Animalcare GROUP

Better animal health

Animalcare Group plc
Annual Report for the year ended
31 December 2023

Company number: 01058015

Introducing Our 2023 Annual Report

Animalcare Group plc is an international, development-focused sales and marketing organisation driven by a collective belief that healthy animals can have a hugely beneficial effect on their owners and wider society.

Listed on the UK's AIM market, Animalcare has a direct commercial presence in seven European countries and exports to around 40 countries in Europe and worldwide. The Group is focused on growing its business over the long term by bringing new and innovative animal health products to market through its own development pipeline, partnerships and via acquisition.

OUR CHOSEN CATEGORIES

Companion Animals

Our biggest segment accounting for around 70% of Group revenues. This fastest growing category of the animal health market is the main focus for our investment in new product development.

90m[1]

EUROPEAN HOUSEHOLDS OWN A PET

Read more on page 04

Equine

A category often characterised by high spend per animal and specialist knowledge of the health needs of the patient. Equine revenues represent around 8.5% of Group turnover.

2.8%[1]

PERCENTAGE OF ANIMAL HEALTH SPEND IN EUROPE

Read more on page 04

Production Animals

An important segment of the animal health market for the Group. Production Animals activities are concentrated in Spain and Portugal and account for 21% of Group revenues.

743m[1]

NUMBER OF LAYING HENS, PIGS, GOATS, BOVINES AND SHEEP ACROSS EUROPE

Read more on page 04

[1] https://animalhealtheurope.eu/facts-and-figures/

Financial highlights

Over the course of 2023, Animalcare delivered increased revenue and gross margins with positive cash generation, underpinning the Board's recommendation to increase the final dividend per share to 3.0 pence per share, increasing the full year dividend per share by 13.6% to 5.0 pence per share. With our strong balance sheet, significantly strengthened post year end through the disposal of Identicare, the Group is better placed than ever to accelerate growth in the future.

£74.4m ↑ 3.8%

REVENUE

£13.3m ↑ 1.5%

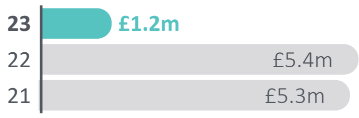
UNDERLYING* EBITDA

10.9p ↓ 13.5%

UNDERLYING EPS

£1.2m ↓ £4.2m

NET DEBT*



* Alternative Performance Measures (APMs) are reconciled to reported results in the Chief Financial Officer's review and within the notes to the consolidated financial statements.

Strategic and operational highlights

- Commercial focus on larger-selling, more profitable products in the portfolio contributes to further strengthening of gross margin
- Plaqtiv+ dental range continued to respond positively to sales and marketing activities across markets
- Daxocox recorded double-digit growth across direct sales territories
- Return of Danilon to Group's sales and marketing contributes to increased revenues
- Increased internal resource and focus to aid pursuit of inorganic growth opportunities
- The Group's operational capability has been reinforced by the organisational changes and investments in people
- Early-stage VHH antibody collaboration and licensing programme with Orthros Medical progresses as targets expanded into horse species
- Majority stake in Identicare Ltd sold post year end for £24.9m
- Senior Independent Director, Ed Torr to assume role of Non-Executive Chair following Jan Boone's decision to stand down from the Board post year end. Ed brings extensive knowledge of the Company and the veterinary pharmaceutical industry to the position

Chair's Statement

JAN BOONE
Non-Executive Chair

> The solid financial position of the Group, backed by strong operational capability, give us the confidence to continue investing, organically or inorganically, in our long-term growth strategy.

Animalcare Group performed strongly over the course of 2023 with a return to revenue growth, increased gross margins and a healthy balance sheet as we maintain focus on execution of our long-term growth strategy.

The animal health markets in which we operate continued to demonstrate their resilience and attractive fundamentals despite a normalisation in rates of demand and the effect of inflationary pressures. Total revenues increased by around 3.8% to £74.4m (2.5% at constant exchange rates).

Helping to drive this top line growth were recently launched products such as our Plaqtiv+ oral health range, which is proving popular with vets and pet owners alike, while Daxocox recorded double-digit growth across our direct sales operations. Additionally, the return of equine anti-infective Danilon to the Group's sales and marketing control also contributed to growth, as did the Identicare pet microchipping and consumer services business.

Gross margins expanded by 1.5% to 58.3% supported by our ongoing focus on the larger selling, more profitable brands in our portfolio and the effects of targeted pricing measures to help offset the impact of inflation during the period. Underlying EBITDA was £13.3m, reflecting investment in our business, chiefly in people-related overheads.

A cash conversion rate of approximately 86% supported the ongoing reduction in debt, arriving at a net cash position of £1.7m at the year end before accounting for IFRS 16 leases. Symbolically, this is an important achievement for the Group, but most significantly it equips us with additional flexibility and financial firepower to continue pursuit of investment opportunities that can grow our business.

Our balance sheet position was further strengthened in February 2024 when we announced the disposal of our majority stake in Identicare Ltd for a cash consideration of £24.9m. The sale of this non-core asset represents a significant crystallisation of value for the Group and its shareholders and validates the decisions taken by the Company to instil new leadership and with this, a strategic repositioning of the business to make it attractive to specialist investors. The disposal of Identicare significantly strengthens the balance sheet of the Group and enables us to accelerate our organic and inorganic growth initiatives and deliver long-term value creation for shareholders. Following the transaction, the Group's net cash position was around £27.0m.

In 2022 we reached an agreement with Netherlands-based Orthros Medical covering a licensing and collaboration deal to explore the utility of VHH antibody technology as an innovative treatment for canine osteoarthritis. The programme is progressing well and we are extending the scope of the work to explore the potential benefits in horses. While these are still early days for the collaboration, we believe this pipeline project represents an exciting and emerging area of science with real therapeutic promise.

In 2021 we shared specifics of our commitment to the environmental, social and governance (ESG) pillars of sustainable development. We believe that all organisations, large or small, have a duty to operate in a responsible manner in everything they do. The framework we laid out two years ago reflects the material needs and interests of our stakeholders and continues to guide us on our journey at the most senior levels of our Group as we grow our business.

Despite the current uncertain macroeconomic environment, we continue to be optimistic about the prospects of our business. The solid financial position of the Group, backed by a strong operational capability, give us the confidence to continue investing in our long-term growth strategy.

The Group's resilience, trading strength and solid financial position supports the Board's decision to propose a final dividend of 3.0 pence per share, increasing the full year dividend per share by 13.6% to 5.0 pence per share.

As you will have seen, my decision to retire from the Animalcare Board was announced on 9 April 2024. It has been an honour to serve this Company as chair for the last seven years, but I believe that the time has come for me to pass the baton. At the conclusion of the 2024 Annual General Meeting and subject to shareholder approval of his re-election as a director, my responsibilities as Non-Executive Chair will transfer to Ed Torr, our Senior Independent Director.

Ed's extensive experience of the veterinary pharmaceutical industry combined with his proven senior leadership capabilities make him an ideal candidate for the role of Chair as the Group continues to focus on delivery of our growth strategy. Ed joined the Animalcare Board in 2017 after an impressive management career that included 13 years as Commercial Director on the Board of Dechra Pharmaceuticals plc where he was responsible for the integration of several major acquisitions and global licensing and launches of key brands. With Ed's knowledge of Animalcare and, more widely, of the veterinary pharmaceutical industry, the Group could not be in better hands as we continue to focus on delivery of our strategy.

There's no doubt that our people drive our success. The positive progress we made in 2023 was delivered through their efforts and it's important to recognise our colleagues for their hard work and commitment. I'd also like to thank you, our shareholders, for your continuing support as we grow our Company by striving for better animal health.

JAN BOONE
Non-Executive Chair

11 April 2024

Our Marketplace

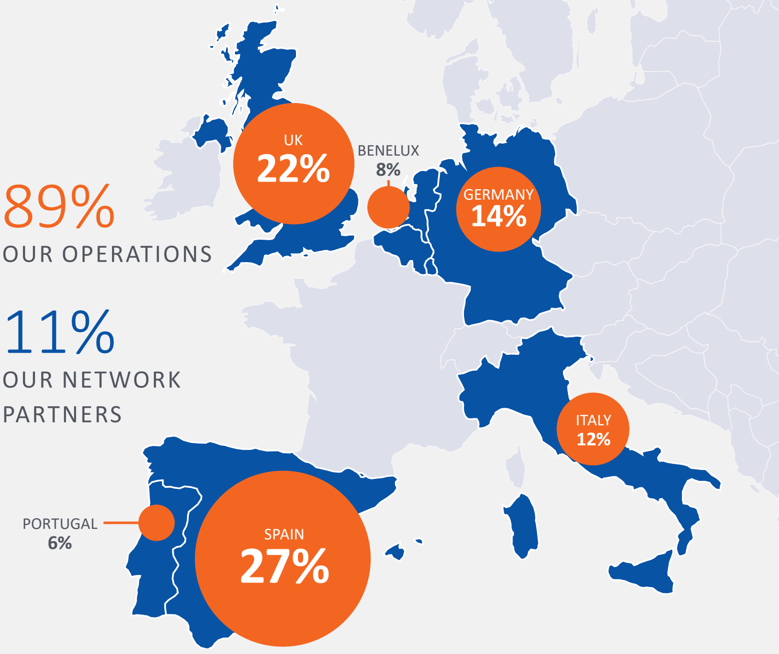
We operate in three categories within the veterinary pharmaceutical market: Companion Animals, Equine and Production Animals.

Animal health markets again demonstrated their strength and resilience as demand returned to more normal pre-pandemic levels across Europe despite cost-of-living increases caused by shocks to the global economic system.

Europe, which accounted for 98% of our revenue in 2023, is the second largest market for animal health and represents about a third of global sales. We sell our products either through our direct sales teams or distributors in all EU countries as well as the UK, Switzerland, Norway and Ukraine. We export to 16 countries outside Europe including Australia, New Zealand, Japan, Korea, Hong Kong, Brazil and Israel and are actively looking to increase our global footprint in the coming years.

89%
OUR OPERATIONS

11%
OUR NETWORK PARTNERS



ANIMAL SECTORS

Companion Animals

This category includes dogs, cats, small mammals, aquatic and non-food producing avian. Companion Animals accounts for approximately 49% of animal health sales in Europe, a 3% increase over 2022[3], reflecting the marked growth in pet numbers during the pandemic

Demand drivers

- Increase in the number of pets
- Longer life expectancy of pets
- Move to smaller breeds of dogs
- Increased "humanisation" of pets

Production Animals

Livestock (cattle, sheep, pigs, etc.) account for approximately 25% of animal health spend in Europe; poultry and avian around 10% of sales[2]

Demand drivers

- Increased global demand for protein primarily caused by human population growth
- Increasing industrialisation of meat and milk production combined with heightened animal welfare expectations
- Regulatory restrictions on widespread use of antibiotics to combat spread of antimicrobial resistance

Equine

Equine accounts for just under 3% of the European market[2] and is typically served by companies with specialist products and services

Demand drivers

- Equine owners demand increasingly specialised services
- Increasing demand for medical care for horses
- Impact of inflation on costs of ownership

[2] https://animalhealtheurope.eu/about-us/annual-reports/2023-2/key-figures-2023/
[3] https://animalhealtheurope.eu/about-us/annual-reports/2022-2/key-figures-2022/

Trends in the animal health market:

TREND		OUR RESPONSE
High levels of pet ownership	Around 90m European households own a companion animal. The number of pets grew markedly during the pandemic as more people spent more time at home. Eventually, the increase in young animals is expected to feed into a larger geriatric cohort with associated health demands.	Animalcare is seeking innovative technologies that can address the growing need for effective treatments among Companion Animals. The R&D licensing and collaboration agreement with Orthros Medical, centred on preclinical VHH antibody candidates, is a good example, as is Daxocox. **Link to strategic priority:**
Increased spending on pets	The percentage household spend on pet health has increased over recent years as newer, more innovative treatments become available. Inflationary pressures have had a relatively small impact on this trend.	We continue to provide an attractive portfolio of pharmaceutical products, primarily aimed at the Companion Animals segment. Where cost of goods has increased significantly we have taken targeted pricing measures while remaining mindful of our competitive position. **Link to strategic priority:**
Sustainability	Globally, increases in demand for animal-based protein tend to be driven by human population growth and characterised by a shift to different sources such as poultry and fish industries. We expect to see a reduction in antibiotic use and a move to less intense production systems.	Our portfolio is less dependent on antibiotics and now features treatments that use alternative solutions – such as antibiofilm technologies from our investment in STEM – to treat infections. **Link to strategic priority:**
Small dog breeds	Smaller dogs are expected to remain popular. Though dosing per head is lower in more compact breeds, they tend to live longer than larger canines. This will result in greater focus on therapies suited to ageing pets.	Our portfolio includes preventative treatments such as Plaqtiv+ and microbiome treatments, which have a longer potential utility in such animals. Drugs for geriatric-related conditions have a particular utility in dogs with a longer lifespan. **Link to strategic priority:**
Humanisation of pets	More and more owners regard their pets as part of the family. This "humanisation" tends to elevate pet care on the list of spending options, moving from discretionary to essential.	Our Plaqtiv+ and OraStripDx products help dogs and cats achieve improved dental health and wellbeing. In 2023 we launched ProGlan and ProHibex, microbiome-based products that address canine gut-related quality-of-life issues. **Link to strategic priority:**
Innovation driving growth	Much of the growth momentum in the animal health market is coming from differentiated pharmaceutical products, a notable example being the rapid uptake of a recently launched NGF monoclonal antibody therapy for canine and feline osteoarthritis.	When assessing pipeline opportunities, we seek to leverage our science focus and development capability to generate innovative treatments that have the potential to advance veterinary practice. **Link to strategic priority:**
Customer consolidation	Various elements of the veterinary value chain have been coming together to unlock synergies and options to expand. The growth of corporate veterinary practices to loosely formed buying groups across Europe represents both risk and opportunity for animal health companies.	Animalcare has upped headcount to address specific needs of these consolidated and aligned businesses. In Europe, customer decisions continue to be made at a country level. Our structure reflects that. **Link to strategic priority:**

STRATEGIC PRIORITIES

Organic growth Inorganic growth New product development

Business Model – How We Create Value

By focusing our resources on the development, supply and marketing of products and services to the veterinary profession, our business model creates value for a range of stakeholders

OUR KEY RESOURCES

People

Having the right people, capabilities and engagement across the organisation is fundamental to delivering our strategy and the long-term success of the Group.

Industry knowledge

We have extensive knowledge of the Companion Animal, Equine and Production Animal markets in which we operate and the regulations that govern them. More than 20% of our people are qualified vets.

Customer relationships

The relationships with the individual vets and veterinary groups that represent our core customers are key. Our sales force has extensive experience and knowledge of their markets and products.

Partnerships

The Group has developed a series of critical partnerships that help us strengthen our pipeline, commercialise innovative products and establish research and manufacturing capabilities and capacity.

Balanced portfolio

Animalcare operates a portfolio of around 150 brands. We increase the quality of this portfolio by focusing on a smaller number of bigger, higher-margin brands with significant growth potential.

Financial platform

Our solid financial platform enables us to increase investment and leverage our stronger base to deliver future growth and value to our shareholders.

OUR KEY ACTIVITIES

Our core activities combine to create sustainable growth and long-term value for our stakeholders.

- We develop and commercialise novel pharmaceutical products for the animal health market. These are developed in-house with the help of contract research organisations, acquired from other companies or in-licensed from partners.
- Outside our direct geographic operations we seek to commercialise our products through international partnerships.
- We manufacture our products through a network of specialist contract manufacturing organisations.
- We supply products direct to our customers and via a network of specialist veterinary wholesalers and distributors.
- Using our sales and marketing capabilities, we sell products to veterinary practices and veterinary groups.
- The cash we generate from these activities helps fund investment in our people and in the pipeline of new products.

We are a business driven by our values, which are at the core of our activities:

One team

Passion

OUR STRENGTHS

Strong operational platform

We are equipped with the right capabilities, knowledge and processes to succeed in this sector.

Financial firepower

We have the financial flexibility and resources to invest in organic and inorganic opportunities to deliver our growth ambitions.

Resilient industry

We operate in markets that have attractive fundamentals with long-term growth potential.

VALUE CREATED FOR STAKEHOLDERS

Employees

Our people benefit from the ability to improve their skills and work in a challenging, innovation-driven and forward-thinking organisation.

Customers

Animalcare seeks to provide a choice of innovative and trusted products and services to support veterinary professionals and other customer stakeholders. Our agile business model and close customer relationships help ensure we are aligned with the changing needs of our markets.

Shareholders

Through execution of our growth strategy, we aim to consistently deliver strong and resilient financial performance for our shareholders, generating attractive returns over the long term.

Keepers of animals

Our veterinary products and services help maintain or improve the health and wellbeing of animals across our markets. That brings huge benefits to owners and wider society.

Suppliers

The Group does not own manufacturing facilities so it works with third-party manufacturers to supply finished products. We engage with these suppliers to develop and maintain trusting long-term relationships, creating mutual value.

Partners

Our partnerships are wide ranging in scope and help ensure the success and effective operation of our business. We create value through long-term collaborations on mutually agreed terms.

Integrity **Taking ownership** **Have fun**

Our Strategy

We aim to grow our business sustainably through investment in organic and inorganic opportunities in expanding veterinary markets.

OUR STRATEGY IS GUIDED BY THREE CORE OBJECTIVES THAT ENABLE US TO GROW

Organic growth

We develop and nurture new and existing veterinary brands that deliver sustainable revenue with attractive margins

Inorganic growth

We pursue external opportunities that enhance revenue and profitability, expand geographic reach and scale and strengthen the pipeline through early and late-stage in-licensing

New product development

We leverage our science focus and development capability to generate innovative treatments that have the potential to advance veterinary practice

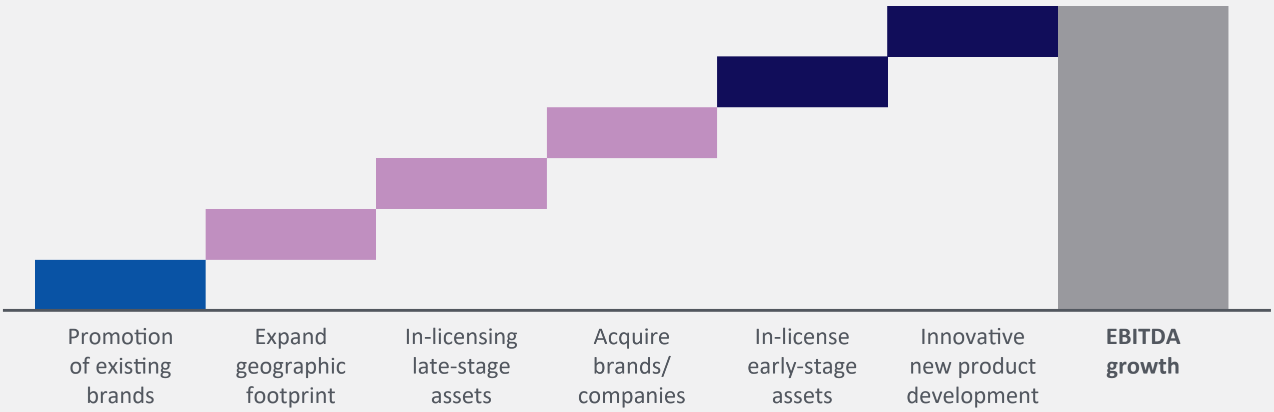
How inorganic growth fuels organic growth
External investment through the likes of M&A or sustainable commercial alliances can add to the make-up and reach of our existing product portfolio

How inorganic growth fuels new product development
Through partnering deals with science-based organisations we can develop our pipeline of innovative veterinary treatments

UNDERPINNED BY OUR STRONG FOUNDATIONS

People	We have developed a highly capable team with an intimate knowledge of animal health customers across our markets
Strong finances	Our strong balance sheet provides the firepower and flexibility to pursue inorganic and organic growth opportunities
Operational excellence	We have mature capabilities and processes to capitalise on the opportunities that we identify

HOW WILL THIS CONTRIBUTE TO VALUE GROWTH



ORGANIC GROWTH

Developing and nurturing new and existing veterinary brands that deliver sustainable revenue with attractive margins

Key initiatives

- Optimise the quality of the portfolio; focus on smaller number of bigger-selling, higher-margin brands

Progress

- 3.8% increase in revenue in 2023, benefiting from sales growth generated by new products
- Investment in sales and marketing drives double-digit increase in Daxocox uptake in owned operations

LINKS TO RISKS

A B C G H I J

LINKS TO KPIS

1 2 3 4 5 6

INORGANIC GROWTH

Pursuing external opportunities that enhance revenue and profitability, expand geographic reach and scale and strengthen the pipeline through early and late-stage in-licensing

Key initiatives

- Seek opportunities for geographic expansion, in-licensing of late- and early-stage products and the acquisition of products and businesses that generate value-creating growth
- Build commercial partnerships to exploit growing global markets

Progress

- Senior Executive Team (SET) resources dedicated to pursuit of business development opportunities
- Crystallisation of value from non-core asset with £24.9m sale of majority stake in Identicare Ltd post year end

LINKS TO RISKS

B C E J

LINKS TO KPIS

1 2 3 4 5 6

NEW PRODUCT DEVELOPMENT

Leveraging science focus and development capability to generate innovative treatments that have the potential to advance veterinary practice

Key initiatives

- Strengthen pipeline of differentiated products through partnerships, in-licensing and acquisitions

Progress

- VHH antibody research collaboration with Orthros Medical progressing well
- Initially focused on canine osteoarthritis, research scope now extended to horses

LINKS TO RISKS

B C D I J

LINKS TO KPIS

1 2 3 4 5 6

RISKS

- A Market and economic risk
- B Competitor risk
- C Portfolio risk
- D Product development and launch risk
- E Financing/Treasury risk
- F Foreign exchange translation risk
- G Supply chain risk
- H IT systems and cybersecurity risk
- I Regulatory risk
- J People risk

KPIS

1. Revenue Growth
2. Underlying cash conversion
3. Basic underlying earnings per share ("EPS")
4. Underlying EBITDA margin
5. New product revenue
6. Net debt to underlying EBITDA leverage
7. Employee engagement

Our Strategy in Action

CASE STUDY

Flexible dealmaking combined with effective execution of commercial strategy

Overview

In the spring of 2022, we introduced Plaqtiv+ to an enthusiastic response from our customer base. Animalcare's range of veterinary recommended oral health products, Plaqtiv+ is now among the fastest-growing brands in our portfolio.

The launch and subsequent strong commercial start for Plaqtiv+ required creative thinking and a flexible approach, highlighting key elements of our strategy in action.

Inorganic growth

In early 2020, while researching opportunities that would complement Animalcare's well established and highly successful Orozyme dental health franchise, the Group's business development team identified a promising lead. Canada-based Kane Biotech, which specialises in the deployment of anti-biofilm technology to combat infection (without recourse to antibiotics), was looking for a partner to help develop and commercialise animal health products across European markets.

By the time both sides started to explore the detail the pandemic hit. Doing a deal would have to be delivered without meeting face to face; a first for Animalcare. Despite this unprecedented challenge we were able to remotely hatch out an innovative agreement that gave the Group a one-third stake in the STEM Animal Health Inc. joint venture together with the licence rights to commercialise Kane's patented coactiv+™ and DispersinB® products in global veterinary markets outside of the Americas.

Contributing to portfolio

The Plaqtiv+ oral health range is the first brand to result from the STEM joint venture. Having secured the scientific endorsement of the Veterinary Oral Health Council (VOHC), a prestigious third-party accreditation for pet oral homecare products, Animalcare teams set about executing their sales and marketing strategy.

Alongside the support from key opinion leaders and the VOHC is a crucial consumer insight: owners have many different ways of ensuring good dental hygiene for their pets so they want different methods to choose from. That's why Plaqtiv+ offers a range of homecare products built on the patented coactiv+™ technology. These include wipes, drinking water additives, toothpastes and sprays. And there are plans for chews to follow.

It's an approach that is proving popular as vets recommend Plaqtiv+ to an increasing number of their customers. Sales across the Group's direct operations were ahead of internal forecasts in 2023 and interest from further afield is expected to boost the export business.

Plaqtiv+ provides a range of homecare oral health products built on patented anti-biofilm technology

Our Key Performance Indicators

Financial KPIs

REVENUE GROWTH

£74.4m

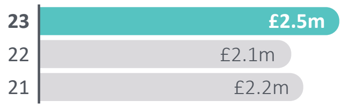
Definition:
Organic revenue growth: including new products versus prior year, excluding the impact of acquisitions and disposals.

Why we measure this:
Revenue growth is an important barometer of the Group's success in delivering its strategy and is a key component of growing our profits and cash flow.

Commentary on performance:
Revenue for the year was £74.4m (2022: £71.6m), an increase of 3.8% at AER (2.5% at CER).

Links to Strategy:

NEW PRODUCT REVENUE



£2.5m

Definition:
Revenue from new products launched in the last two financial years.

Why we measure this:
New product revenues are a key driver of growth in Companion Animals and for maintaining our strong presence in Production Animals.

Commentary on performance:
Growth from newly introduced products contributed £2.5m of sales, principally driven by Plaqtiv+ and the introduction of a number of distribution products.

Links to Strategy:

UNDERLYING EBITDA MARGIN

17.9%

Definition:
Underlying EBITDA as a percentage of sales.

Why we measure this:
This is a measure of the operating efficiency of the Group with focus on translation of sales growth to profit.

Commentary on performance:
Underlying EBITDA margin approximately in line with prior year reflecting improved gross margins while investing in our platform.

Links to Strategy:

BASIC UNDERLYING EARNINGS PER SHARE

10.9p

Definition:
Underlying profit after tax divided by the weighted average number of shares.

Why we measure this:
Underlying EPS is a key indicator of our performance and the return we generate for our stakeholders.

Commentary on performance:
Underlying EPS has decreased versus 2022 largely due to the prior year benefiting from a very low effective tax rate of 16.4%.

Links to Strategy:

Non-financial KPIs

UNDERLYING CASH CONVERSION

23	85.7%
22	78.3%
21	108.8%

85.7%

Definition:
Cash generated from operations as a percentage of underlying EBITDA

Why we measure this:
Our quality of earnings is reflected in our ability to turn underlying EBITDA into cash, an important enabler of investment in our innovative pipeline and people

Commentary on performance:
Underlying cash conversion has averaged c90% in the last three financial years demonstrating our ability to generate strong and sustained levels of operating cash

Links to Strategy:

EMPLOYEE ENGAGEMENT

23	N/A
22	3.88*
21	3.96*

N/A

Definition:
A measure of employee engagement based on the well-established Gallup Q12 index.

Why we measure this:
Employee engagement surveys enable comparison between the Group and other companies. The primary purpose of the survey is to guide leadership in how best to improve employee engagement.

Commentary on performance:
Following completion of the annual engagement survey for FY22, the Group has implemented targeted action plans across various countries and group functions to enhance specific areas such as communication, reward, development and resilience. During 2024, we plan to launch "pulse surveys" that provide real-time feedback on employee engagement in the lead up to initiating the next employment engagement survey in early 2025.

Links to Strategy:

* Gallup Q12 engagement score.

NET DEBT TO UNDERLYING EBITDA LEVERAGE

23	0.1x
22	0.4x
21	0.4x

0.1x

Definition:
Leverage is net debt (total debt including IFRS 16 liabilities less cash balances) divided by underlying EBITDA.

Why we measure this:
We seek to maintain a strong balance sheet with a maximum leverage target of two times underlying EBITDA to allow capacity for investment in future growth.

Commentary on performance:
Net debt to underlying EBITDA leverage reduced to 0.1 times following another year of strong cash conversion.

Links to Strategy:

STRATEGIC PRIORITIES

- Organic growth
- Inorganic growth
- New product development

Chief Executive Officer's Review

JENNIFER WINTER
Chief Executive Officer

> Animalcare is better equipped than ever to drive growth over the long term, aided by a further strengthening of our balance sheet and growing organisational capabilities.

I'm pleased to report that 2023 was a positive year on several fronts for Animalcare. Over the 12-month period we delivered increased sales and gross margins across our operations while making progress against our strategic objectives. The Group is now better equipped than ever to drive growth over the long term, aided by a further strengthening of our balance sheet and growing organisational capabilities.

Strong performance

Group revenues totalled £74.4m, up 3.8% at actual exchange rates (2.5% at CER). Among the key contributors to this top-line growth were new products, notably annualised growth from the recently launched Plaqtiv+ range, demand for Danilon, our equine anti-inflammatory that reverted to Animalcare sales and marketing control from the beginning of 2023, and sales generated by the Identicare business.

In recent years we have focused our commercial attention on the larger-selling, more profitable products in our portfolio. Combined with carefully targeted pricing measures, this has helped deliver a 1.5% improvement in gross margins over the previous year. That also contributed to underlying EBITDA of £13.3m, up from £13.1m in the prior year, as we continue to make SG&A investments, primarily in the development of our people.

Positive revenue and margin performance alongside an improved cash conversation rate of approximately 86% (2022: approximately 77%) resulted in a strengthening of our balance to end the year in a net cash position before accounting for IFRS 16 leases of £1.7m. This milestone for the Company equips us with greater financial flexibility and firepower to accelerate our strategy including through the pursuit of organic and inorganic investment opportunities.

Organic growth

Much of our success has been built on the strategic commitment to develop and nurture brands that offer sustainable revenues with attractive margins, thereby maximising the value of what we possess and the opportunities to add to our portfolio.

Our top selling brands represent an engine of organic growth for Animalcare. Revenues in 2023 were boosted in no small part by an enthusiastic customer response to our Plaqtiv+ dental health range, the first products to result from our STEM joint venture. Daxocox also continued to make headway in a competitive and innovative market, achieving a double-digit sales increase across our direct sales territories.

Each of our market segments saw revenue growth. Companion Animals was again the main driver of sales in absolute terms, while Equine benefited from our decision to return Danilon to the Animalcare fold, a decision that gives us more control over sales and marketing of this anti-inflammatory treatment. Production Animals, which remains an important part of our overall business, was up marginally on the prior year.

Inorganic growth

Pursuing external opportunities to drive sustainable growth is a strategic priority for the Group. This is reflected in the level of senior management focus dedicated to the identification and assessment of value-creating deals. Inorganic opportunities can manifest as M&A, in-licensing or partnering with the objective of expanding the make-up and reach of our existing portfolio or adding innovative new pharmaceutical products to the pipeline.

At all times Animalcare takes a disciplined approach to acquisitions and continues to see scope for further expansion with several prospects in development. We continue to identify plenty of opportunities giving us the confidence that we can execute attractive external deals aided by our strong financial platform.

Developing new products

Innovation is a key driver of growth in our industry. That's why we are increasing our R&D focus and capability on investigative drugs that we believe have the potential to change veterinary practice.

In 2022 we took a significant step to strengthen our novel pipeline in a pre-clinical collaboration and licensing deal with Orthros Medical, a Netherlands-based research company specialising in VHH antibody technology. Initially focused on treatment of osteoarthritic pain in dogs, we are now extending the investigative programme to horses. Overall, the project is progressing well and we are excited about the future potential of this area of medical science. Our development pipeline also features potentially value-creating lifecycle projects that aim to expand and extend the reach of products in our existing portfolio.

Strong foundations

Our future is being built on increasingly strong foundations. Financially, the reduction in our net debt from around £23.0m in 2019 to what was a net cash positive position of £1.7m at the 2023 year end, is a significant achievement and gives us more options as we continue to seek out value-creating opportunities.

Our balance sheet improved further in February 2024 with the disposal of UK-based Identicare Ltd. The sale of our majority stake in the non-core microchipping and pet owner-focused services company for £24.9m realised significant value for the Group and our shareholders. As a result, at the time of the announcement the Group's net cash position increased to around £27.0m.

I'm really proud of what we achieved after our decision to carve out the business under specialist leadership. The disposal was the logical next step for Animalcare, providing us with significant additional financial flexibility and resources as we concentrate on growing our pharmaceutical-centred animal health business.

The skills, attitudes and values our people bring to the table are critical for delivery of our strategy. We have consistently invested in core skills, particularly in sales and marketing, and have adjusted our leadership as our marketplace and organisational needs evolve. Most recently, we have reconfigured the senior management team with the creation of a Chief Operating Officer to oversee the Group's pharmaceutical activities supported by a Group Finance Director. Operationally, I believe we are better placed than ever to drive future growth; we possess mature capabilities that match and support our ambitions.

Summary and outlook

In 2023, we delivered a strong set of results in line with the expectations of the market. Revenue growth, expanded gross margins and improved levels of cash conversion were all features of a positive performance for Animalcare.

Looking ahead to 2024, we will continue to push for profitable growth and cash generation in our existing operations as we focus on stepping up investment, whether inorganic or organic, to build our new product and R&D pipeline.

With our strong balance sheet, significantly enhanced through the post year end sale of Identicare, the Group is better equipped than ever to accelerate growth in the future.

I'd like to thank our people for driving such a positive performance in 2023 while wishing the Identicare team every success in the exciting next step in their journey.

Finally, I would also like to recognise the contribution of Jan Boone who has decided to stand down as Chair of the Board after seven years in the role. His support, advice and encouragement have been hugely valuable in the shaping and pursuit of our long-term growth strategy. I'm very much looking forward to working more closely with Jan's successor, Ed Torr, who as Senior Independent Director on the Board since 2017, has ideal credentials to take on the role of Non-Executive Chair. Ed's leadership skills have been honed over many years in the international veterinary pharmaceutical industry, most notably at Dechra Pharmaceuticals plc where his responsibilities spanned commercial operations, product development, manufacturing, licensing and launching of innovative global brands as well as the integration of key acquisitions into the business.

JENNIFER WINTER
Chief Executive Officer

11 April 2024

Chief Financial Officer's Review

CHRIS BREWSTER
Chief Financial Officer

> The Group has returned to revenue growth and delivered a solid set of results, which alongside the very strong financial position following the sale of Identicare post year end, provides the platform and funding headroom to accelerate our strategy and deliver long-term value creation for shareholders.

Underlying and statutory results

To provide comparability across reporting periods, the Group presents its results on both an underlying and statutory (IFRS) basis. The Directors believe that presenting our financial results on an underlying basis, which excludes non-underlying items, offers a clearer picture of business performance. IFRS results include these items to provide the statutory results. All figures are reported at actual exchange rates (AER) unless otherwise stated. Commentary will include references to constant exchange rates (CER) to identify the impact of foreign exchange movements. A reconciliation between underlying and statutory results is provided at the end of this financial review.

Overview of underlying financial results

	2023 £'000	2022 £'000	% Change at AER
Revenue	**74,351**	71,616	3.8%
Gross Profit	**43,346**	40,659	6.6%
Gross Margin %	**58.3%**	56.8%	1.5%
Underlying Operating Profit	**9,807**	9,753	0.6%
Underlying EBITDA	**13,327**	13,131	1.5%
Underlying EBITDA margin %	**17.9%**	18.3%	(0.4%)
Underlying Basic EPS (p)	**10.9p**	12.6p	(13.5%)

Overall trading activity in 2023 reflected a normalisation in the rates of demand growth across our markets due to the changing macroeconomic environment and country-specific dynamics. The Group delivered an improved financial performance during the second half, returning to revenue growth in line with market expectations following a more challenging first half against a tough comparator for the prior period.

Group revenues improved to £74.4m (2022: £71.6m), an increase of 3.8% at AER (2.5% at CER). An analysis by product category is shown in the table below:

	2023 £'000	2022 £'000	% Change at AER
Companion Animals	**52,214**	50,217	4.0%
Production Animals	**15,790**	15,674	0.7%
Equine & other	**6,347**	5,725	10.9%
Total	**74,351**	71,616	3.8%

Revenue in Companion Animals improved by 4.0% to £52.2m, benefiting from sales growth generated by new products, which contributed £1.9m (2022: £2.1m), approximately half driven by Plaqtiv+ following its successful launch during Q2 2022. Identicare, our UK-based pet microchipping and consumer-focused services business, continued the strong momentum from FY 2022, with sales increasing by 34% to £3.6m. The Group continues to invest in sales and marketing activities to drive Daxocox uptake in our direct sales markets, with the expanding prescriber base delivering 16.7% revenue growth versus the prior year. These positive contributions to revenue growth were partially offset by competitor dynamics against certain generic brands, cessation of distribution arrangements and disruption in supply of certain brands within the UK.

Production Animals revenues, which are chiefly generated by our Southern European and International Partners operations, were broadly in line with 2022 at £15.8m. The launch of a third-party distribution product in Spain, together with growth in a number of our larger-selling brands, were largely offset by phasing of orders and generic competition, notably within International Partners.

Equine and other revenues were £6.3m, with growth accelerating during the second half to 10.9%. This was principally driven by bringing Danilon, one of our largest products, back into the UK business in the second half of 2022, supported by focused sales and marketing resource.

The continuing commercial focus on our larger, higher-margin brands and services, together with a positive sales mix, are the key drivers of the 1.5% improvement in our gross margins. While the Group has been affected by input cost (COGS) and logistic price increases, the net impact on gross and EBITDA margins during the year has not been significant as we have taken mitigating pricing actions, where possible, while maintaining our competitiveness. However, we remain alert to the accelerating inflationary pressures, notably around people, impacting our overall cost base as we progress through 2024.

Underlying EBITDA increased to £13.3m (2022: £13.1m), with EBITDA margins moderating to 17.9%. Underlying overheads, defined as gross profit less underlying EBITDA, increased during the year to £30.0m (2022: £27.5m), representing 40.4% of revenue compared to 38.4% in the prior year. People costs remain the largest component of our SG&A expenses, which increased by £1.5m, of which around 40% is inflation related. We continue to invest in building the skills and talent base that will drive our business forward and, during the year, we further aligned internal resources to accelerate delivery of our key strategic objectives, primarily sales and marketing excellence and the identification of potential M&A opportunities and the building of commercial alliances. The balance of the increase in overheads largely relates to R&D (Orthros), regulatory, quality, professional fees and IT licensing expenses.

The underlying effective tax rate of 26.6% (2022: 16.4%) has significantly increased versus prior year primarily reflecting the geographic mix of operating profits, level of non-deductible items and the prior year one-off impact of the recognition of tax losses in the UK (a non-cash item). We continue to review and optimise our tax efficiency due to changes in regional profit mix and the innovation tax relief environment.

Reflecting the points noted above, underlying basic EPS decreased to 10.9 pence (2022: 12.6 pence).

Overview of reported financial results

Reported Group profit after tax for the year (after accounting for the non-underlying items shown in the table and discussed below) was £1.2m (2022: £2.0m), with reported earnings per share at 2.0 pence (2022: 3.3 pence per share).

	2023 Underlying results	Amortisation and impairment of intangibles	Acquisition, restructuring, integration and other costs	**2023 Reported results**	2022 Reported results
	£'000	£'000	£'000	**£'000**	£'000
Revenue	**74,351**	–	–	**74,351**	71,616
Gross profit	**43,346**	–	–	**43,346**	40,659
Selling, general & administrative expenses	**(31,086)**	(3,539)	(801)	**(35,426)**	(32,560)
Research & development expenses	**(2,455)**	(646)	–	**(3,101)**	(3,030)
Net other operating income/(expense)	**2**		(390)	**(388)**	(915)
Impairment losses	**–**	(22)	–	**(22)**	(918)
Operating profit/(loss)	**9,807**	(4,207)	(1,191)	**4,409**	3,236
Net finance expenses	**(744)**	–	–	**(744)**	(642)
Share in net loss of joint venture	**(142)**	–	–	**(142)**	(52)
Profit/(loss) before tax	**8,921**	(4,207)	(1,191)	**3,523**	2,542
Taxation	**(2,376)**	(207)	259	**(2,324)**	(577)
Profit/(loss) for the year	**6,545**	(4,414)	(932)	**1,199**	1,965
Basic earnings per share (p)	**10.9p**	–	–	**2.0p**	3.3p

Chief Financial Officer’s Review CONTINUED

Non-underlying items totalling £5.4m (2022: £6.5m) relating to profit before tax have been incurred in the year, as set out in Note 4. This principally comprises amortisation and impairment of acquisition-related intangibles of £4.2m (2022: £5.4m). The current year charge encompasses amortisation in relation to the reverse acquisition of Ecuphar NV and previous acquisitions made by Ecuphar NV of £4.2m. In the prior year, a non-cash impairment charge of £0.9m was incurred in relation to research and development assets that formed part of the acquired development pipeline, the principal driver of which was manufacturing challenges that impacted resumption of supply at appropriate commercial returns.

The balance of the non-underlying charge, totalling £1.2m (2022: £1.2m) includes share-based payments in respect of Identicare Ltd of £0.8m (see Note 26) and costs relating to M&A and business development activities, including the disposal of Identicare post year end.

Dividends

An interim dividend of 2.0 pence per share was paid in November 2023.

The Board is proposing a final dividend of 3.0 pence per share (2022: 2.4 pence per share). Subject to shareholder approval at the Annual General Meeting to be held on 20 June 2024, the final dividend will be paid on 19 July 2024 to shareholders whose names are on the Register of Members at close of business on Friday 21 June 2024. The ordinary shares will become ex-dividend on Thursday 20 June 2024. The deadline for the Dividend Re-Investment Programme (DRIP) election is Friday 28 June 2024.

The Board continues to closely monitor the dividend policy, recognising the Group's need for higher investment in organic and inorganic growth while maintaining dividend flow to deliver overall value to our shareholders.

Cash flow and net debt

The Group continues to generate strong cash flows, which we seek to reinvest into accelerating the strategy and delivering further value creation for shareholders.

Improved cash generation, ahead of the rate delivered in 2022, has further strengthened our balance sheet and with it our financial flexibility. The Group ended the financial year in a net cash position, pre IFRS 16 leases, of £1.7m (31 December 2022: £2.4m debt).

	2023 **£’000**	2022 £’000
Underlying EBITDA	**13,327**	13,131
Working capital movement	**(1,323)**	(1,904)
Other	**(1,077)**	(1,798)
Net cash flow from operations	**10,927**	9,429
Non-underlying items	**498**	847
Underlying net cash flow from operations	**11,425**	10,276
Underlying cash conversion %	**85.7%**	78.3%

Underlying net cash flow generated by our operations increased to £11.4m (2022: £10.3m). Working capital increased by £1.3m in the year, the movement chiefly attributable to £3.3m decrease in payables offset by a higher than expected inventory reduction of £2.3m (2022: increase of £2.7m), driven by a combination of supply and sales phasing which we expect to normalise in the first half of 2024. Trade receivables were broadly in line with 2022.

We are again targeting a year-on-year improvement in cash conversion compared to 2023, in the range of 85–90%, which takes into account the post year end disposal of Identicare. As in the prior year, we expect the profile of our operating cash conversion to be lower in the first half versus second half, the key driver of which is the normalisation of our inventory as noted above.

Net debt decreased by £4.2m to £1.2m over the period. The net debt to underlying EBITDA leverage ratio was approximately 0.1 times (2022: 0.4 times), well below the maximum target of two times, enabling the Group to pursue external investment opportunities in support of its growth strategy.

	£’000
Net debt at 1 January 2023	**(5,402)**
Net cash flow from operations	10,927
Capital expenditure	(2,553)
Investments in joint venture	(306)
Net financing cashflows	(1,700)
Dividends paid	(2,644)
Foreign exchange on cash and borrowings	376
Movement in IFRS 16 lease liabilities	68
Net debt at 31 December 2023	**(1,234)**
Comprising:	
Net cash at bank	*1,709*
IFRS 16 lease liability	*(2,943)*

We continue to invest in new product development to strengthen our pipeline through a balance of early and later-stage opportunities and lifecycle products. We are placing an increasing emphasis on innovation in Companion Animals, while at the same time we are reviewing opportunities for novel and innovative additions to our equine portfolio.

Capital expenditure of £2.6m (2022:£2.9m) largely comprises investment in our product development pipeline and licence milestone payments to Orthros Medical and STEM totalling £1.6m. The balance of expenditure relates chiefly to investment in our business systems, including CRM, ERP and IT infrastructure within Identicare.

Borrowing facilities

As at 31 December 2023, the Group's total facilities of €51.5m, due to expire on 31 March 2025, consisted of a committed revolving credit facility (RCF) of €41.5m and a €10.0m acquisition line, the latter of which cannot be utilised to fund operations.

Net cash at the year end, pre IFRS 16 leases, was £1.7m (31 December 2022: £2.4m debt) with the RCF unutilised, leaving headroom of £40.7m excluding the undrawn acquisition line.

As at 31 December 2023 and throughout the financial year, all covenant requirements were met with significant headroom across all measures.

We are currently in discussions with our four syndicate banks to increase our existing RCF from €41.5m to €44.0m with an extension of the maturity date to 31 March 2029. The acquisition line, which was drawn down by €3.4m at the year end, will be settled. We expect to complete the process by the end of April. The covenant requirements in the RCF will remain unchanged from the current RCF agreement, details of which are provided below.

The Group manages its banking arrangements, centrally through cross-currency cash pooling. Funds are swept daily from its various bank accounts into central bank accounts to optimise the Group's net interest payable position.

The facilities remain subject to the following covenants, which are in operation at all times:

- Net debt to underlying EBITDA ratio of 3.5 times;
- Underlying EBITDA to interest ratio of minimum 4 times; and
- Solvency (total assets less goodwill/total equity less goodwill) greater than 25%.

Going concern

The Directors have prepared cashflow forecasts for a period of at least 12 months from the date of signing of these financial statements (the going concern assessment period). These forecasts indicate that the Group will have sufficient funds and liquidity to meet its obligations as they fall due, in particular when taking into consideration the Group's financial position following the post year end sale of Identicare for £24.9m and taking into account the potential impact of "severe but plausible" downside scenarios to factor in a range of downside revenue estimates and higher than expected inflation across our cost base, with corresponding mitigating actions. The output from these scenarios shows the Group has adequate levels of liquidity due to the cash proceeds received from the disposal of Identicare for the Directors to continue to adopt the going concern basis in preparing the financial statements without making assumptions concerning the extension of the RCF facility due to expire on 31 March 2025, and complies with all its banking covenants associated with the current committed facilities throughout the going concern assessment period.

Subsequent events

On 28 February 2024 we announced the disposal of our majority shareholding in Identicare to BG Bidco 21 Limited, a newly incorporated company owned by funds managed by Bridgepoint Advisors II Limited, for a cash consideration of £24.9m which was payable upon completion of this sale. This represents a significant crystallisation of value for the Group and with it, a significant further strengthening of our balance sheet.

On 11 April 2024 we announced that, subject to Kane Biotech Inc. shareholder approval, the Group will sell its one-third equity stake in STEM to Dechra Pharmaceuticals Limited (formerly known as Dechra Pharmaceuticals PLC) for a cash consideration of USD4.7m. Other items covered by the agreement will bring the total potential monetary value of the deal for the Group to approximately USD5.4m. The deal is expected to complete on 12 April 2024.

Summary and outlook

The Group has returned to revenue growth and delivered a solid set of results, in line with market expectations, with positive progress on gross margins and improved levels of cash conversion versus the prior year.

We will continue to drive profitable growth and cash flow in our existing operations while focusing on accelerating investment on developing and building our R&D and new product pipeline, underpinned by our confidence in our people, our strong operational and financial platform together with the resilience of the animal health sector in the light of continuing macroeconomic uncertainties across our markets.

With our strong balance sheet, significantly strengthened post year end through the disposal of Identicare, the Group is better placed than ever to accelerate growth in the future. Our capital allocation is closely aligned to our three strategic priorities. Alongside investment in organic growth, carefully selected and value-enhancing acquisitions and increasing the number of novel products in development are key factors in delivering the Group's long term growth strategy.

CHRIS BREWSTER
Chief Financial Officer

11 April 2024

Our Stakeholders

S172 statement

The following describes how the Directors have regard to the matters set out in Section 172(1) of the Companies Act 2006, to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so consider (among other matters):

- The likely consequence of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct
- The need to act fairly between members of the Company

This section forms the Directors' statement under section 414CZA of The Companies Act 2006.

Key Board discussions and decisions

The Board received trading, financial and operational updates from the CEO and CFO and updates on team wellbeing, engagement and interactions with the Group's customers, suppliers and investors. An update was received from the Remuneration and Nomination Committee on proposals for incentives and remuneration and succession planning. The Audit and Risk Committee provided updates on the year-end audit process and a risk review carried out by the Group's third-party risk adviser.

Key discussions, decisions and considerations during the year to 31 December 2023 are set out below:

EMPLOYEE ENGAGEMENT

The Board received and considered a presentation on the results of the employee engagement survey and the areas of focus and action to be led by the People and Culture team for the coming year.

Considerations

Knowing that the Board will review and discuss the feedback provided by employees who completed the survey is critical for encouraging employees to engage in the process and for positive changes to be implemented. When determining which actions would be implemented, the Board considered the financial consequences and the impact on long-term value and growth for the shareholders.

OPERATIONAL REORGANISATION

In June 2023, the Board received and considered a proposal to further align our internal resources to the delivery of our key strategic objectives.

Considerations

The key objective underpinning the proposal was to accelerate the delivery of the Group's strategy, most notably sales and marketing excellence and M&A-related activity. A review of the organisational structure of the finance team was also undertaken to strengthen overall capabilities and ensure alignment with the new operational structure. The proposal included a restructure of the senior management team, with the creation of two senior roles: a Chief Operating Officer to oversee the Group's owned pharma operations and a Group Finance Director to business partner to the Chief Operating Officer as well as leading the day-to-day operational oversight of the finance team.

DIVIDEND

The Board agreed the proposed final dividend for 2022 of 2.4 pence per share and, in September, it agreed an interim dividend of 2.0 pence per share.

Considerations

The Board considered the Company's capital position and financial performance, together with the long-term investment needs of the business, while taking into account dividend flow to deliver overall value to our shareholders.

DELIVERY OF OUR STRATEGY

The Board received a number of presentations during the financial year from senior management including on current and forecast financial performance, budget FY24 and assessment of a number of potential M&A opportunities including the potential disposal of Identicare as detailed below.

Considerations

The Board considered the current and forecast financial performance, in particular revenue and EBITDA growth, cash conversion and R&D investment activity (notably Orthros), while assessing M&A opportunities to supplement organic growth.

DISPOSAL OF IDENTICARE

The Board considered a number of non-binding offers for the potential disposal of Identicare, recommending one offer conditional on completion of due diligence, the process for which commenced very shortly before the year end.

Considerations

The Board considered the merits of retaining the business versus potential disposal, concluding that the sale represented an opportunity to crystallise significant value for the Group and our shareholders from a non-core asset and with this, a significant strengthening of the balance sheet to provide additional financial flexibility to grow its core pharmaceutical-focused animal health business.

NEW PRODUCT DEVELOPMENT

During the year the Board was provided with updates on the status of the Group's new product pipeline, including progress of R&D programmes, associated risks and opportunities and funding requirements.

Considerations

The Board considered various aspects of the new product pipeline, from the innovative early stage VHH antibody collaboration with Orthros Medical, to lifecycle management projects designed to extend and enhance the competitiveness of the existing product portfolio.

Sustainability

Animalcare is committed to the environmental, social and governance (ESG) pillars of sustainable development.

In 2021 the Group began its sustainability journey. During 2022, led by the Chief Financial Officer, we created a separate, dedicated Sustainability Task Force (STF). This body advises on aspects of environmental and social sustainability while taking responsibility for the Group's sustainability agenda and strategy. Subsequently, we began to identify material issues of importance to our stakeholders and their potential impact on our business in order to guide our approach and our ability to thrive in a sustainable future over the coming years.

Throughout the year we have made progress in our understanding and quantification of climate risk while recognising we remain in the early stages of our journey. In our sustainability strategy we set out our wider programme of objectives for mitigating and adapting to the impacts of climate change.

Recognising the criticality of our sustainability agenda and the importance to the entire organisation, leadership has transferred to our CEO, Jennifer Winter, from 1 January 2024.

We have categorised activities under each of the three pillars of sustainability.

ENVIRONMENT

Climate change and greenhouse gas emissions

Under the umbrella of our strengthened Risk Management Framework, we designate climate change as a global issue with potential implications for the Group. Our initial work in this area addressed the carbon footprint of our UK operations, which achieved carbon neutral status in 2020. Building upon this work, we broadened our approach in 2022 to include Scope 1 and Scope 2 greenhouse gas emissions for Group-wide operations in Europe.

Our Group energy usage and carbon emissions

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

		2023		2022 (restated[1])	
Scope	Activity	**CO_2e**	**kWh**	CO_2e	kWh
Scope 1	Company car travel	**471**	**1,851,957**	426	1,676,675
Scope 2	Grid supplied electricity	**22**	**104,597**	27	131,741
Intensity ratio (tCO_2e per £m revenue)		**6.6**		6.3	

[1] 2022 restated for revised conversion factors.

We have used the UK Government GHG conversion factors to calculate our total CO_2e emissions figures.

The increase in Scope 1 emissions is driven by growth in the size of our field sales teams and a further normalisation of face-to-face interactions post COVID, primarily in the UK. The STF will review and recommend actions in the light of this increase during 2024 including a phased adoption of electric vehicles in our company car fleet. Scope 2 emissions have been reduced by 21% which is substantially related to the full year effect of closing our Belgian warehouse in mid-2022.

CARBON OFFSET

To help offset emissions, we participate in various carbon offsetting initiatives, including tree planting in the UK and most recently elimination of invasive vegetation that risked threatening the natural ecosystem in the Parc Natural de Collserola, Catalonia, Spain.

SUPPLY CHAIN AND GREENHOUSE GAS EMISSIONS

Animalcare works with third parties to manufacture finished products while engaging with other partners to enable our international supply chain. Upstream emissions include those generated by a supplier's distribution activities and the production of raw materials or components purchased by the Company. Downstream covers emissions generated by the use or disposal of end products, as well as business travel.

Value chain emissions (Scope 3) represent a significantly higher proportion of our carbon footprint than operational emissions (Scope 1 and Scope 2). Calculating then eliminating these emissions is a challenge that requires effective partnerships built on trust. As we develop our sustainability strategy, we will consider further actions to estimate and reduce our value chain emissions.

Packaging and plastic offsetting

Flexible packaging keeps pharmaceuticals and medicinal products sterile and protected while safeguarding against tampering and counterfeiting. However, though useful and resource-efficient in many ways, its low volume and low weight properties present a challenge once this packaging becomes waste.

We recognise the environmental impact caused by use of plastics in our business and supply chain and are taking steps to develop more sustainable packaging. Where plastic packaging remains the most viable solution, and until the time we can transition from virgin plastic to mitigate plastic waste, we have implemented offsetting as an interim solution. During 2023, we supported a clean water initiative in Zambia which offset the CO_2e arising from sales of our IV fluids in the previous 12 months.

Antimicrobial resistance

Antimicrobial resistance (AMR) occurs when bacteria, viruses, fungi, and parasites evolve over time and learn to dodge the effect of medicines. As a result, treatments become ineffective and infections persist, increasing the risk of spread to others. The overuse and misuse of antibiotics in both humans and animals have accelerated the process by which bacteria become resistant to this important class of drugs, threatening the ability to treat common infections.

AMR is a systemic risk that will impact multiple sectors including food and agriculture, pharmaceuticals, healthcare, and insurance industries. According to the World Bank, by 2050 AMR could shrink global GDP by as much as 3.8% while global animal production could decline by between 2.6% and 7.5% per year. Within the European animal health market, sales of veterinary antimicrobials decreased by 47% between 2011 and 2021.

Reducing our portfolio reliance on antibiotics, both in Production and Companion Animals, is a key focus which led to our investment in STEM Animal Health Inc. to exploit biofilm-targeting technologies in anti-infective roles. A glue-like substance that provides protection from the environment, biofilms can make bacteria up to 1,000 times more resistant to antibiotics, antimicrobial agents, disinfectants, and the host's immune system. Anti-biofilm technology can overcome these barriers, making conventional treatments more effective, potentially at more sparing doses.

SOCIAL

Our people

Our employees are our most valuable asset. Their contribution is critical to achieving our long-term success and our growth plans are dependent on our ability to attract, develop and retain high-calibre and experienced talent in key roles.

TALENT MANAGEMENT AND PEOPLE DEVELOPMENT

Overall employee engagement remains of paramount importance. Following the Gallup employee survey we carried out in 2022, we have implemented targeted plans across various countries to enhance specific areas such as communication, reward and development.

Our primary emphasis has been on implementing a competency development assessment as part of our talent review process. This is aligned with our competency framework and aims to bolster the skills of our sales and marketing managers. Additionally, our sales managers have undergone training to enhance their coaching abilities and we have extended our leadership development programme to our sales and marketing managers.

To nurture the development of our high-potential employees, we have introduced “The Pioneering Professional”, a programme incorporating blended training methods and regular peer-to-peer coaching sessions.

To address reward and recognition we simplified our performance management process, reviewed our bonus strategy, implemented work anniversary rewards and continued with the roll out of our benchmarking process. These initiatives aim to enhance employee motivation, align compensation with performance, and maintain market competitiveness.

WELLBEING

During 2023 we launched our Global Wellbeing & Resilience Strategy, *We Care*, with the aim to strengthen individual and organisational engagement, involvement and resilience through providing resources to support employees with their overall wellbeing and change management.

As part of our “*We Care*” wellbeing strategy we aim to integrate ESG-related activities to contribute to our broader sustainability goals, encourage a positive organizational culture, enhance our brand reputation, and mitigate risks associated with environmental and social issues.

In addition to the above, the Group operates an external employee assistance programme, Workplace Options. This includes a confidential around-the-clock counselling and information service to assist employees with personal or work-related challenges that may affect health, wellbeing or performance.

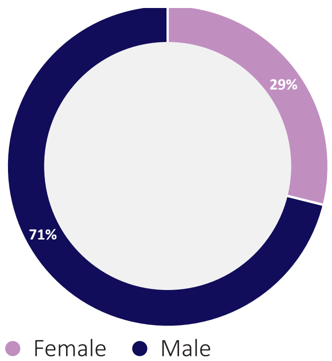
DIVERSITY AND INCLUSION

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

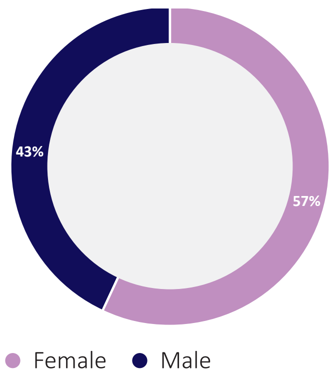
The Board recognises the benefits of diversity, including gender diversity, both on the Board and Senior Executive Team. Appointments will be made on merit but with due consideration to the need for diversity and to ensure there is an appropriate balance of skills and experience.

Recognising that diverse and inclusive workplaces earn deeper trust and more commitment from their employees, a Diversity and Inclusion Task Force was created to develop our approach, build on activities and implement a formal strategy across the Group.

BOARD GENDER DIVERSITY

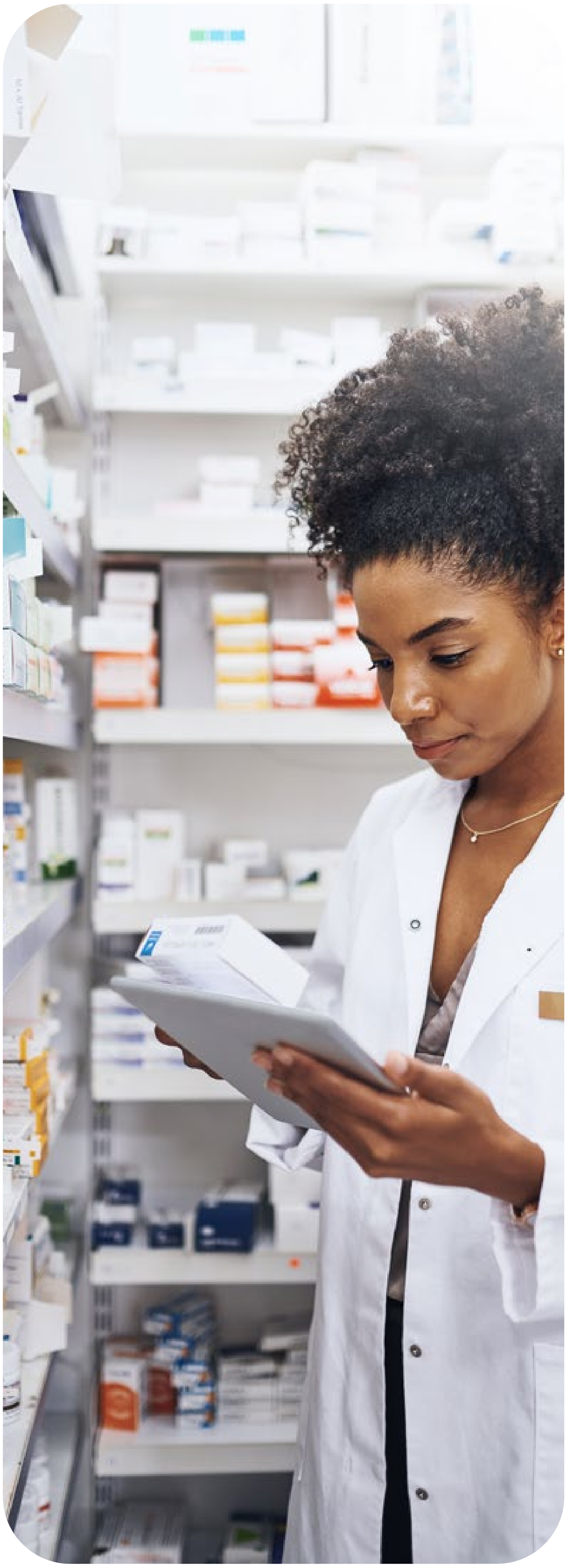


SENIOR EXECUTIVE TEAM



The Board currently consists of 71% (five) male and 29% (two) female members. As at the year end, the Senior Executive Team consisted of 43% (three) male and 57% (four) female members.

Future appointments will continue to be made on merit, with due consideration given to the need for diversity, and to complement the existing balance of skills and experience across the Group.

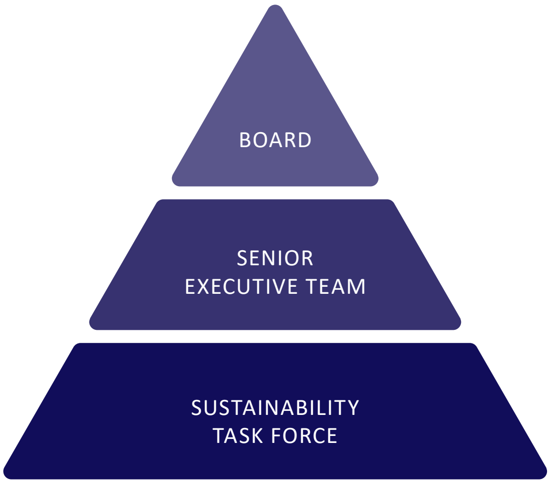


Sustainability CONTINUED

GOVERNANCE STRUCTURE

In September 2022 we created our Sustainability Task Force (STF) made up of Chris Brewster, our CFO, and a cross section of employees representing key functions and our geographical presence.

The composition of the STF is built upon a foundation that aligns with and complements the existing business model and organisational structures. This kind of governance structure is typically more successful.



Members of the STF take collective responsibility for the Group's sustainability agenda, the implementation of a sustainability action plan linked to the delivery of our strategy and will review the internal sustainability scorecard each quarter.

Stakeholder engagement

Throughout the year we utilised the Animalcare Group materiality assessment as a vehicle with several stakeholders to address their concerns, explore sustainability areas of mutual interest and share priorities.

This informal and formal dialogue showed that there is increasing demand from stakeholders to understand our environmental strategy, including our approach to climate change, responsible animal testing and ethical procurement and sales.

In connection with this, Animalcare Ltd is in partnership with Vet Sustain, a UK-based social enterprise working to enable and inspire veterinary professionals to continually improve the health and wellbeing of animals, people and the environment, centred around their six goals for sustainability which provide a framework for contributing to the UN's Sustainability Development Goals.

We will further engage with stakeholders during 2024 and continue to embed sustainability into our business in an agile and prioritised way.

SALES AND MARKETING

Our values and behaviours (one team, passion, integrity, taking ownership, have fun) guide employee conduct along with the Group's Code of Conduct and supporting policies which help us ensure we do business in the right way.

SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

Animalcare does not own any manufacturing assets and we work with contract manufacturers of finished goods, mainly across Europe and with suppliers that are not in 'Highest Risk' countries which are prone to political unrest, poor regulatory practices or low voice and accountability. One of our key principles with external suppliers is to ensure they share the same commitment as we do to being a responsible and ethical employer, both to their own staff and their suppliers. The Group's external suppliers are required to conform to Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP) requirements. This means there are audits and inspections performed and recorded by National Regulators. We ourselves have to conform to GDP practices which we embrace and completely support.

Sustainability objectives and development of a Sustainability Action Plan

From the materiality assessment we prioritised six initial high-level objectives to help build the foundations of our sustainability strategy

SUSTAINABILITY STRATEGY

Objective 1: Create a formal governance structure with remit and terms of reference to effectively implement sustainability strategy across the business.

Objective 2: Develop and publish an Animalcare Group sustainability action plan (and supporting internal scorecard) for 2023 and beyond.

CLIMATE CHANGE AND CARBON FOOTPRINT

Objective 3: Expand reporting of Scope 1 and Scope 2 greenhouse gas emissions for Animalcare Group beyond that of Animalcare's UK trading subsidiary. Initiate Scope 3 reporting.

Objective 4: Assess the feasibility of achieving carbon neutral status for the Animalcare Group by end of financial year 2025. Post the feasibility assessment, initiate roll out of a regional phased approach.

SUPPLY CHAIN AND RESPONSIBLE PROCUREMENT

Objective 5: Establish a screening process across Animalcare Group's major suppliers to highlight any risks associated with modern-day slavery and human rights.

SUSTAINABLE PACKAGING

Objective 6: Develop a Group-wide approach to sustainable packaging with both reduction and recycling.

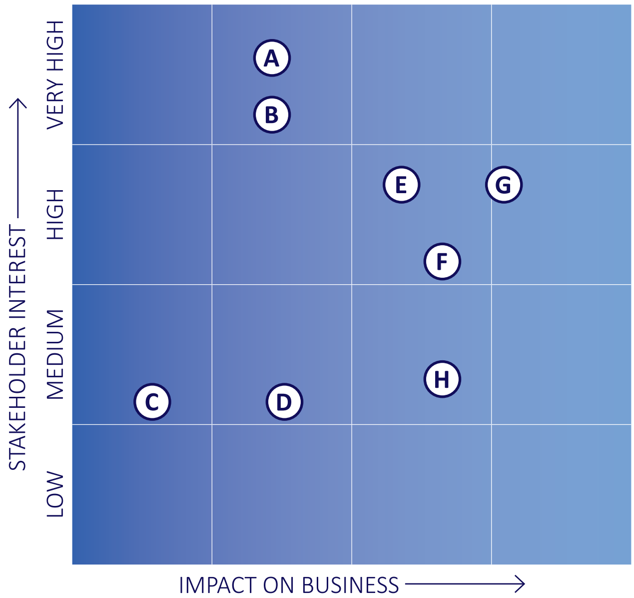
The above goals act as the foundation for a formal framework that implement our corporate commitments and develop a relevant Sustainability Action Plan (SAP), ultimately helping create value for the Group in line with our business strategy. As the SAP continues to evolve, it will address internal risk drivers identified within our risk management framework and define the Group's actions to respond to external stakeholder expectations, including those of potential investors and shareholders.

OUR MATERIALITY ASSESSMENT

Materiality

To guide and support the development of our sustainability strategy, we undertook an initial materiality assessment via an internal employee focus group and informal stakeholder engagement. From this, we have identified the material issues of importance to our stakeholders and their potential impact on our business.

MATERIALITY MATRIX



- (A) Climate change, energy and water management
- (B) Animal testing (animal welfare, 3Rs – replacement, reduction, refinement)
- (C) Antimicrobial resistance
- (D) Diversity and inclusion
- (E) Supply chain and responsible procurement
- (F) Sustainable Packaging
- (G) Employee wellbeing, health and safety
- (H) Ethical promotion of veterinary medicines

This will help guide our strategy by identifying the issues that matter most to Animalcare and our stakeholders and shows where we can have the most positive impact.

Our Principal Risks

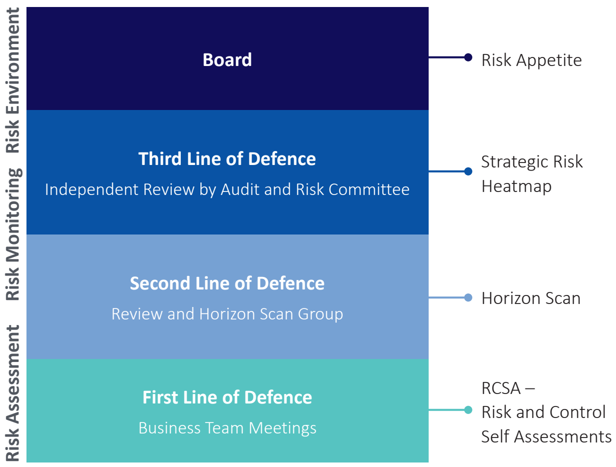
Managing our risks

The Board has overall responsibility for the Group's risk appetite and risk management strategy. In doing so, the objective of the Board is to foster and embed an organisational culture of strong risk management to effectively execute the Group's strategy.

The day-to-day identification, management and mitigation of risk is delegated to the Group's management, executed through our risk management framework (RMF). In 2022 the RMF was broadened with the formal set-up of the Sustainability Task Force (STF) to manage and address the Group's sustainability and climate-related risks as set out in the Sustainability section. During 2023, with support from our external risk consultants who performed our Q3 review, we have further developed and refined the RMF, with emphasis on our readiness to leverage our platform to accelerate growth and notably R&D, both commensurate to our strategy to grow our business through investment in inorganic opportunities and develop differentiated and innovative products for the future.

We believe the developments and refinements made during 2023 further strengthen our RMF and our ability to monitor, manage and mitigate the most critical risks inherent in our strategic plan, to the benefit of our stakeholders.

Risk management framework



The RMF is based on an industry standard three lines of defence model (3LoD) and includes updated risk inventory, metrics and thresholds. The 3LoD model is combined with an approach to Assess, Monitor, Manage, Respond and Communicate the Group's critical risks.

To be effective, risk management relies on the engagement of all parts of the business, which is an integral part of our framework and culture. The RMF has been developed in support of our operating model – being a combination of operating businesses and Group functions, overseen by the Senior Executive Team (SET) who owns the risk management process and is responsible for managing specific Group risks. Within that structure, our operational management teams as well as Group function heads are expected to identify, manage and mitigate risks in their part of the business. They manage this process through a consistently applied Risk and Control Self Assessment (RCSA). This process includes assessing each risk for its impact and likelihood, scored both before and after applying key controls. A standardised risk-scoring methodology and template is now used to ensure a consistent approach across the Group. This part of our framework represents the First Line of Defence.

Our Second Line of Defence is executed through a small, centralised team who work alongside local finance managers and Group functions to lead the assessment and validation of all RCSAs from the business. This team prepares consolidated risk reporting in the form of a Horizon Scan across the organisation, which in turn ensures independent oversight and consistency.

The Horizon Scan is reviewed by the executive team and mapped against the five pillars of the Group's strategy in the form of a Strategic Risk Heatmap.

In accordance with our governance practices, oversight of risk management and risk assessment is undertaken by the A&RC, which, operating as our Third Line of Defence, provides updates and reports to the Board, based on the Horizon Scan and Strategic Risk Heatmap, to assist the Board in fulfilling its corporate governance duties and oversees responsibilities in relation to financial reporting, internal control and risk management.

Sustainability and climate change

As noted above, the Board has overall responsibility for ensuring risk is appropriately managed across the Group. This includes risks relating to environmental, social and governance (ESG) matters and climate change.

Through the STF, established in 2022, and in conjunction with our ESG adviser, we have conducted materiality assessments and developed a sustainability materiality matrix to help us identify and prioritise the issues that matter most to our business and stakeholders.

The STF has assisted in the identification of climate-related risks and has overseen modifications to our RMF, to ensure that it captures climate-related risks.

Emerging risks

Emerging risks are new risks that are unlikely to impact the Group in the next year but have the potential to evolve over a longer term and could have a significant impact on our ability to achieve our objectives. They may develop into key risks or may not arise at all. As part of our risk management process, both the Board and the SET are tasked with identifying and assessing our emerging risks. No material emerging risks have been identified in the current financial year.

Principal risks

We map all aspects of our risks against six categories that best outline our key challenges, namely: strategic, financial, operational (operations and technology), regulatory compliance, legal and people.

We believe that our most significant challenges are strategic in nature. Our strategic plans for the business are based on organic and inorganic growth as we continue to pursue geographical expansion and seek new product opportunities. The table below describes the current principal strategic and other risks and uncertainties facing the Group. In addition to summarising the strategic risks and uncertainties, the table below gives examples of how we mitigate those risks.

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Market and economic risk Animal health market growth has normalised post COVID – there is a risk of further decline in the market driven by macroeconomic uncertainty. In certain territories the veterinary market continues to trend towards consolidation via growth of corporate customers and buying groups who are looking for value from the products and services we provide.	Organic growth	Reduction in consumer confidence and spending on veterinary products and services in light of inflationary pressures. The continuing expansion of corporate customers and buying groups represents an opportunity for sales volume growth but may result in reduced margins through leverage of buying power.	Veterinary is considered to be an essential service and our product portfolio largely consists of pharmaceuticals used in the vet practice, which are less prone to pet owner discretionary spending pressure. We continue to develop and strengthen our relationships with our larger customers, managed through dedicated key account teams, with support from the Sustainability Task Force in regard to ESG, to better serve our changing customer base and their evolving requirements, both on a national and a European basis.	M	No change

STRATEGIC PRIORITIES

Organic growth
Inorganic growth
New product development

RISK KEY

L Low
M Medium
H High

TREND KEY

Up
Down
No change

Our Principal Risks CONTINUED

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Competitor risk Launch of competitor products against our key brands, for example other generic or more innovative products. Although our product portfolio is broad, our larger and well-established brands operate in a market that continues to be attractive to competitors.		Revenues and gross margins may be adversely affected should competitors launch competing generic or superior (novel) products. Operating costs may increase to protect market share.	We are increasing focus on lifecycle management strategies for our key brands. We monitor new product registrations and competitor launches and develop commercial and marketing responses accordingly to mitigate competitor impact. We are continuing to seek to strengthen our product portfolio through strategic partnerships and we are exploring a number of opportunities, including novel pharmaceuticals.	M	
Portfolio risk Approximately 36% of the Group's revenues are derived from products sourced from our distribution partners, which are heavily driven by the associated contractual terms.		Loss of one or more distribution contracts may reduce overall sales. Where we are successful in developing and growing the market, the distribution partner may terminate the contract through geographic expansion of their own footprint or a different route to market, resulting in lost sales. Distribution may cease due to change of control of the contracting parties.	Continue to explore and secure new distribution opportunities. A New Product Opportunity process is in place to provide robust commercial and contractual assessment of new partner products. Low quality distribution products remain subject to portfolio optimisation. Significant existing contracts are reviewed to assess and mitigate, where possible, business continuity risks. Build and grow our owned and long-term licence product portfolio to reduce reliance on third-party distribution partners.	M	

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Product development and launch risk Failure to successfully register and launch products from our pipeline, including those that we develop through license. Projects that initially appear promising may be delayed or fail to meet expected clinical or commercial expectations or face delays in regulatory approval.	New product development	Significant delay or failure in launching a product from our pipeline could adversely affect our ability to deliver revenue and shareholder expectations. Failure of a project in the development phase, or where we are unable to recover the costs incurred in developing and launching a product, would result in impairment of recognised intangible assets.	Robust pipeline monitoring processes are in place. The pipeline is discussed regularly by senior management, including the CEO, COO and CFO. Before more costly pivotal studies are initiated, smaller proof of concept studies are conducted to assess the effects of the drug on target species and for the target indication. The Group's objective is to create a balanced pipeline in terms of risk and reward and to establish a broader investment approach to launching new products other than from our own pipeline. In respect of significant new product launches, detailed sales and marketing plans are established and evolved over time, with progress regularly monitored against these plans by our commercial teams.	M	Up

STRATEGIC PRIORITIES

- Organic growth
- New product development
- Inorganic growth

RISK KEY

- L Low
- M Medium
- H High

TREND KEY

- Up
- Down
- No change

Our Principal Risks CONTINUED

Other risks

Beyond strategic risks as outlined above, the following tables show other key risks that are potentially impactful in executing our strategic plan. It is our perspective that in order to execute successfully we need to maintain strong finances and an efficient operation that is compliant with the laws and regulations of each country of business – all of which needs to be supported by the best people with the right skills to execute against our strategic plan.

Financial strength

We carefully track our financial performance against a wide range of financial measures – including capital, liquidity and margin. We also recognise that our results are subject to foreign exchange translation exposure, which is closely monitored and reported. We acknowledge that our future growth is highly dependent on a solid financial platform and strong balance sheet and have a range of risk assessments associated with both, including:

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Financing/ Treasury risk Debt facilities are committed for a finite period, and we need to plan to renew our facilities before they mature and guard against default. Our loan agreements also contain various covenants with which we must comply.		Investing for growth constrained by lack of access to capital/ financial resource and/or reduced profitability.	We continue to focus on maintaining both strong cash conversion and a strong balance sheet with a maximum net debt to EBITDA leverage target of two times, reducing the risk of non-compliance with covenants. Our existing bank facilities, through a syndicate of four banks with whom we have strong relationships with, expires on 31 March 2025. We expect to complete the increase and extension of our RCF to 31 March 2029 by the end of April. Post year end, the Group significantly strengthened its cash position following the sale of Identicare in February 2024 for a cash consideration of £24.9m. As such, the Group does not foresee utilisation of its bank facilities for operational purposes in the coming year.	L	→
Foreign exchange translation risk The majority of the Group's revenues are denominated in euros. However, the Group's presentational currency is sterling and therefore the reported revenues, profits and net debt levels will be impacted by exchange rates prevailing during the relevant financial period.		There may be variability in our reported results caused by significant fluctuations in the GBP:EUR exchange rate. This may impact our net debt to EBITDA leverage covenant depending on volatility and timing as the income statement and balance sheet may be translated at different rates.	We conduct a central review of foreign currency exposures and we assess possible hedging strategies to mitigate risk via derivatives. Matching currency flows and financing will limit the covenant exposure. The Group presents key financial measures on a CER basis to enable shareholders to assess performance with the impact of foreign exchange eliminated.	L	→

Operational performance

The success of our operation relies heavily on both our supply chain and technology platforms; therefore we highlight below how we manage, monitor and mitigate those risks.

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Supply chain risk The Group relies solely on a large base of third-party suppliers for finished products and to a lesser extent raw materials, whether with our own brands or those sold on behalf of our partners via distribution arrangements. It is not commercially viable to implement a secondary sourcing strategy.	Organic growth	Any disruption, interruption or failure of supply may result in lost sales and damage the Group's reputation with its customers. Rising inflation costs impacting cost of product and adversely affecting margins. Manufacturing transfers to resolve longer-term supply issues may require additional regulatory approvals, which could result in additional costs and/or supply delays.	Due to our broad supply base we have a relatively low dependency on any single supplier. We monitor the performance of our supplier base and respond promptly where potential issues are identified, whether that be from a quality and/or regulatory perspective. The Group's largest suppliers operate under a programme of regular meetings and audits to manage and support our Contract Manufacturing Organisations (CMOs) to deliver quality products on time and in full to our regulatory specifications. Following the appointment of our new Supply Chain Director, further development and refinements to our structure and processes are expected to be implemented during 2024 to improve areas such as demand forecasting and supplier performance management. As part of our finance organisation review, we have allocated dedicated resource to the monitoring of KPIs and the continuing impact and mitigation of inflation.	M	Up

STRATEGIC PRIORITIES

Organic growth
New product development
Inorganic growth

RISK KEY

L Low
M Medium
H High

TREND KEY

Up
Down
No change

Our Principal Risks CONTINUED

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
IT systems and cybersecurity risk The Group relies heavily on information technology and key systems to support the business. The risk of cyber attacks that cause system disruption and the potential for data and financial fraud, are increasing.		A general outage of our IT systems may cause disruption to, or prevention of, normal operations, and/or additional costs. Cyber attacks could result in system and business disruption and/or availability of data. Failure to adequately protect customer (and others') data may result in a breach of GDPR legislation and/or financial fraud.	The Group has maintained focus on mitigating the increasing cyber threat while continuing to accommodate hybrid working practices, including: • Continued investment in our cloud-based IT systems and security tools to safeguard the IT infrastructure. • We engage with security-aware, reliable and certified IT service global providers. • Internal policies surrounding security, user access, change control and the ability to download and install software. • We hold global cyber insurance, which provides specialist technical and legal support in the event of a cyber incident. We regularly conduct large-scale security reviews and tests to reduce our risk of phishing attacks. We continuously perform a critical (master) data evaluation to categorise our data and implement appropriate safeguards.	H	

Regulatory compliance

Given we operate in a highly regulated market it is evident that the success of our business is dependent on compliance with product regulations in each country of operation, therefore we highlight below how we manage, monitor and mitigate those risks.

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
Regulatory risk We operate in a highly regulated animal health environment, which is designed to ensure the safety, efficacy, quality and ethical promotion of pharmaceutical products. Failure to meet or adhere to regulatory standards could affect our ability to register, manufacture, distribute or promote our products.	Organic growth, New product development	Non-compliance with regulatory requirements may result in delays to supply and/or lost sales. Delays in regulatory reviews and approvals could impact the timing of a product launch and impact sales. Increasing regulatory burden including compliance with the European Medicine Agency's (EMA) Union Product Database has resulted in additional regulatory and quality control requirements and associated costs.	The Group Technical and Regulatory team has established systems and procedures to monitor and maintain compliance which are subject to regular internal and external audits. Regular dialogue is maintained with relevant authorities in each country to ensure we maintain a thorough understanding of regulatory changes. We operate a robust Pharmacovigilance (PV) process to report any adverse reactions and product complaints related to the use of our products.	M	No change

STRATEGIC PRIORITIES

- Organic growth
- New product development
- Inorganic growth

RISK KEY

- L Low
- M Medium
- H High

TREND KEY

- Up
- Down
- No change

People

In order to successfully deliver our growth strategy in a highly regulated business, we need to attract and retain a high-calibre and diverse pool of talent, therefore, our people risk is managed, monitored and mitigated as follows:

RISK	LINK TO STRATEGY	POTENTIAL IMPACT	MITIGATION	RISK LEVEL	TREND
People risk Failure to structure and resource the business to deliver our strategic ambitions from both an organic and inorganic growth perspective. Our growth plans are dependent on our ability to attract, develop and retain high-calibre and experienced talent in key roles.	Organic growth; Inorganic growth; New product development	Failure to structure and resource our business with quality people could result in: • Loss of expertise • Potential business disruption • Reduced growth • Insufficient or overstretched resources • High cost of organisational restructuring in certain countries. The rising cost of living and ongoing wage inflation have the ability to impact workforce stability and continuity as well as our profitability.	Our Group People & Culture Director has overall responsibility for setting and overseeing the execution of the Group's overall people strategy. Alongside fellow SET members, the organisational structure is reviewed as required to confirm that it meets our operational and strategic requirements, with appropriate actions taken where necessary. Steadfast focus on enhancing overall employee engagement continues in order that we can position Animalcare as a "Great Place to Work". This includes: • A strong performance management culture supported by our Competency Framework. • Competitive remuneration packages supported by regular benchmarking. • Investment in staff training and development including our "High Challenge High Support" leadership and "Pioneering Professional" programmes. • Group recruitment and onboarding framework. • Wellbeing programme, "We Care", to support mental and physical wellbeing as well as personal development. We continue to use a team of highly skilled contractors to bridge short-term gaps in key resource areas and support key project delivery.	M	No change

STRATEGIC PRIORITIES

- Organic growth
- Inorganic growth
- New product development

RISK KEY

- L Low
- M Medium
- H High

TREND KEY

- Up
- Down
- No change