other payables	1,606	—	—	—	1,606

Categories and Fair Value of Financial Instruments Carrying value

	2015 £'000	2014 £'000
Financial assets		
Trade and other receivables (including cash and cash equivalents)	**7,707**	5,393
Financial liabilities		
Trade and other payables	**(2,186)**	(1,606)

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2015

Foreign Currency Risk Management

The Group undertakes transactions denominated in foreign currencies which gives rise to the risks associated with currency exchange rate fluctuations. Exposures are managed by a combination of matching foreign currency income and expenditure, maintaining foreign currency deposits and the use of forward contracts. The carrying value of the Group's foreign currency assets and liabilities at the reporting date was:

	Assets		Liabilities	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Euro	**446**	459	**153**	51
US Dollar	**264**	34	**—**	65

Foreign Currency Sensitivity Analysis

At 30th June 2015 the Group is mainly exposed to the Euro and the US Dollar. The following table details the effect of a 10% increase and decrease in the exchange rate of these currencies against Sterling when applied to outstanding monetary items denominated in foreign currency as at 30th June 2015. A positive number indicates that an increase in profit would arise from a 10% change in value of Sterling against these currencies, a negative number indicates that a decrease would arise.

	Strengthening £'000	Weakening £'000
Euro	(27)	33
US Dollar	(24)	29

Interest Rate Sensitivity Analysis

This sensitivity analysis was not performed as the Group had no exposure to interest rates for either derivatives or non-derivative instruments at the balance sheet date.

Forward Foreign Exchange Contracts

The Group had three (2014: four) open foreign exchange contracts at 30th June 2015. The values are shown below:

	2015 £'000	2014 £'000
Principal value	**338**	752
Fair value	**(18)**	(28)

Capital Management

In line with the disclosure requirements of IAS 1, "Presentation of Financial Statements", the Company regards its capital as being the issued share capital together with its banking facilities, used to manage short-term working capital requirements. Note 23 to the financial statements provides details regarding the Company's share capital and movements in the period. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the periods under review.

21. Deferred Income

Deferred income arises from certain services sold by the Group's subsidiary Animalcare Ltd. In return for a single up-front payment, Animalcare Ltd commits to a fixed term contract to provide certain database, pet reunification and other support services to customers. There is no contractual restriction on the amount of times the customer makes use of the service. At the commencement of the contract it is not possible to determine how many times the customer will make use of the services, nor does historical evidence provide indications of any future pattern of use. As such, income is recognised evenly over the term of the contract, currently eight years.

Movements in the Group's deferred income liabilities during the current and prior reporting period are as follows:

	2015 £'000	2014 £'000
Balance at the beginning of the period	**972**	1,021
Income deferred to future periods	**241**	182
Release of income deferred from previous periods	**(255)**	(231)
Balance at end of the period	**958**	972

The deferred income liabilities fall due as follows:

	2015 £'000	2014 £'000
Within one year	**234**	242
After one year	**724**	730
	958	972

Income recognised during the year is set out below:

	2015 £'000	2014 £'000
Income received	**227**	195
Income deferred to future periods	**(241)**	(182)
Release of income deferred from previous periods	**255**	231
Income recognised in the year	**241**	244

22. Deferred Tax Liabilities

The following are the major components of the deferred tax liabilities/(assets) recognised by the Group, and the movements thereon, during the current and prior reporting period.

	Property, Plant and Equipment £'000	Share-based payments £'000	Other £'000	Intangible fixed assets £'000	Total £'000
Balance at 1st July 2013	27	(24)	(7)	163	159
Charge/(credit) to income	14	(19)	—	(45)	(50)
Balance at 30th June 2014	41	(43)	(7)	118	109
Charge/(credit) to income	(4)	(111)	(1)	134	18
Balance at 30th June 2015	**37**	**(154)**	**(8)**	**252**	**127**

Deferred tax balances have been calculated at an effective rate of 20%, being the substantively enacted rate at 30th June 2015.

The following are the major components of the deferred tax assets recognised by the Company, and the movements thereon, during the current and prior reporting period:

	Accelerated tax depreciation £'000	Share-based payments £'000	Other £'000	Total £'000
Balance at 1st July 2013	(17)	(13)	(2)	(32)
Charge/(credit) to income	5	(12)	—	(7)
Balance at 30th June 2014	(12)	(25)	(2)	(39)
Charge/(credit) to income	3	(52)	—	(49)
At 30th June 2015	**(9)**	**(77)**	**(2)**	**(88)**

Deferred tax balances have been calculated at an effective rate of 20%, being the substantively enacted rate at 30th June 2015.

23. Share Capital

	2015 No.	2014 No.
Allotted, called up and fully paid ordinary shares of 20p each	**21,019,636**	20,960,204

	2015 £'000	2014 £'000
Allotted, called up and fully paid ordinary shares of 20p each	**4,204**	4,192

During the year £11,886 (2014: £43,000) of ordinary shares were issued for proceeds of £81,814 (2014: £242,125) resulting in a share premium of £69,928 (2014: £199,125).

24. Operating Lease Arrangements

The Group as lessee

	2015 £'000	2014 £'000
Lease payments under operating leases recognised as an expense in the year	**199**	187

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £'000	2014 £'000
Within one year	**168**	162
In the second to fifth years inclusive	**298**	252
After five years	**78**	110
	544	524

Operating lease payments principally represent rentals payable by the Group for its office and warehouse properties and motor vehicles.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2015

25. Share-based Payments

During the year the Group operated the Animalcare Group plc Executive Share Option Scheme, the Save As You Earn (SAYE) Share Option Scheme and the new Long Term Incentive Plan as described below:

Animalcare Group plc Executive Share Option Scheme

Under this scheme, options may be granted to certain Executives and senior employees of the Group to subscribe for new shares in the Company at a fixed price equal to the market value at the time of grant. The options are exercisable three years after the date of grant. Once vested, options must be exercised within six years of the date of grant. The exercise of these options is not subject to any performance criteria.

SAYE Option Scheme

This scheme is open to all UK employees to encourage share ownership. Share options are granted at an option price fixed at a 20% discount to the market value at the start of the savings period. The SAYE options vest and are exercisable three years after the date of grant and must ordinarily be exercised within six months of the completion of the relevant savings period.

Details of the movement in all share option schemes during the year are as follows:

	EMI		SAYE		Unapproved	
	Options	Price £	Options	Price £	Options	Price £
Outstanding at beginning of year	560,000	1.413	112,172	1.084	180,000	1.408
Granted during the year	20,000	1.725	120,673	1.050	—	—
Lapsed during the year	(30,000)	1.355	(22,311)	1.218	—	—
Exercised during the year	(55,000)	1.380	(4,432)	1.340	—	—
Open at 30th June 2015	**495,000**	**1.432**	**206,102**	**1.041**	**180,000**	**1.408**
Exercisable at the end of the year	**90,000**	**1.55**	**—**	**—**	—	—

The weighted average inputs into the Black–Scholes model at the time of grant were as follows:

	EMI Scheme	SAYE Scheme	Unapproved Scheme
Weighted average share price	144p	130p	141p
Weighted average exercise price	144p	104p	141p
Expected volatility	53%	50%	56%
Expected life	3.1 years	3.1 years	3.0 years
Risk-free rate	0.5%	0.5%	0.5%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The expected lives used in the model were estimated based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The aggregate estimated fair value of the options granted during the year was £nil (2014: £nil).

The Group recognised a total charge in respect of share based payments of £139,000 (2014 : £152,000) within administrative expenses.

Long Term Incentive Plan

The Animalcare Group plc LTIP was introduced in June 2014 to provide an effective mechanism for senior executives to participate in the Company's equity at a meaningful level, aligning their interests with those of shareholders.

The Directors' interests in the LTIP, which was implemented via a subscription for growth shares in the capital of Animalcare Ltd, a subsidiary of the Company, are as follows:

- Iain Menneer – 31,955 A Ordinary Shares of £1.00 each ("A Shares") for a total cash subscription of £31,955, representing 5.2% of Animalcare Ltd's issued share capital; and
- Chris Brewster – 19,173 A Shares, representing 3% of Animalcare Ltd's issued share capital and 11,800 B Ordinary Shares of £1.00 each ("B Shares"), representing a further 2% of Animalcare Ltd's issued share capital, for a total cash subscription of £30,973.

Further details of the Plan are provided in note 7.

The charge for the year to the income statement in respect of the Plan is £nil (2014: £nil).

26. Related Party Transactions

Trading transactions

During the year ended 30th June, the following trading transactions took place between the Company and its subsidiary listed in note 16:

2015	**Animalcare Ltd £'000**	**Total £'000**
Management Charges levied	**240**	240

2014	Animalcare Ltd £'000	Total £'000
Management Charges levied	**240**	240

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures". Further information about the remuneration of Directors is provided in note 7.

The Directors' interests in the shares of the Company are contained in note 7.

FIVE YEAR SUMMARY

	2015	2014	2013	2012	2011
Consolidated Statement of Comprehensive Income					
Revenue	**13,536**	12,881	12,118	10,856	11,825
Underlying EBITDA	**3,423**	3,162	2,916	2,501	3,267
Underlying operating profit	**3,110**	2,802	2,684	2,294	3,053
Profit before tax	**3,010**	2,672	2,330	2,106	2,885
Underlying earnings per share					
basic	**12.6p**	10.8p	10.5p	9.3p	11.3p
diluted	**12.5p**	10.8p	10.4p	9.2p	11.2p
Dividend per share	**6.1p**	5.5p	5.3p	4.5p	4.0p
Balance Sheets					
Non-current assets	**14,797**	14,410	14,661	14,522	14,578
Current assets	**9,677**	8,115	6,825	5,022	4,206
Current liabilities	**(2,632)**	(2,233)	(2,575)	(1,692)	(2,068)
Non-current liabilities	**(851)**	(839)	(949)	(1,015)	(927)
Shareholders' funds	**20,991**	19,453	17,962	16,837	15,789
Cash Flow Statements					
Net cash flow from operating activities	**3,892**	1,067	2,831	2,123	2,145
Net cash used in investing activities	**(792)**	(202)	(483)	(268)	2,559
Net cash used in financing activities	**(1,135)**	(798)	(908)	(729)	(5,089)
Net increase/(decrease) in cash and cash equivalents	**1,965**	67	1,440	1,126	(385)

ADVISERS

Directors	J S Lambert Lord Downshire I D Menneer C J Brewster R B Harding
Secretary	C J Brewster
Company Number	1058015
Registered Office	Unit 7, 10 Great North Way York Business Park Nether Poppleton York YO26 6RB
Auditor	KPMG LLP 1 The Embankment Neville Street Leeds LS1 4DW
Bankers	Barclays Bank PLC PO Box 190 1 Park Row Leeds LS1 5WU
Solicitors	Langleys Queens House Micklegate York YO1 6WG
Nominated Advisor and Broker	Panmure Gordon & Co One New Change London EC4M 9AF
Registrars	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU

ADDRESS
10 Great North Way
York Business Park, York
YO26 6RB

CONTACT
T: +44 (0) 1904 487687
F: +44 (0) 1904 487611
E: Investors@animalcare.co.uk
W: www.animalcaregroup.co.uk