

A close-up, high-resolution photograph of a kitten's face, showing its large, blue eyes, orange and white fur, and long whiskers. The kitten is looking slightly to the right. The background is a soft, out-of-focus green, suggesting foliage.

Animalcare Group plc

Interim Report

for the twelve months
ended 30th June 2017

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

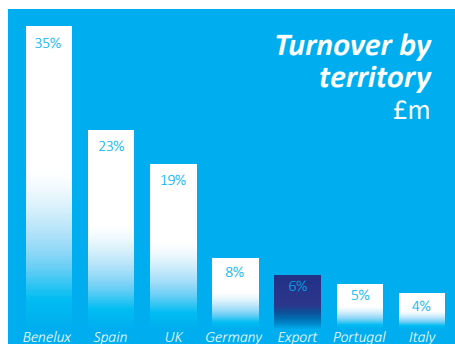


www.animalcaregroup.co.uk
Stock Code: ANCR

WELCOME TO ANIMALCARE GROUP PLC

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

On 13th July 2017, the Group completed the reverse takeover of Ecuphar NV for a consideration of £133.8m. The acquisition of Ecuphar has provided enhanced scale and capabilities for the Group and creates a pan-European animal health platform from which to accelerate growth. Our direct sales operation has expanded to cover seven countries and our international reach covers 50 export markets. We have greatly increased the depth and diversity of our licensed veterinary medicines product range and as an enlarged Group we expect to deliver a growing, highly cash generative, dividend paying company with a solid pipeline of new products and multiple cross-selling opportunities.



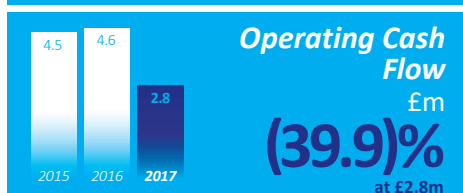
INVESTMENT CASE

- **Animalcare to benefit from transformational acquisition**

Bringing together two highly complementary businesses, with regard to their geographic markets, product portfolios and new product development pipelines. The acquisition creates a pan-European animal health platform, which provides enhanced scale and capabilities and enhances the Board's expectations of earnings accretion in 2018 and beyond.

- **Animalcare has a clear strategy for growth** through an enhanced geographic footprint and sales, marketing and distribution network, and a strong product development pipeline.
- **Animalcare is strongly cash generative** and in a strong financial position to invest in future growth.
- **Animalcare is dividend paying** and intends to maintain its current dividend policy which maintains an appropriate balance between investment for future growth and dividend flow to deliver overall value to our shareholders.

FINANCIAL HIGHLIGHTS



* Underlying measures are before the effect of exceptional and other items. These are analysed in note 3. EBITDA is defined as the Group's profit before interest, taxation, depreciation and amortisation

HIGHLIGHTS

- Strong revenue growth from Licensed Veterinary Medicines, up 17.2% to £10.83m (FY16: £9.24m)
 - driven by key pharmaceutical ranges (intravenous fluids, anaesthetics and analgesics) and revenue from eight newly launch products in the period
 - growth outside of UK ahead of expectations, increasing by 60.1% to £1.67m (FY16: £1.04m)
- Revenues from the Animal Welfare Products range increased 5.5% to £2.94m (FY16: £2.78m)
- Momentum in product development pipeline continues with expenditure in the period of £2.0m (FY16: £1.6m)

POST PERIOD END

- On 13th July 2017, the Group completed the reverse takeover of Ecuphar NV for a consideration of £133.8m, which together form “the Enlarged Group”
- Chris Brewster re-appointed to the Board as Chief Financial Officer with immediate effect

FINANCIAL HIGHLIGHTS

CONTINUED

Proforma Interim Results for the Enlarged Group for the six months to 30th June 2017

	Animalcare	Ecuphar	Total
Revenue	£7.99m	£37.00m	£44.99m
Underlying* operating profit	£1.66m	£3.26m	£4.92m
Underlying* EBITDA	£1.84m	£4.55m	£6.39m
Reported operating profit	£0.97m	£1.63m	£2.60m
Underlying net earnings	£1.51m	£2.11m	£3.62m

Jan Boone, Chairman of Animalcare Group plc, said:

“Since taking on the role of Chairman at the time of the Acquisition, the business continues to perform well. The reported results for Animalcare pre-acquisition provide a good reminder of the strength of the underlying business that, together with Ecuphar, has the ability to be a leader in the European animal health market. The pan-European business created represents a growing, cash generative and dividend paying company with a solid pipeline of new products. With the scale the Enlarged Group now enjoys and the opportunity for synergies creation and strong portfolio of new products, the Board reiterates its confidence in the Enlarged Group’s prospects for growth and expectations for earnings accretion in 2018 and beyond.”

JAN BOONE

Chairman of Animalcare Group plc

CHAIRMAN'S STATEMENT

I am very pleased to provide my first report to shareholders following the successful acquisition of Ecuphar by Animalcare (together the "Enlarged Group"), completed on 13th July 2017. This set of financial results provides a summary of pre-merger trading for Animalcare for the twelve months ended 30th June 2017, although we do include a summary on Ecuphar's trading for the pre-merger period and proforma results for the Enlarged Group for the six months to 30th June 2017. Given the Enlarged Group's change of accounting reference date, we expect to update shareholders next on trading for the Enlarged Group for the eighteen month accounting period ending 31st December 2017, before returning to the usual annual reporting cycle.

Animalcare Results for the twelve month period ended 30th June 2017

Financial Trading – Animalcare

Following a very strong first half-year we are delighted to present results for the twelve months ended 30th June 2017 which has shown that this momentum has continued and are in line with both the Board's and market expectations. Total revenues for the twelve months were up 7.9% at £15.87m (FY16: £14.70m) and underlying operating profits increased by 11.8% to £3.57m (FY16: £3.19m).

Pre-acquisition, Animalcare continued to focus on three product groups: Licensed Veterinary Medicines, Animal Welfare Products and Companion Animal Identification; all sold through veterinary wholesalers to veterinary practices.

The Licensed Veterinary Medicines group continued to grow strongly in the second half with revenues increasing 17.2% to £10.83m (FY16: £9.24m), mainly due to the growth of export sales which increased by 60.1% to £1.67m (FY16: £1.04m). Gross margins remained favourable in comparison to the prior year. Animal Welfare Products group sales showed a 5.5% increase over the period to £2.94m (FY16: £2.78m) whilst Companion Animal Identification group revenues were in line with our expectations at £2.10m (FY16: £2.68m). Further details on the performance of each division can be found in the Business Review below.

Underlying operating profits (before the effect of exceptionals and other items) increased 11.8% to £3.57m (FY16: £3.19m) and basic underlying EPS increased from 13.0p to 14.9p. Period end cash balances were £6.3m (31st December 2016: £7.01m), during a period of increased investment in product development with expenditure of £2.0m, up from £1.6m the previous year. £4.0m of the Group's cash reserves were utilised post-period end to part-fund the Acquisition, offset by £4.0m drawdown against Ecuphar's existing debt facilities.

Dividend

The Board is pleased to propose a second interim dividend of 4.7 pence per share, further to the 2.0 pence interim dividend announced at our interim results for the six months ended 31st December 2016, taking the total interim dividends to 6.7 pence per share, compared to the total dividends for the year ended 30th June 2016 of 6.5 pence per share.

CHAIRMAN'S STATEMENT

CONTINUED

Drivers of Growth

A more detailed consideration of the drivers for growth can be found in the Business Review, but it is worth highlighting that Animalcare saw a strong market in our Licensed Veterinary Medicines and in particular through an increase in revenues from this division outside of the UK. We have seen some impact from the eight new products launched during the period but expect to see the full benefit of these as they gain momentum. Outside of these products we have made further progress in advancing our product development pipeline and will update the market as these launch. We have coupled these organic growth drivers with a considered investment in additional marketing, sales and distribution resources, whilst identifying an opportunity to transform the business through acquisition.

Enlarged Group Pro Forma Financial Information for the six months to 30th June 2017

As noted above, we include below an unaudited proforma aggregated income statement for the Enlarged Group for the six months to 30th June 2017. Interim IFRS comparatives are not available for Ecuphar hence only H1 2017 financial information is presented. The Enlarged Group recorded revenue of £45.0m and Underlying EBITDA of £6.3m.



£m	Animalcare*	Ecuphar	Total
Revenue	8.0	37.0	45.0
Gross Profit	4.4	15.1	19.5
Operating expenses	(3.4)	(13.5)	(16.9)
Operating profit	1.0	1.6	2.6
Depreciation, amortisation & impairment	0.2	1.3	1.5
Exceptional and other items	0.6	1.6	2.2
Underlying EBITDA	1.8	4.5	6.3

* Animalcare's proforma results for the six month period ended 30th June 2017 comprise the unaudited twelve month results to 30th June 2017 less the unaudited interim results to 31st December 2016.

Board

We are delighted to welcome Chris Brewster back on to the Board with immediate effect as Chief Financial Officer. Chris had previously been Chief Financial Officer from 31st May 2012 up to the Acquisition when he stepped down from the Board and was appointed as the Enlarged Group's UK Country Manager. Walter Beyers, Ecuphar's Chief Financial Officer and appointed as the Enlarged Group's Chief Financial Officer on completion of the Acquisition, has decided to step down from the Board, also with immediate effect, to pursue other interests. Walter will remain an employee of the Enlarged Group until 31st October 2017 to support a smooth transition. We thank Walter for his significant contribution towards the success of the Acquisition and wish him very well in the future.



Outlook

Significantly, we completed the acquisition of Ecuphar following the close of the period. Full details of the transaction are available in the Admission Document sent to shareholders and available to view on our website. In summary, we believe that Animalcare and Ecuphar are highly complementary businesses, in particular with regard to our respective geographic markets, product portfolios and new product development pipelines, and combined will provide enhanced scale and capabilities. Through this Acquisition, we have created a specialist pan-European animal health company with strong leadership in our chosen niches, supported by attractive and complementary market drivers.

We believe that the newly Enlarged Group offers shareholders a growing, cash generative and dividend paying animal health company with a solid pipeline of new veterinary pharmaceutical products. Given current trading across both businesses and the overall opportunities for the Enlarged Group, the Board remains confident about the Enlarged Group's future prospects and expectations for earnings accretion in 2018 and beyond.

JAN BOONE
Chairman



BUSINESS REVIEW

Introduction

The main body of commentary addresses the pre-merger period. For Animalcare, we are pleased to report that the business has performed well and in line with the Board's and market expectations for the twelve months ended 30th June 2017. Total revenues for the twelve months were up 7.9% at £15.87m (FY16: £14.70m) and underlying operating profits increased by 11.8% to £3.57m (2016: £3.19m).

We have continued to make progress in the period in delivering our strategy, with overall revenues and gross margin increasing, higher investment in our product development pipeline and very strong growth in our export business.

Revenue

Revenue £'000	Twelve months ended 30 th June 2017	Year ended 30 th June 2016	% change
Licensed Veterinary Medicines	10,827	9,238	17.2%
Animal Welfare Products	2,936	2,783	5.5%
Companion Animal Identification	2,104	2,680	(21.5%)
TOTAL	15,867	14,701	7.9%

Licensed Veterinary Medicines

The Licensed Veterinary Medicines group, which represents 68% of total revenue, up from 63% in the prior year, again delivered strong growth with sales up 17.2% to £10.8m. This comprises 11.7% growth in the UK and 60.1% in our export markets. Like-for-like revenue growth of 12.7% was driven by several of the key pharmaceutical ranges, notably our intravenous fluids and anaesthetics and analgesics. Eight new products were launched in the period, notably Acecare, a sedative from our in-house development pipeline which has performed strongly and contributed £0.3m revenues. The balance of seven products was all on distribution, three of which assembled to form a new ear treatment range. This range was launched into a mature and busy market and is taking longer than expected to gain momentum.

Animal Welfare Products

Our Animal Welfare Products group grew 5.5% to £2.94m, driven by increased sales of our intravenous fluid Infusion Accessories range which we have further strengthened late in the period. This range now represents 62% of this product group's total revenues (FY16: 56%).

Companion Animal Identification

Companion Animal Identification sales were down 21.5% to £2.10m, in line with management expectations. This fall was primarily as a result of the £0.30m incremental sales benefit observed in the prior period following the introduction of compulsory microchipping legislation in the UK in April 2016, together with the expected reduction in sales volumes as result of the smaller addressable dog microchipping market. Associated database services sales decreased by 3.1% during the period to £1.06m (FY16: £1.09m) however the changes implemented to our business model during April 2017 have shown good early results to return service revenues to growth during the next year.

International Sales

Licensed Veterinary Medicines group revenue outside of the UK grew 60.1% and ahead of our expectations. Sales growth in existing international markets was 45.0% with the remaining growth coming from sales to six new territories including our first sales to markets in Asia. Pharmaceutical sales outside the UK now total £1.67m (FY16: £1.04m).

New distribution contracts and letters of understanding have been agreed with 14 distribution partners in new markets across Europe, Asia, Australasia and North America and territory extensions have been submitted for two existing products within Europe. For the majority of new markets our products require regulatory approval that will take between 18 to 36 months to achieve and launch into the market. For established export markets, we expect revenue growth to be more modest driven by increased pressure to reduce the use of antibiotics.

Operating results

£'000	2017	FY16	% change
Underlying operating profit	3,568	3,190	11.8%
Exceptional and other items	(761)	(173)	
Reported operating profit	2,807	3,017	(7.0%)
Underlying operating margin %	22.5%	21.7%	0.8ppts
Basic underlying EPS (p)	14.9	13.0	14.6%
Basic EPS (p)	11.7	12.5	(6.4%)

The benefit of strong revenue growth and improved gross margins can be seen in underlying operating profit, which increased by 11.8% to £3.57m (FY16: £3.19m). We continue to invest in our business, in particular our staff base, in a controlled way, which is both reflected in the £0.41m increase in administrative expenses, but also our operating margin which has improved by 0.8% to 22.5%.

Exceptional and other items, as analysed in note 3, incorporate costs in relation to the acquisition of Ecuphar which was completed on 13th July 2017.

Our effective tax rate has reduced from 14.6% to 12.3% largely as a result of the increase in product development investment on which research and development tax credits are claimed for qualifying expenditure.

Reflecting all of the above, reported profit after tax was down 4.0% to £2.47m (FY16: £2.63m).

Basic underlying EPS improved by 14.6% to 14.9 pence (FY16: 13.0 pence). Basic EPS, which incorporates exceptional and other items, decreased by 6.4% to 11.7 pence (FY16: 12.5 pence).

Cash flow

The Group's balance sheet remained strong with period end cash balances at £6.3m (30th June 2016: £7.1m). As expected, the investment made in our new supply chain team helped reverse certain of the inventory investment made during the first half. However this has been offset by increased trade debtors as a result of very strong trading towards the period end.

Product pipeline

The momentum in our product development pipeline continues with expenditure at £2.0m in the period (FY16: £1.6m). We expect this to further increase in the coming twelve months to support future growth and value creation.

BUSINESS REVIEW

CONTINUED

Four projects from our rejuvenated pipeline were successfully registered and one product was launched at the end of the third quarter of 2017. This product has achieved sales well in excess of our initial forecasts. Two of the other products registered

will be launched within the next twelve months. There has been a continued focus on identification and initiation of new novel and generic projects. Four new projects were initiated during the period.

The table below highlights the overall position of our pipeline compared to the previous period.

	Identification	Feasibility	Development	Regulatory	Commercial
2017	6 Projects	3 Projects	8 NPD Projects	5 NPD Projects 1 EPD Project	3 Projects
2016	12 Projects	8 Projects	13 Projects	2 NPD & 1 EPD Projects	5 Projects

There has also been a focus on registering existing products in additional territories to expand the global presence of our products.

Acquisition of Ecuphar NV

On 13th July 2017, Animalcare Group plc completed the acquisition of Ecuphar NV, a European animal health company based in Belgium. The Acquisition constitutes a reverse takeover for the purposes of Rule 14 of the AIM Rules for Companies. The aggregate consideration, comprising cash and consideration shares was £133.8m. Please see note 7 for further details.

A summary of Ecuphar's results for the six months ended 30th June 2017 is shown below. Interim IFRS comparatives are not available for Ecuphar hence only H1 2017 financial information is presented:

	Six months ended 30 th June 2017 £'000
Revenue	36,982
Gross profit	15,110
Underlying EBITDA	4,546
Depreciation, amortisation & impairment	(1,287)
Exceptional and other items	(1,628)
Reported operating profit	1,631
Net financial expenses	(287)
Taxation	(312)
Profit after tax	1,032

The activities of Ecuphar is organised into two segments: the Pharmaceuticals segment that focuses on the development and marketing of veterinary products in six European countries, and the Wholesale segment which comprises the purchase and re-sale of veterinary pharmaceuticals, supplies and instruments in Belgium. Within the Pharmaceuticals segment, Ecuphar's products fall in to three main categories: companion animals, production animals and equine.

Pharmaceuticals and wholesale segment revenue for the six months ended 30th June 2017 grew by approximately 4% at constant exchange rates to £25.2m and £11.8m respectively.

Within the pharmaceutical segment, revenue growth has been driven by successful sales and marketing campaigns for different products such as Aivlosin premix swine and Conofite and by the increased sales to export countries including Russia and New-Zealand. By geographical area, strong sales growth was achieved in Italy (+12%), Portugal (+8%) and more significantly export markets (+34%). Germany also showed solid growth of +5%. Legislative pressure on antibiotic usage has adversely impacted sales in Belgium (-10%) and growth in Spain which was flat versus the prior period.



In terms of category performance, companion animals and production animals grew by 6.3% and 4.8% respectively, partially offset by an 11.6% decrease in equines due to high horse vaccine revenues in the prior period.

Underlying EBITDA in H1 was £4.5m, split £4.3m pharmaceutical and £0.2m wholesale, with EBITDA margin reducing by 0.8% to 12.2% due to investments in people and marketing to lay the foundation for future growth.

Exceptional and other items comprise acquisition related amortisation of £1.3m and non-recurring costs of £0.3m which principally relate to the acquisition by Animalcare.

Reflecting all of the above, reported operating profit was £1.6m.

Dividends

The Board is pleased to announce a second interim dividend of 4.7 pence per share, equal to the final dividend paid in relation to FY16. The interim dividend will be paid on 24th November 2017 to shareholders on the register on 27th October 2017. The Ordinary shares will become ex-dividend on the 26th October 2017.

The new Board intends to continue the Company's current dividend policy which they believe maintains an appropriate balance between investment for future growth and dividend flow to deliver overall value to our shareholders.

Summary and outlook

Following the acquisition of Ecuphar NV in July 2017 two successful businesses have been brought together to create an Enlarged Group operating directly in seven countries in Western Europe with further sales activities through distributors in approximately 50 export territories. The Enlarged Group represents a growing, cash generative and dividend paying company with a solid pipeline of new products.

BUSINESS REVIEW

CONTINUED

Integration

The integration of Animalcare and Ecuphar has begun well with clear opportunities to benefit from combining supply chain, export, business and product development activities. Some of these benefits will take time to feed through to step changes in operating performance but the foundations are being laid.

Strategy

The vision for the Enlarged Group is to build a stronger pan-European animal health platform. To achieve this it is intended that the Enlarged Group will continue to grow both organically and through selective acquisitions.

The Enlarged Group's core areas of strategic focus will be on:

- Cross selling opportunities of both companies' products across existing customers and distribution channels
- Implementing an effective business integration
- Developing the Enlarged Group's network of partnerships and strategic alliances in order to increase its exposure to new opportunities
- Identifying selective value-accretive acquisitions that can broaden the sales, marketing and distribution platform
- Diversifying the portfolio of products into additional therapeutic areas within the companion animal, as well as production animal and equine markets
- Continuing the shift towards broadening the product development pipeline to include novel therapies

Outlook

The acquisition of Ecuphar NV has created a position of critical scale for the Enlarged Group within the European animal health market. It has also materially strengthened the position of Animalcare and Ecuphar in the supply and distribution of companion and food producing animal health products in Europe.

The Directors believe the Enlarged Group, with its increased scale, makes it well positioned to capitalise on the underlying growth in the wider animal health market.

Ecuphar's extensive European presence and established distribution network provides direct access to new markets for Animalcare and its products, and the combination provides the Enlarged Group with a platform from which to target new, significant commercial opportunities and attract new distribution partners.

In addition, the Acquisition enlarges Animalcare's addressable market, for example by diversifying Animalcare's areas of therapeutic focus.

The Board believe that the strong trading performance reported here together with the strong strategic rationale for the recent Acquisition mean the Animalcare Group plc business is well placed to deliver future value for its shareholders.

CHRIS CARDON

Chief Executive Officer

IAIN MENNEER

Chief Operating Officer

CHRIS BREWSTER

Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Twelve months ended 30th June 2017

Note	Twelve months ended 30 th June 2017			Year ended 30 th June 2016		
	Underlying results £'000	Exceptional and other items(i) £'000	Total £'000	Underlying results £'000	Exceptional and other items(i) £'000	Total £'000
Revenue	15,867	–	15,867	14,701	–	14,701
Cost of sales	(6,900)	–	(6,900)	(6,702)	–	(6,702)
Gross profit	8,967	–	8,967	7,999	–	7,999
Distribution costs	(224)	–	(224)	(255)	–	(255)
Administrative expenses	(4,812)	(761)	(5,573)	(4,398)	(173)	(4,571)
Research & development expenses	(363)	–	(363)	(156)	–	(156)
Operating profit/(loss)	3,568	(761)	2,807	3,190	(173)	3,017
Finance income/(expense)	24	(14)	10	33	36	69
Profit/(loss) before tax	3,592	(775)	2,817	3,223	(137)	3,086
Income tax (expense)/credit	(442)	95	(347)	(479)	27	(452)
Total comprehensive income/(loss) for the period	3,150	(680)	2,470	2,744	(110)	2,634
Basic earnings per share	6	14.9p	11.7p	13.0p		12.5p
Fully diluted earnings per share	6	14.6p	11.4p	12.8p		12.3p

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

(i) In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These items are analysed in note 3.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Twelve months ended 30th June 2017

	Note	Twelve months ended 30 th June 2017 £'000	Year ended 30 th June 2016 £'000
Balance at beginning of period		22,515	20,991
Total comprehensive income for the period		2,470	2,634
Transactions with owners of the Company, recognised in equity:			
Dividends paid	5	(1,422)	(1,283)
Issue of share capital		214	53
Share-based payments		68	120
Balance at end of period		23,845	22,515

CONDENSED CONSOLIDATED BALANCE SHEETS

30th June 2017

	30 th June 2017 £'000	30 th June 2016 £'000
Non-current assets		
Goodwill	12,711	12,711
Other intangible assets	4,571	2,968
Property, plant and equipment	253	281
	17,535	15,960
Current assets		
Inventories	1,777	1,604
Trade and other receivables	3,161	2,189
Cash and cash equivalents	6,264	7,118
	11,202	10,911
Total assets	28,755	26,871
Current liabilities		
Trade and other payables	(3,599)	(3,027)
Current tax liabilities	(98)	(101)
Deferred income	(230)	(220)
	(3,927)	(3,348)
Net current assets	7,275	7,563
Non-current liabilities		
Deferred income	(701)	(762)
Deferred tax liabilities	(246)	(246)
	(947)	(1,008)
Total liabilities	(4,950)	(4,356)
Net assets	23,845	22,515
Capital and reserves		
Called up share capital	4,244	4,212
Share premium account	6,688	6,506
Retained earnings	12,913	11,797
Equity attributable to equity holders of the parent	23,845	22,515

CASH FLOW STATEMENTS

Twelve months ended 30th June 2017

	Twelve months ended 30 th June 2017 £'000	Year ended 30 th June 2016 £'000
Comprehensive income for the period before tax	2,817	3,086
Adjustments for:		
Depreciation of property, plant and equipment	68	66
Amortisation of intangible assets	446	369
Finance income	(24)	(33)
Share-based payment award	68	120
Net (release)/deferral of deferred income	(50)	24
Operating cash flows before movements in working capital	3,325	3,632
(Increase)/decrease in inventories	(173)	49
(Increase)/decrease in receivables	(990)	77
Increase/(decrease) in payables	590	822
Cash generated by operations	2,752	4,580
Income taxes paid	(331)	(444)
Net cash flow from operating activities	2,421	4,136
Investing activities:		
Payments to acquire intangible assets	(1,994)	(1,604)
Payments to acquire property, plant and equipment	(96)	(41)
Disposal of intangible assets	–	47
Interest received	24	33
Net cash used in investing activities	(2,066)	(1,565)
Financing:		
Receipts from issue of share capital	214	53
Equity dividends paid	(1,422)	(1,283)
Net cash used in financing activities	(1,208)	(1,230)
Net (decrease)/increase in cash and cash equivalents	(854)	1,341
Cash and cash equivalents at start of period	7,118	5,777
Cash and cash equivalents at end of period	6,264	7,118
Comprising:		
Cash and cash equivalents	6,264	7,118

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

30th June 2017

1. General Information

Animalcare Group plc ("the Company") is a company incorporated in England and Wales under the Companies Act 2006 and is domiciled in the United Kingdom. The condensed set of financial statements as at, and for, the twelve months ended 30th June 2017 comprises the Company and its subsidiary, Animalcare Ltd (together referred to as the "Group"). The nature of the Group's operations and its principal activities are set out in the latest Annual Report.

This Interim Report does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The information contained herein has not been reviewed by the Group's auditor.

The prior year comparatives are derived from the audited financial information as set out in the Group's Annual Report for the year ended 30th June 2016. The comparative figures for the financial year ended 30th June 2016 are not the Group's statutory accounts. Those accounts have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include any reference to matters to which the auditors drew attention without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Interim Report for the twelve months ended 30th June 2017 was approved by the Board of Directors and authorised for issue on 26th September 2017.

2. Significant Accounting Policies

Basis of preparation and accounting policies

Except as described below, the condensed consolidated interim financial information for the twelve months ended 30th June 2017 has been prepared using accounting policies consistent with those of the Company's annual accounts for the year ended 30th June 2016, which were prepared in accordance with IFRSs as adopted by the European Union.

Taxes on income in the interim periods are accrued using the estimated tax rate that would be applicable for the full financial year.

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

International Financial Reporting Standards	Applies to periods beginning after
IFRS 15 Revenue from Contracts with Customers	1 st January 2018
IFRS 9 Financial Instruments	1 st January 2018

Going concern

The principal risks and uncertainties facing the Group remain those set out in the latest Annual Report. The risk factors applicable to the Enlarged Group are shown in Part IV of the Admission Document published 24th June 2017. A copy of the Admission Document is available on the Company's website at www.animalcaregroup.co.uk.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30th June 2017

2. Significant Accounting Policies continued

For the purposes of their assessment of the appropriateness of the preparation of the interim financial information on a going concern basis, the Directors have considered:

- the Enlarged Group's forecasts and projections, taking account of reasonable possible changes to factors likely to impact the future growth and trading performance
- the cash generated from operations, available cash resources and committed bank facilities, together with financial covenants associated with those bank facilities.

Overall, the Directors have a reasonable expectation that the Enlarged Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial information.

During the period the Group met its day-to-day general corporate and working capital requirements through existing cash resources. At 30th June 2017 the Group had cash balances of £6.3million (30th June 2016: £7.1 million).

3. Exceptional And Other Items

Twelve months ended 30th June 2017

	Twelve months ended 30 th June 2017 £'000	Year ended 30 th June 2016 £'000
Amortisation of acquired intangible assets	119	118
Strategic review	—	55
Fair value movements on foreign currency hedging	14	(36)
Acquisition costs in relation to Ecuphar NV	555	—
Aborted acquisition costs	37	—
Reorganisation costs – change in database services business model	50	—
Sub total	775	137
Tax credit thereon	(95)	(27)
Total exceptional and other items	680	110

The amortisation charge totalling £119,000 (FY18: £118,000) relates to brand and customer relationship intangible assets recognised on the acquisition of Animalcare Ltd in January 2008.

The costs in relation to the acquisition of Ecuphar NV, completed on 13th July 2017, principally relate to non-contingent fees in respect of financial and legal due diligence.

4. Revenue And Operating Segments

During the period, the principal activity of the Group was the supply and distribution of veterinary medicines, identification and other products for companion animals.

The Chief Operating Decision Maker ("CODM") is considered to be the Board of Directors of Animalcare Group plc. Performance assessment is primarily based on underlying operating profit and cash generation. The Group solely comprises one reportable segment, being Animalcare.

An analysis of revenue by product group is disclosed within the Business Review.

5. Dividends

	Twelve months ended 30 th June 2017 £'000	Year ended 30 th June 2016 £'000
Ordinary final dividend paid for the year ended 30 th June 2015 of 4.3p per share	—	904
Ordinary interim dividend paid for the year ended 30 th June 2016 of 1.8p per share	—	379
Ordinary final dividend paid for the year ended 30 th June 2016 of 4.7p per share	997	—
Ordinary interim dividend paid for the year ended 30 th June 2017 of 2.0p per share	425	—
	1,422	1,283

The second interim dividend was approved by the Board of Directors on 25th September 2017 and has not been included as a liability as at 30th June 2017.

6. Earnings Per Share

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

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares from the start of the period. The dilutive potential ordinary shares of the Company are share options.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30th June 2017

6. Earnings Per Share continued

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

	Twelve months ended 30th June 2017	Year ended 30th June 2016	Twelve months ended 30th June 2017	Year ended 30th June 2016
	Underlying earnings £'000	Underlying earnings £'000	Total earnings £'000	Total earnings £'000
Total comprehensive income attributable to equity holders of the Company	3,150	2,744	2,470	2,634
	No.	No.	No.	No.
Basic weighted average number of shares	21,192,774	21,043,846	21,192,774	21,043,846
Dilutive potential ordinary shares	414,275	319,863	414,275	319,863
Fully diluted weighted average number of shares	21,607,049	21,363,079	21,607,049	21,363,079
Total earnings per share:				
Basic	14.9p	13.0p	11.7p	12.5p
Fully diluted	14.7p	12.8p	11.4p	12.3p

7. Post Balance Sheet Events

Acquisition of Ecuphar NV

On 13th July 2017, Animalcare Group plc completed the acquisition of Ecuphar NV, a European animal health company based in Belgium. The acquisition constitutes a reverse takeover for the purposes of Rule 14 of the AIM Rules for Companies.

The aggregate consideration, comprising cash and consideration shares was £133.8m. The cash component of the consideration was satisfied by the placing of 8,571,428 New Placing Shares at a price of 350 pence per Ordinary Share, with the balance of £4.0m funded by cash held by the Group. Acquisition costs are expected to be circa £4.0m.

This business combination is expected to be treated as a reverse acquisition in accordance with IFRS3. As such, for the first financial year ending 31st December 2017, the Enlarged Group's result will comprise the results of Ecuphar NV from 1st January 2017 and Animalcare Group plc's result from the date of acquisition of 13th July 2017.

A summary of Ecuphar's results for the six months ended 30th June 2017 is shown below:

Condensed Consolidated Income Statement

	Six months ended 30 th June 2017 £'000
Revenue	36,982
Gross profit	15,110
Operating costs	(13,479)
Operating profit	1,631
Depreciation and amortisation	2,591
Non-recurring items	324
Underlying EBITDA	4,546
Net financial expenses	(287)
Profit before tax	1,344

Condensed Cash Flow Statement

	Six months ended 30 th June 2017 £'000
Operating cash flows before movements in working capital	4,345
Increase in inventories	(3,138)
Increase in receivables	(623)
Increase in payables	2,555
Income taxes paid	(412)
Net cash flow from operating activities	2,726
Net cash used in investing activities	(1,048)
Net cash used in financial activities	(557)
Net increase in cash & cash equivalents	1,121

CONDENSED NOTES TO THE FINANCIAL STATEMENTS CONTINUED

30th June 2017

8. CAUTIONARY STATEMENT

This Interim Management Report ("IMR") consists of the Chairman's Statement and the Business Review, which have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied upon by any other party or for any other purpose.

The IMR contains a number of forward looking statements. These statements are made by the Directors in good faith based upon the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward looking information.

This IMR has been prepared for the Group as a whole and therefore emphasises those matters which are significant to Animalcare Group plc and its subsidiaries when viewed as a whole.

9. INTERIM REPORT

The Group's Interim Report for the twelve months ended 30th June 2017 was approved and authorised for issue on 26th September 2017 and is expected to be posted to shareholders later that week commencing 25th September 2017. Further copies will be available to download on the Company's website at: www.animalcaregroup.co.uk and will also be available from the Company's head office at 10 Great North Way, York Business Park, Nether Poppleton, York, YO26 6RB.





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