Animalcare Group plc
("Animalcare", the "Company" or the "Group")

Preliminary Unaudited Results for the year ended 31 December 2023 and Chair Succession

9 April 2024. Animalcare Group plc (AIM: ANCR), the international animal health business, announces its preliminary unaudited results for the year ended 31 December 2023.

Financial Highlights

- Revenues up 3.8% to £74.4m (2022: £71.6m) reflecting improved performance in the second half, with sales growth across all three product categories
- Gross margins improved by 1.5% to 58.3% as the Group continues to benefit from focus on larger-selling, more profitable brands
- Underlying* EBITDA grew by 1.5% to £13.3m as the Group continues to invest in developing the skills and talent base, alongside new product development
- Reported profit before tax was £3.5m (2022: £2.5m)
- Underlying earnings per share of 10.9p, primarily reflecting a significant increase in the underlying effective tax rate; reported basic earnings per share of 2.0 pence (2022: 3.3 pence per share)
- Benefiting from improved cash conversion, net debt was £1.2m at year end (2022: £5.4m), further extending the Group's capacity and flexibility to invest in growth opportunities
- Board proposes an increased final dividend of 3.0 pence per share, giving a full year dividend of 5.0 pence per share (2022: 4.4 pence per share)
- Following the post year end disposal of Identicare, the Group's net cash position was around £27.0m at 28 February 2024

Strategic and Operational Highlights

- Plaqtiv+ dental range continued to respond positively to sales and marketing activities across markets
- Daxocox recorded double-digit growth across direct sales territories
- Return of Danilon to the Group's sales and marketing control contributes to increased revenues
- The Group's operational capability has been reinforced by the organisational changes and investments in people
- Early-stage VHH antibody collaboration and licensing programme with Orthros Medical continues to advance and has been extended to cover equine conditions
- Majority stake in Identicare Ltd sold post year end for £24.9m

Chair Succession

- Senior Independent Director, Ed Torr to assume role of Non-Executive Chair at the conclusion of the AGM on 20 June 2024 following Jan Boone's decision to stand down from the Board post year end. Ed brings extensive knowledge of the Company and the veterinary pharmaceutical industry to the position

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

Chief Executive Officer, Jenny Winter said: *"A positive trading performance across our direct sales territories and market segments puts Animalcare in a strong position to deliver on our long-term strategic growth objectives.*

"The Group's continued focus on larger-selling, more profitable brands in our portfolio contributed to growing revenues, expanding gross margins and improving cash generation over the period. Our strong financial platform received a material boost in February 2024 with the disposal of Identicare Ltd, a transaction which crystallised the value of a non-core asset, allowing us to focus on our animal health pharmaceuticals business. The Group is better placed than ever to pursue organic and inorganic growth opportunities that can accelerate future growth and increase the value that the Group creates over the medium to long-term.

"Operationally, we continued to invest in our people with particular attention on sales and marketing and business development capabilities, enabling us to identify opportunities and successfully bring them to our customers.

"I'd like to take this opportunity to thank Jan Boone for his support and wise counsel as Chair of the Animalcare Board. Jan's contribution to the Group's growth strategy has been vital and I am looking forward to building an equally positive partnership with Ed Torr when he takes on the role of Chair after our Annual General Meeting."

Analyst webcast
A briefing for analysts will be held at 10:30 BST on 9 April 2024 via Zoom webcast. Analysts wishing to join should use the following link to register and receive access details.

https://stifel.zoom.us/webinar/register/WN_3SW_YDRqRqGinXhQcTolng

A copy of the analyst presentation will be made available on the Group website shortly after the webcast.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About Animalcare
Animalcare Group plc is a UK AIM-listed international veterinary sales and marketing organisation. Animalcare operates in seven countries and exports to approximately 40 countries in Europe and worldwide. The Group is focused on bringing new and innovative products to market through its own development pipeline, partnerships and via acquisition.

For more information about Animalcare, please visit www.animalcaregroup.com or contact:

Animalcare Group plc	+44 (0)1904 487 687
Jenny Winter, Chief Executive Officer	
Chris Brewster, Chief Financial Officer	
Media/investor relations	communications@animalcaregroup.com
Stifel Nicolaus Europe Limited	+44 (0)20 7710 7600
(Nominated Adviser & Joint Broker)	
Ben Maddison	
Nick Adams	
Nicholas Harland	
Francis North	
Panmure Gordon	+44 (0)20 7886 2500
(Joint Broker)	
Corporate Finance	
Freddy Crossley/Emma Earl	
Corporate Broking	
Rupert Dearden	

Chair's Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

JAN BOONE
Non-Executive Chair
9 April 2024

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Looking ahead to 2024, we will continue to push for profitable growth and cash generation in our existing operations as we focus on stepping up investment, whether inorganic or organic, to build our new product and R&D pipeline. With our strong balance sheet, significantly enhanced through the post year end sale of Identicare, the Group is better equipped than ever to accelerate growth in the future.

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

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

JENNY WINTER
Chief Executive Officer
9 April 2024

Chief Financial Officer's Review

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

Overview of underlying financial results

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

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

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

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

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

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

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

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

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

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

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

Overview of reported financial results

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

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

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

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

Dividends

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

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

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

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

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

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

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

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

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

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

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

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

Borrowing facilities

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

Net cash at the year end, pre IFRS 16 leases, was £1.7m (31 December 2022: £2.4 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 measures.

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

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

The facilities remain subject to the following covenants, which are in operation at all times:
- Net debt to underlying EBITDA ratio of 3.5 times;
- Underlying EBITDA to interest ratio of minimum 4 times; and
- Solvency (total assets less goodwill/total equity less goodwill) greater than 25%.

Going concern

The Directors have prepared 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.

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.

Summary and outlook

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

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

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

CHRIS BREWSTER
Chief Financial Officer
9 April 2024

Consolidated income statement (unaudited)
Year ended 31 December 2023

		For the year ended 31 December					
		Unaudited					
		Underlying	**Non-underlying (note 4)**	**Total**	Underlying	Non-under-lying (note 4)	Total
		2023	**2023**	**2023**	2022	2022	2022
	Notes	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	5	**74,351**	**–**	**74,351**	71,616	–	71,616
Cost of sales		**(31,005)**	**–**	**(31,005)**	(30,957)	–	(30,957)
Gross profit		**43,346**	**–**	**43,346**	40,659	–	40,659
Research and development expenses		**(2,455)**	**(646)**	**(3,101)**	(2,363)	(667)	(3,030)
Selling and marketing expenses		**(12,316)**	**–**	**(12,316)**	(13,547)	–	(13,547)
General and administrative expenses		**(18,770)**	**(4,340)**	**(23,110)**	(15,000)	(4,013)	(19,013)
Net other operating (expense)/income		**2**	**(390)**	**(388)**	4	(919)	(915)
Impairment losses		**–**	**(22)**	**(22)**	–	(918)	(918)
Operating profit		**9,807**	**(5,398)**	**4,409**	9,753	(6,517)	3,236
Finance costs	6	**(1,419)**	**–**	**(1,419)**	(1,752)	–	(1,752)
Finance income	7	**675**	**–**	**675**	1,110	–	1,110
Finance costs net		**(744)**	**–**	**(744)**	(642)	–	(642)
Share of net loss of joint venture accounted for using the equity method	12	**(142)**	**–**	**(142)**	(52)	–	(52)
Profit before tax		**8,921**	**(5,398)**	**3,523**	9,059	(6,517)	2,542
Income tax expense	8	**(2,376)**	**52**	**(2,324)**	(1,487)	910	(577)
Profit for the period		**6,545**	**(5,346)**	**1,199**	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
Earnings per share for profit attributable to the ordinary equity holders of the Company:							
Basic earnings per share	9	10.9p	**–**	2.0p	12.6p	**–**	3.3p
Diluted earnings per share	9	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 unaudited consolidated financial statements.

Consolidated statement of comprehensive income (unaudited)
Year ended 31 December 2023

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

* May be reclassified subsequently to profit and loss

Consolidated statement of financial position (unaudited)
Year ended 31 December 2023

	Notes	**Unaudited 2023 £'000**	2022 £'000
		For the year ended 31 December	
Assets			
Non-current assets			
Goodwill	10	**50,656**	50,853
Intangible assets	11	**20,584**	25,283
Property, plant and equipment		**403**	448
Right-of-use-assets	16	**2,819**	2,924
Investments in joint ventures	12	**1,119**	1,305
Deferred tax assets	8	**1,726**	3,567
Other financial assets		**70**	70
Total non-current assets		**77,377**	84,450
Current assets			
Inventories		**10,062**	13,474
Trade receivables		**13,294**	13,568
Other current assets		**1,417**	715
Cash and cash equivalents		**4,642**	6,035
Total current assets		**29,415**	33,792
Total assets		**106,792**	118,242
Liabilities			
Current liabilities			
Lease liabilities	16	**(914)**	(852)
Trade payables		**(10,808)**	(15,497)
Current tax liabilities		**(125)**	(623)
Accrued charges and contract liabilities	14	**(1,159)**	(1,276)
Other current liabilities		**(5,412)**	(4,027)
Total current liabilities		**(18,418)**	(22,275)
Non-current liabilities			
Borrowings	13	**(2,933)**	(8,426)
Lease liabilities	16	**(2,029)**	(2,159)
Deferred tax liabilities	8	**(4,015)**	(4,773)
Contract liabilities	14	**(293)**	(372)
Provisions		**(160)**	(340)
Other non-current liabilities		**(1,049)**	(911)
Total non-current liabilities		**(10,479)**	(16,981)
Total Liabilities		**(28,897)**	(39,256)
Net assets		**77,895**	78,986
Equity			
Share capital	15	**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
Total equity		**77,895**	78,986

Consolidated statement of changes in equity (unaudited)
Year ended 31 December 2023

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

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

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 (unaudited)
Year ended 31 December 2023

	Notes	For the year ended 31 December	
		Unaudited	
		2023	2022
		£'000	£'000
Operating activities			
Profit before tax		**3,523**	2,542
Non-cash and operational adjustments			
Share in net loss of joint venture	12	**142**	52
Depreciation of property, plant and equipment		**1,092**	1,118
Amortisation of intangible assets	11	**6,613**	6,685
Impairment of intangible assets	11	**22**	918
Share-based payment expense		**1,278**	542
Gain on disposal of fixed 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		**3**	–
Movements in working capital			
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)
Net cash flow from operating activities		**10,927**	9,429
Investing activities			
Purchase of property, plant and equipment		**(52)**	(407)
Purchase of intangible assets		**(2,501)**	(2,540)
Proceeds from the sale of intangible assets		**-**	153
Capital contribution in joint venture	12	**(306)**	(325)
Net cash flow used in investing activities		**(2,859)**	(3,119)
Financing activities			
Repayment of loans and borrowings		**(5,252)**	(1,320)
Repayment of IFRS 16 lease liability	16	**(955)**	(996)
Dividends paid	15	**(2,644)**	(2,644)
Interest paid		**(646)**	(444)
Other financial expense		**(99)**	(292)
Net cash flow used in financing activities		**(9,596)**	(5,696)
Net (decrease)/increase of cash and cash equivalents		**(1,528)**	614
Cash and cash equivalents at beginning of year		**6,035**	5,633
Exchange rate differences on cash and cash equivalents		**135**	(212)
Cash and cash equivalents at end of year		**4,642**	6,035

Reconciliation of net cash flow to movement in net debt			
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)
Movement in net debt during the year		**4,100**	1,219
Net debt at the start of the year		**(5,402)**	(5,330)
Movement in lease liabilities during the year	16	**68**	(1,291)
Net debt at the end of the year		**(1,234)**	(5,402)

Notes to the unaudited consolidated financial statements
Year ended 31 December 2023

1. Financial information

The unaudited financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2023 and 31 December 2022. The financial information for the year ended 31 December 2022 is derived from the statutory accounts for 2022 which have been delivered to the Registrar of Companies. The Auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. Information has been extracted from the draft statutory financial statements for the year ended 31 December 2023 which will be delivered to the Registrar of Companies in due course. Accordingly, the financial information for 2023 is presented unaudited in the preliminary announcement.

2. Basis of preparation

The financial information has been prepared in accordance with UK-adopted international accounting standards ("IFRS") and the applicable legal requirements of the Companies Act 2006, except for the revaluation of certain financial instruments. They have also been prepared in accordance with the requirements of the AIM Rules.

3. Summary of significant accounting policies

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.

4. Non-underlying items

	For the year ended 31 December	
	Unaudited 2023 £'000	2022 £'000
Amortisation and impairment of acquisition related intangibles		
Classified within research and development expenses	**646**	667
Classified within general and administrative expenses	**3,539**	3,794
Impairment losses	**22**	895
Total amortisation and impairment of acquisition-related intangibles	**4,207**	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 related to M&A and business development activities	**193**	-
Other non-underlying items	**178**	263
Total non-underlying items before taxes	**5,398**	6,517
Tax impact	**(52)**	(910)
Total non-underlying items after taxes	**5,346**	5,607

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

	For the year ended 31 December	
	Unaudited 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
Total non-underlying items before taxes	**5,398**	6,517

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.

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.

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	
	Unaudited 2023 £'000	2022 £'000
Revenues	**74,351**	71,616
Gross Profit	**43,346**	40,659
Gross Profit %	**58**	57
Segment underlying EBITDA	**13,327**	13,131
Segment underlying EBITDA %	**18**	18
Segment EBITDA	**12,136**	11,993
Segment EBITDA %	**16**	17

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

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
Underlying EBITDA	**13,327**	13,131
Non-recurring expenses (excluding amortisation and impairment)	**(1,191)**	(1,138)
EBITDA	**12,136**	11,993
Depreciation, amortisation and impairment	**(7,727)**	(8,757)
Operating profit	**4,409**	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
Profit for the period	**1,199**	1,965

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

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'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
Non-current assets excluding deferred tax assets	**75,651**	80,883

Revenue by product category

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

Revenue by geographical area

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'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
Total	**74,351**	71,616

Revenue by category

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

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. Finance costs

Finance costs include the following elements:

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

7. Finance income

Finance income includes the following elements:

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

8. Income tax

Current tax liabilities

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

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

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

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

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
Profit before tax	**3,523**	2,542
Share of net loss of joint ventures	**142**	52
Profit before tax, excl. share in net loss of joint venture	**3,665**	2,594
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)
Income tax expense as reported in the consolidated income statement	**(2,324)**	(577)

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	
	Unaudited		**Unaudited**		**Unaudited**	
	2023	2022	**2023**	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000	**£'000**	£'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
Total	**2,714**	3,567	**(5,003)**	(4,773)	**(2,289)**	(1,206)

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.

(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 Unaudited 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**
Net deferred tax	**(1,206)**	**(1,066)**	**(17)**	**(2,289)**

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
Net deferred tax	(2,308)	1,060	42	(1,206)

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).

9. 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 before continuing operations

	For the year ended 31 December			
	Unaudited 2023 Underlying £'000	2022 Underlying £'000	**Unaudited 2023 Total £'000**	2022 Total £'000
Net profit for the year	**6,545**	7,572	**1,199**	1,965
Net profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**6,545**	7,572	**1,199**	1,965

Average number of shares (basic and diluted)

	For the year ended 31 December			
Number of shares	**Unaudited 2023 Underlying**	2022 Underlying	**Unaudited 2023 Total**	2022 Total
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
Weighted average number of ordinary shares adjusted for effect of dilution	**60,654,242**	60,804,494	**60,654,242**	60,804,494

Basic earnings per share

	For the year ended 31 December			
	Unaudited 2023 Underlying in pence	2022 Underlying in pence	**Unaudited 2023 Total in pence**	2022 Total in pence
From operations attributable to the ordinary equity holders of the company	**10.9**	12.6	**2.0**	3.3
Total basic earnings per share attributable to the ordinary equity holders of the company	**10.9**	12.6	**2.0**	3.3

Diluted earnings per share

	For the year ended 31 December			
	Unaudited 2023 Underlying in pence	2022 Underlying in pence	**Unaudited 2023 Total in pence**	2022 Total in pence
From operations attributable to the ordinary equity holders of the Company	**10.8**	12.5	**2.0**	3.2
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**10.8**	12.5	**2.0**	3.2

10. 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:

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
CGU: Pharmaceuticals	**50,656**	50,853
Total	**50,656**	50,853

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

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

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:

	Unaudited	
	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.

11. 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 licences £'000	Product portfolios and product development costs £'000	Capitalised software £'000	Intangible assets under construction £'000	Total £'000
Acquisition value/cost						
As at 1 January 2022	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
As at 31 December 2022	12,799	19,008	41,058	4,399	127	77,391
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)**
As at 31 December 2023 (Unaudited)	**12,743**	**18,777**	**41,623**	**5,003**	**203**	**78,349**
Amortisation						
As at 1 January 2022	(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)
As at 31 December 2022	(6,537)	(16,392)	(26,346)	(2,833)	–	(52,108)
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**
As at 31 December 2023 (Unaudited)	**(7,468)**	**(17,185)**	**(29,258)**	**(3,854)**	**–**	**(57,765)**
Net carrying value						
As at 31 December 2023 (Unaudited)	**5,275**	**1,592**	**12,365**	**1,149**	**203**	**20,584**
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.

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.

12. 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. 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			**Unaudited 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 relevant joint venture followed by Animalcare's share of those amounts.

	Unaudited For the year ended 31 December 2023	**For the year ended 31 December 2022**
	£'000	**£'000**
Non-current assets	94	321
Current assets	1,459	1,511
Total assets	**1,553**	**1,832**
Current liabilities	865	825
Total liabilities	**865**	**825**
Net assets	**688**	**1,007**
Group Share	229	336
Goodwill	570	561
Fair value identified intangibles	435	555
Deferred tax liability	(115)	(147)
Investment value in joint venture	**1,119**	**1,305**

Summarised statement of comprehensive income:

	Unaudited For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
Sales	1,576	1,581
Operating expenses	(1,872)	(1,651)
Financial result, net	12	65
Net loss for the year	**(284)**	**(5)**
Group share in net loss for the year	**(95)**	**(2)**
Depreciation on fair value adjustments on intangible fixed assets (net of deferred tax)	(47)	(50)
Total Group share in net loss for the year	**(142)**	**(52)**
Other comprehensive (expense)/income	(44)	67
Group share in total comprehensive (expense)/income	**(186)**	**15**

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

	Unaudited For the year ended 31 December 2023 £'000	For the year ended 31 December 2022 £'000
As at 1 January	**1,305**	**1,290**
Group share of net loss for the year	(142)	(52)
Foreign currency translation differences	(44)	67
As at 31 December	**1,119**	**1,305**

13. Borrowings

The loans and borrowings include the following:

	Interest rate	**Maturity**	**For the year ended 31 December** Unaudited 2023 £'000	2022 £'000
Revolving credit facilities	Euribor +1.50%	March 25	–	4,435
Acquisition loan	Euribor +1.75%	March 25	**2,933**	3,991
Lease liabilities	See note 16		**2,943**	3,011
Total loans and borrowings			**5,876**	11,437
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.

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

	As at 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
Net debt		
Cash and cash equivalents	**4,642**	6,035
Borrowings	**(2,933)**	(8,426)
Lease liabilities	**(2,943)**	(3,011)
Total	**(1,234)**	(5,402)

	Liabilities from financing activities		Other assets	
	Borrowings	**Leases**	**Cash**	**Total**
	£'000	£'000	£'000	£'000
Net debt as at 1 January 2022	(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)
Net debt as at 31 December 2022	**(8,426)**	**(3,011)**	**6,035**	**(5,402)**
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)
Net debt as at 31 December 2023 (Unaudited)	**(2,933)**	**(2,943)**	**4,642**	**(1,234)**

14. Accrued charges and contract liabilities

Accrued charges and contract liabilities consists of the following:

	For the year ended 31 December	
	Unaudited 2023	2022
	£'000	£'000
Accrued charges	**286**	777
Contract liabilities – due within one year	**873**	512
Other	**–**	(13)
Total due within one year	**1,159**	1,276
Contract liabilities – due after one year	**293**	372

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:

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'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)
Balance at the end of the year	**1,166**	884

The contract liabilities fall due as follows:

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
Within one year	**873**	512
After one year	**293**	372
Balance at the end of the year	**1,166**	884

15. Equity

Share Capital	For the year ended 31 December	
	Unaudited	
Number of shares	**2023**	2022
Allotted, called up and fully paid ordinary shares of 20 pence each	**60,107,926**	60,092,161

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'000
Allotted, called up and fully paid ordinary shares of 20 pence each	**12,022**	12,019

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

	For the year ended 31 December	
	Number of shares	£'000
At 1 January 2023	60,092,161	12,019
Exercise of share options	15,765	3
At 31 December 2023 (Unaudited)	**60,107,926**	**12,022**

Dividends

	For the year ended 31 December	
	Unaudited	
	2023	2022
	£'000	£'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	1,442	–
Ordinary interim dividend paid as at 31 December 2023 of 2.0 pence per share	1,202	–
	2,644	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.

16. IFRS 16 Leases

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

	Unaudited As at 31 December 2023	As at 31 December 2022
	£'000	£'000
Buildings	**1,585**	1,639
Vehicles	**1,220**	1,257
Other	**14**	28
Total right-of-use assets	**2,819**	2,924
Current lease liabilities	**914**	852
Non-current lease liabilities	**2,029**	2,159
Total lease liabilities	**2,943**	3,011

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

	Land and buildings	**Vehicles**	**Other**	**Total**
	£'000	£'000	£'000	£'000
Acquisition value/cost				
As at 1 January 2022	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
As at 31 December 2022	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**
As at 31 December 2023 (Unaudited)	**2,360**	**2,697**	**19**	**5,076**
Depreciation				
As at 1 January 2022	**(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)
As at 31 December 2022	(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**
As at 31 December 2023 (Unaudited)	**(775)**	**(1,477)**	**(5)**	**(2,257)**
Net book value				
At 31 December 2022	**1,585**	**1,220**	**14**	**2,819**

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

	Lease Liability
	£'000
As at 1 January 2023	**3,011**
Additions	677
Interest expense	118
Payments	(1,073)
Modifications	264
Currency translation adjustment	(54)
As at 31 December 2023 (Unaudited)	**2,943**

The following amounts are recognised in the income statement:

	Unaudited For the year ended 31 December 2023 £'000
Depreciation expense of right-of-use assets	**(1,001)**
Interest expense on lease liabilities	**(118)**
Gain on IFRS 16 modification	**9**
Expense relating to short-term leases and low-value assets	**(180)**
Total amount recognised in the income statement	**(1,290)**

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.

17. 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. 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.

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.

19. Annual Report

This unaudited preliminary financial information is not being sent to shareholders. A further announcement will be made when the Annual Report and Accounts for the year ended 31 December 2023 will be made available on the Company's website and copies sent to shareholders.

Further copies will be available to download on the Company's website at: www.animalcaregroup.com and will also be available from the Company's registered office address: Moorside, Monks Cross, York, YO32 9LB, United Kingdom.