

# Independent Auditors' Report to the members of Animalcare Group plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Animalcare Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Company statements of financial position as at 31 December 2023; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

## Our audit approach

### Overview

#### Audit scope

- The Group is organised into 13 reporting components and the Group financial statements are a consolidation of these reporting components. The reporting components vary in size.
- We identified five components that required a full scope audit of their financial information due to either their size or risk characteristics. Of these, Animalcare Group plc and Animalcare Ltd were audited by the Group engagement team. Ecuphar N.V., Ecuphar Veterinaria S.L.U and Ecuphar GmbH were audited by PwC component auditors.
- Additionally, STEM Animal Health Inc. was included for a full scope audit due to material disclosures with respect to its financial position and results that are included within the consolidated financial statements. This audit was undertaken by a non-PwC component auditor.
- Three reporting components were also subject to audit procedures performed by the Group engagement team. Belphar LDA required procedures over deferred tax liabilities, Ecuphar Italia srl required procedures over cash and cash equivalents and Identicare Limited required procedures over services sales and contract liabilities, due to the contribution to the overall financial statement line items in the consolidated financial statements. The Group engagement team also audited material consolidation journals.
- As a result of this scoping we obtained coverage over 79% of the Group's revenues and 73% of the Group's absolute underlying EBITDA.

#### Key audit matters

- Classification of items as non-underlying (group)
- Risk of material misstatement in customer rebates (group)
- Risk of impairment of investments in subsidiaries (parent)

#### Materiality

- Overall group materiality: £333,000 (2022: £325,000) based on 2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation, adjusted for non-underlying items ('underlying EBITDA').
- Overall company materiality: £160,000 (2022: £290,000) based on 1% of total assets (capped below Group materiality).
- Performance materiality: £249,750 (2022: £243,750) (group) and £120,000 (2022: £217,500) (company).

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Risk of material misstatement in customer rebates (group) is a new key audit matter this year. Carrying value of intangibles relating to products in development (group), which was a key audit matter last year, is no longer included because of the proportionately low value of intangible assets relating to products in development in comparison to the wider intangible financial statement line item, alongside there being significant headroom presented within the impairment models. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><i>Classification of items as non-underlying (group)</i></p> <p>'Underlying EBITDA' is one of the Group's Alternative Performance Measures. Management uses this measure to improve the transparency and clarity of the Group's financial performance.</p> <p>Non-underlying items before taxes total £5.4 million (2022: £6.5 million) representing:</p> <ul style="list-style-type: none"> <li>• Amortisation and impairment of acquired intangible assets (£4.2 million);</li> <li>• Long term incentive plan (£0.8 million);</li> <li>• Expenses relating to M&amp;A and business development activities (£0.2 million); and</li> <li>• Other non-underlying items where Management considers their nature and expected frequency of events giving rise to them, merit separate disclosure (£0.2 million)</li> </ul> <p>The risk we have focussed on is that the determination of which items are to be excluded from underlying results is subject to judgement and therefore the users of the Group financial statements could be misled if amounts are not classified and disclosed in a transparent manner and consistently with the Group's accounting policy.</p> <p>See the summary of significant accounting policies section within the Consolidated financial statements for disclosure of the related accounting policies and Note 4 within the Consolidated financial statements for details of non-underlying items.</p>	<p>We considered whether the classification of non-underlying items was appropriate. We performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We reviewed management's definition and classification of non-underlying items, including the sub-categorisation of these items;</li> <li>• We obtained supporting evidence to corroborate the accuracy and completeness of non-underlying items;</li> <li>• We challenged management on the classification of non-underlying items through consideration of the application of the accounting policy including those items classified as 'other non-underlying items'; and</li> <li>• We challenged management over disclosures relating to non-underlying items to ensure that these were appropriate and consistent with the individual exceptional items and the work performed.</li> </ul> <p>Based on the procedures performed, we found no material issues and the non-underlying items are appropriately classified in accordance with the stated accounting policy.</p>

# Independent Auditors' Report to the members of Animalcare Group plc CONTINUED

## Key audit matter

## How our audit addressed the key audit matter

### *Risk of material misstatement in customer rebates (group)*

The group provides rebate agreements with buying groups, corporate and independent vets practices. These are contractual in nature and vary by customer and product type.

We have assigned the significant risk specially to customer rebates within UK due to the nature of the rebate arrangement and high degree of estimation uncertainty within. At a UK entity level the rebate obligation is estimated at the point a sale is made to a wholesaler based on an average rebate percentage for a product line over the prior 12 months. Rebates are then payable at the point an onward sale is made by the wholesaler to an end customer.

Rebates are recognised in the Consolidated income statement as a deduction to revenue. Any rebate amounts unsettled as at the year end are recognised in the Consolidated statement of financial position within Trade payables.

Further to this, given contractual terms are negotiated at a veterinary buying group level, and as a result differ from one to another there is a high degree of manual calculation behind the balances disclosed and as such this is inherently more prone to misstatement due to error.

See the summary of significant accounting policies section within the Consolidated financial statements for disclosure of the related accounting policies for customer rebates, within the revenue recognition policy.

To test customer rebates we have completed the following procedures:

- Performed a reconciliation of the FY23 movement and for a sample of agreements tied the key inputs noted through to bank and rebate % claimed through to underlying contract;
- Substantively tested the year end accrual through tracing the post year end payment through to cash, where settled;
- As a large portion of the year end rebate accrual relates to an estimate of rebates owed on unsold stock held by the wholesalers as at the year end. We have gained comfort over the accuracy of this balance through reviewing wholesaler stock listings, recalculated the 12 month weighted average rebate % by agreeing inputs back to third party service provider reports, agreed the pricing through to approved price listings and tested the mathematical accuracy of management's year end calculation; and
- We have target tested a sample of product lines using a risk-based approach (based on the biggest range between potential estimate methodologies), challenging management on the appropriateness of the 12 month average percentage utilised for these.

Based on the procedures completed we found no material underlying issues across the group's customer related rebate balances.

**Key audit matter*****Risk of impairment of investments in subsidiaries (parent)***

The parent company has investments in subsidiary companies of £148.1 million (2022: £147.9 million), which is reviewed annually for impairment indicators with an impairment review performed where necessary. An impairment trigger has been identified due to the market capitalisation of the Group falling below the investment carrying value. No impairment charge has been recorded by management in the current year with respect to the carrying value of the investments in subsidiary companies balance within Animalcare Group plc.

The risk we have focused on is that the investments in subsidiaries balance could be overstated and an impairment charge may be required. We focused on this area because the determination of whether or not the investments in subsidiaries are impaired involves significant assumptions about the future results and cash flows of the business and these assumptions are highly sensitive to reasonably possible changes.

The headroom for the carrying value of investments is calculated by comparing the value in use of the Group, adjusted by net debt with the carrying value of the investments in subsidiaries balance. The determination of the value in use includes a number of key assumptions which include:

- Forecast cash flows for the next five years;
- A long-term (terminal) growth rate applied beyond the end of the five-year forecast period; and
- A discount rate applied to the model.

See the significant accounting policies section within the Company only financial statements for disclosure of the related accounting policies, judgements and estimates and Note 5 within the Company only financial statements for details of the investments in subsidiaries, including sensitivities for the impact of reasonably possible change in assumptions.

**How our audit addressed the key audit matter**

We understood and evaluated management's budgeting and forecasting process. We obtained the impairment analysis and performed the following procedures:

- We tested the mathematical accuracy of the impairment model and agreed the carrying value of the investments balance to the balance sheet;
- We challenged management's calculated Group weighted average cost of capital (WACC) used for discounting future cash flows within the impairment model, utilising valuation experts to assess the cost of capital for the Group and benchmarking this against comparable organisations;
- We traced the forecast financial information within the model to the latest Board approved budget. We have also compared FY23 actuals to the FY24–FY28 forecasts and challenged management to provide support to corroborate trading and growth assumptions, support for operating and capital expenditure, including where required for new products, and considered the accuracy of previous forecasts;
- We assessed the long-term growth rate used by comparing it to third-party forecast long-term growth rates utilising valuation experts;
- We performed sensitivity analysis to ascertain the impact of reasonably possible changes in key assumptions; and
- We challenged management over disclosures to ensure that these were appropriate and reflective of the sensitivity of key assumptions.

In summary, we found, based on our audit work, the carrying value of investments in subsidiaries to be reasonable, albeit the assessment is highly sensitive to reasonably possible changes in assumptions, as disclosed within Note 5 within the Company only financial statements.

# Independent Auditors' Report to the members of Animalcare Group plc CONTINUED

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group is organised into 13 reporting components and the Group financial statements are a consolidation of these reporting components. The reporting components vary in size. Our audit scope was determined by considering the significance of each component's contribution to underlying EBITDA, as well as considering the level of coverage obtained for each individual financial statement line item.

We identified five components that required a full scope audit of their financial information due to either their size or risk characteristics. Of these, Animalcare Group plc and Animalcare Ltd were audited by the Group engagement team. Ecuphar N.V., Ecuphar Veterinaria S.L.U, and Ecuphar GmbH were audited by PwC component auditors.

Additionally, STEM Animal Health Inc. was included for a full scope audit due to material disclosures with respect to its financial position and results that are included within the consolidated financial statements. This audit was undertaken by a non-PwC component auditor.

Three reporting components were also subject to audit procedures performed by the Group engagement team. Belphar LDA required procedures over deferred tax liabilities, Ecuphar Italia srl required procedures over cash and cash equivalents and Identicare Limited required procedures over services sales and contract liabilities, due to the contribution to the overall financial statement line items in the consolidated financial statements. The Group engagement team also audited material consolidation journals.

The Group audit team supervised the direction and execution of the audit procedures performed by the PwC and non-PwC component audit teams.

Our involvement in their audit process, including reviewing their risk assessment, attending component clearance meetings, review of their reporting results and review of the supporting working papers for the five components in scope due to either their size or risk characteristics, together with the additional procedures performed at Group level, gave us the evidence required for our opinion on the consolidated financial statements as a whole.

## The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process they have adopted to assess the extent of the potential impact of climate change risk on the Group's financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact.

We used our knowledge of the Group to evaluate management's assessment. We particularly considered how climate change risks would impact the assumptions made in the forecasts prepared by management used in their impairment analyses. We discussed with management the ways in which climate change disclosures should continue to evolve as the Group continues to develop its response to the impact of climate change. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2023.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
<b>Overall materiality</b>	£333,000 (2022: £325,000).	£160,000 (2022: £290,000).
<b>How we determined it</b>	2.5% of Earnings Before Interest, Tax, Depreciation and Amortisation, adjusted for non-underlying items ('underlying EBITDA')	1% of total assets (capped below Group materiality)
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the Annual Report, underlying EBITDA, is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark.	We believe that total assets are considered to be appropriate as the standalone entity is not a profit-oriented company. The Company is a holding company only and total assets is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £70,000 and £310,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £249,750 (2022: £243,750) for the group financial statements and £120,000 (2022: £217,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors- the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls- and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £16,650 (group audit) (2022: £16,250) and £16,650 (company audit) (2022: £16,250) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's basecase forecast, as well as their severe but plausible downside scenario, which have formed the basis for the Group's assessment and conclusions with respect to their ability to continue as a going concern;
- We have considered the Group's need for bank lending facilities over the going concern period;
- We evaluated the historical accuracy of the budgeting process to assess the reliability of the forecasts;
- We held discussions with management to understand and challenge the rationale behind the assumptions made, using our knowledge of the business and industry;
- We compared the latest trading results for the year to date in 2024 to management's forecast; and
- We reviewed the disclosures within the Annual Report with respect to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

# Independent Auditors' Report to the members of Animalcare Group plc CONTINUED

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.



Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to legislation specific to the veterinary sector in which the Group operates (such as the Veterinary Medicines Regulations 2013), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue, reduce expenditure or reclassify items above or below the EBITDA line to manipulate the financial performance of the business, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work.

Audit procedures performed by the group engagement team and/or component auditors included:

- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting;
- Enquiries with component auditors;
- Obtaining direct confirmations from legal advisers;
- Identifying and testing unusual journal entries which increase revenue, reduce expenditure or reclassify items above or below the EBITDA line to manipulate the financial performance of the business;
- Assessing key judgements and estimates made by management for evidence of inappropriate bias. The key judgements and estimates for the Group relate to the carrying value of investments, customer rebates and the classification of non-underlying items; and
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**Jonathan Greenaway**  
(Senior Statutory Auditor)

for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

11 April 2024



# Consolidated Income Statement

YEAR ENDED 31 DECEMBER 2023

For the year ended 31 December

		Underlying 2023 £'000	Non- underlying (Note 4) 2023 £'000	Total 2023 £'000	Underlying 2022 £'000	Non- underlying (Note 4) 2022 £'000	Total 2022 £'000
Revenue	5	74,351	–	74,351	71,616	–	71,616
Cost of sales	6.1	(31,005)	–	(31,005)	(30,957)	–	(30,957)
<b>Gross profit</b>		<b>43,346</b>	<b>–</b>	<b>43,346</b>	40,659	–	40,659
Research and development expenses	6.2	(2,455)	(646)	(3,101)	(2,363)	(667)	(3,030)
Selling and marketing expenses	6.3	(12,316)	–	(12,316)	(13,547)	–	(13,547)
General and administrative expenses	6.4	(18,770)	(4,340)	(23,110)	(15,000)	(4,013)	(19,013)
Net other operating (expense)/income	6.5	2	(390)	(388)	4	(919)	(915)
Impairment losses	6.6	–	(22)	(22)	–	(918)	(918)
<b>Operating profit</b>		<b>9,807</b>	<b>(5,398)</b>	<b>4,409</b>	9,753	(6,517)	3,236
Finance costs	6.8	(1,419)	–	(1,419)	(1,752)	–	(1,752)
Finance income	6.9	675	–	675	1,110	–	1,110
<b>Finance costs net</b>		<b>(744)</b>	<b>–</b>	<b>(744)</b>	(642)	–	(642)
Share of net loss of joint venture accounted for using the equity method	11	(142)	–	(142)	(52)	–	(52)
<b>Profit before tax</b>		<b>8,921</b>	<b>(5,398)</b>	<b>3,523</b>	9,059	(6,517)	2,542
Income tax expense	6.10	(2,376)	52	(2,324)	(1,487)	910	(577)
<b>Profit for the period</b>		<b>6,545</b>	<b>(5,346)</b>	<b>1,199</b>	7,572	(5,607)	1,965
Net profit attributable to: The owners of the parent		6,545	(5,346)	1,199	7,572	(5,607)	1,965
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>							
Basic earnings per share	7	10.9p	–	2.0p	12.6p	–	3.3p
Diluted earnings per share	7	10.8p	–	2.0p	12.5p	–	3.2p

In order to aid understanding of underlying business performance, the Directors have presented underlying results before the effect of exceptional and other items. These exceptional and other items are categorised as 'non-underlying' and are analysed in detail in Note 4 to these financial statements. The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2023

	For the year ended 31 December	
	2023 £'000	2022 £'000
<b>Profit</b>	<b>1,199</b>	1,965
<b>Other comprehensive (expense)/income</b>		
Exchange differences on translation of foreign operations	(290)	488
<b>Other comprehensive (expense)/income, net of tax</b>	<b>(290)</b>	488
<b>Total comprehensive income for the year, net of tax</b>	<b>909</b>	2,453
Total comprehensive income attributable to:		
The owners of the parent	<b>909</b>	2,453
Non-controlling interest	-	-

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2023

	Notes	As at 31 December	
		2023 £'000	2022 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	8	50,656	50,853
Intangible assets	9	20,584	25,283
Property, plant and equipment	10	403	448
Right-of-use-assets	23	2,819	2,924
Investments in joint ventures	11	1,119	1,305
Deferred tax assets	6.10	1,726	3,567
Other financial assets	13	70	70
<b>Total non-current assets</b>		<b>77,377</b>	84,450
<b>Current assets</b>			
Inventories	12	10,062	13,474
Trade receivables	13	13,294	13,568
Other current assets	13	1,417	715
Cash and cash equivalents	14	4,642	6,035
<b>Total current assets</b>		<b>29,415</b>	33,792
<b>Total assets</b>		<b>106,792</b>	118,242
<b>Liabilities</b>			
<b>Current liabilities</b>			
Lease liabilities	23	(914)	(852)
Trade payables	15	(10,808)	(15,497)
Current tax liabilities	6.10	(125)	(623)
Accrued charges and contract liabilities	19	(1,159)	(1,276)
Other current liabilities	20	(5,412)	(4,027)
<b>Total current liabilities</b>		<b>(18,418)</b>	(22,275)
<b>Non-current liabilities</b>			
Borrowings	16	(2,933)	(8,426)
Lease liabilities	23	(2,029)	(2,159)
Deferred tax liabilities	6.10	(4,015)	(4,773)
Contract liabilities	19	(293)	(372)
Provisions	17	(160)	(340)
Other non-current liabilities	18	(1,049)	(911)
<b>Total non-current liabilities</b>		<b>(10,479)</b>	(16,981)
<b>Total liabilities</b>		<b>(28,897)</b>	(39,256)
<b>Net assets</b>		<b>77,895</b>	78,986
<b>Equity</b>			
Share capital	22	12,022	12,019
Share premium		132,798	132,798
Reverse acquisition reserve		(56,762)	(56,762)
Accumulated losses		(12,781)	(11,977)
Other reserves		2,618	2,908
Equity attributable to the owners of the parent		77,895	78,986
<b>Total equity</b>		<b>77,895</b>	78,986

The accompanying notes on pages 80 to 127 form an integral part of these consolidated financial statements.

The financial statements on pages 74 to 127 were approved by the board of directors and authorised for issue on 11 April 2024. They were signed on their behalf by:

**JENNIFER WINTER**  
Chief Executive Officer

**CHRIS BREWSTER**  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2023

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Reverse acquisition reserve £'000	Other reserve £'000	Total equity £'000
<b>At 1 January 2023</b>	<b>12,019</b>	<b>132,798</b>	<b>(11,977)</b>	<b>(56,762)</b>	<b>2,908</b>	<b>78,986</b>
Net profit	-	-	1,199	-	-	1,199
Other comprehensive expense	-	-	-	-	(290)	(290)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,199</b>	<b>-</b>	<b>(290)</b>	<b>909</b>
Dividends paid	-	-	(2,644)	-	-	(2,644)
Exercise of share options	3	-	-	-	-	3
Share-based payments	-	-	641	-	-	641
<b>At 31 December 2023</b>	<b>12,022</b>	<b>132,798</b>	<b>(12,781)</b>	<b>(56,762)</b>	<b>2,618</b>	<b>77,895</b>

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Reverse acquisition reserve £'000	Other reserve £'000	Total equity £'000
<b>At 1 January 2022</b>	<b>12,019</b>	<b>132,798</b>	<b>(11,676)</b>	<b>(56,762)</b>	<b>2,420</b>	<b>78,799</b>
Net profit	-	-	1,965	-	-	1,965
Other comprehensive income	-	-	-	-	488	488
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,965</b>	<b>-</b>	<b>488</b>	<b>2,453</b>
Dividends paid	-	-	(2,644)	-	-	(2,644)
Share-based payments	-	-	378	-	-	378
<b>At 31 December 2022</b>	<b>12,019</b>	<b>132,798</b>	<b>(11,977)</b>	<b>(56,762)</b>	<b>2,908</b>	<b>78,986</b>

## Reverse acquisition reserve

Reverse acquisition reserve represents the reserve that has been created upon the reverse acquisition of Animalcare Group plc.

## Other reserve

Other reserve mainly relates to currency translation differences. These exchange differences arise on the translation of subsidiaries with a functional currency other than sterling.

# Consolidated Cash Flow Statement

YEAR ENDED 31 DECEMBER 2023

	Notes	For the year ended 31 December	
		2023 £'000	2022 £'000
<b>Operating activities</b>			
Profit before tax		3,523	2,542
<i>Non-cash and operational adjustments</i>			
Share in net loss of joint venture	11	142	52
Depreciation of property, plant and equipment	10/23	1,092	1,118
Amortisation of intangible assets	9	6,613	6,685
Impairment of intangible assets	9	22	918
Share-based payment expense	26	1,278	542
Gain on disposal of intangible assets		-	(146)
Non-cash movement in provisions		(2)	202
Movement allowance for bad debt, inventories and provisions		757	105
Finance income		(675)	(260)
Finance expense		1,419	1,001
Impact of foreign currencies		-	(235)
Fair value adjustment contingent consideration		-	140
Gain from IFRS 16 lease modification		(9)	(6)
Exercise of share options	22	3	-
<b>Movements in working capital</b>			
Increase in trade receivables		(319)	(5,875)
Decrease/(increase) in inventories		2,257	(2,735)
(Decrease)/increase in payables		(3,261)	6,706
Income tax paid		(1,913)	(1,325)
<b>Net cash flow from operating activities</b>		<b>10,927</b>	<b>9,429</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	10	(52)	(407)
Purchase of intangible assets		(2,501)	(2,540)
Proceeds from the sale of intangible assets		-	153
Capital contribution in joint venture	11	(306)	(325)
<b>Net cash flow used in investing activities</b>		<b>(2,859)</b>	<b>(3,119)</b>
<b>Financing activities</b>			
Repayment of loans and borrowings		(5,252)	(1,320)
Repayment of IFRS 16 lease liability	23	(955)	(996)
Dividends paid	22	(2,644)	(2,644)
Interest paid		(646)	(444)
Other financial expense		(99)	(292)
<b>Net cash flow used in financing activities</b>		<b>(9,596)</b>	<b>(5,696)</b>
Net (decrease)/increase of cash and cash equivalents		(1,528)	614
Cash and cash equivalents at beginning of year	14	6,035	5,633
Exchange rate differences on cash and cash equivalents		135	(212)
<b>Cash and cash equivalents at end of year</b>		<b>4,642</b>	<b>6,035</b>

	Note	For the year ended 31 December	
		2023 £'000	2022 £'000
<b>Reconciliation of net cash flow to movement in net debt</b>			
Net (decrease)/increase in cash and cash equivalents in the year		(1,528)	614
Cash flow from decrease in debt financing		5,252	1,320
Foreign exchange differences on cash and borrowings		376	(715)
<b>Movement in net debt during the year</b>		<b>4,100</b>	1,219
Net debt at the start of the year		(5,402)	(5,330)
Movement in lease liabilities during the year	23	68	(1,291)
<b>Net debt at the end of the year</b>		<b>(1,234)</b>	(5,402)

# Notes to the Consolidated Financial Statements

YEAR ENDED 31 DECEMBER 2023

## 1. Financial information

Animalcare Group plc (“the Company”) is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled in the United Kingdom. The address of its registered office is Moorside, Monks Cross, York, YO32 9LB. The Group comprises Animalcare Group plc and its subsidiaries. The nature of the Group’s operations and its principal activities are set out within the Directors’ Report. Details of the subsidiaries can be found in Note 28.

## 2. Basis of preparation

The Group financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (“IFRS”) and the applicable legal requirements of the Companies Act 2006 under the historical cost convention except for certain financial assets and liabilities measured at fair value. They have also been prepared in accordance with the requirements of the AIM Rules.

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

Note that Animalcare Group plc has provided a guarantee under section 479a of the Companies Act 2006 to Animalcare Limited and Identicare Limited for the companies to take exemption from audit.

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

Changes to significant accounting policies are described in Note 3, if applicable.

The consolidated financial statements cover the year ended 31 December 2023 and comprise the consolidated results of the Group.

In preparing the financial statements of the Group we have considered the impact of climate change, with reference to our principal risks and the environmental disclosures made in the Sustainability Report. There has been no material impact on the financial statements for the current year, including estimates and judgements made in respect of impairment and going concern analyses. The Directors have also assessed climate change is not expected to have a meaningful impact on the Group in the medium term.

The Group’s analysis on the impact of climate change continues to evolve as part of our ESG agenda.

## Going concern

As at 31 December 2023, the Group’s total facilities of €51.5m, due to expire 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.

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.

Net debt to underlying EBITDA ratio of 3.5x; underlying EBITDA to interest ratio of minimum 4x; and solvency (total assets less goodwill/total equity less goodwill) greater than 25%. As at 31 December 2023 and throughout the financial year, all covenant requirements were met with significant headroom across all three measures. The principal risks and uncertainties facing the Group are set out in the Strategic Report.

The Directors have prepared cash flow 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.

## 3. Summary of material accounting policies

### Basis for consolidation

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



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

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

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

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

## Non-underlying items

The Directors believe that presenting the Group's financial results on an underlying basis, which excludes non-underlying items, offers a clearer picture of business performance and hence provides useful information for shareholders. These measures are used by the Board and management for planning, internal reporting and setting Director and management incentive arrangements. In addition, they are used by the investor analyst community and are aligned to our strategy and KPIs. Underlying measures are not intended to be a substitute for, or superior to, IFRS results which include non-underlying items to provide the statutory results.

Non-underlying items are items of income or expense which, because of either their size, nature and/or the expected frequency of the events giving rise to them, merit separate presentation and disclosure as detailed in Note 4. The following key items are adjusted for in the calculation of underlying operating profit:

- Amortisation and impairment of acquired intangible assets through business combinations – these items are a result of past transactions, principally the reverse acquisition of Animalcare Group plc and the pre-reverse acquisition of Esteve, and while they are recorded as a cost to the Group each financial year, are not reflective of the underlying costs of the Group. Impairment is classified as non-underlying due to the significance and one-off nature.
- Acquisition and integration costs – these items principally relate to acquisition and subsequent integration activity which we view as strategic in nature, and therefore they are excluded from underlying EBITDA, hence underlying operating profit, as this is principally used to manage the performance of our operations.
- Restructuring costs – the Group has recognised restructuring costs in a number of financial years since the reverse acquisition in 2017 and we expect such costs will likely arise in future as the Group develops and evolves. Certain of the more significant historic restructuring activities have spanned financial years, while in more recent years, notwithstanding costs are presented in the current and prior period, the costs are associated with separate and unrelated organisational restructuring and rationalisation activities. As such, the specific nature of the activities will be explained in Note 4 or its future equivalent. As with acquisition and integration costs, we consider restructuring costs strategic in nature, and therefore they are excluded from underlying EBITDA, hence underlying operating profit, as this is principally used to manage the performance of our operations.
- Gains and losses on divestment of fixed and intangible assets – the Group has made certain product divestments while undertaking a strategic review and rationalisation of our product portfolio. Gains and losses arising from such divestments are excluded from underlying results given their infrequency and non-trading nature.
- Share based payments in respect of Identicare Ltd (see Note 26) – while the Group continues to recognise share-based payment costs in relation to the long-term incentive plan within its underlying results, the charge in relation to the Identicare share-based payment arrangement inceptioned on 1 January 2022 has been treated as non-underlying. The key driver of this treatment and presentation is that the growth shares issued deliver value to the holder based on either the sale of Identicare, or after five years, the market (equity) value via a put option. As such, the plan is connected to the future value of Identicare and not trading (as the Group does not have a history of trading investments). In addition, as part of the arrangement is treated as cash-settled, this has and will likely create significant volatility in our results arising from movements in the fair value of this arrangement. Identicare Limited has been disposed of subsequent to the date of statement of financial position (See Note 29).
- Expenses relating to M&A and business development activities – these costs primarily relate to legal and professional fees associated with these activities and are not reflective of the underlying costs of the Group and therefore, in order to provide an explanation of results that is not distorted by the costs of acquiring or disposing of a business rather than organically developed, these costs have been excluded from underlying EBITDA, hence underlying operating profit.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 3. Summary of material accounting policies CONTINUED

### Non-controlling interests

The Group has the choice, on a transaction-by-transaction basis, to initially recognise any non-controlling interest in the acquiree that is a present ownership interest and entitles its holders to a proportionate share, of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value.

### Segment reporting

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

### Foreign currency translation

#### FUNCTIONAL AND PRESENTATION CURRENCY

The Group's consolidated financial statements are presented in pounds sterling ("GBP"), which is the Group's presentational currency. For each entity, the Group determines the functional currency, and items included in the financial statements of each entity are measured using the functional currency. The functional currency of most subsidiaries of the Group is the euro. The statement of financial position is translated into GBP at the closing rate on the reporting date and their income statement is translated at the average exchange rate at month-end for both the years ended 31 December 2022 and 2023. Differences resulting from the translation of the financial statements of the parent and the subsidiaries are recognised in other comprehensive income as "Exchange differences on translation of foreign operations".

#### FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated into functional currency at spot rate at the transaction date. Monetary items in the statement of financial position are translated at the closing rate at each reporting date and the relevant translation adjustments are recognised in financial or operating result depending on its nature.

### Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Repair and maintenance costs are recognised in the income statement as incurred.

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

• Equipment	5 years
• Office furniture and office equipment	3-5 years or lease term if shorter
• Leasehold improvements	5 years or lease term if shorter
• Warehouse and office fittings	5-10 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

### Leases

The Group leases various vehicles and buildings. Rental contracts are typically made for fixed periods 1-10 years but may have extension options. Contracts may contain both lease and non-lease components. However, for lease of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the lessee's incremental borrowing rate, which is the rate that the individual lessee would have to pay to borrow the funds

necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The term varies between four to five years.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

## Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is attributable to one cash-generating unit for the purpose of impairment testing, being the lowest level at which business operations are monitored for internal management purposes.

## Intangible assets

Intangible assets comprise the acquired product portfolios, research and development assets, licensing and distribution rights, customers acquired in connection with business combinations, product portfolios and product development costs, capitalised software and assets under construction related to intangible assets.

The useful life of the intangible assets is as follows:

Capitalised software	5 years
Patents, distribution rights and licenses	7-12 years
Product portfolios and product development	10 years
R&D assets	10 years

Intangible assets not yet available for use are assessed annually for impairment. Assets under construction are not amortised.

## Intangible assets acquired separately

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

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 3. Summary of material accounting policies CONTINUED

Further, the Group has acquired certain intangible assets related to licenses with a fixed and variable consideration contingent upon the realisation of certain milestones and sales volumes. Due to the recognition of this license asset, the Group extends its accounting policies on intangible assets as follows:

The Group recognises an intangible asset for licenses obtained initially measured at the fixed consideration paid. The variable consideration subject to the realisation of the milestones will only be recognised when the milestones are met and will be recognised as an addition to the intangible license asset. Once market authorisation is obtained, the Group will start amortising the intangible asset over its useful life and recognise any future milestone payments as a cost of sale.

### Internally generated intangible assets — research and development expenditures

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

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

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

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

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

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

### Intangible assets acquired in a business combination

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

### Impairment of non-financial assets

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

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

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

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

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

## Investments in joint ventures

The Group carries an investment in a joint venture STEM Animal Health Inc. (“STEM”). The Group’s investments in its joint venture are accounted for using the equity method.

Under the equity method, the investment in the joint venture was initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The income statement reflects the Group’s share of the results of operations of the joint venture. Any change in other comprehensive income of the joint venture is presented as part of the Group’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of the change in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the Group’s interest in the joint venture (higher of value in use and fair value less costs to sell), and then recognises the loss as “Share of profit or loss of joint ventures” in the income statement.

## Inventories

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

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

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

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

## Financial assets

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (“OCI”), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs, in the case of a financial asset not at fair value through profit or loss or OCI. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost; and
- Financial assets at fair value through profit or loss.

Financial assets measured at amortised cost

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets, trade and other receivables, cash and cash equivalents at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

## Financial instruments measured at fair value through profit or loss

The Group has the following financial assets classified as financial assets at fair value through profit or loss:

- A call option on an additional stake in STEM as disclosed in Note 11 on investments in joint ventures.

Those financial assets are carried in the statement of financial position at fair value with changes recognised in the income statement in the lines financial income/expense.



# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 3. Summary of material accounting policies CONTINUED

### Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the assets.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. A loss allowance is recognised at each reporting date based on lifetime ECLs. The Group established a provision matrix that is based on its historical loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other receivables, ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

### Financial liabilities

The Group has financial liabilities measured at amortised cost which include loans and borrowings, trade payables and other payables and financial liabilities resulting from an interest rate swap.

### Financial liabilities at amortised cost

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

### Derivative financial liabilities

The Group uses derivative financial instruments to hedge the exposure to changes in interest rates; however, the use of derivatives is limited and does not represent significant amounts. Derivative financial instruments are initially measured at fair value. After initial recognition, the financial instruments are measured at fair value through profit or loss.

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

### Derecognition

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

### Offsetting of financial instruments

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

### Share capital

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

### Dividends

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

### Share-based payments

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

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

The fair value of the shares issued under the new long-term incentive plan were valued on a discounted cash flow basis in conjunction with a third-party valuation specialist.

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the period. This policy is also applied to shares already in issue and subject to potential redemption by the Group, which are in effect redeemable shares.

Details of the arrangements in place are given in Note 26, along with details of the derivation of fair value.

## Provisions

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

## Employee benefits

### SHORT-TERM EMPLOYEE BENEFITS

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

### MANAGEMENT INCENTIVE PLANS

The Group operates incentive plans for certain of its employees. The liability recognised is the undiscounted amount expected to be paid.

### EMPLOYEE BENEFITS – PENSIONS

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

## Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration and excludes intra-group sales and value added and similar taxes. The primary performance obligation is the transfer of goods to the customer. Revenue from the sale of goods is recognised when control of the goods is transferred to the customer, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods.

As sales arrangements differ from time to time (for example by customer and by territory), each arrangement is reviewed to ensure that revenue is recognised when control of the goods has passed to the customer. This review and the corresponding recognition of revenue encompass a number of factors which includes reviewing delivery arrangements and whether the buyer has accepted title, recognising revenue at the point at which full title has passed.

Provision for rebates and discounts is reflected in the transaction price at the point of recognition to the extent that it is highly probable there will not be a significant reversal. The methodology and assumptions used to estimate rebates and discounts are based on contractual and legal obligations, and historical trends and averages based on the last 12 months.

## Sales of services

The Group recognises service revenue by reference to the stage of completion. As there is no contractual restriction on the amount of times the customer makes use of the services, at the commencement of the contract, it is not possible to determine how many times the customer will make use of the services, nor does historical evidence provide indications of any future pattern of use. As such, income is recognised evenly over the term of the contract. Service sales includes commission income which is recognised at a point in time.

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

## Interest income

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

## Financing costs

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



# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 3. Summary of material accounting policies CONTINUED

### Other financial income and expenses

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

### Taxes

#### CURRENT INCOME TAX

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

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

#### DEFERRED TAX

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

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

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

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

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

### Fair value measurements

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

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

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

### Events after balance sheet date

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

### New standards adopted as of 2023

#### STANDARDS AND INTERPRETATIONS APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON OR AFTER 1 JANUARY 2023

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

- Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (effective immediately – disclosures are required for annual periods beginning on or after 1 January 2023)

The Group has no transactions that would be affected by the newly effective standards or its accounting policies are already consistent with the new requirements. The Group has not early adopted any standards.

#### STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2023

The IFRS accounting standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective. These new standards will have no material impact on the Group's financial statements.

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (applicable for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (applicable for annual periods beginning on or after 1 January 2024, but not yet endorsed in the EU)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (applicable for annual periods beginning on or after 1 January 2025, but not yet endorsed in the EU)

### Material accounting judgements, estimates and assumptions

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

On an ongoing basis, the Group evaluates its estimates, assumptions and judgements, including those related to revenue recognition, development expenses, income taxes, impairment of goodwill, intangible assets and property, plant and equipment and investments in joint ventures.

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

### Internally developed intangible assets

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

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

Management has determined that the conditions for recognising internally generated intangible assets resulting from product development activities are fulfilled only when the product attains technical and commercial feasibility. The Group continually evaluates this assessment to ensure compliance with established criteria.

### Income taxes

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

As at 31 December 2023, the Group had £1,636k (2022: £2,565k) of tax losses carried forward and other tax credits such as investment tax credits and notional interest deduction. These losses relate to the subsidiaries that have a history of losses, do not expire and may not be used to offset taxable income elsewhere in the Group (Note 6.10).

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 3. Summary of material accounting policies CONTINUED

### Impairment of goodwill

The Group has goodwill for a total amount of £50,656k (2022: £50,853k), which has been subject to an impairment test. The goodwill is tested for impairment based on the value in use ("VIU"). The key assumptions for the VIU calculations are disclosed and further explained in Note 8.

### Impairment of slow-moving and obsolete inventory

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

### STEM Animal Health Inc. – Joint control

On 28 September 2020 the Group announced that it has entered into an agreement with Canada-based biotech company Kane Biotech Inc. under which the parties formed STEM Animal Health Inc. ("STEM"), a company dedicated to treating biofilm-related ailments in animals. The Group acquired, via its 100% subsidiary Ecuphar NV, 33.34% in STEM for a cash consideration of CAD\$3.0m, of which CAD\$2.0m was paid in prior years, CAD\$0.5m during the financial year and CAD\$0.5m payable in September 2024.

The Group has a call option, for a period until 28 September 2026, to acquire an additional 18.0% in STEM for CAD\$4.0 million. Based on the existing voting rights (33.34%) and other contractual arrangements, the Group does not have power over the investee. Accordingly, the investment in STEM is accounted through the equity method in the consolidated financial statements.

Separately, the Group also entered into a licensing agreement under which it will invest a further CAD\$2.0m, consisting of an initial payment along with a series of potential payments linked to various milestones, for rights to commercialise products in global veterinary markets outside of the Americas.

Both the remaining equity investment in STEM and the licensing fee are expected to be paid from existing cash resources.

The Group has made license payments totalling CAD\$1.2m of which CAD\$0.7m was paid during the current financial year. The first sales-related milestone is expected to be paid in 2024, resulting in a short-term payment of CAD\$387k or £229k. The second and final sales-related milestone is due after 2024, hence considered as a long-term payable, the expected settlement amount of which is CAD\$361k or £214k.

Further, for the capital contribution, the outstanding short-term liability is £297k (2022: £292k), shown in the balance sheet as other current liability.

In determining the appropriate accounting treatment for STEM, management applied significant judgement. If management's judgements were to change, this would result in consolidating STEM.

The following are the key considerations and judgements applied by management in concluding:

- STEM established during 2020 with a global license over Kane Biotech's existing range of animal health oral care products, where Kane grants STEM an irrevocable, exclusive, fully paid up, royalty-free right and license in the market and to develop, manufacture and commercialise the products and to practice the licensed intellectual property.
- Management is of the view that the Group does not have control over STEM, exposure, or rights, to variable returns from its involvement with STEM. Management considers that the call option is not substantive and not favourable as of 31 December 2023 in terms of future benefits and the value attached to the option.
- The Group will continuously and on an annual basis monitor whether the call option is substantive or not. As such, it is possible that, in the future, management may have to conclude that the potential voting rights become substantive and that the potential voting rights together with the existing voting rights provide the Group control over STEM.
- Management is of the view that based on the nature of the pre-agreed decisions that require special consent listed in the shareholders' agreement, both the Group and Kane have joint control over STEM.
- It was agreed between both parties that STEM will benefit from predetermined mark-up on the products STEM produce, which will be distributed to both parties through dividends and that the Group does not have access to STEM assets or to incur liabilities on behalf of STEM. Accordingly, management is of the view that, based on the IFRS 11 – 'Joint Arrangement' flow chart, the nature of the arrangement consists of a joint venture rather than joint operations.

### Orthros Medical – Pre-paid research

On 24 March 2022, the Group entered into two early-stage agreements with Netherlands-based Orthros Medical, a company focused on the research and early development of VHH antibodies, also known as small single-chain antibody fragments. Under the terms of the deal, Animalcare has made upfront payments to Orthros Medical.

When a milestone is met, the Group assesses whether the subsequent upfront payment is for the acquisition of an intangible or for pre-paid research recognised as cost in the p&l. The pre-paid research proportion of the upfront license payments is measured by identifying the estimated research expenses by Orthros Medical for the next stage of research up to the next milestone payment and allocating the portion of this cost attributable to the Group based on the Group's share of Orthros' total funding scheme.

### Cash-settled share-based payment arrangements

The Group has entered into an arrangement whereby growth shares have been issued in a subsidiary, Identicare Ltd, which ties to employment and could be obligated to be bought back by the Group in certain instances. The Directors have determined that this share-based payment arrangement is partially cash-settled and partially equity-settled. Details of the arrangement and its valuation are provided in Note 26.

### Disposal of Identicare Limited

As set out in Note 29, the Group disposed of its subsidiary, Identicare Limited, subsequent to the date of the statement of financial position. The disposal was assessed against the criteria of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and was found to not meet the criteria for an asset held for sale at the date of the statement of financial position due to not being assessed as highly probable at that date as due diligence activities did not commence until post year end.

## 4. Non-underlying items

	For the year ended 31 December	
	2023 £'000	2022 £'000
<b>Amortisation and impairment of acquisition related intangibles</b>		
Classified within research and development expenses	646	667
Classified within general and administrative expenses	3,539	3,794
Impairment losses	22	895
<b>Total amortisation and impairment of acquisition-related intangibles</b>	<b>4,207</b>	5,356
Restructuring costs	14	282
Acquisition and integration costs	–	335
Impairment on intangibles	–	23
Divestments and business disposals	–	(146)
COVID-19	–	2
Long-term incentive plan Identicare Ltd	801	220
UK and Spain office relocation costs	5	182
Expenses relating to M&A and business development activities	193	–
Other non-underlying items	178	263
<b>Total non-underlying items before taxes</b>	<b>5,398</b>	6,517
Tax impact	(52)	(910)
<b>Total non-underlying items after taxes</b>	<b>5,346</b>	5,607

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 4. Non-underlying items CONTINUED

The following table shows the breakdown of non-underlying items before taxes by category for 2023 and 2022:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Classified within research and development expenses	646	667
Classified within general and administrative expenses	4,340	4,013
Classified within net other operating (expense)/income	390	919
Impairment losses	22	918
<b>Total non-underlying items before taxes</b>	<b>5,398</b>	<b>6,517</b>

The current year £4,340k general and administrative expenses principally encompass amortisation and impairment of acquisition related intangibles of £3,539k and a share based payment charge of £801k of which £637k is related to the cash settled portion of the share based payment arrangement of Identicare Ltd (see Note 26).

Non-underlying items totalling £5,398k (2022: £6,517k) relating to profit before tax incurred in the year principally comprise:

- Amortisation and impairment of acquisition-related intangibles of £4,207k (2022: £5,356k). The current year charge comprises amortisation in relation to the reverse acquisition of Ecuphar NV and previous acquisitions made by Ecuphar NV of £4,185k (2022: £4,461k) and a non-cash impairment charge of in-process R&D assets £22k (2022: £895k) that formed part of the acquired development pipeline. The principal driver for the prior year charge was manufacturing challenges that significantly impacted the timing and costs to resume supply with appropriate commercial returns. This brand has subsequently been withdrawn from the market.
- Restructuring costs of £14k (2022: £282k) primarily relate to costs associated with the reorganisation of our Benelux operations.
- Costs associated with the relocation of our Spain and UK operations totalling £5k (2022: £182k) include one-off move costs and dilapidation provisions.
- Expenses relating to M&A and business development activities of £193k (2022: £nil) represent legal and professional fees incurred on these activities, including the disposal of Identicare post year end.
- Other non-underlying items largely relating to legal costs.

Non-underlying items are excluded for KPI purposes as shown in the section on Key Performance Indicators.

## 5. Segment information

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

The measurement principles used by the Group in preparing this segment reporting are also the basis for segment performance assessment. The Board of Directors of the Group acts as the chief operating decision maker. As a performance indicator, the chief operating decision maker controls performance by the Group's revenue, gross margin, underlying EBITDA and EBITDA. EBITDA is defined by the Group as net profit plus finance expenses, less finance income, plus income taxes and deferred taxes, plus depreciation, amortisation and impairment and is an alternative performance measure. Underlying EBITDA equals EBITDA plus non-underlying items and is an alternative performance measure. EBITDA and underlying EBITDA are reconciled to statutory measures below.

The following table summarises the segment reporting from continuing operations for 2023 and 2022. As management's internal reporting structure is principally revenue and profit-based, the reporting information does not include assets and liabilities by segment and is as such not presented per segment.

	For the year ended 31 December	
	2023 £'000	2022 £'000
Revenues ('000)	74,351	71,616
Gross profit ('000)	43,346	40,659
Gross profit %	58	57
Segment underlying EBITDA ('000)	13,327	13,131
Segment underlying EBITDA %	18	18
Segment EBITDA ('000)	12,136	11,993
Segment EBITDA %	16	17

The underlying and segment EBITDA is reconciled with the consolidated net profit of the year as follows:

	For the year ended 31 December	
	2023 £'000	2022 £'000
<b>Underlying EBITDA</b>	<b>13,327</b>	13,131
Non-recurring expenses (excluding amortisation and impairment)	(1,191)	(1,138)
<b>EBITDA</b>	<b>12,136</b>	11,993
Depreciation, amortisation and impairment	(7,727)	(8,757)
<b>Operating profit</b>	<b>4,409</b>	3,236
Finance costs	(1,419)	(1,752)
Finance income	675	1,110
Share of net loss of joint venture accounted for using the equity method	(142)	(52)
Income taxes	(1,258)	(1,637)
Deferred taxes	(1,066)	1,060
<b>Profit for the period</b>	<b>1,199</b>	1,965

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 5. Segment information CONTINUED

Segment assets excluding deferred tax assets located in Belgium, Spain, Portugal, the United Kingdom and other geographies are as follows:

	As at 31 December	
	2023 £'000	2022 £'000
Belgium	9,484	7,510
Spain	3,458	3,695
Portugal	4,080	4,234
UK	56,252	59,184
Other	2,377	6,260
<b>Non-current assets excluding deferred tax assets</b>	<b>75,651</b>	<b>80,883</b>

## Revenue by product category

	For the year ended 31 December	
	2023 £'000	2022 £'000
Companion animals	52,214	50,217
Production animals	15,790	15,674
Equine	6,339	5,698
Other	8	27
<b>Total</b>	<b>74,351</b>	<b>71,616</b>

## Revenue by geographical area

	For the year ended 31 December	
	2023 £'000	2022 £'000
Belgium	3,560	3,354
The Netherlands	2,115	1,627
United Kingdom	16,860	15,257
Germany	10,045	10,056
Spain	20,419	19,724
Italy	8,785	8,404
Portugal	4,357	4,215
European Union- other	6,875	7,199
Asia	490	494
Middle East & Africa	12	17
Other	833	1,269
<b>Total</b>	<b>74,351</b>	<b>71,616</b>



## Revenue by category

	For the year ended 31 December	
	2023 £'000	2022 £'000
Product sales	71,411	69,642
Services sales	2,940	1,974
<b>Total</b>	<b>74,351</b>	<b>71,616</b>

Product revenue is recognised when the performance obligation is satisfied at a point in time. Service revenue is recognised by reference to the stage of completion.

## 6. Income and expenses

### 6.1 Cost of sales

Cost of sales includes the following expenses:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Purchase of goods and services	28,411	29,780
Stock write off	441	462
Movement in stock provision	591	(349)
Payroll expenses	99	174
Other expenses	1,463	890
<b>Total</b>	<b>31,005</b>	<b>30,957</b>

### 6.2 Research and development expenses

Research and development expenses include the following:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Amortisation and depreciation	1,018	1,239
Payroll expenses	1,583	1,403
Other R&D expenses	500	388
<b>Total</b>	<b>3,101</b>	<b>3,030</b>

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 6. Income and expenses CONTINUED

### 6.3 Selling and marketing expenses

Selling and marketing expenses include the following:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Transport costs of sold goods	856	1,023
Promotion costs	1,786	2,035
Payroll expenses	9,134	9,220
Amortisation and depreciation	1	1
Other	539	1,268
<b>Total</b>	<b>12,316</b>	<b>13,547</b>

### 6.4 General and administrative expenses

General and administrative expenses include the following:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Amortisation and depreciation	6,686	6,561
Payroll expenses	6,417	4,904
Other	10,007	7,548
<b>Total</b>	<b>23,110</b>	<b>19,013</b>

The expenses in "Other" mainly relate to fees paid for services, training and seminars, IT and software-related costs, and travel and representation.

### 6.5 Net other operating (expense)/income

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

	For the year ended 31 December	
	2023 £'000	2022 £'000
Re-invoicing of costs	2	(8)
Non-cash movement in IFRS 16 liability	(11)	(6)
Other operating income	–	(243)
Other operating expenses	397	1,172
<b>Total</b>	<b>388</b>	<b>915</b>

Other operating expenses of £397k (2022: £1,172k) principally relate to the non-underlying items disclosed in Note 4.

Other operating income in 2023 and 2022 mainly relates to income on the sale of several product divestments in connection with the cessation of the production animals portfolio in Benelux.

## 6.6 Expenses by nature

The table below relates to operating expenses and does not include cost of sales.

	For the year ended 31 December	
	2023 £'000	2022 £'000
Other operating lease rentals/short-term leases	180	946
Employee expenses	17,134	15,527
Depreciation and amortisation	7,705	7,803
Transport costs sold goods	856	1,023
Promotion costs	1,786	2,035
Other operating expense- Note 6.5	388	915
Impairment losses	22	918
Other expenses	10,866	8,256
<b>Total expenses</b>	<b>38,937</b>	<b>37,423</b>

## 6.7 Payroll expenses

The following table shows the breakdown of payroll expenses for 2023 and 2022:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Wages and salaries	14,775	13,450
Social security costs	2,112	2,002
Other pension costs	346	249
<b>Total</b>	<b>17,233</b>	<b>15,701</b>
The monthly average number of employees during the year was as follows:		
Sales and administration	226	219
Distribution	–	1

Included in the payroll expenses for the year is the total charge in respect of all share-based payments of £1,278k (2022: £542k), including £801k (2022: £220k) in non underlying items (see Note 4 and Note 26 for further details).

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 6. Income and expenses CONTINUED

### DIRECTORS EMOLUMENTS

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

Year ended 31 December 2023	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Total £'000
J Boone*	70	–	–	–	70
C Brewster	230	86	29	16	361
M Coucke*	40	–	–	–	40
D Hutchens*	45	–	–	–	45
S Metayer*	45	–	–	–	45
E Torr*	45	–	–	–	45
J Winter	336	155	–	15	506
<b>Total</b>	<b>811</b>	<b>241</b>	<b>29</b>	<b>31</b>	<b>1,112</b>

Year ended 31 December 2022	Salary £'000	Bonus £'000	Company pension contributions £'000	Benefits £'000	Total £'000
J Boone*	70	–	–	–	70
C Brewster	230	–	22	14	266
M Coucke*	40	–	–	–	40
N Downshire *	17	–	–	–	17
D Hutchens*	38	–	–	–	38
S Metayer*	30	–	–	–	30
E Torr*	45	–	–	–	45
J Winter	336	–	–	15	351
<b>Total</b>	<b>806</b>	<b>–</b>	<b>22</b>	<b>29</b>	<b>857</b>

\* Indicates Non-Executive Directors

Chris Brewster's benefits during 2023 comprise a company car (£13.8k) and private medical insurance (£2.4k). Pension contributions for 2023 were £26.7k plus a backdated payment of £2.5k which was deferred from 2022. 2022 benefits comprised a car allowance pro-rated to 31 August (£7.0k) which was replaced by a company car from 1 September, with a pro-rated lease cost of £4.5k from 1 September to 31 December, and private medical insurance (£2.4k).

Nick Downshire ceased to be a Director on 7 June 2022. His annual fee of £40.0k was pro-rated to his date of resignation; the pro-rated fee for 2022 was £17.4k.

Doug Hutchens received a fee of £45.0k for 2023. Doug was appointed as a Director on 10 February 2022 for an annual fee of £40.0k. He was appointed to the two Board committees on 7 June 2022 and his annual fee was increased to £45k. Annual fees were pro-rated from the dates of appointment; the total fee paid in 2022 was £38.1k.

Sylvia Metayer received a fee of £40.0k and an additional annual fee of £5.0k for her role as Chair of the Audit & Risk Committee. In 2022 the total fee received was £29.9k pro-rata with effect from 3 May 2022 appointment.

Ed Torr received an annual fee of £40.0k (2022: £40.0k) and an additional fee of £5.0k (2022; £5.0k) for his role as Chair of the Remuneration and Nomination Committee.

Jennifer Winter's benefits comprise a car allowance of £10.5k (2022: £10.5k) and private medical insurance of £4.4k (2022: £4.4k).

## Long Term Incentive Plan

During the year, a total of 194,346 options over ordinary shares were granted to certain members of the Senior Executive Team and senior management. Due to MAR related restrictions, the award of 439,690 options was deferred until April 2024. The total number of options granted in respect of the 2023 award including deferred options awarded in April 2024 was 634,037 options over ordinary shares.

Details of the performance targets set and actual achievement against them in respect of the 2020 LTIP awards vesting, based on three-year performance to 31 December 2023, are set out in the table below:

Performance measure	Weighting	Performance period end	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% vesting for this part of the award
Underlying EPS	50%	31 December 2023	11.6p	13.4p	11.0p	0%
TSR	50%	31 December 2023	Median	Upper quartile	Upper quartile	100%

On assessment of the three-year performance period as set out above, a total of 164,982 options granted to the Executive Directors and members of the Senior Executive Team vested under this award.

These options have yet to be exercised; the participants have seven years in which to exercise these options.

The individual interests of the Executive Directors under the LTIP are set out below:

	Date of grant	End of three-year performance period	Number of LTIP nil cost options awarded	Vested but not exercised	Lapsed	Total remaining
Jennifer Winter	06/06/19	06/06/22	177,570	73,732	103,838	73,732
	17/11/20	31/12/23	165,761	82,880	82,881	82,880
	05/11/21	31/12/24	106,844	–	–	106,844
	28/04/22	01/07/25	130,620	–	–	130,620
Chris Brewster	06/06/19	06/06/22	76,636	31,821	44,815	31,821
	17/11/20	31/12/23	66,848	33,424	33,424	33,424
	05/11/21	31/12/24	43,806	–	–	43,806
	28/04/22	01/07/25	53,488	–	–	53,488

## Directors' interests in the share capital of the Company

The Directors' interests in the share capital of the Company as at 31 December 2023 and the movements during the year are set out below:

Director	Number of shares held as at 1 January 2023	Number Acquired/ (disposed) during the period	Number of shares held as at 31 December 2023	Percentage of ISC as at 31 December 2023
Jan Boone	137,890	–	137,890	0.23
Chris Brewster	280,513	–	280,513	0.47
Marc Coucke <sup>1</sup>	14,558,974	192,700	14,751,674	24.54
Ed Torr	107,455	–	107,455	0.18
Jennifer Winter	7,000	–	7,000	0.01

<sup>1</sup> Marc Coucke acquired 192,700 shares pursuant to the Company's dividend reinvestment plan on 24 July 2023.

There were no changes in the Directors' interests in shares between 31 December 2023 and the date of these financial statements.

Further information relating to Directors' share options is set out in Note 26.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 6. Income and expenses CONTINUED

### 6.8 Finance costs

Finance costs include the following elements:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Interest expense	646	444
Foreign currency losses	456	985
Unwind of discount on other liabilities	104	124
Other finance costs	213	199
<b>Total</b>	<b>1,419</b>	<b>1,752</b>

### 6.9 Finance income

Finance income includes the following elements:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Foreign currency exchange gains	501	1,060
Income from financial assets	124	39
Other finance income	50	11
<b>Total</b>	<b>675</b>	<b>1,110</b>

### 6.10 Income tax expense

#### CURRENT TAX LIABILITIES

Current tax liabilities solely relate to income taxes of £125k (2022: £623k).

#### INCOME TAX EXPENSE

The following table shows the breakdown of the tax expense for 2023 and 2022:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Current tax charge	(1,354)	(1,685)
Tax adjustments in respect of previous years	96	48
<b>Total current tax charge</b>	<b>(1,258)</b>	<b>(1,637)</b>
Deferred tax – origination and reversal of temporary differences	(945)	774
Deferred tax – adjustments in respect of previous years	(121)	286
<b>Total deferred tax (charge)/credit</b>	<b>(1,066)</b>	<b>1,060</b>
<b>Total tax expense for the year</b>	<b>(2,324)</b>	<b>(577)</b>

The total tax expense can be reconciled to the accounting profit as follows:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Profit before tax	3,523	2,542
Share of net loss of joint ventures	142	52
<b>Profit before tax, excl. share in net loss of joint venture</b>	<b>3,665</b>	<b>2,594</b>
Tax at 23.5% (2022: 19.0%)	(861)	(493)
Effect of:		
Overseas tax rates	(66)	(389)
Non-deductible expenses	(432)	(99)
Use of tax losses previously not recognised	-	(24)
Changes in statutory enacted tax rate	(1,001)	93
Tax adjustments in respect of previous year	(25)	334
Non-recognition of deferred tax on current year losses	(15)	(21)
Non-recognised deferred tax assets on timing differences	108	15
R&D relief	-	53
Other	(32)	(46)
<b>Income tax expense as reported in the consolidated income statement</b>	<b>(2,324)</b>	<b>(577)</b>

The tax credit of £52k (2022: credit of £910k) shown within “Non-underlying items” on the face of the consolidated income statement, which forms part of the overall tax charge of £2,324k (2022: £577k), relates to the items in Note 4.

The tax rates used for the 2023 and 2022 reconciliation above are the corporate tax rates of 25.0% (Belgium), 19.0% (the Netherlands), 30.7% (Germany), 33.0% (France), 25.0% (Spain), 24.0% (Italy), 21.0% (Portugal) and 23.5% (the United Kingdom rate representing a blended rate of 19.0% up until 1 April 2023 then 25.0% thereafter). These taxes are payable by corporate entities in the above-mentioned countries on taxable profits under tax law in that jurisdiction.

Deferred taxes at the balance sheet date have been measured using the UK enacted tax rate, being 25% from 1 April 2023.

## Deferred tax

### (a) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	Assets		Liabilities		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Goodwill	-	-	(1,444)	(1,290)	(1,444)	(1,290)
Intangible assets	335	329	(2,860)	(2,722)	(2,525)	(2,393)
Property, plant and equipment	-	-	(645)	(707)	(645)	(707)
Financial fixed assets	1	1	-	-	1	1
Inventory	-	-	(54)	(54)	(54)	(54)
Trade and other receivables/(payables)	30	71	-	-	30	71
Borrowings	580	565	-	-	580	565
Provisions	-	4	-	-	-	4
Accruals and deferred income	132	32	-	-	132	32
Tax losses carried forward	1,636	2,565	-	-	1,636	2,565
<b>Total</b>	<b>2,714</b>	<b>3,567</b>	<b>(5,003)</b>	<b>(4,773)</b>	<b>(2,289)</b>	<b>(1,206)</b>

The table above presents deferred tax assets and liabilities on a gross basis prior to allowable offsetting within tax jurisdictions as presented on the face of the Consolidated statement of financial position.



# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 6. Income and expenses CONTINUED

### (b) MOVEMENTS DURING THE YEAR

Movement of deferred taxes during 2023:

	Balance as at 1 January 2023 £'000	Recognised in income £'000	Foreign exchange adjustments £'000	Balance as at 31 December 2023 £'000
Goodwill	(1,290)	(181)	27	(1,444)
Intangible assets	(2,393)	(125)	(7)	(2,525)
Property, plant and equipment	(707)	48	14	(645)
Financial fixed assets	1	–	–	1
Inventory	(54)	–	–	(54)
Trade and other receivables/(payables)	71	(28)	(13)	30
Accruals and deferred income	32	100	–	132
Borrowings	565	26	(11)	580
Provisions	4	–	(4)	–
Tax losses carry forward and other tax benefits	2,565	(906)	(23)	1,636
<b>Net deferred tax</b>	<b>(1,206)</b>	<b>(1,066)</b>	<b>(17)</b>	<b>(2,289)</b>

Movement of deferred taxes during 2022:

	Balance at 1 January 2022 £'000	Recognised in income £'000	Foreign exchange adjustments £'000	Balance at 31 December 2022 £'000
Goodwill	(1,048)	(176)	(66)	(1,290)
Intangible assets	(3,192)	782	17	(2,393)
Property, plant and equipment	(381)	(296)	(30)	(707)
Financial fixed assets	1	–	–	1
Inventory	(51)	–	(3)	(54)
Trade and other receivables/(payables)	153	(62)	(20)	71
Accruals and deferred income	53	(23)	2	32
Borrowings	405	133	27	565
Provisions	3	–	1	4
Tax losses carry forward and other tax benefits	1,749	702	114	2,565
<b>Net deferred tax</b>	<b>(2,308)</b>	<b>1,060</b>	<b>42</b>	<b>(1,206)</b>

### Tax losses

The Group has unused tax losses, tax credits and notional interest deduction available in an amount of £6,549k for 2023 (2022: £11,361k). The tax losses carry forward indefinitely, as there is no expiration date prescribed for their utilisation.

Deferred tax assets have been recognised on available tax losses carried forward for some legal entities, resulting in amounts recognised of £1,636k (2022: £2,565k). This was based on management's estimate that sufficient positive taxable profits will be generated in the near future for the related legal entities with fiscal losses. It is expected that £325k of the deferred tax asset will be recovered within the next 12 months and the remaining £1,311k of the deferred tax asset will be recovered after 12 months.

The non-recognised deferred tax assets of Ecuphar NV on temporary differences decreased by £108k in 2023 (2022: £15k). The total unrecognised tax losses as at 31 December 2023 were £2,497k (2022: £2,605k).

## 7. Earnings per share

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

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

### Profit for the period

	As at 31 December			
	Underlying 2023 £'000	Underlying 2022 £'000	Total 2023 £'000	Total 2022 £'000
Net profit for the year	6,545	7,572	1,199	1,965
<b>Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution</b>	<b>6,545</b>	<b>7,572</b>	<b>1,199</b>	<b>1,965</b>

### Average number of shares (basic and diluted)

	As at 31 December			
	Underlying 2023 Number	Underlying 2022 Number	Total 2023 Number	Total 2022 Number
Number of shares				
Weighted average number of ordinary shares for basic earnings per share	60,231,020	60,175,407	60,231,020	60,175,407
Dilutive potential ordinary share options	423,222	629,087	423,222	629,087
<b>Weighted average number of ordinary shares adjusted for effect of dilution</b>	<b>60,654,242</b>	<b>60,804,494</b>	<b>60,654,242</b>	<b>60,804,494</b>

### Basic earnings per share

	As at 31 December			
	Underlying 2023 pence	Underlying 2022 pence	Total 2023 pence	Total 2022 pence
From operations attributable to the ordinary equity holders of the company	10.9	12.6	2.0	3.3
<b>Total basic earnings per share attributable to the ordinary equity holders of the company</b>	<b>10.9</b>	<b>12.6</b>	<b>2.0</b>	<b>3.3</b>

### Diluted earnings per share

	As at 31 December			
	Underlying 2023 pence	Underlying 2022 pence	Total 2023 pence	Total 2022 pence
From operations attributable to the ordinary equity holders of the Company	10.8	12.5	2.0	3.2
<b>Total diluted earnings per share attributable to the ordinary equity holders of the Company</b>	<b>10.8</b>	<b>12.5</b>	<b>2.0</b>	<b>3.2</b>

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 8. Goodwill

On acquisition, goodwill acquired in a business combination is allocated to the cash-generating units (“CGUs”) which are expected to benefit from that business combination. This CGU corresponds to the nature of the business, being pharmaceuticals. The goodwill has been allocated to the CGU as follows:

	As at 31 December	
	2023 £'000	2022 £'000
CGU: Pharmaceuticals	50,656	50,853
<b>Total</b>	<b>50,656</b>	<b>50,853</b>

The changes in the carrying value of the goodwill can be presented as follows for the years 2023 and 2022:

	Total £'000
<b>As at 1 January 2022</b>	50,337
Currency translation	516
<b>As at 31 December 2022</b>	50,853
<b>As at 1 January 2023</b>	<b>50,853</b>
Currency translation	(197)
<b>As at 31 December 2023</b>	<b>50,656</b>

Goodwill allocated to the pharmaceuticals CGU includes goodwill recognised as a result of past business combinations of Esteve, Equipharma NV, Ecuphar BV, Cardon Pharmaceuticals NV and more significantly following the reverse acquisition of Animalcare Group plc in 2017 which gave rise to goodwill of £41,048k.

The discount rate and growth rate (in perpetuity) used for value-in-use calculations are as follows:

	2023 %	2022 %
Discount rate (pre-tax)	13.3	14.2
Growth rate (in perpetuity)	2.0	2.0

Cash flow forecasts are prepared using the current operating budget approved by the Directors, which covers a five-year period and an appropriate extrapolation of cash flows, using the long-term growth rate, beyond this. The cash flow forecasts assume revenue and profit growth in line with our strategic priorities. Further, we have assessed the potential impact of climate change, with reference to our principal risks and the environmental disclosures made in the Sustainability Report and consider that the impact on the valuation of goodwill is limited.

The Group’s impairment review is sensitive to change in assumptions used, most notably the discount rates and the perpetuity growth rates.

A 1.0% increase in discount rates would cause the value in use of the CGU to reduce by £18.0m but would not give rise to an impairment. A 1.0% reduction in perpetuity growth rates would cause the value in use of the CGU to reduce by £13.7m but would not give rise to an impairment.

## 9. Intangible assets

The changes in the carrying value of the intangible assets can be presented as follows for the years 2023 and 2022:

	R&D assets £'000	Patents, distribution rights and licenses £'000	Product portfolios and product development costs £'000	Capitalised software £'000	Intangible assets under construction £'000	Total £'000
<b>Acquisition value/cost</b>						
<b>As at 1 January 2022</b>	12,446	18,248	39,567	3,090	494	73,845
Additions	719	–	603	1,218	–	2,540
Disposals	(982)	–	(90)	(55)	(4)	(1,131)
Transfers	375	–	–	–	(375)	–
Currency translation	241	760	978	146	12	2,137
<b>As at 31 December 2022</b>	12,799	19,008	41,058	4,399	127	77,391
<b>At 1 January 2023</b>	<b>12,799</b>	<b>19,008</b>	<b>41,058</b>	<b>4,399</b>	<b>127</b>	<b>77,391</b>
Additions	294	29	452	889	427	2,091
Disposals	(52)	–	–	(261)	–	(313)
Transfers	(204)	31	485	37	(349)	–
Currency translation	(94)	(291)	(372)	(61)	(2)	(820)
<b>As at 31 December 2023</b>	<b>12,743</b>	<b>18,777</b>	<b>41,623</b>	<b>5,003</b>	<b>203</b>	<b>78,349</b>
<b>Accumulated amortisation</b>						
<b>As at 1 January 2022</b>	(4,955)	(14,374)	(22,417)	(1,886)	–	(43,632)
Amortisation	(1,239)	(1,325)	(3,233)	(888)	–	(6,685)
Disposals	676	–	89	61	–	826
Impairments	(868)	–	(32)	(18)	–	(918)
Currency translation	(151)	(693)	(753)	(102)	–	(1,699)
<b>As at 31 December 2022</b>	(6,537)	(16,392)	(26,346)	(2,833)	–	(52,108)
<b>At 1 January 2023</b>	<b>(6,537)</b>	<b>(16,392)</b>	<b>(26,346)</b>	<b>(2,833)</b>	<b>–</b>	<b>(52,108)</b>
Amortisation	(1,019)	(1,061)	(3,209)	(1,324)	–	(6,613)
Disposals	52	–	–	261	–	313
Impairments	(22)	–	–	–	–	(22)
Currency translation	58	268	297	42	–	665
<b>As at 31 December 2023</b>	<b>(7,468)</b>	<b>(17,185)</b>	<b>(29,258)</b>	<b>(3,854)</b>	<b>–</b>	<b>(57,765)</b>
<b>Net carrying value</b>						
<b>As at 31 December 2023</b>	<b>5,275</b>	<b>1,592</b>	<b>12,365</b>	<b>1,149</b>	<b>203</b>	<b>20,584</b>
As at 31 December 2022	6,262	2,616	14,712	1,566	127	25,283

R&D relates to acquired development projects as part of the Esteve business combination in 2015, the reverse acquisition of Animalcare Group plc in 2017 and external and internal R&D costs for which the capitalisation criteria are met. Patents, distribution rights and licenses include amounts paid for exclusive distribution rights as well as distribution rights acquired as part of the Esteve business combination in 2015 and the reverse acquisition of Animalcare Group plc in 2017.

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

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 9. Intangible assets CONTINUED

The net book value of non-commercialised development projects is £2,047k (2022: £1,513k) and is allocated to R&D assets for £1,613k and Product Portfolios and product development costs for £434k. No amortisation was charged.

The capitalised software includes IT driven by accelerated CRM software investment and website and platform development relating to Identicare Ltd.

The total amortisation charge for 2023 is £6,613k (2022: £6,685k), which is included in lines R&D expenses, selling and marketing expenses and general and administrative expenses of the consolidated income statement. Included in the total amortisation charge is £4,185k (2022: £4,461k) relating to acquisition-related intangibles and £2,428k (2022: £2,224k) relating to other intangibles.

A total impairment charge of £22k (2022: £918k) was recorded during the financial year. Thereof £22k (2022: £895k) is related to a non-cash impairment charge of acquisition-related intangibles of R&D assets. In 2023, Animalcare Group plc invested £2,091k (2022: £2,540k) in intangible assets.

On 24 March 2022, the Group entered into two early-stage agreements with Netherlands-based Orthros Medical, a company focused on the research and early development of VHH antibodies, also known as small single-chain antibody fragments. Under the terms of the deal, Animalcare has made upfront payments to Orthros Medical totalling €400k in the prior year, and €200k during the period. Of which €530k is recognised as intangible asset under "Product portfolios and product development costs". As the two licensed preclinical candidates progress, Orthros Medical may receive development, regulatory and commercial milestone payments up to a total value of €11m, a significant proportion of which are linked to successful commercialisation. In addition, single digit royalties will be due on the net sales of the products. These payments are expected to be paid out of the Group's operating cash flow.

The transfers of intangible assets under construction involves the allocation of internally generated assets to various R&D projects, including those relating to patents, distribution rights, licences, as well as product portfolios and development costs. Transfers from R&D assets to product portfolios and development costs occur when an R&D project advances to a stage where it is ready for commercialisation. Subsequently, the transferred value of these assets initiates depreciation in accordance with their remaining useful life.

## 10. Property, plant and equipment

The changes in the carrying value of the property, plant and for 2023 and 2022 are presented below:

	Equipment £'000	Office furniture and equipment £'000	Warehouse and office fittings £'000	Leasehold improvements £'000	Total £'000
<b>Acquisition value/cost</b>					
<b>As at 1 January 2022</b>	254	1,553	169	302	2,278
Additions	99	166	142	–	407
Disposals	(100)	(97)	(169)	(32)	(398)
Currency translation	15	65	–	15	95
<b>As at 31 December 2022</b>	268	1,687	142	285	2,382
<b>As at 1 January 2023</b>	<b>268</b>	<b>1,687</b>	<b>142</b>	<b>285</b>	<b>2,382</b>
Additions	2	50	–	–	52
Disposals	(9)	(337)	–	–	(346)
Currency translation	(5)	(25)	–	(6)	(36)
<b>As at 31 December 2023</b>	<b>256</b>	<b>1,375</b>	<b>142</b>	<b>279</b>	<b>2,052</b>
<b>Accumulated depreciation</b>					
<b>As at 1 January 2022</b>	(249)	(1,466)	(149)	(282)	(2,146)
Depreciation charge for the year	(11)	(59)	(21)	(4)	(95)
Disposals	99	94	165	32	390
Currency translation	(10)	(59)	–	(14)	(83)
<b>As at 31 December 2022</b>	(171)	(1,490)	(5)	(268)	(1,934)
<b>At 1 January 2023</b>	<b>(171)</b>	<b>(1,490)</b>	<b>(5)</b>	<b>(268)</b>	<b>(1,934)</b>
Depreciation charge for the year	(11)	(57)	(20)	(3)	(91)
Disposals	9	337	–	–	346
Currency translation	3	23	–	4	30
<b>As at 31 December 2023</b>	<b>(170)</b>	<b>(1,187)</b>	<b>(25)</b>	<b>(267)</b>	<b>(1,649)</b>
<b>Net book value</b>					
<b>As at 31 December 2023</b>	<b>86</b>	<b>188</b>	<b>117</b>	<b>12</b>	<b>403</b>
As at 31 December 2022	97	197	137	17	448

### Borrowing costs

No borrowing costs were capitalised during the year ended 31 December 2023 or 31 December 2022.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 11. Investments in joint ventures

On 28 September 2020 the Group announced that it has entered into an agreement with Canada-based biotech company Kane Biotech Inc. under which the parties formed STEM Animal Health Inc. (“STEM”), a company dedicated to treating biofilm-related ailments in animals. The Group acquired, via its 100% subsidiary Ecuphar NV, 33.34% in STEM for a cash consideration of CAD\$3m, of which CAD\$2.0m was paid in prior years, CAD\$0.5m (£306k) during the financial year and CAD\$0.5m payable in September 2024. Both the remaining equity investment in STEM and the licensing fee are expected to be paid from existing cash resources.

The Group has a call option, for a period until 28 September 2026, to acquire an additional 18% stake in STEM for CAD\$4m. Based on the existing voting rights (33.34%) and other contractual arrangements, the Group does not have power over the investee. Further disclosure is provided in Note 3. Accordingly, the investment in STEM is accounted for through the equity method in the consolidated financial statements.

Separately, the Group also entered into a licensing agreement, under which it will invest a further CAD\$2m, consisting of an initial payment along with a series of potential payments linked to various milestones, for rights to commercialise products in global veterinary markets outside the Americas.

Both the remaining equity investment in STEM and the licensing fee are expected to be paid from existing cash resources.

The Group has made license payments totalling CAD\$1.2m, of which CAD\$0.7m was paid during the current financial year. The first sales-related milestone is expected to be paid in 2024, resulting in a short-term payment of CAD\$387k or £229k. The second and final sales-related milestone is due after 2024, hence considered as a long-term payable, the expected settlement amount of which is CAD\$361k or £214k.

Further, for the capital contribution, the outstanding short-term liability is £297k (2022: £292k), shown in the balance sheet as other current liability.

Name of entity	Place of business/ country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount	
		2023 %	2022 %			2023 £'000	2022 £'000
STEM Animal Health Inc.	Canada	33.34%	33.34%	Joint Venture	Equity method	1,119	1,305

The tables below provide summarised financial information for the joint venture in STEM Animal Health Inc. which is material to the group. The information disclosed first reflects the amounts presented in the financial statements of the joint venture followed by Animalcare’s share of those amounts.

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
Non-current assets	94	321
Current assets	1,459	1,511
<b>Total assets</b>	<b>1,553</b>	<b>1,832</b>
Current liabilities	865	825
<b>Total liabilities</b>	<b>865</b>	<b>825</b>
<b>Net assets</b>	<b>688</b>	<b>1,007</b>



The below table shows the Animalcare group share at 33%:

	<b>As at 31 December 2023 £'000</b>	As at 31 December 2022 £'000
Net assets	229	336
Goodwill	570	561
Fair value identified intangibles	435	555
Deferred tax liability	(115)	(147)
<b>Investment value in joint venture</b>	<b>1,119</b>	<b>1,305</b>

Summarised statement of comprehensive income:

	<b>As at 31 December 2023 £'000</b>	As at 31 December 2022 £'000
Sales	1,576	1,581
Operating expenses	(1,872)	(1,651)
Financial result, net	12	65
<b>Net loss for the year</b>	<b>(284)</b>	<b>(5)</b>

The below table shows the Animalcare group share at 33%:

	<b>As at 31 December 2023 £'000</b>	As at 31 December 2022 £'000
<b>Group share in net loss for the year</b>	<b>(95)</b>	<b>(2)</b>
Depreciation on fair value adjustments on intangible fixed assets (net of deferred tax)	(47)	(50)
<b>Total Group share in net loss for the year</b>	<b>(142)</b>	<b>(52)</b>
Other comprehensive (expense)/income	(44)	67
<b>Group share in total comprehensive (expense)/income</b>	<b>(186)</b>	<b>15</b>

Reconciliation of the aforementioned financial information with the net carrying amount of the investment of STEM Animal Health Inc. in the consolidated financial statements:

	<b>£'000</b>	£'000
<b>As at 1 January</b>	<b>1,305</b>	1,290
Acquisition in joint venture	-	-
Group share of net loss for the year	(142)	(52)
Foreign currency translation differences	(44)	67
<b>As at 31 December</b>	<b>1,119</b>	1,305

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). The deal is expected to complete on 12 April 2024. Further details are provided in Note 29.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 12. Inventories

Inventories include the following:

	As at 31 December	
	2023 £'000	2022 £'000
Raw materials	1,826	2,179
Goods purchased for resale	8,236	11,295
<b>Total inventories (at cost or net realisable value)</b>	<b>10,062</b>	<b>13,474</b>

The amount of inventory recognised as an expense during 2023 amounts to £28,411k (2022: £29,780k). The inventory includes a provision for write-off of £896k (2022: £354k). Inventory write-offs during 2023 amounted to £441k (2022: £462k). These costs are classified as part of the costs of goods sold.

## 13. Trade receivables, other current assets and other non current financial assets

Trade receivables include the following:

	As at 31 December	
	2023 £'000	2022 £'000
Trade receivables	13,326	13,631
Expected credit loss	(32)	(63)
<b>Total</b>	<b>13,294</b>	<b>13,568</b>

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on historical losses. Trade receivables are non-interest-bearing and are generally on payment terms of between 30 and 90 days.

As at 31 December 2023, trade receivables of an initial value of £32k (2022: £63k) were impaired and fully provided for. The table below shows the changes in the allowance of receivables.

	£'000
<b>As at 1 January 2022</b>	(77)
Reversal impairment	19
Exchange difference	(5)
As at 31 December 2022	(63)
At 1 January, 2023	(63)
Reversal impairment	44
Exchange difference	(13)
<b>Aa as 31 December 2023</b>	<b>(32)</b>

Other current assets include the following:

	As at 31 December	
	2023 £'000	2022 £'000
Other receivables	1,129	688
Deferred charges	288	27
<b>Total</b>	<b>1,417</b>	<b>715</b>

Other current assets amount to £1,417k (2022: £715k) at the end of the reporting year and mainly include reclaimable current income taxes and recoverable VAT.

Deferred charges mainly include prepayments totalling £288k (2022: £27k).

Other non-current financial assets are cash guarantees and amount to £70k (2022: £70k) at the end of the reporting year.

## 14. Cash and cash equivalents

Cash and cash equivalents include the following:

	As at 31 December	
	2023 £'000	2022 £'000
Cash at bank	4,642	5,976
Cash equivalents	–	59
<b>Total</b>	<b>4,642</b>	<b>6,035</b>

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. There were no restrictions on cash during 2023 and 2022.

## 15. Trade payables

	As at 31 December	
	2023 £'000	2022 £'000
Trade payables	10,808	15,497
<b>Total</b>	<b>10,808</b>	<b>15,497</b>

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

## 16. Borrowings

The loans and borrowings include the following:

	Interest rate	Maturity	As at 31 December	
			2023 £'000	2022 £'000
Revolving credit facilities	Euribor +1.50%	March 2025	–	4,435
Acquisition loan	Euribor +1.75%	March 2025	2,933	3,991
Lease liabilities	See Note 23		2,943	3,011
<b>Total loans and borrowings</b>			<b>5,876</b>	<b>11,437</b>
Of which				
Non-current			4,962	10,585
Current			914	852

### Borrowing facilities

As at 31 December 2023, the Group had total facilities of €51.5m, due to expire 31 March 2025, provided by a syndicate of four banks, comprising 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.

The loans have a variable, Euribor-based interest rate, increased with a margin of 1.50% or 1.75%. The revolving credit facilities and the acquisition financing had a bullet maturity in March 2025.

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.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 16. Borrowings CONTINUED

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

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

Net cash at the year end, pre IFRS16 leases, was £1.7m (31 December 2022: £2.4 million 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 three measures.

### Net debt reconciliation

	For the year ended 31 December	
	2023 £'000	2022 £'000
Net debt		
Cash and cash equivalents	4,642	6,035
Borrowings	(2,933)	(8,426)
Lease liabilities	(2,943)	(3,011)
<b>Total</b>	<b>(1,234)</b>	<b>(5,402)</b>

	Liabilities from financing activities		Other assets	Total £'000
	Borrowings £'000	Leases £'000	Cash £'000	
<b>Net debt as at 1 January 2022</b>	(9,244)	(1,720)	5,633	(5,331)
Financing cash flows	1,320	1,086	614	3,020
New leases	-	(2,142)	-	(2,142)
Foreign exchange adjustments	(148)	(145)	(212)	(506)
Interest expense	(354)	(90)	-	(444)
<b>Net debt as at 31 December 2022</b>	<b>(8,426)</b>	<b>(3,011)</b>	<b>6,035</b>	<b>(5,402)</b>
Financing cash flows	5,780	1,073	(1,528)	5,325
New leases	-	(941)	-	(941)
Foreign exchange adjustments	241	54	135	430
Interest expense	(528)	(118)	-	(646)
<b>Net debt as at 31 December 2023</b>	<b>(2,933)</b>	<b>(2,943)</b>	<b>4,642</b>	<b>(1,234)</b>

## 17. Provisions

Provisions consist of the following:

	As at 31 December	
	2023 £'000	2022 £'000
Service warranties	7	106
Onerous contract	-	108
Severance payments	132	104
Other	21	22
<b>Total</b>	<b>160</b>	<b>340</b>

Service warranties provision relate to claims in respect of products sold that are still under warranty at the end of the reporting period. These claims are expected to be settled in the next financial year. Onerous contract provision related to one specific customer contract, operating to September 2023, where the costs of meeting the obligations under the contract exceeded the economic benefits expected to be received. Severance payment provisions relate to legal obligations towards commercial agents in Italy.

2023	Service warranties £'000	Onerous contract £'000	Severance payments £'000	Other £'000	Total £'000
<b>Carrying amount at start of the year</b>	<b>106</b>	<b>108</b>	<b>104</b>	<b>22</b>	<b>340</b>
Charged/(credited) to profit and loss					
– Additional provision	–	–	30	–	30
– Unused amounts reversed	(39)	–	–	–	(39)
Amounts used during the year	(60)	(108)	–	–	(168)
Exchange difference	–	–	(2)	(1)	(3)
<b>Carrying amount at end of the year</b>	<b>7</b>	<b>0</b>	<b>132</b>	<b>21</b>	<b>160</b>

### Contingent liability relating to the sale of Medini NV

On 3 September 2018, Ecuphar NV sold the wholesale business Medini NV to Vetdis Holding NV (Vetdis) under a Share Purchase Agreement (“SPA”). In June 2019, Vetdis sent a letter to Ecuphar claiming that Ecuphar had breached the SPA. Ecuphar disputes the majority of the claim; however, Ecuphar considers it likely that a part of the claim, amounting to €157,988 (£139,988), may be valid. Following various discussions and correspondence, during which the parties were unable to reach any agreement, Vetdis issued formal court papers on 29 May 2020. A full court hearing to consider the case took place in the Commercial Court in Bruges on 2 March 2021. The court did not decide on the merits of the claim; instead it appointed an expert auditor to examine the documents and advise the court on the claim. The court, however ordered Vetdis to pay the current account debt plus interest at 8%, and on 4 May 2021, Vetdis made a payment of €432,762 (£383,824). The process involving the expert auditor is now complete. We expect the court to hold another hearing and make its decision in summer 2024. Other than the €157,836 (£139,988), which may be valid, and is written off from the outstanding other receivable from Vetdis, no further provision in respect of this matter has been included in the consolidated financial statements.

## 18. Other non-current liabilities

Other non-current liabilities consist of the fair value of the outstanding payable of the STEM licensing agreement (£214k), as detailed in Note 11, and a liability in respect of the Identicare share-based payment arrangement (£835k), more information for which is shown in Note 26.

	As at 31 December	
	2023 £'000	2022 £'000
Non-current liabilities	<b>1,049</b>	911
<b>Total</b>	<b>1,049</b>	911

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 19. Accrued charges and contract liabilities

Accrued charges and contract liabilities consists of the following:

	As at 31 December	
	2023 £'000	2022 £'000
Accrued charges	286	777
Contract liabilities- due within one year	873	512
Other	-	(13)
<b>Total due within one year</b>	<b>1,159</b>	<b>1,276</b>
<b>Contract liabilities – due after one year</b>	<b>293</b>	<b>372</b>

Accrued charges of £286k (2022: £777k) mainly include Ecuphar NV (£89k), Belphar (£20k) and UK (£166k), and are mostly related to payroll and accrued bank interest costs.

Contract liabilities are liabilities that arise from certain services sold by the Group's subsidiary Identicare Limited.

Historically, and in return for a single upfront payment, Identicare Limited committed to providing certain database, pet reunification and other support services to customers over the life of the pet. There is no contractual restriction on the number of times the customer makes use of the services. At the commencement of the contract, it is not possible to determine how many times the customer will make use of the services, nor does historical evidence provide indications of any future pattern of use. As such, income is recognised evenly over the term of the contract, currently between five and 14 years.

Throughout 2023, Identicare Limited also operated both monthly and annual subscription-based services to pet owners, with income recognised accordingly over the period of the subscription.

Movements in the Group's contract liabilities tables outstanding:

	As at 31 December	
	2023 £'000	2022 £'000
Balance at the beginning of the year	884	843
Contract liabilities to following years	815	418
Release of contract liabilities from previous years	(533)	(377)
<b>Balance at the end of the year</b>	<b>1,166</b>	<b>884</b>

The contract liabilities fall due as follows:

	As at 31 December	
	2023 £'000	2022 £'000
Within one year	873	512
After one year	293	372
<b>Balance at the end of the year</b>	<b>1,166</b>	<b>884</b>

## 20. Other current liabilities

Other current liabilities include the following:

	As at 31 December	
	2023 £'000	2022 £'000
Payroll-related liabilities	3,041	1,715
Indirect taxes payable	1,843	1,552
Other current liabilities	528	760
<b>Total</b>	<b>5,412</b>	<b>4,027</b>

Indirect taxes payable mainly relate to outstanding VAT payable.

The other current liabilities mainly consist of £229k for a licensing agreement and £297k (2022: £292k) for a capital contribution liability, both with STEM Animal Health Inc. as the beneficiary. See Note 11.

## 21. Fair value

### Financial assets

The carrying value and fair value of the financial assets for 31 December 2023 and 2022 are presented as follows:

	Carrying value		Fair value	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Financial assets measured at amortised cost</b>				
Trade and other receivables (current)	13,294	13,568	13,294	13,568
Other financial assets (non-current)	70	70	70	70
Other current assets	1,129	715	1,129	715
Cash and cash equivalents	4,642	6,035	4,642	6,035
<b>Total financial assets measured at amortised cost</b>	<b>19,135</b>	<b>20,388</b>	<b>19,135</b>	<b>20,388</b>

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

- The carrying value of the cash and cash equivalents and the current receivables approximate their fair value due to their short-term character.
- Trade and other receivables are being evaluated on the basis of their credit risk and interest rate. Their fair value is not different from their carrying value on 31 December 2023 and 2022.

Call option to acquire an additional 18% share in joint venture STEM Animal Health Inc.

- The Group has a call option to acquire an additional 18% stake in its joint venture STEM Animal Health Inc. exercisable for a period of six years until 28 September, 2026. The call option is valued at fair value through profit and loss and is remeasured every year. As at 31 December 2023 the call option has a carrying value of £nil as it has been assessed as not substantive and not favourable when considering the future forecasts of STEM Animal Health Inc. and therefore the value attached to the option. The call option is considered at level 3 in the fair value hierarchy. Further disclosure is provided in Note 3.



# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 21. Fair value CONTINUED

### Financial liabilities

The carrying value and fair value of the financial liabilities for 31 December 2023 and 2022 are presented as follows:

	Carrying value		Fair value	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
<b>Financial liabilities measured at amortised cost</b>				
Borrowings	2,933	8,426	2,933	8,426
Lease liabilities	2,943	3,011	2,943	3,011
Trade payables	10,808	15,497	10,808	15,497
Other non-current liabilities	1,049	911	1,049	911
Other current liabilities	5,412	6,297	5,412	6,297
<b>Total financial liabilities measured at amortised cost</b>	<b>23,145</b>	<b>34,142</b>	<b>23,145</b>	<b>34,142</b>
<b>Total non-current</b>	<b>6,011</b>	<b>11,496</b>	<b>6,011</b>	<b>11,496</b>
<b>Total current</b>	<b>17,134</b>	<b>22,646</b>	<b>17,134</b>	<b>22,646</b>

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

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

### Fair value hierarchy

The fair value hierarchy is described in Note 3. The financial liabilities are calculated based on level 1.

## 22. Share capital

	As at 31 December	
	2023 Number	2022 Number
Allotted, called up and fully paid ordinary shares of 20 pence each	60,107,926	60,092,161

	As at 31 December	
	2023 £'000	2022 £'000
Allotted, called up and fully paid ordinary shares of 20 pence each	12,022	12,019

The Company does not have a limited amount of authorised share capital.

The following share transactions have taken place during the year ended 31 December 2023:

	2023	
	Number	£'000
At 1 January 2023	60,092,161	12,019
Exercise of share options	15,765	3
<b>At 31 December 2023</b>	<b>60,107,926</b>	<b>12,022</b>

## Dividends

	As at 31 December	
	2023 £'000	2022 £'000
Ordinary final dividend as at 31 December 2021 of 2.4 pence per share	–	1,442
Ordinary interim dividend paid as at 31 December 2022 of 2.0 pence per share	–	1,202
Ordinary final dividend as at 31 December 2022 of 2.4 pence per share	<b>1,442</b>	–
Ordinary interim dividend paid as at 31 December 2023 of 2.0 pence per share	<b>1,202</b>	–
	<b>2,644</b>	2,644

The 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 21 June 2024. The ordinary shares will become ex-dividend on 20 June 2024.

## 23. IFRS 16 Leases

The balance sheet shows the following amounts relating to leases as at 31 December 2023:

	As at 31 December 2023 £'000	As at 31 December 2022 £'000
	Buildings	<b>1,585</b>
Vehicles	<b>1,220</b>	1,257
Other	<b>14</b>	28
<b>Total right-of-use assets</b>	<b>2,819</b>	2,924
Current lease liabilities	<b>914</b>	852
Non-current lease liabilities	<b>2,029</b>	2,159
<b>Total lease liabilities</b>	<b>2,943</b>	3,011

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 23. IFRS 16 Leases CONTINUED

Below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Land and buildings £'000	Vehicles £'000	Other £'000	Total £'000
<b>Acquisition value/cost</b>				
<b>As at 1 January 2022</b>	1,527	2,290	16	3,833
Additions	1,343	678	30	2,051
Disposals	(855)	(415)	(14)	(1,284)
Currency translation	104	128	1	233
Contract modifications	(5)	75	–	70
<b>As at 31 December 2022</b>	2,114	2,756	33	4,903
Additions	–	678	4	682
Disposals	–	(682)	(4)	(686)
Currency translation	(41)	(50)	–	(91)
Contract modifications	287	(5)	(14)	268
<b>As at 31 December 2023</b>	<b>2,360</b>	<b>2,697</b>	<b>19</b>	<b>5,076</b>
<b>Accumulated depreciation</b>				
<b>As at 1 January 2022</b>	(948)	(1,211)	(16)	(2,175)
Depreciation charge for the year	(358)	(662)	(3)	(1,023)
Disposals	855	415	14	1,284
Contract modifications	–	27	–	27
Currency translation	(24)	(68)	–	(92)
<b>As at 31 December 2022</b>	(475)	(1,499)	(5)	(1,979)
Depreciation charge for the year	(310)	(687)	(4)	(1,001)
Disposals	–	682	4	686
Currency translation	10	27	–	37
<b>As at 31 December 2023</b>	<b>(775)</b>	<b>(1,477)</b>	<b>(5)</b>	<b>(2,257)</b>
<b>Net book value</b>				
At 31 December 2022	1,639	1,257	28	2,924
<b>At 31 December 2023</b>	<b>1,585</b>	<b>1,220</b>	<b>14</b>	<b>2,819</b>

Below are the values for the movements in lease liability during the year:

	Lease liability £'000
<b>As at 1 January 2023</b>	<b>3,011</b>
Additions	677
Interest expense	118
Payments	(1,073)
Modifications	264
Currency translation adjustment	(54)
<b>As at 31 December 2023</b>	<b>2,943</b>

The following amounts are recognised in the income statement:

	As at 31 December	
	2023 £'000	2022 £'000
Depreciation expense of right-of-use assets	(1,001)	(1,023)
Interest expense on lease liabilities	(118)	(90)
Gain on IFRS 16 modification	9	6
Expense relating to short-term leases and low-value assets	(180)	(108)
<b>Total amount recognised in the income statement</b>	<b>(1,290)</b>	<b>(1,215)</b>

Cash-flows relating to leases are presented as follows:

- Cash payments for the principal portion of the lease liabilities as cash flows from financing activities;
- Cash payments for the interest portion consistent with presentation of interest payments chosen by the Group; and
- Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities as cash flows from operating activities. In the current and prior year, the cashflow for these items equalled the charge to the income statement.

## 24. Risks

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

### Credit risk

As at 31 December 2023 the Group's maximum exposure to credit risk is £13,294k, which is the amount of the trade receivables in the consolidated financial statements (2022: £13,568k).

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

The following is an ageing schedule of trade receivables:

	Total £'000	Non-due £'000	< 30 days £'000	31-60 days £'000	61-90 days £'000	91-180 days £'000	> 181 days £'000	Expected loss rate
<b>31 December 2023</b>	<b>13,294</b>	<b>12,134</b>	<b>877</b>	<b>156</b>	<b>95</b>	<b>71</b>	<b>(39)</b>	<b>0.2%</b>
Receivables	13,326	12,134	877	156	95	71	(7)	
Expected credit loss	32	-	-	-	-	-	32	
<b>31 December 2022</b>	13,568	12,989	681	32	(70)	16	(80)	0.5%
Receivables	13,631	12,989	681	32	(70)	16	(17)	
Expected credit loss	63	-	-	-	-	-	63	

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 24. Risks CONTINUED

### Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The Group expects to meet its obligations related to the financing agreements through operating cash flows. Additionally, the Group ensures there is sufficient headroom on the existing credit lines to have an additional working capital buffer. As at 31 December 2023, the Group had the following sources of liquidity available:

- Cash and cash equivalents: £4,642k
- Undrawn credit facilities with four banks: £36,065k
- Undrawn acquisition financing: £5,757k

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

	< 1 year £'000	1-3 years £'000	4-5 years £'000	> 5 years £'000	Total £'000
<b>At 31 December 2023</b>					
Borrowings	–	(2,933)	–	–	(2,933)
Lease liabilities	(914)	(1,478)	(386)	(287)	(3,065)
Trade payables	(10,808)	–	–	–	(10,808)
Other current liabilities	(5,412)	–	–	–	(5,412)
<b>Total</b>	<b>(17,134)</b>	<b>(4,411)</b>	<b>(386)</b>	<b>(287)</b>	<b>(22,218)</b>

	< 1 year £'000	1-3 years £'000	4-5 years £'000	> 5 years £'000	Total £'000
<b>At 31 December 2022</b>					
Borrowings	–	(8,426)	–	–	(8,426)
Lease liabilities	(852)	(1,553)	(394)	(439)	(3,238)
Trade payables	(15,497)	–	–	–	(15,497)
Other current liabilities	(4,027)	–	–	–	(4,027)
<b>Total</b>	<b>(20,376)</b>	<b>(9,979)</b>	<b>(394)</b>	<b>(439)</b>	<b>(31,188)</b>

The amounts disclosed in the table above are the contractual undiscounted cash flows. The lease liabilities are translated at closing rate. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

The Group's indebtedness and its restrictions and covenants agreed upon in the financing agreements may adversely affect the Group's liquidity position. Any breach of covenants can lead to loans being immediately due and payable.

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

As disclosed in Note 29, 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 and liquidity position.

## Foreign exchange risk

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

	As at 31 December			
	Assets	Assets	Liabilities	Liabilities
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
EUR/GBP	28,406	26,471	50,621	38,335
GBP/EUR	22,612	18,494	35,968	29,020
EUR/USD	(96)	(108)	1	297
GBP/USD	(14)	(14)	145	138
EUR/HUF	–	–	–	4
EUR/CAD	–	–	768	1,533
EUR/SEK	6	7	–	–

The cumulative effect of the foreign currency translation effects is reported as other reserve in the statement of financial position and amounts to £2,618k (2022: £2,908k) with the movement of £290k charge (2022: credit of £597k) recognised through the consolidated statement of comprehensive income.

At the end of the reporting year, the Group is mainly exposed to EUR, USD and CAD. The following table details the effect of a 10.0% increase and decrease in the exchange rate of these currencies against the functional currencies GBP and EUR when applied to outstanding monetary items denominated in foreign currency as at 31 December 2023. A positive number indicates that an increase in profit would arise from a 10.0% change in value of GBP or EUR against these currencies; a negative number indicates that a decrease would arise.

	Strengthening	Weakening
	£'000	£'000
EUR/GBP	2,222	(2,222)
GBP/EUR	1,336	(1,336)
EUR/USD	10	(10)
GBP/USD	16	(16)
EUR/CAD	77	(77)

## Interest rate risk

The maturity dates and interest rates of the financial debts and liabilities are detailed in Note 16. The exposure to interest rate risks is mainly related to existing borrowing facilities. The current loans of credit institutions have variable interest rates. There are no significant differences between the nominal interest rates as listed in Note 16 and the effective interest rates of the loans.

If the interest rates would have been 100bp higher/lower, the financial result would have been £54k lower/higher in 2023 and £78k lower/higher in 2022.

## Capital management

The primary objective of the Group's shareholders' capital management strategy is to ensure it maintains healthy capital ratios to support its business and maximise shareholder value. Additionally, minimum solvency ratios are agreed upon in the financing agreements. Capital is defined as the Group shareholders' equity which amounts to £77,895k as at 31 December 2023 (2022: £78,986k).

The Group consistently reviews its capital structure and makes adjustments in light of changing economic conditions and performances of the Group. The Group made no changes to its capital management objectives, policies or processes during the years ended 31 December 2023 and 2022.

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 25. Remuneration paid to the Company's auditors

	For the year ended 31 December	
	2023 £'000	2022 £'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	212	120
The audit of the Company's subsidiaries pursuant to legislation	337	227
<b>Total audit fees</b>	<b>549</b>	<b>347</b>
Other services	3	8
<b>Total non-audit fees</b>	<b>3</b>	<b>8</b>
<b>Total auditors' remuneration</b>	<b>552</b>	<b>355</b>

## 26. Share-based payments

The Group operates a number of equity-settled share-based payment programmes that allow employees to acquire shares in the Group. The Group also operates long-term incentive plans for certain members of the Senior Executive team and other members of the Leadership team. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of such equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions (with a corresponding movement in equity).

The fair value of the options issued under the long-term incentive plan have been determined using both the Black-Scholes and Monte Carlo simulation models, in conjunction with a third-party valuation specialist.

### Long-term incentive plan ("LTIP")

The Group has made a number of awards pursuant to the long-term incentive plan as follows:

	2023 LTIP option	2022 LTIP option	2021 LTIP option	2020 LTIP option	2019 LTIP option
<b>Outstanding at 1 January 2023</b>	–	302,037	255,750	342,587	–
Granted during the year	194,346	–	–	–	–
Vested during the year	–	–	–	(164,982)	–
Lapsed during the year	–	(8,175)	(7,136)	(177,605)	–
<b>Outstanding at 31 December 2023</b>	<b>194,346</b>	<b>293,862</b>	<b>248,614</b>	<b>–</b>	<b>–</b>
Exercisable at 31 December 2023				164,982	129,617

The options outstanding and exercisable at the year-end have a weighted average remaining contractual life of 7.9 years.

The options granted in 2023, 2022 and 2021 will vest subject to the following performance conditions based on EPS being met:

Earnings per share growth	Extent to which EPS tranche will vest
Less than 3%	0%
3%	25%
10%	100%
Between 3% and 10%	Between 25% and 100% on a straight line basis

The 2020 options were subject to the following performance conditions based on EPS being met:

Earnings Per Share growth	Extent to which EPS tranche will vest
Less than 3%	0%
3%	25%
8%	100%
Between 3% and 8%	Between 25% and 100% on a straight-line basis

All options granted are subject to the same TSR performance criteria as per the table below:

<b>Rank of the Company's TSR compared to the comparator group</b>	<b>Extent to which the TSR tranche will vest</b>
Upper quartile or above	100%
Between median and upper quartile	Pro rata between 25% and 100% on a ranking basis
Median	25%
Below median	0%

## 2023 LTIP Options

On 30 October 2023, the Board approved the grant of nil-cost options under the LTIP over a total of 194,346 ordinary shares with a nominal value of 20.0 pence per share which were awarded to certain members of the Senior Executive Team and Leadership Team. The LTIP awards will vest on 31 December 2026 subject to the performance criteria being met over the three-year financial period ending 31 December 2026. On vesting, awards can be exercised until 30 October 2033, being the tenth anniversary of the date of grant.

50% of the option award will be subject to the EPS performance condition and the remaining 50% will be subject to the TSR performance condition. Accordingly, if one of the performance conditions is met but the other is not, the Option award will vest in part.

The fair value of the options issued under the LTIP have been determined using both the Black–Scholes (for the EPS performance condition) and Monte Carlo (for the TSR performance condition) simulation models, in conjunction with a third-party valuation specialist.

Inputs into the option pricing models were as follows:

Weighted average share price	£1.73
Weighted average exercise price	£Nil
Expected volatility	31.8%
Expected life	3.2 years
Expected dividend yield	2.55%
Fair value per option – EPS tranche	£1.59
Fair value per option – TSR tranche	£1.08
Risk-free rate	4.39%

## 2022 LTIP options

On 28 April 2022, the Board approved the grant of nil-cost options under the LTIP over a total of 302,037 ordinary shares with a nominal value of 20.0 pence per share which were awarded to the Company's Executive Directors and certain members of the Senior Executive Team and Leadership Team. During the year 8,175 of the options lapsed due to cessation of employment, leaving 293,862 options outstanding.

The LTIP awards will vest on 1 July 2025 subject to the performance criteria being met over the three-year financial period ending 30 June 2025. On vesting, awards can be exercised until 28 April 2032, being the tenth anniversary of the date of grant.

Fifty per cent of the option award will be subject to the EPS performance condition and the remaining 50% will be subject to the TSR performance condition. Accordingly, if one of the performance conditions is met but the other is not, the option award will vest in part.

The fair value of the options issued under the LTIP have been determined using both the Black–Scholes and Monte Carlo simulation models, in conjunction with a third-party valuation specialist.



# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 26. Share-based payments CONTINUED

Inputs into the option pricing models were as follows:

Weighted average share price	£3.23
Weighted average exercise price	£nil
Expected volatility	30.1%
Expected life	3.2 years
Expected dividend yield	1.24%
Fair value per option – EPS tranche	£3.10
Fair value per option – TSR tranche	£2.57
Risk-free rate	1.58%

### 2021 LTIP options

On 5 November 2021, nil-cost options over a total of 264,981 ordinary shares with a nominal value of 20p per share were awarded to certain members of the Senior Executive Team and Group Leadership Team. During the prior year 9,231 of the options lapsed due to cessation of employment, leaving 255,750 options outstanding. During the current year 7,136 of the options lapsed due to cessation of employment, leaving 248,614 options outstanding.

The awards will normally vest three years after the date of grant subject to the performance criteria being met over the three-year financial period ending 31 December 2024. On vesting, awards can be exercised until 5 November 2031, being the tenth anniversary of the date of grant.

Fifty per cent of the option award will be subject to the EPS performance condition and the remaining 50% will be subject to the TSR performance condition. Accordingly, if one of the performance conditions is met but the other is not, the Option award will vest in part.

The fair value of the options issued under the LTIP was determined using both the Black–Scholes and Monte Carlo simulation models, in conjunction with a third-party valuation specialist.

Inputs into the option pricing models were as follows:

Weighted average share price	£3.62
Weighted average exercise price	£Nil
Expected volatility	32.0%
Expected life	3.2 years
Expected dividend yield	1.10%
Fair value per option – EPS tranche	£3.50
Fair value per option – TSR tranche	£2.56
Risk-free rate	0.39%

### 2020 LTIP options

On 17 November 2020, nil-cost options over a total of 377,120 ordinary shares with a nominal value of 20p per share were awarded to certain members of the Senior Executive Team and Group Leadership Team. During 2021 and 2022, 16,555 and 17,978 options lapsed respectively due to cessation of employment, leaving 342,587 options outstanding as at 1 January 2023. During 2023, a further 12,623 options lapsed due to cessation of employment, leaving 329,964 options subject to vesting as at 31 December 2023.

On 31 December 2023, 164,982 options vested, with the remaining 164,982 options lapsed. These vested options have yet to be exercised; the participants have 6.9 years in which to exercise these options.

Details of the performance targets set and actual achievement against them in respect of the 2020 LTIP awards vesting, based on three-year performance to 31 December 2023, are set out in the table below:

Performance measure	Weighting	Performance period end	Threshold (25% vesting)	Maximum (100% vesting)	Actual	% vesting for this part of the award
Underlying EPS	50%	31 December 2023	11.6p	13.4p	11.0p	0%
TSR	50%	31 December 2023	Median	Upper quartile	Upper quartile	100.0%

## 2019 LTIP options

On 6 June 2022, 145,382 options vested, with the remaining 198,709 options lapsed. Of the 145,382 vested options brought forward to 1 January 2023, 15,765 options were exercised during the year, leaving 129,617 options unexercised as at 31 December 2023. The participants have 5.4 years in which to exercise these options.

## Identicare share-based payment arrangement

On 1 January 2022, the Group entered into a share-based payments arrangement in respect of growth shares issued in its subsidiary, Identicare Limited (“Identicare”). The ownership of the shares requires ongoing employment and carries value to the holder on either the sale of Identicare, or after five years the holder can obligate the Group to repurchase the shares at market value via a put option. The Group can also obligate the holder to sell the shares to the Group at market value via a call option. The shares carry preferential rights to return upon the sale of Identicare with an increasing ratchet depending on the equity value of Identicare.

The exit terms on the shares qualify for value at 15% of proceeds if the equity value on sale or market value is less than £20m, 17% in the range £20–£40m, and 20% above £40m. The shares were acquired on the arrangement’s inception date of 1 January 2022 for unrestricted market value as determined at that date. The shares carry no voting rights nor rights to distributions from Identicare. The arrangement carries a cash repurchase requirement by the Group at the acquisition cost within five years from the inception of the agreement should the employee cease to be employed. This represents an event outside of the Group’s control for which a future payment may need to be made, and therefore a liability of £33k is recognised within non-current liabilities.

Given the terms applied to the shares, the Group has accounted for these as equivalent to redeemable shares, and as a result of the requirement for ongoing employment have applied the principles of IFRS 2 ‘Share-based Payments’ to the arrangement. The arrangement stipulates that a minimum of 50% of the shares are to be purchased in cash upon redemption, with the remaining 50% having choice of settlement, at the discretion of the Group, to either issue shares in the Group or purchase with further cash. In line with IFRS 2, 50% of the arrangement has therefore been accounted for as a cash-settled share-based payment arrangement, reflecting the Group’s potential obligation to repurchase the shares in the event that no exit occurs, with the other 50% of the arrangement being treated as an equity-settled share-based payment due to there being no present obligation to settle in cash.

## Fair value – cash settled portion

As at 31 December 2022 the arrangement has been valued using a Monte Carlo simulation, reflecting the ratchet nature of potential exit outcomes. The following inputs have been used to determine the fair value of the arrangement:

	<b>At 31.12.23</b>
Starting value of Identicare	£22.8m
Expected volatility	32.06%
Risk-free rate	3.62%
Expected dividend yields	0.00%
Expected remaining life	3 years

# Notes to the Consolidated Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 26. Share-based payments CONTINUED

The resulting fair value of the scheme is £4,009k as at the year end, 50% of which is cash settled and represents the total expected liquidity risk to the Group as at the year end. As the arrangement has been in place for two years of its expected five-year life, the value as at the year end reflects this proportion.

The fair value of the arrangement, based on 50% being cash-settled, is £802k, being a liability held at fair value through profit and loss. The liability is included in the consolidated statement of financial position under other non-current liabilities and is carried currently at £802k plus the original £33k paid for the shares totalling £835k. The charge to profit and loss of £637k is included as a non-underlying item in the consolidated income statement, and disclosed separately in Note 4, to reflect the potential volatility arising from movements in the value of this arrangement. No non-market conditions have been included in the calculation of the charge to profit and loss.

### Fair value – equity settled portion

The fair value of the equity-settled portion of the arrangement (50%) was £547k, determined at the date of issue of the shares using a Monte Carlo simulation, in conjunction with a third-party valuation specialist, taking into account the exit terms noted earlier.

The following inputs were used to determine the fair value:

	1 January 2022
Valuation data	
Starting enterprise value	£6.9m
Closing net debt	£3.3m
Expected volatility	32.75%
Risk-free rate	0.72%
Expected dividend yield	0%
Expected life	5 years

The Group recognised a total charge in respect of all share-based payments of £1,278k (2022: £542k), including £801k (2022: £220k) in non underlying items.

## 27. Related party transactions

This disclosure provides an overview of all transactions with related parties. Interests in subsidiaries are disclosed in Note 28.

Transactions between the Company and its subsidiaries, which are related parties, are eliminated in the consolidated financial statements and no information is provided thereon in this section. The Group carries an investment in a joint venture (STEM Animal Health Inc.). The Group's investment in its joint venture is accounted for using the equity method.

Transactions with investments in joint venture is described in Note 11.

Remuneration of the Executive Directors, who are the key management personnel of the Group, is included in the Directors' Remuneration Report, and further disclosed below:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Short-term employee benefits	947	672
Post-employment benefits	29	22
Share based payments	299	204
<b>Total</b>	<b>1,275</b>	<b>898</b>

## 28. Subsidiary undertakings

Name	Country of incorporation	Registered address	% equity interest		Consolidation method
			2023	2022	
Ecuphar NV	Belgium	Legeweg 157i, 8020 Oostkamp	100%	100%	Fully consolidated
Ecuphar BV	The Netherlands	Verlengde Poolseweg 16, 4818 CL Breda	100%	100%	Fully consolidated
Ecuphar Veterinary Products BV	The Netherlands	Verlengde Poolseweg 16, 4818 CL Breda	100%	100%	Fully consolidated
Ornis SA	France	Rue de Roubaix 33, 59200 Tourcoing	100%	100%	Fully consolidated
Ecuphar GmbH	Germany	Brandteichstraße 20, 17489 Greifswald	100%	100%	Fully consolidated
Euracon Pharma Consulting und Trading GmbH	Germany	Max-Planck Str. 11, 85716 Unterschleißheim	100%	100%	Fully consolidated
Ecuphar Veterinaria SA	Spain	C/ Cerdanya, 10-12, pl 6. 08173 Sant Cugat del Vallés Barcelona	100%	100%	Fully consolidated
Ecuphar Italia	Italy	Viale Francesco Restelli, 3/7, piano 1, 20124 Milano	100%	100%	Fully consolidated
Belphar IDA	Portugal	Sintra Business Park, Edifício 1, Escritório 2K 2710-089 Sintra	100%	100%	Fully consolidated
Animalcare Ltd	United Kingdom	Moorside, Monks Cross, York, YO32 9LB	100%	100%	Fully consolidated
Identicare Ltd.	United Kingdom	Moorside, Monks Cross, York, YO32 9LB	100%	100%	Fully consolidated
STEM Animal Health Inc.	Canada	Innovation Drive Winnipeg 162-196, Manitoba, R3T 2N2	33%	33%	Equity method

## 29. 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. The sale of the minority stake secures a positive return on investment while further strengthening the Group's cash position.

Both disposals were assessed against the criteria of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations and were found to not meet the criteria for an asset held for sale at the date of the statement of financial position due to not being assessed as highly probable at that date as due diligence activities did not commence until post year end.

# Company Statement of Financial Position

AS AT 31 DECEMBER 2023

	Note	As at 31 December	
		2023 £'000	2022 £'000
<b>Non-current assets</b>			
Investments in subsidiary companies	5	148,114	147,917
Right-of-use-assets	9	32	44
Deferred tax asset	10	7	662
		<b>148,153</b>	148,623
<b>Current assets</b>			
Trade and other receivables	6	5,283	4,376
Cash and cash equivalents	7	15	24
		<b>5,298</b>	4,400
<b>Total assets</b>		<b>153,451</b>	153,023
<b>Current liabilities</b>			
Trade and other payables	8	(854)	(456)
Lease liabilities	9	(12)	(12)
		<b>(866)</b>	(468)
<b>Net current assets</b>		<b>4,432</b>	3,931
<b>Non-current liabilities</b>			
Lease liabilities	9	(20)	(32)
		<b>(20)</b>	(32)
<b>Total liabilities</b>		<b>(886)</b>	(500)
<b>Net assets</b>		<b>152,565</b>	152,523
<b>Capital and reserves</b>			
Called up share capital	11	12,022	12,019
Share premium account		132,798	132,798
Retained earnings		7,745	7,706
<b>Total shareholders' funds</b>		<b>152,565</b>	152,523

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present a separate Profit and Loss account in these separate financial statements. The profit dealt with in the financial statements of the Company was £2,042k (2022: £1,363k).

The Notes on pages 130 to 137 are an integral part of these financial statements.

The financial statements of Animalcare Group plc, registered number 01058015, on pages 128 to 137, were approved by the Board of Directors and authorised for issue on 11 April 2024. They were signed on their behalf by:

**JENNIFER WINTER**  
Chief Executive Officer

**CHRIS BREWSTER**  
Chief Financial Officer

# Company Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2023

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' funds £'000
<b>Balance at 1 January 2022</b>		12,019	132,798	8,609	153,426
Total comprehensive income for the year		–	–	1,363	1,363
Transactions with owners of the Company, recognised in equity:					
Dividends paid	4	–	–	(2,644)	(2,644)
Share-based payments	12	–	–	378	378
<b>Balance at 31 December 2022 and 1 January 2023</b>		<b>12,019</b>	<b>132,798</b>	<b>7,706</b>	<b>152,523</b>
Total comprehensive income for the year		–	–	<b>2,042</b>	<b>2,042</b>
Transactions with owners of the Company, recognised in equity:					
Exercise of share options	11	<b>3</b>	–	–	<b>3</b>
Dividends paid	4	–	–	<b>(2,644)</b>	<b>(2,644)</b>
Share-based payments	12	–	–	<b>641</b>	<b>641</b>
<b>Balance at 31 December 2023</b>		<b>12,022</b>	<b>132,798</b>	<b>7,745</b>	<b>152,565</b>

# Notes to the Company Financial Statements

YEAR ENDED 31 DECEMBER 2023

## 1. Material accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements of the Company.

### Financial Information

Animalcare Group plc (“the Company”) is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is domiciled in the United Kingdom. The address of its registered office is Moorside, Monks Cross, York, YO32 9LB.

The company's principal activities are that of a holding company for the Group's subsidiaries.

### Basis of preparation

The Company financial statements cover year from 1 January 2023 to 31 December 2023.

The financial statements have been prepared and approved by the Directors under the historical cost convention, in accordance with Financial Reporting Standard 101 “Reduced Disclosure Framework” (FRS 101) and in conformity with the requirements of the Companies Act 2006. They have also been prepared in accordance with the requirements of the AIM Rules.

The Company has elected to adopt FRS 101 for the year ended 31 December 2023 for the first time. In preparing these financial statements, the Company has applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards), but has made amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. The Company has departed from consistent accounting policies with the Group as the Group financial statements are prepared under UK-adopted international accounting standard and the Company Directors have taken the decision to prepare the Company financial statements in accordance with FRS 101.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present a separate Profit and Loss account in these separate financial statements. The profit dealt with in the financial statements of the Company was £2,042k (2022: £1,363k profit).

### Changes in accounting framework

The Company has transitioned to FRS 101 with a transition date of 1 January 2023. Prior to this date, the financial statements were prepared under UK-adopted international accounting standards (IFRS). The Company has reviewed the guidance in FRS 100 and considered any changes between IFRS and FRS 101 and noted these to have no material impact

on the financial statements. In line with guidance, we have not applied the provisions or disclosures of IFRS 1 First Time Adoption of International Reporting Standard.

### Disclosure exemptions adopted

Under FRS 101, the following disclosures exemptions have been adopted:

- Preparation of a cash flow statement – IAS 7 Statement of Cashflows
- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment requiring the details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of the Group as they are wholly owned within the Group
- Paragraph 17 of IAS 24 Related Party Disclosures (key management compensation)
- Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- IFRS 7 Financial Instruments: Disclosure

### Going concern

As at 31 December 2023, the Group's total borrowing 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.

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. 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%. As at 31 December 2023 and throughout the financial year, all covenant requirements were met with significant headroom across all three measures. The principal risks and uncertainties facing the Group are set out in the Strategic Report .

The Directors have prepared cash flow 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 Company and 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.

### Employee benefits – pensions

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

### Investments in subsidiaries

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

Impairment indicator assessments are undertaken annually at the financial year end.

Whenever events or changes in circumstances indicate that the carrying amount of investments may not be recoverable, they are subject to impairment tests.

Where the carrying value of investments exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the investments are written down accordingly.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to future cash flows projected after the fifth year.

Impairment charges are included in profit or loss.

### Dividends

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

### Share-based payments

The Company operates a number of equity-settled share-based payment programmes that allow employees to acquire shares of the Company via a Long Term Incentive Plan for certain members of the Leadership Team and Executive Directors. Equity-settled share-based payments are measured

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

The fair value of the options issued under the Long Term Incentive Plan has been determined using both the Black–Scholes and Monte Carlo simulation models, in conjunction with a third-party valuation specialist.

### Taxation

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

The tax currently payable is based on taxable profit for the year.

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

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

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

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



# Notes to the Company Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 1. Material accounting policies CONTINUED

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

### Financial instruments

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

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

The Company measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

### Cash and cash equivalents

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

### Financial liabilities and equity

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

### Material accounting judgements, estimates and assumptions

#### CARRYING VALUE OF INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiaries are reviewed annually for impairment when indicators for impairment are identified. Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investment's value in use or consideration of the net asset value of the entity. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. Such calculations are prepared in conjunction with the impairment test in relation to goodwill, details of which are provided in Note 8 of the consolidated financial statements.

## 2. Audit Fees

The analysis of remuneration paid to the Company's auditors for the audit of the Company's financial statements is as follows:

	For the year ended 31 December	
	2023 £'000	2022 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	212	120
<b>Total audit fees</b>	<b>212</b>	120

## 3 Directors' remuneration and interests

Information relating to Directors' emoluments and share options, including awards made during the financial year, is set out in the Note 6.7 of the Group's consolidated financial statements.

## 4. Dividends

	For the year ended 31 December	
	2023 £'000	2022 £'000
Ordinary final dividend for the year ended 31 December 2021 of 2.4p per share	–	1,442
Ordinary interim dividend paid for the year ended 31 December 2022 of 2.0p per share	–	1,202
Ordinary final dividend for the year ended 31 December 2022 of 2.4p per share	1,442	–
Ordinary interim dividend paid for the year ended 31 December 2023 of 2.0p per share	1,202	–
	<b>2,644</b>	2,644

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 13 June 2024, the final dividend will be paid on 14 July 2024 to shareholders whose names are on the Register of Members at close of business on 16 June 2024. The ordinary shares will become ex-dividend on 15 June 2024.

## 5. Investments in subsidiary companies

### Subsidiary undertakings

	2023 £'000
<b>Cost and net book value</b>	
At 1 January	147,917
LTIP granted to employees of subsidiaries	197
<b>At 31 December</b>	<b>148,114</b>

Investments in subsidiaries are assessed annually to determine if there is any indication that these may be impaired.

The recoverable amount of investments in subsidiaries was determined based on a value in-use calculation. The discount rate and growth rate (in perpetuity) used for these calculations are as follows:

	2023	2022
Discount rate (pre-tax) %	13.3	14.2
Growth rate (in perpetuity) %	2.0	2.0

# Notes to the Company Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 5. Investments in subsidiary companies CONTINUED

Cash flow forecasts are prepared using the current financial budget approved by the Directors, which covers a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated long-term growth rate. The cash flow forecasts assume revenue and profit growth in line with the five pillars of our growth strategy. The key assumptions surrounding revenue growth incorporate an average annual growth rate over the five-year forecast period for the existing core brands, based on past performance and expectations of the animal health market development, together with well above-market growth for recently launched and expected to be launched new products and services. Further, we have assessed the potential impact of climate change, with reference to our principal risks and the environmental disclosures made in the Sustainability report and consider that the impact on the valuation of investments in subsidiaries is limited.

The Group's impairment review is sensitive to change in assumptions used, most notably the expected future cash flows arising from growth in new products and services, discount rates and the perpetuity growth rates.

If the expected revenue growth and related cost of sales in the five year forecast period in relation to recently launched and expected to be launched new products and services (as explained in Our Strategy within the Annual Report) was 5% lower than management's estimates, with prudently, no corresponding mitigation in SG&A costs, the value in use would reduce by £6.2m but would not give rise to an impairment. A 10% reduction in the forecast revenues and related cost of sales for these products and services across the five year forecast period would result in a reduction of the value in use of £12.3m, but would not give rise to an impairment. A 1.0% increase in discount rate would cause the value in use to reduce by £20.0m and would not give rise to an impairment. A 2.0% increase in discount rate would lead to an impairment of £4.3m. A 1.0% reduction in perpetuity growth rates would reduce the value in use by £10.2m and would not give rise to an impairment. Reducing the long-term growth to 0.0% would reduce the value in use by £27.6m and would not give rise to an impairment. Overall forecast compound revenue growth over the five-year period for all products is 6.9%. Headroom is reduced to nil if this rate falls to 5.4%, assuming gross margin percentages remain consistent with forecast and with no corresponding mitigation in SG&A costs.

A list of the subsidiary undertakings at the date of the statement of financial position, all of which are wholly owned, is given below.

Name	Country of registration or incorporation	Registered address	Principal activity	Class
Ecuphar NV	Belgium	Legeweg 157i, 8020 Oostkamp	Holding company, marketer of veterinary pharmaceuticals	Ordinary
Animalcare Limited <sup>1</sup>	United Kingdom	Moorside, Monks Cross, York YO32 9LB	Developer and marketer of veterinary pharmaceuticals	Ordinary
Identicare Limited <sup>1</sup>	United Kingdom	Moorside, Monks Cross, York YO32 9LB	Microchipping and other associated services	Ordinary
Ecuphar BV <sup>1</sup>	The Netherlands	Verlengde Poolseweg 16, 4818 CL Breda	Marketer of veterinary pharmaceuticals	Ordinary
Ecuphar Veterinary Products BV <sup>1</sup>	The Netherlands	Verlengde Poolseweg 16, 4818 CL Breda	Non-trading	Ordinary
Ornis SARL <sup>1</sup>	France	Rue de Roubaix 33, 59200 Tourcoing	Non-trading	Ordinary
Ecuphar GmbH <sup>1</sup>	Germany	Brandteichstraße 20, 17489 Greifswald	Marketer of veterinary pharmaceuticals	Ordinary
Euracon Pharma Consulting & Trading GmbH <sup>1</sup>	Germany	Max-Planck Str. 11, 85716 Unterschleißheim	Non-trading	Ordinary
Ecuphar Veterinaria SL <sup>1</sup>	Spain	Carrer Cerdanya, 10, 12, 08173 Sant Cugat del Vallès, Barcelona	Developer and marketer of veterinary pharmaceuticals	Ordinary
Ecuphar Italia SRL <sup>1</sup>	Italy	Viale Francesco Restelli, 3/7, piano 1, 20124 Milano	Marketer of veterinary pharmaceuticals	Ordinary
Belpar IDA <sup>1</sup>	Portugal	Sintra Business Park, n.º 7, Edifício 1 – Escritório 2K, 2710 089 Sintra	Marketer of veterinary pharmaceuticals	Ordinary

<sup>1</sup> These subsidiaries are indirectly owned through related undertakings in the list.

## 6. Trade and other receivables

	As at 31 December	
	2023 £'000	2022 £'000
Corporation tax – Group relief	2,102	1,265
Prepayments and accrued income	54	86
Amounts due from subsidiaries	3,127	3,024
	<b>5,283</b>	4,375

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

Amounts due by Group undertakings at 31 December 2023 are unsecured, have no fixed date of repayment and are repayable on demand.

## 7. Cash and cash equivalents

	As at 31 December	
	2023 £'000	2022 £'000
Cash and cash equivalents	15	24

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

## 8. Other financial liabilities

	As at 31 December	
	2023 £'000	2022 £'000
<i>Current liabilities</i>		
Trade payables	256	354
Lease liabilities	12	12
Taxes and social security costs	326	33
Other creditors	20	11
Accruals	252	58
Total current liabilities	<b>866</b>	468
<i>Non-current liabilities</i>		
Lease liabilities	20	31
Total non-current liabilities	<b>20</b>	31
<b>Total financial liabilities</b>	<b>886</b>	499

Other taxes and social security costs mainly consist of VAT payables on closing date. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

# Notes to the Company Financial Statements CONTINUED

YEAR ENDED 31 DECEMBER 2023

## 9. IFRS 16 Leases

The balance sheet shows the following amounts relating to leases as at 31 December:

	2023 £'000	2022 £'000
Vehicles	32	44
<b>Total right-of-use assets</b>	<b>32</b>	<b>44</b>
Current lease liabilities	12	12
Non-current lease liabilities	20	32
<b>Total lease liabilities</b>	<b>32</b>	<b>44</b>

Below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Vehicles £'000	Total £'000
<b>Acquisition value/cost</b>		
<b>At 1 January 2023 and 31 December 2023</b>	<b>48</b>	<b>48</b>
<b>Accumulated depreciation</b>		
At 1 January 2023	(4)	(4)
Depreciation charge for the year	(12)	(12)
<b>At 31 December 2023</b>	<b>(16)</b>	<b>(16)</b>
<b>Net book value</b>		
<b>At 31 December 2023</b>	<b>32</b>	<b>32</b>

The following amounts are recognised in the income statement:

	For the year ended 31 December 2023 £'000
Depreciation expense of right-of-use assets	(12)
Total amount recognised in the income statement	(12)

Interest expense on lease liabilities recognised in the income statement amounted to less than £1k and is therefore not disclosed in the table above. There was no expense incurred during the current or prior year in respect of short-term leases, low-value assets or variable lease payments.

The cash outflow in the year for leases was £11k (2022: £5k).

## 10. Deferred tax asset

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

	<b>Accelerated tax depreciation £'000</b>	<b>Tax losses £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Balance at 1 January 2023	(2)	(633)	(27)	(662)
Charge to income	–	633	22	655
<b>At 31 December 2023</b>	<b>(2)</b>	<b>–</b>	<b>(5)</b>	<b>(7)</b>

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would move to 25% (rather than remain at 19%, as previously enacted). Deferred taxes as at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## 11. Called up share capital

### Share capital

	<b>As at 31 December</b>	
	<b>2023 Number</b>	2022 Number
Allotted, called up and fully paid ordinary shares of 20p each	<b>60,107,926</b>	60,092,161

	<b>As at 31 December</b>	
	<b>2023 £'000</b>	2022 £'000
Allotted, called up and fully paid ordinary shares of 20p each	<b>12,022</b>	12,019

The Company does not have a limited amount of authorised share capital.

The following share transactions have taken place during the year ended 31 December 2023:

	<b>2023</b>	
	<b>Number</b>	<b>£'000</b>
At 1 January 2023	<b>60,092,161</b>	<b>12,019</b>
Exercise of share options	<b>15,765</b>	<b>3</b>
<b>At 31 December 2023</b>	<b>60,107,926</b>	<b>12,022</b>

## 12. Share-based payments

For details of the company's share-based payments arrangements see Note 26 of the Group's consolidated financial statements.

The cash settled element portion and associated liability sits within the company's indirect subsidiary, Animalcare Limited.

# Directors and Advisers

## Directors

D Hutchens  
C J Brewster  
E Torr  
J Boone  
J Winter  
M Coucke  
S Metayer

## Secretary

C J Brewster

## Company Number

1058015

## Registered Office

Moorside, Monks Cross  
York  
YO32 9LB

## Independent Auditors

PricewaterhouseCoopers LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## Bankers

KBC UK  
Corporate centre  
111 Old Broad Street  
EC2N 1BR

## Solicitors

Squire Pattern Boggs (UK) LLP  
6 Wellington Place  
Leeds  
LS1 4AP

## Nominated Adviser and Joint Broker

Stifel Nicolaus Europe Ltd  
150 Cheapside  
London  
EC2V 6ET

## Joint Broker

Panmure Gordon & Co  
40 Gracechurch Street  
London  
EC3V 0BT

## Registrars

Link Asset Services  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.





Moorside  
Monks Cross Drive  
York  
YO32 9LB, UK

**T:** +44 (0) 1904 487687  
**F:** +44 (0) 1904 487611

[communications@animalcaregroup.com](mailto:communications@animalcaregroup.com)

[www.animalcaregroup.com](http://www.animalcaregroup.com)