CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended 30th June 2016

	Note	Underlying results before exceptional and other items 2016 £'000	Exceptional and other items 2016 £'000	Total 2016 £'000	Underlying results before exceptional and other items 2015 £'000	Exceptional and other items 2015 £'000	Total 2015 £'000
Revenue	5	**14,701**	—	**14,701**	13,536	—	13,536
Cost of sales		**(6,702)**	—	**(6,702)**	(5,963)	—	(5,963)
Gross profit		**7,999**	—	**7,999**	7,573	—	7,573
Distribution costs		**(255)**	—	**(255)**	(279)	—	(279)
Administrative expenses		**(4,398)**	**(173)**	**(4,571)**	(4,041)	(110)	(4,151)
Research & development expenses		**(156)**	—	**(156)**	(143)	—	(143)
Operating profit/(loss)	4,6	**3,190**	**(173)**	**3,017**	3,110	(110)	3,000
Finance income	9	**33**	**36**	**69**	27	—	27
Finance expense	9	—	—	—	—	(17)	(17)
Profit/(loss) before tax	4,6	**3,223**	**(137)**	**3,086**	3,137	(127)	3,010
Income tax (expense)/credit	10	**(479)**	**27**	**(452)**	(502)	26	(476)
Total comprehensive income/(loss) for the year		**2,744**	**(110)**	**2,634**	2,635	(101)	2,534
Earnings per share							
Basic	12	**13.0p**		**12.5p**	12.6p		12.1p
Fully diluted	12	**12.8p**		**12.3p**	12.5p		12.0p

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.

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

The notes 1 to 26 form part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30th June 2016

GROUP	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
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 1st July 2015		4,204	6,461	10,326	20,991
Total comprehensive profit for the year		—	—	2,634	2,634
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,283)	(1,283)
Issue of share capital	23	8	45	—	53
Share-based payments	25	—	—	120	120
Balance at 30th June 2016		**4,212**	**6,506**	**11,797**	**22,515**

COMPANY	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1st July 2014		4,192	6,391	3,548	14,131
Total comprehensive profit 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 1st July 2015		4,204	6,461	2,078	12,743
Total comprehensive loss for the year		—	—	(399)	(399)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,283)	(1,283)
Issue of share capital	23	8	45	—	53
Share-based payments	25	—	—	47	47
Balance at 30th June 2016		**4,212**	**6,506**	**443**	**11,161**

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 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Non-current assets					
Goodwill	13	**12,711**	12,711	**—**	—
Other intangible assets	14	**2,968**	1,780	**4**	6
Property, plant and equipment	15	**281**	306	**—**	—
Investments in subsidiary companies	16	**—**	—	**14,361**	14,361
Deferred tax asset	22	**—**	—	**105**	88
		15,960	14,797	**14,470**	14,455
Current assets					
Inventories	17	**1,604**	1,653	**—**	—
Trade and other receivables	18	**2,189**	2,247	**332**	238
Cash and cash equivalents	18	**7,118**	5,777	**1,576**	1,576
		10,911	9,677	**1,908**	1,814
Total assets		**26,871**	24,474	**16,378**	16,269
Current liabilities					
Trade and other payables	19	**(3,027)**	(2,186)	**(5,217)**	(3,526)
Current tax liabilities		**(101)**	(212)	**—**	—
Deferred income	21	**(220)**	(234)	**—**	—
		(3,348)	(2,632)	**(5217)**	(3,526)
Net current assets/(liabilities)		**7,563**	7,045	**(3,309)**	(1,712)
Non-current liabilities					
Deferred income	21	**(762)**	(724)	**—**	—
Deferred tax liabilities	22	**(246)**	(127)	**—**	—
		(1,008)	(851)	**—**	—
Total liabilities		**(4,356)**	(3,483)	**(5217)**	(3,526)
Net assets		**22,515**	20,991	**11,161**	12,743
Capital and reserves					
Called up share capital	23	**4,212**	4,204	**4,212**	4,204
Share premium account		**6,506**	6,461	**6,506**	6,461
Retained earnings		**11,797**	10,326	**443**	2,078
Equity attributable to equity holders of the parent		**22,515**	20,991	**11,161**	12,743

The notes 1 to 26 form part of these financial statements.

The financial statements of Animalcare Group plc, registered number 1058015, were approved by the Board of Directors and authorised for issue on 12th October 2016. They were signed on its behalf by:

CHRIS BREWSTER
Chief Financial Officer

CASH FLOW STATEMENTS

Year ended 30th June 2016

	Note	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Comprehensive income/(loss) for the year before tax		**3,086**	3,010	**(507)**	(464)
Adjustments for:					
Depreciation of property, plant and equipment	15	**66**	73	**—**	—
Amortisation of intangible assets	14	**369**	359	**2**	1
Finance income	9	**(33)**	(27)	**(11)**	(15)
Share-based payment expense	25	**120**	139	**47**	74
Net deferral/(release) of deferred income	21	**24**	(14)	**—**	—
Operating cash flows before movements in working capital		**3,632**	3,540	**(469)**	(404)
Decrease in inventories		**49**	767	**—**	—
Decrease/(increase) in receivables		**77**	(392)	**(3)**	(6)
Increase in payables		**822**	608	**1,691**	1,798
Cash generated by operations		**4,580**	4,523	**1,219**	1,388
Income taxes (paid)/received		**(444)**	(631)	**—**	—
Net cash flow from operating activities		**4,136**	3,892	**1,219**	1,388
Investing activities:					
Payments to acquire intangible assets	14	**(1,604)**	(812)	**—**	(7)
Payments to acquire property, plant and equipment	15	**(41)**	(7)	**—**	—
Disposal of intangible assets	14	**47**	—	**—**	—
Interest received		**33**	27	**11**	15
Net cash (used in)/generated by investing activities		**(1,565)**	(792)	**11**	8
Financing:					
Receipts from issue of share capital		**53**	82	**53**	82
Equity dividends paid	11	**(1,283)**	(1,217)	**(1,283)**	(1,217)
Net cash used in financing activities		**(1,230)**	(1,135)	**(1,230)**	(1,135)
Net increase/(decrease) in cash and cash equivalents		**1,341**	1,965	**—**	261
Cash and cash equivalents at start of year		**5,777**	3,812	**1,576**	1,315
Cash and cash equivalents at end of year		**7,118**	5,777	**1,576**	1,576
Comprising:					
Cash and cash equivalents	18	**7,118**	5,777	**1,576**	1,576

NOTES TO THE ACCOUNTS

Year ended 30th June 2016

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.

New, revised or changes to existing accounting standards

The following standards and amendments have been published, 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 unless otherwise indicated.

International Financial Reporting Standards	Applies to periods beginning after
IFRS 15 Revenue from Contracts with Customers	1st January 2018
IFRS 9 Financial Instruments	1st January 2018
IFRS 16 Leases – this new standard will result in previously recognised operating leases, as disclosed in note 24, being treated on-balance sheet similar to current finance lease accounting.	1st January 2019

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 pages 16 and 17.

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

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

Overall, the Directors believe the Group is well placed to manage its business risks successfully. 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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 instruments.

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.

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.

Employee benefits - Pensions

The Group operates a stakeholder pension scheme available to all eligible employees. Payments to this scheme are charged as an expense as they fall due.

Investments in subsidiaries

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

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.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

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.

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.

Finance income and expense

Finance income comprises interest receivable on funds invested and foreign exchange gains on hedging instruments that are recognised in the income statement (see note 9). Finance expenses comprise foreign exchange losses on hedging instruments that are recognised in the income statement (see note 9).

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange risk. Derivatives are initially recognised at fair value and the gain or loss recognised on remeasurement to fair value recognised in profit or loss.

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 9.4% (2015: 13.2%). 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 1.8% (2015: 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.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

4. Exceptional and Other Items

	Note	2016 £'000	2015 £'000
Amortisation of acquired intangible assets	14	118	119
Supplier legal dispute – dividend received		—	(9)
Strategic review		55	—
Interest rate swap refund		—	(18)
Fair value movements on foreign currency hedging	9	(36)	35
Total exceptional and other items		137	127

The amortisation charge totalling £119,000 (2015: £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 2016 £'000	Animalcare 2015 £'000
Revenue		14,701	13,536
Gross profit		7,999	7,573
Underlying operating profit		3,190	3,110
Other Items	4	(119)	(119)
Exceptional items	4	(54)	9
Operating profit		3,017	3,000
Finance income	9	69	27
Finance expense	9	—	(17)
Profit before tax		3,086	3,010

	Note	Animalcare 2016 £'000	Animalcare 2015 £'000
Products and Services			
Licensed Veterinary Medicines		**9,238**	8,579
Companion Animal Identification		**2,680**	2,309
Animal Welfare		**2,783**	2,648
		14,701	13,536
Other information			
Intangible asset additions	14	**1,604**	812
Property, plant and equipment additions	15	**41**	7
Depreciation and amortisation	14,15	**435**	432
Consolidated assets		**26,871**	24,474
Consolidated liabilities		**(4,356)**	(3,483)
Consolidated net assets		**22,515**	20,991

	2016 £'000	2015 £'000
Key customers		
Number	**3**	3
Percentage of total revenue	**81%**	82%

Key customers, all within the Animalcare segment, represent the three largest UK veterinary wholesalers as described in the Our Business section page 7. Individual customer revenues represent 33%/28%/21% (2015: 33%/28%/22%) of total revenue.

	2016 £'000	2015 £'000
Geographical market		
United Kingdom	**13,490**	12,573
Europe and Rest of World	**1,211**	963
	14,701	13,536

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

An analysis of total Group revenue is as follows:

	2016 £'000	2015 £'000
Revenue from sale of goods	13,609	12,590
Revenue from provision of services	1,092	946
	14,701	13,536
Finance income	33	27
	14,734	13,563

6. Total Comprehensive Income for the Year

	2016 £'000	2015 £'000
Total comprehensive income for the year has been arrived at after charging:		
Cost of inventories recognised as expense	6,515	5,831
Depreciation of tangible assets	66	73
Amortisation of intangible assets	369	359
Research and development	156	143
Operating lease rentals	211	199
Foreign exchange losses	43	1
Increase in provision for inventories	9	23

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:

	2016 £'000	2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13	13
The audit of the Company's subsidiaries pursuant to legislation	21	20
Total audit fees	34	33
Tax services	11	11
Other services	—	16
Total non-audit fees	11	27
Total auditors' remuneration	45	60

7. Directors' Remuneration and Interests

Emoluments

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

Year ended 30th June 2016	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Total £'000
J S Lambert*	35	—	—	—	35
Lord Downshire*	23	—	—	3	26
R B Harding*	23	—	—	—	23
Dr I D Menneer	143	18	17	7	186
C J Brewster	102	17	12	6	137
Total	**326**	**35**	**29**	**16**	**406**
Year ended 30th June 2015					
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

* 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.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Share options

The Directors had the following beneficial options:

I D Menneer

Scheme	EMI	EMI	EMI	Unapproved	SAYE	Unapproved	SAYE	Total
Exercise Price	£1.675	£1.30	£1.325	£1.40	£1.03	£1.415	£1.05	
Date of Grant	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 2015 and 30th June 2016	**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 2015 and 30th June 2016	**30,000**	**30,000**	**8,754**	**40,000**	**8,571**	**117,325**

During FY15, 3,358 shares were allotted to Dr Menneer following exercise under the Animalcare Group Save As You Earn scheme. The exercise price was equal to market value at that time hence no gain or loss arose.

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

	2016	2015
	Ordinary shares of 20p	Ordinary shares of 20p
J S Lambert	**1,313,691**	1,413,691
Lord Downshire	**1,109,583**	1,109,583
I D Menneer	**17,739**	17,739
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, the 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.

The total cash subscriptions were, based on independent valuation, considered to be equal to fair value at the time of acquisition.

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"). Their rights to sell the 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 A Shares do not have a right to receive a dividend, except for any amounts distributed on the winding up of the Company or on an asset sale.

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. The B Shares have a right to an annual dividend (on a non-fixed coupon basis), calculated by applying a rate of LIBOR + 2% to the nominal value of the B Shares.

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 www.animalcaregroup.co.uk.

8. Staff Costs

	2016	2015
Number of employees		
The average monthly number of employees (including Directors) during the year was:		
Production and distribution	**4**	4
Selling and administration	**59**	56
	63	60

	2016 £'000	2015 £'000
Related costs		
Wages and salaries	**2,195**	2,024
Social security costs	**224**	187
Other pension costs	**139**	78
	2,558	2,289

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

9. Finance Costs and Finance Income

	2016 £'000	2015 £'000
Fair value losses on financial instruments*	—	35
Interest rate swap refund	—	(18)
Finance costs	—	17
Other net finance income:		
Fair value gains on financial instruments	(36)	—
Interest income on bank deposits	(33)	(27)
Finance income	(69)	(27)
Net finance income	(69)	(10)

* 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	2016 £'000	2015 £'000
The income tax expense comprises:			
Current tax expense		481	601
Adjustment in the current year in relation to prior years		(148)	(143)
		333	458
The deferred tax (credit)/expense comprises:			
Origination and reversal of temporary differences	22	121	(99)
Adjustment in the current year in relation to prior years	22	(2)	117
		119	18
Total tax expense for the year		452	476
The total tax charge can be reconciled to the accounting profit as follows:			
Total comprehensive income for the year		2,634	2,534
Total tax expense		452	476
Profit before tax		3,086	3,010
Income tax calculated at 20.0% (2015: 20.75%)		617	625
Effect of expenses not deductible		41	42
Effect of share-based deductions		(6)	(88)
Innovation related tax credits		(65)	(77)
Depreciation in excess of capital allowances		15	—
Effect of adjustments in respect of prior years		(150)	(26)
		452	476

The tax credit of £27,000 (2015: £26,000) shown within "exceptional and other items" on the face of the statement of comprehensive income, which forms part of the overall tax charge of £452,000 (2015: £476,000) relates to the items analysed in note 4.

The prior year current tax credits in respect of both 2016 and 2015 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 Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1st April 2020. This 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 Finance Act 2015 (No 2) was substantively enacted on 26th October 2015 which will reduce the rate of corporation tax to 19% with effect from 1st April 2017 and 18% from 1st April 2020. This will reduce the Group's future current tax charge accordingly. Deferred tax balances at 30th June 2016 have been calculated based on these rates.

11. Dividends

	2016 £'000	2015 £'000
Ordinary final dividend paid in respect of prior year	**904**	839
Ordinary interim dividend paid	**379**	378
	1,283	1,217

The final dividend paid during the year ended 30th June 2016 was 4.3 pence per share (2015: 4.0 pence per share). The interim dividend paid during the year ended 30th June 2016 was 1.8 pence per share (2015: 1.8 pence per share).

The proposed final dividend of 4.7 pence per share, which is subject to approval of shareholders at the Annual General Meeting, results in a total dividend for the year of 6.5 pence per share. The proposed dividend has not been included as a liability as at 30th June 2016, in accordance with IAS 10 "Events After the Balance Sheet Date".

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

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 2016 £'000	Underlying earnings before exceptional and other items 2015 £'000	**Total earnings 2016 £'000**	Total earnings 2015 £'000
Total comprehensive income attributable to equity holders of the Company	**2,744**	2,635	**2,634**	2,534
	2016 No.	2015 No.	**2016 No.**	2015 No.
Basic weighted average number of shares	**21,043,846**	20,982,367	**21,043,846**	20,982,367
Dilutive potential Ordinary Shares	**319,863**	123,127	**319,863**	123,127
	21,363,079	21,105,494	**21,363,079**	21,105,494
Earnings per share:				
Basic	**13.0p**	12.6p	**12.5p**	12.1p
Fully diluted	**12.8p**	12.5p	**12.3p**	12.0p

13. Goodwill

	Group £'000
Cost	
At 1st July 2014, 1st July 2015 and **30th June 2016**	12,711
Accumulated impairment losses	
At 1st July 2014, 1st July 2015 and **30th June 2016**	—
Net book value	
At 30th June 2016 and 30th June 2015	**12,711**

The carrying amount of Group goodwill is allocated to the Group's sole cash-generating unit ("CGU"), being the Animalcare 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 1.8% (2015: 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 9.4% (2015: 13.2%).

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.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

14. Other Intangible Assets

Group	Acquired brands £'000	Acquired customer relationships £'000	New product development costs £'000	Capitalised software £'000	Total £'000
Cost					
At 1st July 2014	524	837	1,647	165	3,173
Additions	—	—	768	44	812
Disposals	—	—	—	(31)	(31)
At 30th June 2015	524	837	2,415	178	3,954
Additions	—	—	1,563	41	1,604
Disposals	—	—	(47)	—	(47)
At 30th June 2016	**524**	**837**	**3,931**	**219**	**5,511**
Amortisation					
At 1st July 2014	227	545	990	84	1,846
Charge for the year	35	84	195	45	359
Disposals	—	—	—	(31)	(31)
At 30th June 2015	262	629	1,185	98	2,174
Charge for the year	35	83	196	55	369
At 30th June 2016	**297**	**712**	**1,381**	**153**	**2,543**
Carrying value					
At 30th June 2016	**227**	**125**	**2,550**	**66**	**2,968**
At 30th June 2015	262	208	1,230	80	1,780

Veterinary medicine product development costs are amortised over four to seven years. £2.4m of the total £3.9m cost is currently not being amortised. 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 2015 and 30th June 2016	**7**	**7**
Amortisation		
At 1st July 2014	—	—
Charge for the year	1	1
At 30th June 2015	1	1
Charge for the year	2	2
At 30th June 2016	**3**	**3**
Carrying value		
At 30th June 2016	**4**	**4**
At 30th June 2015	6	6

15. Property, Plant and Equipment

Group	Leasehold improvements £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1st July 2014	184	134	268	586
Additions	—	2	5	7
Disposals	—	(17)	(129)	(146)
At 1st July 2015	184	119	144	447
Additions	—	32	9	41
At 30th June 2016	**184**	**151**	**153**	**488**
Depreciation				
At 1st July 2014	22	56	136	214
Charge for the year	19	18	36	73
Disposals	—	(17)	(129)	(146)
At 1st July 2015	41	57	43	141
Charge for the year	18	31	17	66
At 30th June 2016	**59**	**88**	**60**	**207**
Net book value				
At 30th June 2016	**125**	**63**	**93**	**281**
At 30th June 2015	143	62	101	306

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

16. Investments in Subsidiaries

Subsidiary undertakings

	Company 2016 £'000	2015 £'000
Cost and net book value		
At 1st July 2014, 2015 and **30th June 2016**	**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*

* In substance 100% ownership, see note 7 for further details.

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

17. Inventories

	Group 2016 £'000	2015 £'000
Finished goods and goods for resale	**1,604**	1,653

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**1,782**	1,924	**—**	—
Amounts receivable from subsidiaries	**—**	—	**—**	—
Corporation tax – Group relief	**—**	—	**308**	217
Other receivables	**7**	6	**7**	6
Derivative financial instruments	**18**	—	**—**	—
Prepayments and accrued income	**382**	317	**17**	15
	2,189	2,247	**332**	238

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Balance at 1st July	**15**	15	**—**	—
Impairment losses recognised	**(1)**	—	**—**	—
Balance at 30th June	**14**	15	**—**	—

Ageing of past due but not impaired receivables

	Group	
	2016 £'000	2015 £'000
1–30 days past due	**4**	—
31–90 days past due	**—**	1
91 days and more	**—**	—
	4	1

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Cash and cash equivalents

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash and cash equivalents	**7,118**	5,777	**1,576**	1,576

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 33 days (2015: 31 days). No interest has been charged on overdue receivables.

19. Other Financial Liabilities

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**1,513**	936	**97**	73
Amounts payable to subsidiaries	**—**	—	**4,991**	3,385
Other taxes and social security costs	**448**	450	**56**	46
Other creditors	**468**	386	**20**	18
Derivative financial instruments (see note 20)	**—**	18	**—**	—
Accruals	**598**	396	**53**	4
	3,027	2,186	**5,217**	3,526

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
2016					
Trade and other payables	**3,027**	**—**	**—**	**—**	**3,027**
2015					
Trade and other payables	2,186	—	—	—	2,186

Categories and fair value of financial instruments carrying value

	2016 £'000	2015 £'000
Financial assets		
Trade and other receivables (including cash and cash equivalents)	**8,925**	7,707
Financial liabilities		
Trade and other payables	**(3,027)**	(2,186)

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 2016

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Euro	**276**	446	**109**	153
US dollar	**4**	264	**96**	—

Foreign currency sensitivity analysis

At 30th June 2016 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 2016. 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	(15)	18
US dollar	8	(10)

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 two (2015: three) open foreign exchange contracts at 30th June 2016. The values are shown below:

	2016 £'000	2015 £'000
Principal value	**200**	338
Fair value	**18**	(18)

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:

	2016 £'000	2015 £'000
Balance at the beginning of the period	**958**	972
Income deferred to future periods	**263**	241
Release of income deferred from previous periods	**(239)**	(255)
Balance at end of the period	**982**	958

The deferred income liabilities fall due as follows:

	2016 £'000	2015 £'000
Within one year	**220**	234
After one year	**762**	724
	982	958

Income recognised during the year is set out below:

	2016 £'000	2015 £'000
Income received	**282**	227
Income deferred to future periods	**(263)**	(241)
Release of income deferred from previous periods	**239**	255
Income recognised in the year	**258**	241

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

22. Deferred Tax

Group

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 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
Charge/(credit) to income	(1)	(22)	—	142	119
Balance at 30th June 2016	**36**	**(176)**	**(8)**	**394**	**246**

Deferred tax balances have been calculated at an effective rate of 18%, being the substantively enacted rate at 30th June 2016.

Company

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 2014	(12)	(25)	(2)	(39)
Charge/(credit) to income	3	(52)	—	(49)
Balance at 30th June 2015	(9)	(77)	(2)	(88)
Charge/(credit) to income	2	(19)	—	(17)
At 30th June 2016	**(7)**	**(96)**	**(2)**	**(105)**

Deferred tax balances have been calculated at an effective rate of 18%, being the substantively enacted rate at 30th June 2016.

23. Share Capital

	2016 No.	2015 No.
Allotted, called up and fully paid Ordinary Shares of 20p each	**21,059,636**	21,019,636

	2016 £'000	2015 £'000
Allotted, called up and fully paid Ordinary Shares of 20p each	**4,212**	4,204

During the year £8,000 (2015: £11,886) of Ordinary Shares were issued for proceeds of £52,525 (2015: £81,814) resulting in a share premium of £44,525 (2015: £69,928).

24. Operating Lease Arrangements

The Group as lessee

	2016 £'000	2015 £'000
Lease payments under operating leases recognised as an expense in the year	**211**	199

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:

	2016 £'000	2015 £'000
Within one year	**187**	168
In the second to fifth years inclusive	**240**	298
After five years	**45**	78
	472	544

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 2016

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	495,000	1.446	206,102	1.041	180,000	1.408
Granted during the year	110,000	2.157	—	—	—	—
Lapsed during the year	(15,000)	2.175	(13,640)	1.029	—	—
Exercised during the year	(40,000)	1.313	—	—	—	—
Open at 30th June 2016	**550,000**	**1.578**	**200,491**	**1.0422**	**180,000**	**1.408**
Exercisable at the end of the year	325,000	1.400	—	—	180,000	1.408

Animalcare Group plc

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	162p	130p	141p
Weighted average exercise price	162p	104p	141p
Expected volatility	51%	50%	56%
Expected life	3.0 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 (2015: £nil).

The Group recognised a total charge in respect of share based payments of £120,000 (2015 : £139,000) within administrative expenses. The respective Company charges were £47,000 (2015: £74,000).

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 (2015: £nil).

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

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:

2016	Animalcare Ltd £'000	Total £'000
Management charges levied	**240**	**240**

2015	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

	2016	2015	2014	2013	2012
Consolidated Statement of Comprehensive Income					
Revenue	**14,701**	13,536	12,881	12,118	10,856
Underlying EBITDA	**3,506**	3,423	3,162	2,916	2,501
Underlying operating profit	**3,190**	3,110	2,802	2,684	2,294
Profit before tax	**3,086**	3,010	2,672	2,330	2,106
Underlying earnings per share					
basic	**13.0p**	12.6p	10.8p	10.5p	9.3p
diluted	**12.8p**	12.5p	10.8p	10.4p	9.2p
Dividend per share	**6.5p**	6.1p	5.5p	5.3p	4.5p
Balance Sheets					
Non-current assets	**15,960**	14,797	14,410	14,661	14,522
Current assets	**10,911**	9,677	8,115	6,825	5,022
Current liabilities	**(3,348)**	(2,632)	(2,233)	(2,575)	(1,692)
Non-current liabilities	**(1,008)**	(851)	(839)	(949)	(1,015)
Shareholders' funds	**22,515**	20,991	19,453	17,962	16,837
Cash Flow Statements					
Net cash flow from operating activities	**4,136**	3,892	1,067	2,831	2,123
Net cash used in investing activities	**(1,565)**	(792)	(202)	(483)	(268)
Net cash used in financing activities	**(1,230)**	(1,135)	(798)	(908)	(729)
Net increase/(decrease) in cash and cash equivalents	**1,341**	1,965	67	1,440	1,126

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 Sovereign Square Sovereign Street Leeds LS1 4DA
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