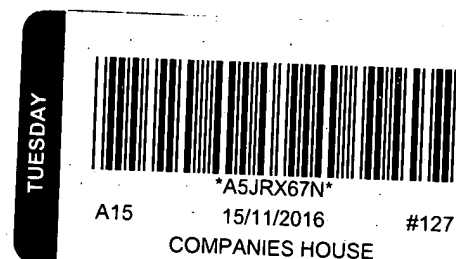


Animalcare Group plc

Annual Report

for the year ended 30th June 2016

Supplying
& Supporting
Veterinary Professionals
throughout the UK



WELCOME TO ANIMALCARE GROUP PLC

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

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

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

We have three product groups:

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

For more information see Group at a Glance on pages 04 and 05

See our Investment case on page 03

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Read about our performance at:
www.animalcargroup.co.uk/year-in-review

LOOK OUT FOR THESE ICONS WHEN NAVIGATING THIS REPORT

See further content online
at www.animalcargroup.co.uk

View more content
within this report

FINANCIAL HIGHLIGHTS

Revenue
£m

+8.6%
at £14.7m

**Underlying*
Operating Profit**
£m

+2.6%
at £3.2m

**Underlying*
Basic EPS**
Pence

+3.2%
at 13.0p

**Dividend
Per Share**
Pence

+6.6%
at 6.5p

*Underlying measures are before the effect of exceptional and other items as analysed in note 4

OPERATIONAL HIGHLIGHTS

- Strong financial performance with underlying operating profit and underlying basic EPS slightly ahead of recently revised market forecasts of £3.1m and 12.6p per share respectively.
- 7.2% increase in sales of Licensed Veterinary Medicines, with associated export revenues increasing by 22.5%.
- Advantage taken from compulsory microchipping for dogs opportunity resulting in an incremental revenue benefit of c£0.3m.
- Cash generation remains strong which enabled the business to propose a 6.6% increase in the total dividend to 6.5p per share during our investment phase.
- Strong momentum in building value within our product development pipeline with investment increasing by 100% to £1.6m.

Read more about our Chief Executive Officer's Review on pages 12 to 13

View our Financial Highlights online at:
www.animalcaregroup.co.uk/year-in-review

CHAIRMAN'S STATEMENT

“Our strategy is on track to build a strong business and invest in product development and geographic expansion.”

JAMES LAMBERT Chairman

Animalcare has performed well during the financial year, particularly during the second half, with growth from all three product groups: Licensed Veterinary Medicines, Companion Animal Identification, and Animal Welfare Products. The core medicines group achieved increased sales of c8.0% during the year.

Financial Trading

Group revenue increased by 8.6% from £13.5m to £14.7m. This was achieved principally by increasing sales of Licensed Veterinary Medicines both in the UK and Export markets by over £650,000 combined. Incremental revenue of approximately £300,000 was also recognised from the introduction of compulsory microchipping in dogs during April which benefited the second half performance. Basic EPS increased from 12.1p to 12.5p. Cash generation has remained strong, with year end cash increasing from £5.8m to £7.1m. This has been achieved during a period of significant investment in product development to £1.6m together with recruiting more colleagues in all areas of the business to help drive future growth.

People

These good results are testament to the strength of our Senior Management Team which continues to flourish under the able leadership of our CEO Iain Menneer. We have further strengthened our product development, marketing, sales and distribution teams in order to continue to grow your business in the future.

Product Development

Our European partners have more than filled the gap we had in our development pipeline during this financial year. This allowed your Company to increase sales of its generic drugs whilst we continued to progress our own development programme. The first products from our renewed development pipeline have been licensed and launched in the year and we expect further launches over the following two years.

Dividend

Given the strong cash generation during the financial year your Board proposes to increase the final dividend to 4.7 pence per share. With 1.8 pence paid as the interim dividend this takes the total for the year to 6.5 pence per share representing growth of c7% from 6.1 pence last year. This is well covered by both increased earnings and cash flow and still leaves sufficient cash to invest in our future.

Prospects

Given the pipeline from both our in-house product development and that of our European partners, plus a much improved export business, your Board looks forward to continuing your Company's record of consistent growth. This is being delivered by a stronger, more capable management team and committed and hard-working colleagues. I would like to personally thank them all for their dedication and hard work to the success of your business.

JAMES LAMBERT

Non-Executive Chairman

INVESTMENT CASE

Animalcare Group plc is a **sales and marketing** and **product development** company.

The UK pet medicines market has grown consistently over the last ten years at a Compound Annual Growth Rate of 5.2% demonstrating remarkable resilience in the challenging economic climate of the last eight years.

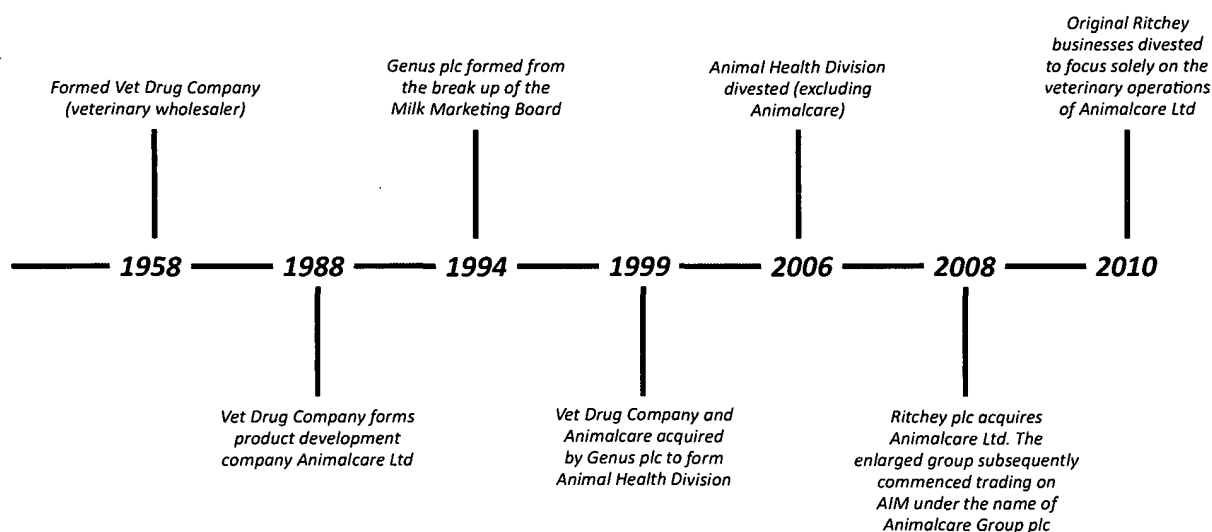
It is a highly regulated and specialist market with significant intellectual and financial barriers to entry. In addition, consolidation of pharmaceutical suppliers has made our significant and skilled sales and marketing function a rare and valuable asset.

As a result we believe there are four compelling reasons to invest in Animalcare Group plc:

- **Animalcare is a sustainable growing business (revenue +6.8% CAGR)** in a growing market (+5.2% CAGR over ten years)
- **Animalcare is cash generative** and debt-free
- **Animalcare is dividend paying** and expects to maintain its current dividend policy during its investment phase
- **Animalcare is implementing a clear strategy** to accelerate its growth over the next three to five years

ANIMALCARE

Timeline



04 GROUP AT A GLANCE

Animalcare is a sales, marketing and product development business operating from its head office in York, North Yorkshire.

Animalcare employs 63 people; with a sales team of 22 supported by a marketing team of 5. The technical and product development team now totals 7.

Animalcare does not manufacture any of its products, these being contract manufactured on its behalf by a range of companies located predominantly in mainland Europe.

Animalcare's main market is the UK with export sales totalling 8% of revenues, derived from sales on distribution in Ireland, Germany, France, Spain, the Netherlands, Portugal, Belgium and Italy.

POTENTIAL NEW DISTRIBUTION TERRITORIES

OUR MAIN LOCATION

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

OUR DISTRIBUTION POINTS

Animalcare is building a strong network of distribution and development partners.

The product portfolio is divided into three groups; pharmaceuticals (Licensed Veterinary Medicines); pet microchips (Companion Animal Identification); and consumable items (Animal Welfare Products).

LICENSED VETERINARY MEDICINES

63%

**Revenue
£9.2m**

63% (2015) 61% (2014)

Market Overview

Total UK veterinary medicines market is worth approximately £625m, of which £344m is for companion animals (dogs, cats, horses and small mammals), with the whole animal medicines market growing by a little over 1% and a little under 1% for companion animals (www.noah.co.uk).

Operational Achievements

- ▶ Strong sales of the five new products launched late in FY15
- ▶ Leading position in the UK anaesthetic and analgesic market by breadth and volume of sales.
- ▶ Three product licences granted from product development pipeline.

COMPANION ANIMAL IDENTIFICATION

18%

**Revenue
£2.7m**

17% (2015) 19% (2014)

Market Overview

Annual UK sales volume estimated to reduce from approximately 1,300,000 microchips for companion animals (excluding equine) to 810,000 in the aftermath of compulsory microchipping. Two main microchip database providers servicing the UK (The Kennel Club's Petlog ~7.7m pets, Animalcare's Anibase ~4.8m pets), with several much smaller operators.

Operational Achievements

- ▶ Took full advantage of compulsory microchipping for dogs opportunity with microchip sales up 15%.
- ▶ Anibase, microchip database, received c1,100 calls a day, three times normal levels, with service levels maintained throughout.
- ▶ Launch of new Identichip Ultra, a smaller microchip, to address change in market towards smaller microchips.

ANIMAL WELFARE PRODUCTS

19%

**Revenue
£2.8m**

20% (2015) 20% (2014)

Market Overview

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

Operational Achievements

- ▶ Strong revenue growth (+10%) of infusion accessories range to further complement our market leading I.V. fluid pharmaceuticals.
- ▶ New improved hard surface cleaning products launched in the period and contributing to hygiene range sales increase of 12.5%.

Read more about our Strategy on pages 08 to 09

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

BUSINESS MODEL

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

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

Animal types: Primarily companion animals (dogs, cats, horses and small mammals).

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

Geographic reach: Currently 92% revenue in the UK; 8% in EU with expansion plans to further penetrate the EU and ROW.

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

STRENGTH THROUGH *Our People*

Development Team

Our in-house and partner developers identify pharmaceutical products to develop undifferentiated, differentiated and enhanced generics. Each project is assessed against technical and commercial criteria to determine its suitability to become a full development project.

Distribution

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

Sales and Marketing Team

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

Pet Microchip Database

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

Talent Management **PROGRAMME**

The TMP is designed to recognise, develop and appreciate all the various talents we have and to build on them, to make us even more successful

**RECRUITMENT &
INDUCTION**

**CAREER &
SUCCESSION
PLANNING**

**PERFORMANCE
MANAGEMENT**

**REWARD &
RECOGNITION**

**PEOPLE
DEVELOPMENT**

**IN-HOUSE
PRODUCT
DEVELOPMENT
PIPELINE**

**PRODUCT
ACQUISITION**

**ANIMALCARE-
OWNED PRODUCTS**

**PRODUCTS ON
DISTRIBUTION**

**UK VETERINARY
WHOLESALE**

**DISTRIBUTED IN EU
& ROW THROUGH
PARTNER NETWORK**

**UK VETERINARY
PRACTICES**

PET OWNERS

STRATEGY

Introduction

The UK veterinary market, whilst still relatively fragmented, is consolidating at an increasing rate. In the last decade we have experienced the inception of the corporate consolidator, be it stock market or private equity financed. The early players have increased significantly in size and now there are several smaller players entering the market. Over that ten year period we have also witnessed the saturation of the buying group model, where practices maintain their independence but join a group to improve their buying power. The buying groups offer additional central functions to differentiate themselves. As this space has become saturated it is now commonplace to see practices lured from one buying group to another. An example of the market maturing further, in the last 12 months one leading corporate has acquired a buying group and one of the main UK veterinary wholesalers has acquired two of the largest buying groups.

As in the human pharmaceutical arena, there are fewer and fewer original medicines being discovered and registered. The knock-on effect is that there are subsequently fewer products of which to make a generic. Also, as seen in human pharma, as opportunities become scarcer, global players acquire or launch their own range of generics.

For example, Animalcare was the first company in Europe to launch a generic buprenorphine in 2008 into a sub-£2m market. There are now five generic competitors in that market.

Current Market Developments

Two years ago saw the acquisition of Novartis Animal Health by Ely Lilly/Elanco. This year we are awaiting the expected regulatory clearance for the asset swap that will see Sanofi's animal health business, Merial, taken over by Boehringer Ingelheim, catapulting the latter from number six to the second biggest in the world with a combined annual turnover of approximately £3.3 billion; and the largest animal health business in Europe.

The effect of this M&A activity is mixed for Animalcare. Whilst it is clear that the larger and larger global companies do not and cannot focus on the tail of their expanding product ranges, the sheer size of the newly combined product range is hard to compete against. It has also been hard to gain access to the product disposal fall-out from the M&A.

There are many examples in business that show the space and fertile environment created when consolidation occurs at the top end of a market. There is still a place and space for Animalcare in this evolving market but it was these market dynamics that made it clear that we had to invest in our product pipeline in order to offer our customers extensive product ranges and to renew the range as products move through their product life cycles. Investing in enhanced generics and furthermore in innovative, novel products will strengthen Animalcare's position in the market and in commercial transactions, moving the discussion away from price. The additional time to develop such products requires Animalcare to invest in these projects now.

Even before the referendum vote in June, it was clear that Animalcare had great potential to open up to markets further south and east in Europe but importantly beyond our continent.

In conclusion we are making the most of what we have and doing what we do, only better.

Strategic Objectives

We have developed four strategic themes to maximise Animalcare's growth in these market conditions.

Our strategy for 2016 to 2018 is to:

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

Progress Against Strategic Themes

1 Product Development Pipeline

The diagram right highlights the number of projects at each stage of the development pipeline. Progress is evident by the comparison to the number at the same time one year ago.

2 Identifying Novel Pharmaceuticals to License

The investment in the technical and product development team has given us the extra capacity to actively search out novel, ideally patent protected, products to acquire or license. Several such opportunities have progressed to co-development projects or commercial negotiation during the period.

3 Innovating in Companion Animal Identification

In preparation for the recent implementation of compulsory microchipping of dogs in England, Scotland and Wales, and the anticipated disruption to the market, we have reviewed our entire business model. As a result one project has started detailed planning in Q1 of the new financial year and another will be executed in Q3.

4 Increasing Sales Outside the UK

We have had a very successful first year implementing our planned expansion into more territories in Europe and the ROW, with revenues increased by 23%. Further progress will be made during the next two years as we gain the regulatory certification in each new territory.

Identification

Candidate identification and selection

2016: 14 Projects

2015: 28 Projects

Feasibility

Investment case prepared based on development, contract manufacturing, active ingredient source and market intelligence

2016: 10 Projects

2015: 9 Projects

Development

Data generated from manufacturing and clinical trials

2016: 12 Projects

2015: 7 Projects

Regulatory

Licence application dossier prepared and submitted

2016: 2 NPD + 3 EPD Projects

2015: 4 NPD + 3 EPD Projects

Commercial

New product launched

2016: 3 Projects

2015: 0 Projects

**2–3 years
to maturity**

KEY PERFORMANCE INDICATORS

The Group utilises the following Key Performance Indicators (KPIs) to measure and monitor progress against our strategic and financial targets.

KPI	Why this is important	Past performance	Link to strategy
Turnover growth 8.6%	Revenue growth encompasses all aspects of our strategy and demonstrates our success in key areas including increasing flow into and through our development pipeline and increasing sales both inside and outside the UK.		1 2 3 4
Basic Underlying Earnings per share ("EPS") 13.0p	Underlying EPS is a key measure of our overall performance and the return we generate for shareholders before exceptional items.		1 2 3 4
Cash generated by operations £4.6m	Cash generation is a measure of the quality of earnings and having strong operating cash flow enables the business to generate the funds needed to invest in our product development pipeline, maintain its strong balance sheet and deliver dividend flow through our investment phase.		1 2 3
Product development expenditure £1.6m	It is critical that Animalcare reinvests its free cash to develop and advance our product development pipeline to support future organic growth in line with the strategic objectives.		1

CHIEF EXECUTIVE'S REVIEW

“We have made great progress in the year with increased revenues, our development pipeline delivering, exports growing and exploring exciting opportunities to invest in innovation.”

IAIN MENNEER Chief Executive Officer

Introduction

I am very pleased with the progress we have made this year. Our revenues have continued to grow, +8.6% to £14.7m (2015: £13.5m). Our export strategy is already making early gains from 'low hanging fruit' with more to follow once product registrations have been made in the various territories we serve.

We have been in an investment phase for almost three years now. As expected the products from that investment are now starting to flow from the development pipeline and, at the same time, our core business continues to perform well in a tough commercial environment. Projects further back in the development pipeline are also progressing well in accordance with plan.

Our shareholders can be assured that our plans are on track and we are confident they will continue to deliver.

Momentum in the period has been supported by further work to ensure the business has a strong platform for growth.

Business Review

Growth has come from all areas of the business.

Licensed Veterinary Medicines

The Licensed Veterinary Medicines group continued to grow strongly in the financial year increasing by 7.7% to over £9.2m (2015: £8.6m). In general the new products we have launched over the last five years continue to gain market share and grow revenues, while the older products in the final phases of their product life cycles are being eroded by commercial pressures and by substitution. However, five new pharmaceutical products were launched on distribution late in the prior year. With no new products to launch in this period this allowed us to focus on consolidating our market position for these products; the combined revenues of these five products increased by 262% to £0.95m (2015: £0.26m).

Companion Animal Identification

Compulsory microchipping of dogs became law in England, Scotland and Wales in April 2016. Not only is it a legal requirement for all dogs over the age of eight weeks to be microchipped it is also mandatory for the dog's keeper's name and contact details to be registered on a DEFRA approved database. We did not experience any uplift in microchip sales or database registrations until April when we had an unprecedented surge in both. Through careful planning and the considerable efforts of our staff and suppliers we managed to supply all our veterinary customers and ensure all registrations were fulfilled in a timely manner, unlike several of our competitors.

It is too soon after the disruption to the market caused by this legislative change to conclude the long-term impact, but we believe there will be a lasting reduction in realised prices and microchip volumes. This was predicted and so plans are in the advanced stage to evolve our business models and market offering.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Animal Welfare Products

The Animal Welfare Product group grew again in the period with an increase of 5.1% to £2.8m (2015: £2.6m). Our Infusion Accessories range grew by almost 10% as a result of sales and marketing focus and withdrawal of a modest competitor during the year. The Hygiene Products range grew too as a result of renewed focus following the launch of a new range of hard surface cleaners in the period which increased by 12% to £0.67m.

Export

Martin Gore joined Animalcare on 1st July 2015 in the role of Head of Export Development to focus on growing our product distribution in existing and new territories in Europe as this had underperformed in the past due to lack of focus. A year on, this has proved to be a great success not only growing revenues of

existing products in existing territories but also sales of existing over-the-counter veterinary medicines products in new territories. This has resulted in export sales growth of almost 23% on the prior period. Martin has signed distribution agreements for some of our veterinary licensed products in territories well beyond Europe. Being regulated products there will be a modest delay until first sales while local licences are secured.

People

Animalcare, like any organisation, is only as good as its employees. Therefore we have worked hard over the last three years during our investment phase to make sure we have the right people in the right roles to deliver our plan. We are well through this process to ensure we have the necessary roles covered and have made further important progress during the period. Underpinning the changes we have made to our team was the introduction

of a Talent Management Programme which is a framework to make sure we recruit, develop, reward and engage all our employees as best we can.

In addition to recruitment in export sales, we have further strengthened our product development and registration team with appointments in both areas. To reflect the evolution of the UK veterinary customers towards consolidated corporate customers and buying groups we have strengthened our sales team yet further with experienced key account specialists now on the team.

We have conducted a review of our supply chain and identified key areas to improve supplier performance and demand planning. Consequently we have started to build a specialist supply chain team late in the period.

STRATEGIC REPORT

Our Performance

13

Product Development

Three years ago we overhauled our product development activities and embarked on a large number of new projects. These projects were expected to take approximately three years to reach commercial launch. It is therefore very satisfying to see the successful registration of three products in the period, right on target.

Two years ago Animalcare took the decision to move the contract manufacture of its largest product, Aqupharm I.V. Fluids, away from a global manufacturer to one better suited in terms of flexibility, cost, size and culture. This was the largest development and regulatory project tackled to date. I am pleased to report that the project went smoothly and was fully implemented in H2 FY16 with no product supply disruption or impact on our customers.

The impact of the contract manufacturing move detailed above meant the loss of UK distribution rights for a general anaesthetic, Isocare. We embarked on a project to register our own product. The product was successfully registered in H2 and has since been launched to the market, again with no disruption, in Q1 FY17.

Both these products were solely UK licensed so we took the opportunity to extend the product authorisations to several European territories.

Another product successfully registered in H2 was Acecare, a premedicant to complement our extensive anaesthetic and analgesic range. It is the first generic acepromazine on the UK veterinary market.

In all we submitted five licence applications during the period, a record number for Animalcare. Furthermore, during the period we prepared, entirely in-house, Animalcare's first dossier submission to the veterinary regulatory authorities. Until now we have relied to a varying degree on external consultancies. This is a measure of the level of experience and quality of personnel that now work in the technical and regulatory team.

The further strengthening of our product development and registration function gives us greater capacity to uncover novel and more complex product opportunities by expanding our network. We have a growing database of such ideas. We are also attracting more distribution opportunities from a wider pool of animal health companies, most from outside the UK.

Brexit

The referendum result in June 2016 will inevitably have an impact on our business, although the extent of this is, of course, still unclear. The timing of the result allowed us to put plans in place to incorporate the initial currency instability into our new financial year and we will continue to monitor the situation and take necessary and available action.

The encouraging early progress of our sales in territories outside Europe will go some way to diversifying our markets in the short-term. The launch of products will take one to two years to materialise due to the various pharmaceutical regulatory requirements in place.

Subsequent changes to the European pharmaceutical regulatory framework are of course currently unknown but we will monitor this closely and put plans in place to protect our business.

Summary and Outlook

I am confident that we have built a strong and scalable platform in the business. We will continue to focus hard on our in-house development pipeline and our efforts to source novel products. The strong progress made on our distribution territory expansion will be cemented and we will make further progress with regulatory registrations through the year. We recognise that it is vital for the future of the business that we identify the right products and invest in novel products. Animalcare will continue to be active on this key strategic front.

Whilst the animal health industry evolves with customer consolidations and supplier M&A we have shown that we can continue to grow organically through launching new products and providing a superior service to our customers.

With the first products successfully through our development pipeline we will start to see early revenue growth with more significant impact in subsequent periods. More product registrations are expected in the current period.

In summary, Animalcare is in good health, generating strong cash flows to invest in the business and at such a rate that we are in a position to step up our investment in products and wider opportunities to provide the long-term success of the business.

IAIN MENNEER
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

“2016 was a strong year for the Group achieving underlying operating profit ahead of market expectations.”

CHRIS BREWSTER Chief Financial Officer

Presentation of Results

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

Overview of Financial Results

The Group has delivered another year of strong top line growth whilst we continue to invest in our business. Underlying

operating profit increased by 2.6% compared with previous year to £3.2m, slightly ahead of recently revised market forecasts of £3.1m.

We have maintained sound financial discipline and our balance sheet strength continues to build, reflecting the cash generative nature of our operations. Group cash balances increased to £7.1m as at 30th June 2016, providing the business with the funds we need to continue the momentum of our product development pipeline and support future growth.

Revenue

£'000	2016	2015	% change
Licensed Veterinary Medicines	9,238	8,579	7.7%
Companion Animal Identification	2,680	2,309	16.1%
Animal Welfare Products	2,783	2,648	5.1%
Total Revenue	14,701	13,536	8.6%

Revenue increased by 8.6% to £14.7m (2015: £13.5m) driven by growth in the UK of 7.2% and outside the UK of 25.8%. As a result export revenues contributed 8.2% (2015: 7.1%) of Group revenues.

The Licensed Veterinary Medicines group, which represents 63% of total revenue, continued its strong track record of growth, with sales up 7.7% to £9.2m, primarily reflecting full year sales of new products launched during FY15 which increased by £0.7m. Like-for-like sales declined by 0.3% with growth in our export business offsetting the prior year UK c£0.2m non-recurring first half benefit from sales of Buprecare in the UK as a result of supply issues with a competitor.

Companion Animal Identification sales increased by 16.1%. Legislation has been implemented making it compulsory to microchip dogs in the UK from April 2016 resulting in an incremental sales benefit of c£0.3m. Price competition amongst suppliers has adversely impacted gross margins as noted below.

Our Animal Welfare Products group grew by 5.1% driven by our growing Infusion Accessories range, which represents around 56% of the £2.8m sales.

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

STRATEGIC REPORT

Our Performance

Gross Profit

	2016	2015	% change
Gross Profit (£'000)	7,999	7,573	5.6%
Gross Margin (%)	54.4%	56.0%	(1.6ppts)

The strong sales performance led to gross profit increasing by 5.6% on prior year to £8.0m however our gross margin decreased from 56.0% to 54.4%. Microchip pricing was particularly competitive throughout the majority of the financial year in the run up to compulsory microchipping. Within our Licensed Veterinary Medicines group, overall gross margin has remained consistent with prior year.

We anticipate gross margins to improve across the business during FY17 through a combination of favourable sales mix and cost of goods initiatives.

Operating Results

£'000	2016	2015	% change
Underlying operating profit	3,190	3,110	2.6%
Exceptional and other items	(173)	(110)	
Reported operating profit	3,017	3,000	0.6%
Operating margin %	20.5%	22.2%	(1.7ppts)
Reported profit after tax	2,634	2,534	4.0%
Basic underlying EPS (p)	13.0	12.6	3.2%
Basic EPS (p)	12.5	12.1	3.3%

Underlying operating profit increased by 2.6% to £3.2m and our operating margin reduced by 170 basis points to 20.5%, the latter reflecting the continuing investment in our business, in particular our people for which employee costs increased by £0.3m, to position the business for future growth.

Exceptional and other items principally incorporate the amortisation of acquired intangibles as detailed in note 4.

Our effective tax rate has reduced from 15.8% to 14.6% as a result of the significant increase in product development investment on which research and development tax credits are claimed for qualifying expenditure.

Reflecting all of the above, reported profit after tax was up 4.0% to £2.6m (2015: £2.5m).

Basic underlying EPS improved by 3.2% to 13.0 pence (2015: 12.6 pence). Basic EPS, which incorporates non-underlying items, rose by approximately the same amount to 12.5 pence (2015: 12.1 pence).

Dividends

The Board is proposing a final dividend in respect of the year of 4.7 pence per share, giving a total dividend of 6.5 pence per share for 2016 (2015: 6.1 pence per share). This final dividend is subject to shareholder approval at the Annual General Meeting on 15th November 2016 and will be paid on 25th November 2016 to shareholders on the register at the close of business on 21st October 2016.

The ordinary shares will become ex-dividend on 20th October 2016.

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

Cash Flow

The Group cash position grew by £1.3m to £7.1m as at 30th June 2016, with the business continuing to generate strong levels of operating cash. We maintain focus on robust working capital management however expect a net investment within working capital during FY17 to support growth.

The strong momentum in building value within our product development pipeline continues, with planned investment substantially increasing as shown in the chart below.

Summary and Outlook

Whilst the decision by the people of the UK to leave the EU has not as yet resulted in any current legal or regulatory change, it is clear there are immediate secondary effects of this decision, in particular political and economic uncertainty, as well as significant exchange rate volatility. Nevertheless, as yet we have not observed major disruption to our operating activities and our strategic objectives remain at this present time unchanged – we will continue to invest in our business for future growth. Sterling weakness has impacted on our costs of goods, in particular our pharmaceutical products imported from mainland Europe. The business is taking steps to mitigate certain of this exposure and the growth in our export business will provide some natural hedge. Our strong balance sheet will help absorb the uncertainty in the macroeconomic environment.

Overall the Group continues to make good progress in executing its strategy to drive future growth, which is reflected in our financial performance and level of investment in the business.

CHRIS BREWSTER
Chief Financial Officer

PRINCIPAL RISKS

Risk Management Framework

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities, intended to monitor and mitigate, rather than eliminate, the significant risks that the Group is exposed to. Animalcare has implemented policies and procedures to address risk including with respect to product development, operations and regulatory compliance.

In accordance with our governance practices, the Audit Committee supports the Board of Directors in monitoring the Group's risk appetite and exposures, and is responsible for reviewing the effectiveness of the risk management and internal control systems.

Our Risks

A summary of the principal risks together with an explanation of how the Group mitigates each risk their trend and linkage to our strategy are set out in the table below.

Risk	Alignment to strategy	Potential impact	Mitigation	Trend
Product development risk Pharmaceutical development is complex, involving technical, regulatory and financial risk. Failure to successfully deliver new product development projects could have a material impact on the Group's results and damage our market position and relationship with our customers.	1 2	Complete failure of a project or failure to meet commercial expectations due to for example competitor launches (generic or novel) would result in impairment of capitalised development costs.	Following careful selection of development strategy, each new product development project undergoes rigorous review by the cross-discipline senior management team with final sign-off by the Board. The pipeline is reviewed regularly, with corresponding updates provided to the Board, to ensure each project is progressing according to plan.	 The Group continues and plans to commit significant resources to expand our product portfolio.
Market risk The veterinary market continues to see a customer-base that is consolidating via the emergence of buying groups and corporate customers who are looking for value from the products and services we provide.	1 2 3 4	The growth of corporate customers and buying groups presents an opportunity for growth but at the expense of margins.	We continue to develop and strengthen our sales and marketing teams in respect of key account support and achieve our goal to better serve our changing customer-base.	

STRATEGIC REPORT
Our Performance

17

Risk	Alignment to strategy	Potential impact	Mitigation	Trend
Distribution risk The supply of products to our customers in a timely manner is vital to the success of the Group. The Group does not manufacture any of its own products and is solely reliant on an increasing third party supplier and contract manufacturer base across the UK and Europe.	1 3 4	Any disruption to the relationship with our key supply partners or interruption to the supply chain could result in significant loss of revenue and damage the Group's reputation with its customers.	Given the increasing complexity and diversity in our supply chain, we have identified the need for increased specialist resource in this area, the recruitment for which is ongoing. Supply chain risk mitigation strategies include close monitoring of supplier performance and maintenance of adequate inventories, including safety stock held by our suppliers, based on risk assessments.	↑
People risk The Group has a small Executive and senior management team whose skills, knowledge, experience and performance make a large contribution to the success of the Group.	1 2 4	Failure to retain and attract high calibre individuals could impact the successful implementation of our strategy.	Remuneration packages are reviewed annually to help ensure that the Group has the right mix of base salary, short-term and long-term incentives to attract, retain and reward key employees to execute our growth strategy. Furthermore, we have introduced a Talent Management Programme to help engage all of our employees.	→

BOARD OF DIRECTORS

James Lambert

Non-Executive Chairman

Length of service

8 years; appointed to the Board in 2008

Committee membership

Audit Committee and Nomination Committee

Key skills and experience

James was appointed Chairman of Animalcare in 2008 when it was acquired by Ritchey plc for whom he was Chairman from 2005 and a NED from 2003. Before this, in 1985, he was Co-Founder and CEO for 28 years of R&R Ice Cream and retired as Executive Chairman in 2014, which during this time became one of Britain's most successful businesses. James was appointed Chairman of Burton's Biscuits in 2013, Chairman of Inspired Pet Nutrition in 2015, Chairman of Whitman Howard in 2016 and NED of Story Homes in 2016. He also won the EY UK Entrepreneur of the Year award in 2014 and represented the UK in the world finals. James has spent a lifetime helping build, develop and manage successful businesses enabling them to reach their full potential and give them strategic direction.

Nick Downshire

Non-Executive Director

Length of service

8 years; appointed to the Board in 2008

Committee membership

Chair of the Audit Committee and Remuneration Committee

Key skills and experience

Nick joined the Board of Animalcare when it was acquired by Ritchey plc for whom he acted as a director since 1998. Nick is a qualified chartered accountant who worked in corporate finance and venture capital before becoming the finance director of a software company. He has held non-executive directorships in a diverse range of businesses in the insurance, agricultural, hospitality, education and technology sectors. He runs an estate in Yorkshire and is also Chairman of the CLA for Yorkshire and also chairs their Agriculture and Land Use national committee, as well as acting as a Trustee for a number of charitable and land related trusts. His experience with other organisations and his professional background assist him to chair the audit committee and bring objectivity and analysis to the remuneration committee.

Ray Harding

Non-Executive Director

Length of service

5 years; appointed to the Board in 2011

Committee membership

Chair of the Nomination Committee and Remuneration Committee

Key skills and experience

A qualified veterinarian Ray has worked in the veterinary pharmaceutical industry since 1979 in a number of technical and product development roles in several major, global, research-based companies. He established the team at Cyton Biosciences Ltd in 1997 to provide specialist services in new product development and registration of veterinary medicines in Europe. He left the company in 2012 to take the role of independent consultant. Appointed in 2011, he brings a unique technical expertise to the board of Animalcare with his extensive international experience of the development and regulation of veterinary medicines and the commercial environment in which the company operates. In addition he provides an independent and objective role as chair of the Board Remuneration and Nomination Committees.

Iain Menneer

Chief Executive Officer

Length of service

13 years; appointed to the Board in 2011

Committee membership

Secretary of the Nomination Committee and Remuneration Committee by invitation

Key skills and experience

Iain gained his PhD in chemistry in 1996. He worked in product and technical development in the brewing industry, first at an independent consultancy then at Bass Brewers Ltd before moving to the University of York in a business development role in their technology transfer department. Iain joined Animalcare in 2003 and has since held positions in marketing, business development and sales, including an instrumental role in the new product development pipeline. Iain was promoted to the Board as Director of Marketing in July 2011. Iain was appointed Managing Director of Animalcare Ltd in March 2012 and subsequently Chief Executive Officer in January 2013. Iain has extensive experience of the Animalcare business, the animal health industry and pharmaceutical development. Iain has lead the transformation of the business infrastructure over the last three years.

Chris Brewster

*Chief Financial Officer
and Company Secretary*

Length of service

4 years; appointed to the Board in 2012

Committee membership

By invitation

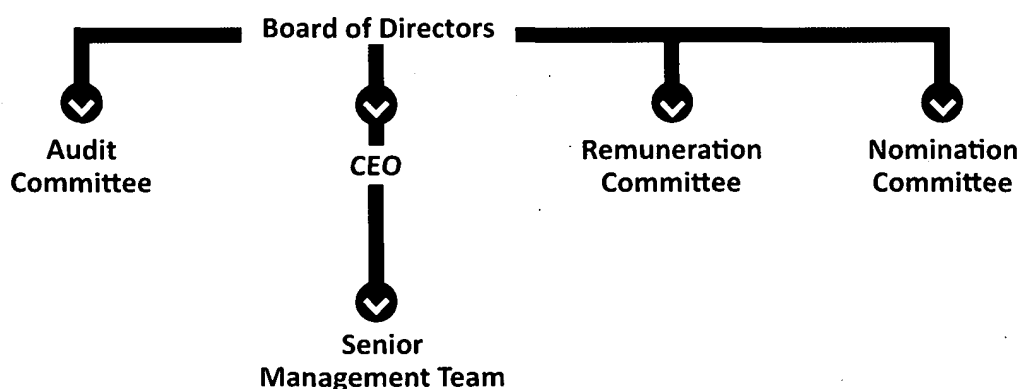
Key skills and experience

Chris joined the Board as Chief Financial Officer in June 2012. He has a broad range of experience gained during his ten years' working across a number of functions at KPMG and through his role as Group Accounting Manager at Findus Group. Since joining, Chris has developed the systems, controls and management information needed to support the growth and strategy of the business. More recently Chris has taken responsibility for leading the changes required within the supply chain function to provide a robust platform for growth.

CORPORATE GOVERNANCE

Whilst the Group is listed on AIM, it is not required to comply with the provisions of the UK Corporate Governance Code ("the Code"). The Board, however, is committed to a high standard of corporate governance across the Group, recognising that it is important in protecting shareholders' interests and the long-term success of the Group. It has therefore adopted some of the principles of the Code so far as the Board consider practicable and appropriate to the size of the Group.

Board and Committee Structure



Board of Directors

The Board, which is headed by the Chairman, comprises five Directors, three of whom are non-executive. Directors' profiles are detailed on pages 18 and 19. The Board meet at least seven times throughout the year, with further ad hoc meetings as required.

Audit Committee

Through the Audit Committee, the Directors ensure the integrity of financial information, the effectiveness of the financial controls and the internal control and risk management systems. The Audit Committee is composed of two Non-Executive Directors including Nick Downshire who has been appointed Chairman. The Chief Financial Officer and external auditors attend by invitation.

Nomination Committee

The Company has established a Nomination Committee currently composed of two Non-Executive Directors including Ray Harding as Chair. Meetings are arranged as necessary. The Committee is responsible for nominating candidates (both Executive and Non-Executive) for the approval of the Board, to fill vacancies or appoint additional persons to the Board.

All Directors are required to seek election by shareholders at the first opportunity after their appointment and must stand for re-election to the Board every three years under the Company's Articles of Association.

Remuneration Committee

The members of the Remuneration Committee are Ray Harding (Chairman) and Nick Downshire. Under its Terms of Reference, the Remuneration Committee is required to meet at least twice a year and at such times as the Chairman of the Committee shall think fit.

The Committee's primary responsibilities are to set key performance targets for Executive Directors, assess executive remuneration against targets, and ensure that remuneration standards at the Company are in line with best practice and guidance. During 2016, the Committee sought external guidance for the setting of FY17 remuneration. Further, during 2014 the advice of KPMG LLP was taken to provide guidance on the Group's Long Term Incentive Plan. The Remuneration Committee reports on its activities to the Board meeting immediately following the committee's meetings.

Senior Management Team

This comprises six senior managers and the CFO and is chaired by the CEO. The SMT meet monthly to consider in particular strategic and operational plans, monitor operating and financial performance and assess and manage business risk.

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of the Group together with the financial statements and auditor's report for the year ended 30th June 2016.

Principal Activities

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

Business Review and Future Developments

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

Research and Development

Our new product development programme is key to the future long-term growth and success of the Group and we are committed to the development of new and innovative products to meet the needs of our customers. Further information in relation to product development can be found in the Our Business and Strategy section of this report. During the year to 30th June 2016 the Group incurred research and development expense of £156,000 (2015: £143,000) and a further £1,563,000 (2015: £768,000) was capitalised as development costs.

Dividends

Subject to shareholder approval at the Annual General Meeting on 15th November 2016, the Board proposes paying a final dividend of 4.7 pence per share on 25th November 2016 to shareholders on the register on 21st October 2016. This will make a total dividend of 6.5 pence per share for 2016.

Capital Structure

The Company's issued share capital as at 30th June 2016 was 21,059,636 ordinary shares of 20 pence each, each credited as fully paid.

Directors

The following Directors held office during the year ended 30th June 2016 and subsequently:

C J Brewster
Lord Downshire
R B Harding
J S Lambert
Dr I D Menneer

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

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors, which was in place throughout the year ended 30th June 2016 and remains in place at the date of this report.

Creditor Payment Policy

We endeavour to maintain strong trading relationships with our suppliers. Terms of payment are agreed with suppliers in advance and it is the Group's policy to settle its liabilities in accordance with these terms. The number of days purchases included in trade creditors at 30th June 2016 was 59 days (2015: 44 days).

Corporate Governance

The Group's approach and policies surrounding Corporate Governance, which this Director's Report comprises, are shown on page 20.

Charitable and Political Donations

During the year the Group made charitable donations of £71 (2015: £325). No political donations were made during the year (2015: £nil).

Employees

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

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

DIRECTORS' REPORT CONTINUED

Substantial Shareholdings

In accordance with the Disclosure Rules and Transparency Rules, the Company has been notified of the following interests exceeding the 3% notification threshold as at 30th September 2016, a date not more than one month before the date of the notice of the Annual General Meeting:

Name of holder	No. of ordinary shares	% holding
Liontrust Asset Management	2,732,413	12.9%
Unicorn Asset Management	1,681,900	8.0%
Octopus Investments	1,425,384	6.8%
Lord Downshire**	1,420,029	6.7%
Mr J S Lambert	1,313,691	6.2%
Investec Wealth & Investment	1,280,933	6.1%
Hargreave Hale	1,221,792	5.8%
Lazard Freres Gestion	1,160,000	5.5%

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

Going Concern

The principal risks and uncertainties facing the Group are set out on page 16.

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

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

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

Auditor

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

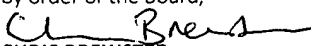
- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's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

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

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

Animalcare Group plc

By order of the Board,


CHRIS BREWSTER
Company Secretary

11th October 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

in respect of the Annual Report and the Financial Statements for the year ended 30th June 2016

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Animalcare Group plc for the year ended 30th June 2016 set out on pages 25 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30th June 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



CLAIRE NEEDHAM (SENIOR STATUTORY AUDITOR)

For and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street
Leeds
LS1 4DA
11th October 2016

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND COMPREHENSIVE INCOME

Year ended 30th June 2016

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

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

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

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended 30th June 2016

GROUP	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 st July 2014		4,192	6,391	8,870	19,453
Total comprehensive profit for the year		—	—	2,534	2,534
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,217)	(1,217)
Issue of share capital	23	12	70	—	82
Share-based payments	25	—	—	139	139
Balance at 1 st July 2015		4,204	6,461	10,326	20,991
Total comprehensive profit for the year		—	—	2,634	2,634
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,283)	(1,283)
Issue of share capital	23	8	45	—	53
Share-based payments	25	—	—	120	120
Balance at 30th June 2016		4,212	6,506	11,797	22,515

COMPANY	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 st July 2014		4,192	6,391	3,548	14,131
Total comprehensive profit for the year		—	—	(327)	(327)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,217)	(1,217)
Issue of share capital	23	12	70	—	82
Share-based payments	25	—	—	74	74
Balance at 1 st July 2015		4,204	6,461	2,078	12,743
Total comprehensive loss for the year		—	—	(399)	(399)
Transactions with owners of the Company, recognised in equity:					
Dividends paid	11	—	—	(1,283)	(1,283)
Issue of share capital	23	8	45	—	53
Share-based payments	25	—	—	47	47
Balance at 30th June 2016		4,212	6,506	443	11,161

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

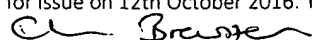
BALANCE SHEETS

Year ended 30th June 2016

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

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

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



CHRIS BREWSTER
Chief Financial Officer

CASH FLOW STATEMENTS

Year ended 30th June 2016

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

NOTES TO THE ACCOUNTS

Year ended 30th June 2016

1. General Information

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

New, revised or changes to existing accounting standards

The following standards and amendments have been published, endorsed by the EU, with an effective date after the date of these financial statements. Their adoption, where applicable, is not expected to have a material effect on the financial statements of the Group unless otherwise indicated.

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

2. Significant Accounting Policies

Basis of preparation

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

Going concern

An analysis of the factors likely to impact on the Group's future business activities, performance and strategy are set out in the Chief Executive's Review and Chief Financial Officer's Review. The principal risks and uncertainties facing the Group are set out in the Strategic Report on pages 16 and 17.

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary) made up to 30th June each year. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

Exceptional and other items

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

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

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

Goodwill

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

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

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

Intangible assets

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

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

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

Research and development costs

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

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

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

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

Revenue recognition

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

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

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

Leasing

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

The Group as lessee

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

Employee benefits - Pensions

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Investments in subsidiaries

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

Foreign currencies

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

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

Segment reporting

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

Inventories

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

Dividends

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

Share-based payments

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

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

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

Taxation

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

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

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

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

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

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

Property, plant and equipment

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

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

Straight-line

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

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

Provisions

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade payables

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

Finance income and expense

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

Derivative financial instruments

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

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

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

Capitalised new product development expenditure

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

Capitalised software expenditure

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

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

Key sources of estimation uncertainty

Impairment of non-current assets

Determining whether a non-current asset is impaired requires an estimation of the "value in use" and/or the "fair value less costs to sell" of the cash-generating units ("CGUs") to which the non-current asset has been allocated. The value in use calculation requires an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key assumptions for these value in use calculations are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU. In the current year the Directors estimated the applicable rate to be 9.4% (2015: 13.2%). The Directors' sensitivity analysis indicates significant headroom to the carrying value of the CGU when taking into account a reasonably possible change in any one of the key assumptions used in the value in use calculations.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next five years, thereafter assuming an estimated growth rate of 1.8% (2015: 2%). The growth rates for the five year period are based on current performance of the existing product portfolio and the estimated contribution from the Group's new product development pipeline. The Directors believe that the long-term growth rate does not exceed the average long-term growth rate for the UK economy.

Impairment of slow-moving and obsolete inventory

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

4. Exceptional and Other Items

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

The amortisation charge totalling £119,000 (2015: £119,000) relates to brand and customer relationship intangible assets recognised on the acquisition of Animalcare Ltd in January 2008.

5. Revenue and Operating Segments

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

The Group solely comprises one reportable segment, being Animalcare.

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

	Note	Animalcare 2016 £'000	Animalcare 2015 £'000
Products and Services			
Licensed Veterinary Medicines		9,238	8,579
Companion Animal Identification		2,680	2,309
Animal Welfare		2,783	2,648
		14,701	13,536
Other information			
Intangible asset additions	14	1,604	812
Property, plant and equipment additions	15	41	7
Depreciation and amortisation	14,15	435	432
Consolidated assets		26,871	24,474
Consolidated liabilities		(4,356)	(3,483)
Consolidated net assets		22,515	20,991
		2016 £'000	2015 £'000
Key customers			
Number		3	3
Percentage of total revenue		81%	82%
Key customers, all within the Animalcare segment, represent the three largest UK veterinary wholesalers as described in the Our Business section page 7. Individual customer revenues represent 33%/28%/21% (2015: 33%/28%/22%) of total revenue.			
		2016 £'000	2015 £'000
Geographical market			
United Kingdom		13,490	12,573
Europe and Rest of World		1,211	963
		14,701	13,536

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

An analysis of total Group revenue is as follows:

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

6. Total Comprehensive Income for the Year

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

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

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

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

7. Directors' Remuneration and Interests

Emoluments

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

Year ended 30 th June 2016	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Total £'000
J S Lambert*	35	—	—	—	35
Lord Downshire*	23	—	—	3	26
R B Harding*	23	—	—	—	23
Dr I D Menneer	143	18	17	7	186
C J Brewster	102	17	12	6	137
Total	326	35	29	16	406
Year ended 30 th June 2015					
J S Lambert*	34	—	—	—	34
Lord Downshire*	23	—	—	1	24
R B Harding*	23	—	—	—	23
Dr I D Menneer	140	16	17	8	181
C J Brewster	102	11	12	6	131
Total	322	27	29	15	393

* Indicates Non-Executive Directors.

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

All Company pension contributions relate to defined contribution pension schemes. Benefits consist of company car and private medical insurance.

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Share options

The Directors had the following beneficial options:

I D Menneer

Scheme	EMI	EMI	EMI	Unapproved	SAYE	Unapproved	SAYE	Total
Exercise Price	£1.675	£1.30	£1.325	£1.40	£1.03	£1.415	£1.05	
	14 th	2 nd	20 th	21 st	22 nd	20 th	28 th	
Date of Grant	October 2011	August 2012	November 2012	February 2013	May 2013	June 2013	November 2014	
Outstanding at 30th June 2015 and 30th June 2016	60,000	60,000	50,000	90,000	4,377	90,000	5,142	359,519

C J Brewster

Scheme	EMI	EMI	SAYE	EMI	SAYE	Total
Exercise Price	£1.30	£1.30	£1.03	£1.415	£1.05	
	22 nd	2 nd	22 nd	20 th	28 th	
Date of Grant	June 2012	August 2012	May 2013	June 2013	November 2014	
Outstanding at 30th June 2015 and 30th June 2016	30,000	30,000	8,754	40,000	8,571	117,325

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

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

	2016	2015
	Ordinary shares of 20p	Ordinary shares of 20p
J S Lambert	1,313,691	1,413,691
Lord Downshire	1,109,583	1,109,583
I D Menneer	17,739	17,739
C J Brewster	4,079	4,079

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

Long Term Incentive Plan (LTIP)

The Animalcare Group plc LTIP was introduced in June 2014 to provide an effective mechanism for senior executives to participate in the Company's equity at a meaningful level, aligning their interests with those of shareholders. The Directors' interests in the LTIP, which was implemented via a subscription for growth shares in the capital of Animalcare Ltd, the subsidiary of the Company, are as follows:

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

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

Dr Menneer and Mr Brewster have the right to sell their A Shares to the Company at any time after 27th June 2017 in exchange for Ordinary Shares of 20 pence each in the Company ("Ordinary Shares"). Their rights to sell the A Shares are subject to, amongst other provisions, the Company having a market capitalisation in excess of £39.0m ("the Hurdle") at the time of sale. The Hurdle was determined by Animalcare's Remuneration Committee and broadly represented a 20% premium to the Company's market capitalisation on 27th June 2014. Each holder of A Shares would, on a sale of his entire holding to the Company, be entitled to receive Ordinary Shares representing a percentage of the increase in the Company's market capitalisation above the Hurdle; being 5% for Dr Menneer and 3% for Mr Brewster. The A Shares do not have a right to receive a dividend, except for any amounts distributed on the winding up of the Company or on an asset sale.

The B Shares are not entitled to participate in any increase in the value of the Company above the Hurdle but can be exchanged for Ordinary Shares of an equal value at any time after 27th June 2017. The B Shares have a right to an annual dividend (on a non-fixed coupon basis), calculated by applying a rate of LIBOR + 2% to the nominal value of the B Shares.

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

8. Staff Costs

	2016	2015
Number of employees		
The average monthly number of employees (including Directors) during the year was:		
Production and distribution	4	4
Selling and administration	59	56
	63	60
	2016	2015
	£'000	£'000
Related costs		
Wages and salaries	2,195	2,024
Social security costs	224	187
Other pension costs	139	78
	2,558	2,289

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

9. Finance Costs and Finance Income

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

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

10. Income Tax Expense

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

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

The prior year current tax credits in respect of both 2016 and 2015 primarily relate to research and development tax credits. The prior year deferred tax charge in 2015 of £117,000 relates to the first time recognition of deferred tax in relation to capitalised development costs.

The Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1st April 2020. This change in rates was not substantively enacted at the balance sheet date and therefore has not been reflected in the tax rates used for deferred tax purposes. The Finance Act 2015 (No 2) was substantively enacted on 26th October 2015 which will reduce the rate of corporation tax to 19% with effect from 1st April 2017 and 18% from 1st April 2020. This will reduce the Group's future current tax charge accordingly. Deferred tax balances at 30th June 2016 have been calculated based on these rates.

11. Dividends

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

12. Earnings per Share

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

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

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

13. Goodwill

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections approved by management for the next five years and thereafter assuming an estimated long-term annual growth rate of 1.8% (2015: 2.0%).

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

The Directors estimate the discount rates using the post-tax rates that reflect the current market assessments of the time value of money and the risks specific to the cash-generating unit. In the current year the Directors estimated the applicable pre-tax rate to be 9.4% (2015: 13.2%).

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

14. Other Intangible Assets

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

Veterinary medicine product development costs are amortised over four to seven years. £2.4m of the total £3.9m cost is currently not being amortised. Acquired brands are amortised over 15 years and acquired customer relationships are amortised over ten years. The amortisation period for capitalised software, which principally relates to the bespoke Anibase pet database, is four years.

Company	Capitalised software £'000	Total £'000
Cost		
At 1st July 2015 and 30th June 2016	7	7
Amortisation		
At 1 st July 2014	—	—
Charge for the year	1	1
At 30 th June 2015	1	1
Charge for the year	2	2
At 30th June 2016	3	3
Carrying value		
At 30th June 2016	4	4
At 30 th June 2015	6	6

15. Property, Plant and Equipment

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

16. Investments in Subsidiaries

Subsidiary undertakings

	Company	
	2016 £'000	2015 £'000
Cost and net book value		
At 1 st July 2014, 2015 and 30 th June 2016	14,361	14,361

The sole subsidiary undertaking of the Company is detailed below.

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

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

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

17. Inventories

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

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

18. Other Financial Assets

Trade and other receivables

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

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

Movement in allowance for doubtful debts

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

Ageing of past due but not impaired receivables

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Cash and cash equivalents

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

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

Credit risk

The Company's principal financial assets are bank balances and cash, and trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The allowance for doubtful debts represents the difference between the carrying value of the specific trade receivables and the present value of the expected recoverable amount. The average credit period on sales of goods is 33 days (2015: 31 days). No interest has been charged on overdue receivables.

19. Other Financial Liabilities

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

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

20. Financial Instruments

Capital and liquidity risk management

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

	Within one year or on demand £'000	1–2 years £'000	3–5 years £'000	More than 5 years £'000	Total £'000
2016					
Trade and other payables	3,027	—	—	—	3,027
2015					
Trade and other payables	2,186	—	—	—	2,186

Categories and fair value of financial instruments carrying value

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

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

Foreign currency risk management

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

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

Foreign currency sensitivity analysis

At 30th June 2016 the Group is mainly exposed to the Euro and the US dollar. The following table details the effect of a 10% increase and decrease in the exchange rate of these currencies against sterling when applied to outstanding monetary items denominated in foreign currency as at 30th June 2016. A positive number indicates that an increase in profit would arise from a 10% change in value of sterling against these currencies, a negative number indicates that a decrease would arise.

	Strengthening £'000	Weakening £'000
Euro	(15)	18
US dollar	8	(10)

Interest rate sensitivity analysis

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

Forward foreign exchange contracts

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

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

Capital management

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

21. Deferred Income

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

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

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

The deferred income liabilities fall due as follows:

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

Income recognised during the year is set out below:

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

22. Deferred Tax

Group

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

	Property, plant and equipment £'000	Share-based payments £'000	Other £'000	Intangible fixed assets £'000	Total £'000
Balance at 1 st July 2014	41	(43)	(7)	118	109
Charge/(credit) to income	(4)	(111)	(1)	134	18
Balance at 30 th June 2015	37	(154)	(8)	252	127
Charge/(credit) to income	(1)	(22)	—	142	119
Balance at 30th June 2016	36	(176)	(8)	394	246

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

Company

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

	Accelerated tax depreciation £'000	Share-based payments £'000	Other £'000	Total £'000
Balance at 1 st July 2014	(12)	(25)	(2)	(39)
Charge/(credit) to income	3	(52)	—	(49)
Balance at 30 th June 2015	(9)	(77)	(2)	(88)
Charge/(credit) to income	2	(19)	—	(17)
At 30th June 2016	(7)	(96)	(2)	(105)

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

23. Share Capital

	2016 No.	2015 No.
Allotted, called up and fully paid Ordinary Shares of 20p each	21,059,636	21,019,636
	2016 £'000	2015 £'000
Allotted, called up and fully paid Ordinary Shares of 20p each	4,212	4,204

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

24. Operating Lease Arrangements

The Group as lessee

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

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

25. Share-based Payments

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

Animalcare Group plc Executive Share Option Scheme

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

SAYE Option Scheme

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

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

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

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

	EMI Scheme	SAYE Scheme	Unapproved Scheme
Weighted average share price	162p	130p	141p
Weighted average exercise price	162p	104p	141p
Expected volatility	51%	50%	56%
Expected life	3.0 years	3.1 years	3.0 years
Risk-free rate	0.5%	0.5%	0.5%

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

The aggregate estimated fair value of the options granted during the year was £nil (2015: £nil).

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

Long Term Incentive Plan

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

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

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

Further details of the Plan are provided in note 7.

The charge for the year to the income statement in respect of the Plan is £nil (2015: £nil).

NOTES TO THE ACCOUNTS CONTINUED

Year ended 30th June 2016

26. Related Party Transactions

Trading transactions

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

2016	Animalcare Ltd £'000	Total £'000
Management charges levied	240	240
2015	Animalcare Ltd £'000	Total £'000
Management charges levied	240	240

Remuneration of key management personnel

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

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

FIVE YEAR SUMMARY

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

ADVISERS

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Secretary	CJ Brewster
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