SECTION B: HISTORICAL FINANCIAL INFORMATION ON ECUPHAR

Consolidated income statements

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

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

Consolidated statements of comprehensive income

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

* May be reclassified subsequently to profit & loss

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

Consolidated statements of financial position

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

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

Consolidated statements of changes in equity

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

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

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

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

Consolidated cash flow statements

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

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

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

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

Notes to the consolidated special purpose financial statements

1 Corporate information

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

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

2 Basis of preparation

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

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

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

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

3 Summary of significant accounting policies

Basis for consolidation

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

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

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

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

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

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

- Acquisition of the assets related to the Animal Health Business of Esteve SA, a Spanish pharmaceutical company, effective on 30 April 2015 (see Note 4). As part of this acquisition, the following entities has entered to the consolidation scope: Ecuphar Veterinaria, Ecuphar Italia, Belphar and Euracon GmbH;

- Disposal of Nutriscience Ltd., the subsidiary of the Ecuphar Group located in the Republic of Ireland, effective on 31 October 2016 (see Note 4).

Non-controlling interests

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

Segment reporting

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

Foreign currency translation

Functional and presentation currency

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

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

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

Foreign currency transactions

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

Business combinations

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Land is not depreciated.

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

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

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

Leases

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

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

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

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

Intangible assets

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

The useful life of the intangible assets is as follows:

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

Intangible assets acquired separately

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

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

Goodwill

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

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

Internally generated intangible assets – research and development expenditures

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

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

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

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

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

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

Intangible assets acquired in a business combination

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

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

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

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

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

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

Inventories

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

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

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

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

Financial assets

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

Financial assets measured at amortized cost

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

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

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

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

Available-for-sale financial assets measured at fair value

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

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

Derivative financial liabilities

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

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

Derecognition

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

Offsetting of financial instruments

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

Share capital

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

Dividends

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

Provisions

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

Employee benefits

Short-term employee benefits

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

Management incentive plans

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

Post-employment benefits

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

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

These plans quality as a defined benefit plan as from 1 January 2016 considering the modified law. Previously, the Ecuphar Group has adopted a retrospective approach whereby the net liability recognized in the statement of financial position is based on the sum of the positive differences, determined by individual plan participant, between the minimum guaranteed reserves and the benefits accrued at the closing date based on the actual rates of return.

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

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

Revenue recognition

Sales of goods

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

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

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

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

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

Sales of services

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

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

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

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

Interest income

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

Financing costs

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

Other financial income and expenses

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

Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

Fair value measurements

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

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

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

Events after balance sheet date

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

New and revised standards not yet adopted

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

IFRS 9 Financial Instruments and subsequent amendments

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

IFRS 16 Leases

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

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

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

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

Significant accounting judgments, estimates and assumptions

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

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

The Ecuphar Group based its assumptions and estimates on parameters available when the consolidated special purpose financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Ecuphar Group. Such changes are reflected in the assumptions when they occur.

Internally-developed intangible assets

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

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

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

Income taxes

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

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

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

Impairment of goodwill

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

No impairment charges have been recorded during the reported periods.

Business combinations

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

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

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

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

4 Business Combinations and disposals of subsidiaries

Business combinations

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

Esteve

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

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

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

Cash flow from business combination	
Consideration paid in cash	26,125
Total cash flow	**26,125**

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

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

The acquisition has contributed since the date of acquisition until 31 December 2015 a total revenue of £16,005k and a net loss of £(605)k. The Ecuphar Group does not have the information to disclose the impact on the revenue and the net profit as if the acquisition has been completed on 1 January 2015.

Disposals of subsidiaries

Nutriscience

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

Nutriscience

in £'000	**Carrying value at selling date**
Assets	
Goodwill	419
Property, plant and equipment	53
Inventories	407
Trade receivables	419
Other receivables	37
Cash and cash equivalents	296
	1,631
Liabilities	
Financial debts	–
Trade payables	(315)
Other payables	(241)
	(556)
Total assets and liabilities	**1,075**
Gain on sale Nutriscience	2,432
Selling price received in cash	**3,507**
Cash flow from sale	
Cash & cash equivalents transferred	(296)
Selling price	3,507
Total cash flow	**3,211**

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

5 Goodwill

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

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

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

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

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

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

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

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

CGU Pharmaceuticals

The recoverable amount of this cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 5-year period. The cash flows beyond that five-year period have been extrapolated using a steady 2% per annum growth rate. The main assumptions used for the goodwill impairment testing include a pre-tax discount rate based on a weighted average cost of capital ("WACC") of 10.56%. Other assumptions include the year-on-year growth rate of the revenue, gross margin and the operating costs which has been determined by management based on past experience. It was concluded that the recoverable amount of £61,892k is approximately £43,804k higher than the carrying value of the cash generating unit. If the year-on-year growth rate of the revenue, gross margin and the operating costs would be zero, the headroom would decrease by approximately £16,784k. If the discount rate would increase by 1%, the headroom would decrease by approximately £8,349k. In both sensitivity analyses, the net recoverable amount is significantly higher than the carrying value of the cash generating units.

CGU Wholesale

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

6 Intangible assets

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

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

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

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

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

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

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

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

7 Property, plant & equipment

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

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

in £'000	Equipment	Office furniture and equipment	Finance leases	Leasehold improvements	Total
Depreciation					
At 1 January 2014	**(323)**	**(710)**	**–**	**(334)**	**(1,367)**
Depreciation charge for the year	(20)	(108)	–	(26)	(154)
Disposals	37	98	–	90	225
Transfers	–	–	–	–	–
Change due to business combinations	–	–	–	–	–
Currency Translation	20	47	–	20	87
Other	–	(2)	–	–	(2)
At 31 December 2014	**(286)**	**(675)**	**–**	**(250)**	**(1,211)**
Depreciation charge for the year	(32)	(95)	(10)	(21)	(158)
Disposals	–	96	–	–	96
Transfers	–	–	–	–	–
Change due to business combinations	–	–	–	–	–
Currency Translation	15	40	–	14	69
Other	–	2	–	–	2
At 31 December 2015	**(303)**	**(632)**	**(10)**	**(257)**	**(1,202)**
Depreciation charge for the year	(37)	(234)	(11)	(44)	(326)
Disposals	–	17	–	–	17
Transfers	–	52	–	–	52
Change due to business combinations	149	57	–	160	366
Currency translation	(43)	(105)	(2)	(36)	(186)
At 31 December 2016	**(234)**	**(845)**	**(23)**	**(177)**	**(1,279)**
Net book value					
At 31 December 2016	83	470	37	129	719
At 31 December 2015	125	382	42	113	662
At 31 December 2014	78	244	–	64	386
At 1 January 2014	43	243	–	43	329

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

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

No impairment of property, plant and equipment was recorded.

Finance leases

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

Borrowing costs

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

9 Inventories

Inventories include the following:

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

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

10 Trade receivables

The trade receivables include the following:

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

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

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

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

11 Cash and cash equivalents and held to maturity investments

Cash and cash equivalents include the following:

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

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

12 Equity

Share capital

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

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

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

Share premium

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

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

Other reserves

The nature and purpose of the reserves is as follows:

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

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

Dividends

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

Non-controlling interest

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

14 Borrowings

The loans and borrowings include the following:

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

Revolving credit facilities and roll over investment facilities

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

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

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

15 Provisions

Provisions consist of the following:

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

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

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

16 Deferred income and accrued charges

Deferred income and accrued charges consists of the following:

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

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

17 Other current liabilities

Other current liabilities include the following:

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

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

18 Fair value

Financial assets

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

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

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

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

Financial liabilities:

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

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

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

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

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

Fair value hierarchy

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

19 Segment information

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

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

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

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

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

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

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

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

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

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

Entity-wide disclosures

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

20 Income and expenses

20.1 *Revenue*

Revenue by geographical area is presented as follows:

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

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

The revenue by category is presented as follows:

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

The revenue by product category is presented as follows:

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

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

20.2 *Cost of sales*

Cost of sales includes the following expenses:

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

20.3 *Research and development expenses*

Research and development expenses include the following expenses:

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

20.4 *Selling and marketing expenses*

Selling and marketing expenses include the following expenses:

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

20.5 *General and administrative expenses*

General and administrative expenses include the following expenses:

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

20.6 *Net other operating income (expense)*

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

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

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

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

20.7 *Expenses by nature*

Expenses by nature for the period 31 December 2016

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

Expenses by nature for the period 31 December 2015

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

Expenses by nature for the period 31 December 2014

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

20.8 *Payroll expenses*

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

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

20.9 *Financial expenses*

Financial expenses includes the following elements:

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

20.10 *Financial income*

Financial income includes the following elements:

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

20.11 *Income taxes*

Current income tax

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

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

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

Deferred tax

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

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

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

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

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

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

Relationship between Tax Expense and Accounting Profit

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

21 Earnings per share

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

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

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

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

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

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

The earnings per share are as follows:

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

22 Commitments and contingent liabilities

Operating lease commitments

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

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

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

Finance lease commitments

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

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

23 Risks

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

Credit risk

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

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

The following is an ageing schedule of trade receivables:

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

Liquidity risk

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

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

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

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

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

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

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

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

Foreign exchange risk

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

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

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

Interest rate risk

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

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

Capital management

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

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

24 Related party transactions

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

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

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

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

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

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

Directors of the Parent Company are:

Bellevue NV (being a company controlled by Chris Cardon)
Business Contact International BVBA
Alychlo NV
Mylecke Management, Art & Invest NV

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

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

26 Overview of consolidated entities

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

27 First time adoption

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

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

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

IFRS mandatory exceptions

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

Estimates

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

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

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

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

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

IFRS exemption elections

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

- The Ecuphar Group has applied the exemption as provided in IFRS 1 *First-time Adoption of International Financial Reporting Standards* on non-application of IFRS 3, *Business Combinations* to business combinations consummated prior to 1 January 2014 (date of transition).

- The Ecuphar Group has applied the transitional provisions in IFRIC 4 "Determining whether an Arrangement contains a Lease" and determined whether an arrangement existing at the date of transition to IFRSs contains a lease on the basis of facts and circumstances existing at that date.

Reclassifications

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

Reconciliation of statement of financial position from Belgian GAAP to IFRS
Consolidated statement of financial position as at 1 January 2014

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

Consolidated statement of financial position as at 31 December 2014

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

Consolidated statement of financial position as at 31 December 2015

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

Reconciliation of total comprehensive income between Belgian GAAP and IFRS:

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

Statement of comprehensive income for the year ended 31 December 2014

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

Statement of comprehensive income for the year ended 31 December 2015

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

Other information on the reconciliation from Belgian GAAP to IFRS

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

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

{a} Goodwill was decreased with the amount of identifiable intangible assets which were recognized as a result of acquisitions meeting the criteria on asset deals under IFRS 3. Such intangibles were reclassified to the line intangible assets and amortized over their remaining estimated useful lives. Such reclasses amounted to €650k at 31 January 2015 (2014: €838k; 1 January 2014: €978k).

{b} Goodwill was increased in the periods beyond the date of transition for amortizations which were recorded under Belgian GAAP. Such goodwill amortization are not allowed under IFRS. Amortizations reversed amounted to €223k at 31 December 2015 (2014: €585k).

{c} Intangible assets were decreased for assets recognized under BE GAAP which do not meet the recognition criteria under IAS 38. Amortization on those intangible assets was reversed in the years beyond the date of transition. The cumulative effect of these adjustments amounted to €(2,780)k at 31 December 2015 (2014: €(2,743)k; 1 January 2014: €(3,355)k).

{d} Deferred income taxes as defined under IAS 12 are not recognized under Belgian GAAP. As a result adjustments were recognized on deferred tax assets for €1,685k at 31 December 2015 (2014: €1,223k; 1 January 2014: €1,158k) and on deferred tax liabilities for €60k at 31 December 2015 (2014: €1k; 1 January 2014: €0k). Deferred income tax (expense) and income was recognized for €1,014k at 31 December 2015 (2014: €66k).

{e} Inventory was adjusted to bring the carrying amounts to cost as defined under IAS 2 and to move from a weighted average costing formula to the First in – First out costing method. The cumulative effect of these adjustments amount to €(102)k at 31 December 2015 (2014: €13k; 1 January 2014: €4k).

{f} Treasury shares classified as asset under Belgian GAAP were reclassified and recognized as a deduction of equity under IFRS. The amount of treasury shares reclassified amounted to €837k at 31 December 2015 (2014: €837k; 1 January 2014: €36k).

{g} Derivative financial instruments were not recognized under Belgian GAAP. They were recognized under IFRS based on the requirements of IAS 39. No hedge accounting as defined under IAS 39 has been applied. The effect of the recognition of derivative financial instruments on the statement of financial position amounted to €22k at 31 December 2015 (2014: €38k; 1 January 2014: €49k). The effect of the relating fair value adjustments in the income statement amounted to an income of €16k at 31 December 2015 (2014: €11k).

{h} Dividends payable recorded as a liability under Belgian GAAP at the year-end prior to the shareholder's approval were reclassified to retained earnings as such dividends only give rise to a liability under IFRS at the moment of shareholder's approval. Dividends reclassified amounted to €0k at 31 December 2015 (2014: €133k; 1 January 2014: €1,000k).

{i} A financial liability was recognized under IFRS for the estimated pay-outs under a license agreement for which obligated payments were due by the Ecuphar Group at year-end. Under Belgian GAAP such pay-outs were recognized as intangible assets upon payment and amortized in subsequent periods. The amount of the financial liability recognized amounts to €1,213k at 31 December 2015 (2014: €2,425k; 1 January 2014: €1,500k).

{j} Additional accruals were made in the 31 December 2015 IFRS statement of financial position and income statement relating to costs that met the recognition criteria of a liability under IFRS at that date. Such costs were recorded in the Belgian GAAP financial statements in 2016. The amount of such accruals recognized in the statement of financial position at 31 December 2015 amounts to €2,283k. The negative impact on the income statement of 2015 amounts to €(250)k on revenues, €(1,064)k on cost of sales and €(969)k on other operating expenses.

{k} The application of IFRS 3 Business combinations on the acquisition of the Esteve business (see Note 4) resulted in a purchase price allocation being performed. This allocation resulted in different values being recognized under IFRS then the ones formerly recognized under Belgian GAAP. An overview of the impact of this business combination on the statement of financial position can be found under Note 4.

{l} Cash discounts were recognized as a financial expense under Belgian GAAP while they are deducted from revenues under IFRS. Such discounts amounted to €140k at 31 December 2015 (2014: €119k).

{m} Payroll costs have been allocated to the several functions in the functional income statement. This resulted in increasing cost of sales of €272k in 2015 (2014: €175k), increasing research and development expenses of €1,092k in 2015 (2014: €235k), decreasing general and administrative expenses of €8,135k in 2015 (2014: €3,348k) and increasing selling and marketing expenses of €6,771k in 2015 (2014: €2,938k).

{n} The positive IFRS restatement effect on research and development expenses mostly relates lower amortization charges given the fact that less R&D related intangibles were recognized under IFRS.

{o} The negative IFRS restatement effect on general and administrative expenses mostly relates to higher amortization charges given the fact that more License-related intangibles were recognized under IFRS.

{p} The negative restatement of effect of €(100)k recorded in IFRS during 2014 relates to additional acquisition costs for which the IFRS 1 exemption on goodwill was applied. Such subsequent expenditures do not meet the recognition criteria under IFRS and were expensed as incurred.

{q} Given that the reporting currency is determined to be GBP all functional currency Euro balances, income and expenses were translated into GBP. This resulted in foreign currency translation effects which cumulate within other comprehensive income.

28 Events subsequent to 31 December 2016

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