RNS Number : 3079G
Animalcare Group PLC
29 March 2022

Animalcare Group plc
("Animalcare", the "Company" or the "Group")
Full Year Results for the year ended 31 December 2021

29 March 2022. Animalcare Group plc (AIM: ANCR), the international animal health business, announces its audited full year results for the year ended 31 December 2021.

Financial Highlights

- Revenues grew 5.0% to £74.0m (8.0% up at CER) on strong Companion Animals demand and contribution from new products
- Improved gross margins drove double-digit increase in underlying* EBITDA to £13.5m as profitability benefited from continuing focus on top selling brands (2020: £12.1m)
- Statutory profit before tax, incorporating non-underlying items of £0.9m (2020: £0.2m), with reported basic loss per share of 0.1 pence (2020: 0.4 pence profit per share)
- Continued strong underlying* cash conversion of 108.8% (2020: 102.9%) reduced net debt to £5.3m at year end, further strengthening Group's capacity to support investment in growth strategy
- Proposed final dividend of 2.4 pence per share (2020: 2.0 pence per share)

Strategic and Operational Highlights

- Daxocox approved in EU and UK and launched successfully across all markets, generating £1.2m in second half sales
- Further optimisation of portfolio yields 8.3% increase in revenues generated by top 40 selling brands
- Sandra Single joins Senior Executive Team in newly created Strategic Product and Portfolio Director role
- Continuing investment in people focuses on Group-wide sales and marketing excellence and leadership development
- Pipeline strengthened through post-period end early-stage licencing and collaboration agreement with Orthros Medical for innovative VHH antibodies therapy

**Underlying measures are before the effect of non-underlying items which excludes fair value adjustments on acquired inventory, amortisation of acquired intangibles and acquisition and integration costs. A reconciliation to statutory measures is provided in the Chief Financial Officer's Review.*

Commenting on the full year results, Chief Executive Officer, Jenny Winter said: "*Positive trading performance and improved margins combined to further strengthen our financial platform as we continue to invest in the future success of the Group.*

"Growth in revenues over the year was driven by attractive fundamentals and increased demand in our Companion Animals markets. Profitability, meanwhile, benefited from our ongoing focus on the top selling brands supported by contributions from newly launched products. Continuing strong cash conversion drove a further marked reduction in net debt putting us comfortably below our net debt to underlying EBITDA leverage target range thereby increasing our deal-making flexibility.

"Operationally, we made good progress against our strategic priorities. Daxocox, our novel COX-2 inhibitor for osteoarthritis-related pain in dogs, received marketing approval in the EU and the UK in April 2021 and launched successfully in the second half. In a post-period event we made important advances on the business development front through an early-stage licencing and collaboration

agreement with Orthros Medical, initially to develop new arthritis treatments that exploit the innovative potential of VHH antibodies.

"We recognise that investing in our people is as important as investing in our pipeline and other areas of our business. It's exciting, therefore, to see the roll-out of consistent Group-wide leadership development and sales and marketing frameworks to ensure we maintain and build competitiveness in our fast-evolving, dynamic markets.

"Early sales performance in 2022 is in line with management expectations and we are confident that we can continue to grow revenues while facing marked inflationary and foreign exchange headwinds. It's a credit to the commitment, agility and skill of the Animalcare team that the Group is in a strong position as we set our sights on delivering another successful year."

Analyst webcast
A briefing for analysts will be held at 10:30 BST on Tuesday 29 March 2022 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_LQ129OkwTsmm3fYVAmeQzg

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

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:

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Chairman's statement

I am delighted to report that 2021 was a year of delivery for Animalcare. Positive trading performance on the back of resurgent demand further strengthened our financial platform as we continued to make significant progress against our strategic priorities.

After a particularly challenging 2020, in which the Animalcare team demonstrated resilience and agility in the face of the COVID-19 pandemic, we delivered a healthy level of growth across the year.

At £74.0m, total revenues were 5.0% ahead of the prior year, an increase of 8.0% at constant exchange rates. The principal driver of growth was the recovery in the Companion Animals market with demand boosted by positive fundamentals such as increased pet ownership and the relative relaxation of pandemic controls on the operation of veterinary practices. Our Companion Animals segment, which also benefited from newly introduced products, grew by 14.6% over the period.

Underlying EBITDA, a key measure of profit, increased at a double-digit percentage rate to £13.5m as margins benefited from a favourable product mix, even accounting for an increase in SG&A-related investment in our people. The ongoing management of our product portfolio is also having a positive impact; efforts to retire smaller "tail" products continue, concentrating management attention on bigger selling brands with higher returns and higher potential. After underlying adjustments totalling £8.6m (2020: £7.8m) the profit before tax on a reported basis was £0.9m (2020: £0.2m).

Cash generation was again a feature of our performance with a particularly strong cash conversion rate of 108.8% helping to reduce net debt to £5.3m by year end. This represents a 60% improvement for the year (2020: £13.6m), placing us well below our target leverage range and further equipping us with the financial muscle to invest in pipeline and commercial growth opportunities.

The Group's positive trading performance, robust financial position and confident outlook have supported the Board's decision to propose a final dividend of 2.4 pence per share (2020: 2.0 pence per share).

Organisationally, the move to a regional management structure at the beginning of the year has had a positive impact, enabling a more focused Senior Executive Team to concentrate decision-making on performance and growth opportunities. Investment in our people remains a priority so the roll out of a new leadership development programme that will provide a consistent approach is an important step for the Group.

This has been a significant year for our internal pipeline with the launch of Daxocox, our novel COX-2 inhibitor for the treatment of osteoarthritis-related pain in dogs. We received marketing approval in the EU and the UK in April and commenced launch activities across our markets in the second half of the year. We're still at an early stage with Daxocox but are encouraged by progress to date and remain confident that this product can have a growing, positive impact on animals and their owners for years to come. Life cycle management projects are under way to extend the potential of Daxocox into new indications and new territories.

Consistent with our strategy, we continue to focus on external business development opportunities: from pipeline partnerships with long-term potential to commercial deals that deliver earnings growth in the nearer term. STEM Animal Health Inc., the joint venture we established with Kane Biotech in September 2020, is soon to reach our markets with the launch of the first Plaqtiv+ range of dental treatment products that exploit the benefits of anti-biofilm technology to combat oral infections. Additionally, in a post period event, we reached a research and development partnership with Netherlands-based Orthros Medical to explore the promising therapeutic potential of novel antibodies in a veterinary setting. This collaboration and R&D agreement gives us access to innovative VHH antibody technology thereby substantially strengthening our early-stage pipeline, a key building block of our long-term growth strategy.

Animalcare has always strived to be a good corporate citizen wherever we operate. Historically, we have viewed this through a local lens. But as we grow, so do the expectations of a widening set of stakeholders. In our annual report we lay out the steps we will take to create a meaningful, achievable and measurable Group-wide plan that ensures we operate sustainably across our markets in a co-ordinated manner.

Looking to the future, we believe the attractive fundamentals that helped fuel demand during 2021 will continue to support growth in 2022; sales in the early part of the year provide grounds for optimism on that score while we navigate and manage headwinds, notably in the form of inflation and foreign exchange. Overall, however, the long-term positives of the animal health market and the strong position of the Group continue to give us confidence to invest in value-creating growth opportunities.

I'd like to take this opportunity to welcome Dr Douglas Hutchens to the Board of Animalcare Group plc whose appointment as Non-Executive Director was announced on 10 February 2022. Douglas's expertise in veterinary medicine and R&D combined with his extensive network will prove invaluable as we pursue our long-term growth strategy.

On behalf of the Board, I'd also like to recognise our employees for delivering such a positive performance in 2021 and thank our shareholders for their continuing support.

Jan Boone

Non-Executive Chairman

Chief Executive Officer's Review

2021 was a year to celebrate for Animalcare. The continuing evolution of our product portfolio, which saw significant contributions from new products such as Daxocox, helped deliver positive results in a growing and dynamic animal health market. This performance further strengthened the Group's financial position, equipping us with the firepower to invest in opportunities that are consistent with our growth strategy.

Organisationally, we continued to build the scalable and sustainable business platform required to support delivery of our long-term ambitions.

Strong finances

Pleasingly, we delivered positive results against all our key financial parameters.

Revenues for the year were £74.0m, an increase of 5.0% on the prior year, or 8.0% at constant exchange rates. Group sales performance largely mirrored the strong uptick in demand seen across the Companion Animals market which was propelled by attractive fundamentals such as increased pet ownership and a loosening of COVID-related restrictions on veterinary practices during the year. The rapid recovery in trading conditions was visible in exceptionally strong Q1 revenues compared to the same period in 2020. We expect to see a more normal pattern of sales for the opening months of 2022.

Benefiting from a favourable product mix, our gross margin of 53.3% was ahead of the prior year (2020: 51.9%). This contributed to underlying EBITDA of £13.5m (2020: £12.1m) which grew ahead of revenue even allowing for the absorption of increased SG&A costs chiefly related to investment in our people and sales and marketing excellence. After underlying adjustments totalling £8.6m (2020: £7.8m) the profit before tax on a reported basis was £0.9m (2020: £0.2m).

The Group's very strong cash conversion rate of 108.8% helped drive net debt lower to £5.3m as of 31 December 2021, a remarkable 60% reduction over the 12 months.

This was a significant achievement and an important milestone. After several years of concerted effort to improve our balance sheet, we are now comfortably below our stated target leverage range of 1 to 2 times underlying EBITDA. This increases our investment capacity and flexibility in the continued pursuit of pipeline and business development opportunities that support our long-term growth strategy.

Key leadership

In 2021 we made important strides to further align our capabilities and structure with our growth strategy.

At the beginning of the year, we adopted a regional model overseen by a slimmed down Senior Executive Team (SET). Built around the South Region (Spain, Portugal and Italy) and North Region (UK, Germany, Belgium and Netherlands), the new structure has increased management focus on performance and growth opportunities while streamlining decision-making.

To help embed this approach we have deployed a number of our key people to regional or Group roles. That has the effect of improving operational efficiency and consistency as we continue to build a scalable organisation that can adapt and flex as we grow. We are also investing in company-wide skills development, most notably in the area of sales & marketing excellence. It's vital that we continue to forge capability in this space as we introduce innovative new products in increasingly competitive and dynamic veterinary markets that have seen changes in ways of working, often accelerated by the pandemic.

More broadly, we are implementing a company-wide initiative to develop the cadre of leaders that will steer Animalcare to a successful future. Built around the proven principles of "high challenge, high support", this programme will help us to nurture the strong talent that exists at all levels across the Group.

Our annual Gallup employee survey is a valuable management tool that helps us pinpoint opportunities to maintain and build levels of engagement across the business. Following on from an exceptionally positive survey result in 2020, we saw a slight (4%) decrease in the overall engagement measure for 2021. Naturally, we would like to see that score improve year on year. But we also recognise that this rating keeps us well ahead of Gallup's European average benchmark of companies.

Through the survey, employees told us that they felt more of a "One Team" spirit, noticed an improvement in communication and cross-country collaboration and appreciated increased training and development opportunities.

They have also helped us set priorities for 2022 including better understanding of our strategic pillars in a changing marketplace, improved internal communication process and associated use of digital tools and the roll-out of our leadership programme.

Strategic Product and Portfolio Director

We're delighted to welcome Sandra Single to the Animalcare team who has joined us as Strategic Product and Portfolio Director and as a member of the Group's Senior Executive Team. In the newly created role Sandra is accountable for the alignment of internally and externally sourced products to drive future growth. She leads the Technical, R&D, Quality, Regulatory and Project Management teams and works alongside the Group's specialist Business Development resource on potential deals. Sandra brings a wealth of research, development, portfolio management and licensing experience to the Group.

Growth portfolio

Maintaining a high quality and competitive portfolio is key to our future success. It serves as both a solid foundation and an engine of growth. In 2021, we continued with our efforts to rationalise the number of smaller "tail" products, thereby concentrating management and sales & marketing attention on bigger selling, higher margin products. Collectively, our top 40 selling brands accounted for approximately 75% of total revenue, an increase of 8.3% compared with the prior year.

In 2021 we were delighted to see Daxocox enter that top 40 category. Our novel treatment for osteoarthritis-related pain in dogs was introduced in the second half and generated £1.2m in sales. Though we are launching into a vigorous marketplace, increasingly characterised by large corporate veterinary groups, we remain confident Daxocox will be our biggest selling product within the next five to ten years.

We continue to see the greatest growth potential in the Companion Animals and Equine segments of our business, particularly over the longer term. Consequently, that's where we direct most of our investment. However, our Production Animals business continues to enjoy positive fundamentals and generate attractive returns. Indeed, while the revenues derived from this product category declined by 13.9% versus 2020, adjusting for the previously mentioned discontinuation of a legacy distribution agreement in Belgium at the beginning of 2021, our retained Production Animals business grew sales and margins over the year.

Business development

Seeking out pipeline and business development opportunities through partnerships or acquisitions is a central element of our growth strategy. It's never an easy task, but there are attractive opportunities. Indeed, I don't recall many occasions during the year when we were not involved in talks over one or more promising agreements.

Animalcare's strong balance sheet, backed by an experienced business development team, equips us with the financial resources and skills to convert these opportunities into reality. It's particularly satisfying, therefore, to have struck an early-stage research and development agreement with Netherlands-based Orthros Medical. Announced on 24 March 2022, the licensing and collaboration deal seeks to unlock the exciting therapeutic potential of VHH antibodies, initially for the treatment of canine osteoarthritis. This agreement represents a key building block in our long-term growth strategy in an area of therapeutic focus and significant market growth.

In addition, the first products from STEM Animal Health Inc. - our joint venture with Kane Biotech signed in September 2020 - are soon to hit the market following completion of manufacturing transfer and the start of listing negotiations with key customers. We have also extended our commercial reach through a distribution agreement with Virbac to market and sell Daxocox in most European countries outside Animalcare's direct territories.

Innovative pipeline

Daxocox received marketing authorisation for EU countries and the UK in April 2021. Launch activities kicked off at the end of the first half of the financial year and are under way across all our markets. R&D life cycle management programmes for Daxocox have been initiated to target new indications, new formulations and geographic expansion. For the STEM joint venture, coactive+ biofilm and Dispersin B pipeline projects have been initiated, with a particular focus on otitis.

Our early-stage agreement with Orthros Medical provides an important new dimension to our growing pipeline as we pursue the potential for novel VHH antibody technology that we believe will become an increasing feature of veterinary treatment.

To support delivery of pipeline opportunities, total R&D investment reached £1.3m. We expect this to increase in 2022 as we invest in our VHH antibodies partnership with Orthros Medical and other future growth opportunities.

Summary and outlook

We entered 2021 at pace with exceptional revenue and profit growth rates in the first quarter driven by a post-pandemic recovery in Companion Animals demand. While we saw a return to more normal trading levels across the rest of the year, we delivered a very positive overall performance and a further significant improvement in the Group's financial position, enabling us to continue investing in our long-term growth strategy.

Early sales activity in 2022 is in line with management expectations, although compared to 2021 we anticipate a more even balance between the first and second halves as the grip of COVID-19 loosens over time. Across the full year we expect our revenue and growth momentum to continue while we navigate inflationary and foreign exchange headwinds. Whatever conditions we encounter, I know that we can continue to call on the commitment, agility, focus and professionalism of the Animalcare team on our journey to become a leading company in our chosen markets.

I'd like to thank each of our employees for their hard work and dedication. It's hugely appreciated by all members of the senior management team.

Jenny Winter

Chief Executive Officer

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

	2021 £'000	2020 £'000	% Change at AER %
Revenue	**74,024**	70,494	5.0%
Gross Profit	**39,418**	36,559	7.8%
Gross Margin %	**53.3%**	51.9%	1.4%
Underlying Operating Profit	**10,593**	8,561	23.7%
Underlying EBITDA	**13,455**	12,091	11.3%
Underlying EBITDA margin %	**18.2%**	17.2%	1.0%
Underlying Basic EPS (p)	**12.0p**	10.6p	13.2%

We are pleased to report a positive trading performance with revenue growth and improved gross margins leading to a double-digit increase in underlying EBITDA. The Group delivered very strong cash conversion which drove a significant reduction in net debt during the year, further strengthening our capacity to invest in our long-term growth strategy.

Revenues grew to £74.0m (2020: £70.5m), up 5.0% on the prior year (8.0% at CER). As anticipated, revenue growth was weighted towards the first half as a result of exceptional veterinary demand in Q1 and markets returning to more normal levels over the course of the financial year.

Revenue by product category is shown in the table below:

	2020 **£'000**	2020 £'000	% Change at AER
Companion Animals	**51,326**	44,808	14.5%
Production Animals	**16,980**	19,720	(13.9%)
Equine & other	**5,718**	5,966	(4.1%)
Total	**74,024**	70,494	5.0%

Companion Animals revenue, which represented approximately 69% of Group turnover, is the key driver of our overall revenue growth, increasing by 14.5% to £51.3m. This growth can be attributed to strong in-year market dynamics across Europe, in particular during the first half of the year, newly introduced products, which contributed £2.2m (2020: £1.9m) and continued focus on driving value from our key (top 40) brands. Daxocox, our novel COX-2 inhibitor pain treatment for dogs, added £1.2m to revenue, predominantly during the second half.
In contrast, Production Animals revenue declined by 13.9% versus the prior year to £17.0m. This is primarily driven by the discontinuation of a legacy distribution contract of several antibiotics and other lower margin products within the Group's Belgium subsidiary. Production Animals remains an important part of our South Region business, accounting for approximately 40% of regional revenues. Within this region, Production Animals sales increased by 3.0% compared to 2020.
As expected, Equine and other sales decreased by 4.1% to £5.7m primarily due to prior year stock build within our international partner channel in advance of the manufacturing transfer of Danilon, which was completed during the year.

During 2021, we maintained our emphasis on optimising our portfolio to reduce fragmentation and drive commercial focus towards our larger selling, higher margin, brands. As a result, we entered 2022 with a portfolio that is close to our target of approximately 150 brands. Revenues from the top 40 brands grew by 8.3%, predominantly driven by new product launches during 2021 and 2020, while improving our gross margins.

The strong revenue growth and higher margin product mix drove a significant improvement in our operating profitability with underlying EBITDA at £13.5m (2020: £12.1m), an increase of 11.3% versus prior year. SG&A costs increased during the year to £26.0m (2020: £24.5m) principally driven by investments in sales and marketing activities and our people. As a result, SG&A expenses as a percentage of revenue increased to 35.1% (2020: 34.7%).

The underlying effective tax rate of 24.4% (2020: 20.1%) has increased versus prior year primarily reflecting the geographic mix of profits and the one-off impact of the substantively enacted increase in corporate tax rates in the UK (from 19% to 25% effective 1 April 2023) on deferred tax balances. We continue to optimise research and development tax credits.

Reflecting the points noted above, underlying basic EPS increased by 13.2% to 12.0 pence (2020: 10.6 pence).

Overview of reported financial results
Reported Group loss after tax for the year (after accounting for the non-underlying items shown in the table and discussed below) was £0.1m (2020: £0.2m profit), with reported loss per share at 0.1 pence (2020: 0.4 pence earnings per share).

	2021 Underlying results £'000	Amortisation and impairment	Acquisition, restructuring, integration	**2021 Reported results £'000**	2020 Reported results £'000

		of intangibles £'000	and other costs £'000		
Revenue	**74,024**	-	-	**74,024**	70,494
Gross Profit	**39,418**	-	-	**39,418**	36,559
Selling, general & administrative expenses	**(26,759)**	(4,580)	-	**(31,339)**	(30,427)
Research & development expenses	**(2,181)**	(951)	-	**(3,132)**	(3,486)
Net other operating income/(expense)	**115**	(2,761)	(312)	**(2,958)**	(1,843)
Operating profit/(loss)	**10,593**	(8,292)	(312)	**1,989**	803
Net finance expenses	**(856)**	-	-	**(856)**	(511)
Share in net loss of joint ventures	**(188)**	-	-	**(188)**	(93)
Profit/(loss) before tax	**9,542**	(8,292)	(312)	**945**	199
Taxation	**(2,325)**	1,256	47	**(1,022)**	35
Profit/(loss) for the year	**7,224**	(7,036)	(265)	**(77)**	234
Basic earnings/(loss) per share (p)	**12.0p**	-	-	**(0.1p)**	0.4p

Non-underlying items totalling £8.6m (2020: £7.8m) relating to profit before tax have been incurred in the year, as set out in note 4. These principally comprise:

1. Amortisation and impairment of acquisition-related intangibles of £8.3m (2020: £5.9m). This charge primarily comprises amortisation in relation to the reverse acquisition of Ecuphar NV and previous acquisitions made by Ecuphar NV. The increase versus 2020 primarily reflects the non-cash impairment of four projects that formed part of the acquired development pipeline, the principal drivers for which are:
    - the recall and suspension of all products containing ranitidine for human use by European and US authorities. Consequently, Animalcare has ceased development of ranitidine for animal use; and
    - technical and manufacturing issues that have significantly impacted the timing of supply and expected commercial returns of an equine product.
2. Expenses relating to acquisition, business development, integration, restructuring and other costs of £0.8m (2020: £1.5m) including the carve out and partnership of Identicare Ltd, our microchipping and database services business, with effect from 1 January 2022, reorganisation and restructuring of our Belgium and UK logistic operations and relocation of our Spanish office;
3. £0.5m income in respect of product divestments as we continue to focus on our core higher margin brands.

Dividends

An interim dividend of 2.0 pence per share was paid in November 2021.

The Board is proposing a final dividend of 2.4 pence per share (2020: 2.0 pence per share) in line with pre-COVID levels. Subject to shareholder approval at the Annual General Meeting to be held on 7 June 2022, the final dividend will be paid on 8 July 2022 to shareholders whose names are on the Register of Members at close of business on 10 June 2022. The ordinary shares will become ex-dividend on 9 June 2022.

The Board continues to closely monitor the dividend policy, recognising the Group's need for investment to drive future growth and dividend flow to deliver overall value to our shareholders.

Cash flow and net debt

We have made significant progress during 2021 in reducing our debt and increasing our financial capacity for M&A and pipeline opportunities that support our long-term growth. The main driver for this was our very strong cash conversion performance as set out in the table below:

	2021	2020
	£'000	£'000
Underlying EBITDA	**13,455**	12,091
Net cash flow from operations	**14,023**	11,117
Non-underlying items	**611**	1,324
Underlying net cash flow from operations	**14,634**	12,441
Underlying cash conversion %	**108.8%**	102.9%

Net cash flow generated by our operations increased to £14.0m (2020: £11.1m). Net working capital reduced by £2.2m primarily due to lower than expected receivables as a result of phasing of trading towards year end. Inventories reduced by £1.4m driven by delayed supply, a large proportion of which came into stock during Q1. The reduction in net working capital was in part offset by a £1.8m increase in cash taxes mainly due to a combination of geographic mix of profits, phasing of payments, settlement of prior year taxes and reduced cash receipts in respect of R&D tax credits.

As we expect trading and inventory patterns to be more balanced over the current financial year ending 31 December 2022, we anticipate cash conversion to be lower in 2022, but remain on average over 2021 and 2022 within the target 90-100% range.

Net debt reduced by £8.3m over the full year and stood at £5.3m on 31 December 2021. This significant improvement was largely driven by the very strong cash conversion noted above. Exchange rate variations benefited the net debt position by £1.1m.

	£'000
Net debt at 1 January 2021	**(13,618)**
Net cash generated from operations	14,023
Net capital expenditure	(2,675)
Investments in joint venture	(289)
Net finance expenses	(1,684)
Issue of share options	76
Dividends paid	(2,403)
Foreign exchange on cash and borrowings	1,148
Movement in IFRS 16 lease liabilities	92
Net debt at 31 December 2021	**(5,330)**

Net capital expenditure of £2.7m (2020: £1.5m) largely comprises investment in our product development pipeline of £1.3m, the most significant components of which relate to Daxocox and milestone licence payments to STEM Animal Health inc, together with £1.0m of expenditure relating to continuing investment in our IT infrastructure, including new regulatory and quality management systems and website and platform development relating to Identicare Ltd.

The net debt to underlying EBITDA leverage ratio was approximately 0.4 times (FY20: 1.1 times) comfortably below the Group's stated target range of 1-2 times underlying EBITDA.

Borrowing facilities

During the first half of the year, we completed an exercise with our four syndicate banks to extend our existing banking facilities from 31 March 2022 to 31 March 2025.

The Group's financing arrangements consist of a committed revolving credit facility of €41.5m and a €10m acquisition line, which cannot be utilised to fund our operations. The investment loan facility was repaid in full at the time of renewal.

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%.

As at 31 December 2021 and throughout the financial year, all covenant requirements were met with significant headroom across all three measures.

At 31 December 2021, total facilities were £43.3m, of which £3.6m, net of cash balances, was utilised, leaving headroom of £39.7m.

Going concern

The Directors have prepared cashflow forecasts for a period of at least 12 months from the date of signing of these financial statements (the going concern assessment period). These forecasts indicate that the Group will have sufficient funds to meet its obligations as they fall due, taking into account the potential impact of "severe but plausible" downside scenarios to factor in a range of downside revenue estimates, including further unexpected COVID disruptions, 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 from its committed facilities and complies with all its banking covenants throughout the going concern assessment period. Accordingly, the Directors continue to adopt the going concern basis of preparation.

Summary and outlook

We delivered a strong set of results driven by growing demand in our Companion Animals segment, underpinned by strong market fundamentals which have moderated as we progressed through the financial year. Demand levels in the early part of 2022 are encouraging and in line with expectations that revenue and profit delivery will be more balanced over the current financial year compared to 2021.

Our very strong underlying cash conversion led to a significant reduction in net debt and the net debt to underlying EBITDA leverage ratio. We hence enter 2022 with increased capacity and flexibility to pursue business and product development opportunities. Our licensing and collaboration agreement with Orthros Medical, announced on 24 March 2022, is the first step towards increasing investment in our product development pipeline.

Chris Brewster

Chief Financial Officer

29 March 2022

Consolidated income statement
Year ended 31 December 2021

	For the year ended 31 December

	Notes	Underlying 2021 £'000	Non-Underlying (note 4) 2021 £'000	Total 2021 £'000	Underlying 2020 £'000	Non-Underlying (note 4) 2020 £'000	Total 2020 £'000
Revenue	5	**74,024**	**–**	**74,024**	70,494	–	70,494
Cost of sales		**(34,606)**	**–**	**(34,606)**	(33,935)	–	(33,935)
Gross profit		**39,418**	**–**	**39,418**	36,559	–	36,559
Research and development expenses		**(2,181)**	**(951)**	**(3,132)**	(2,386)	(1,100)	(3,486)
Selling and marketing expenses		**(12,277)**	**–**	**(12,277)**	(12,325)	–	(12,325)
General and administrative expenses		**(14,482)**	**(4,580)**	**(19,062)**	(13,302)	(4,800)	(18,102)
Net other operating (expense)/income		**115**	**(3,073)**	**(2,958)**	15	(1,858)	(1,843)
Operating profit/(loss)		**10,593**	**(8,604)**	**1,989**	8,561	(7,758)	803
Financial expenses	6	**(2,613)**	**–**	**(2,613)**	(1,051)	–	(1,051)
Financial income	7	**1,757**	**–**	**1,757**	540	–	540
Financial expenses net		**(856)**	**–**	**(856)**	(511)	–	(511)
Share in net loss of joint ventures accounted for using the equity method	12	**(188)**	**–**	**(188)**	(93)	–	(93)
Profit/(loss) before tax		**9,549**	**(8,604)**	**945**	7,957	(7,758)	199
Income tax	8	**(2,325)**	**1,303**	**(1,022)**	(1,604)	1,639	35
(Loss)/profit for the year		**7,224**	**(7,301)**	**(77)**	6,353	(6,119)	234
Net profit/(loss) attributable to:							
The owners of the parent		**7,224**	**(7,301)**	**(77)**	6,353	(6,119)	234
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the Company:							
Basic earnings per share	9	12.0p	**–**	(0.1p)	10.6p	**–**	0.4p
Diluted earnings per share	9	12.0p	**–**	(0.1p)	10.6p	**–**	0.4p

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

Consolidated statement of comprehensive income
Year ended 31 December 2021

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
(Loss)/ profit for the year	**(77)**	234
Other comprehensive income		
Cumulative translation differences*	**(638)**	508

Other comprehensive (loss)/ income, net of tax	**(638)**	508
Total comprehensive (loss)/ income for the year, net of tax	**(715)**	742
Total comprehensive (loss)/ income attributable to:		
The owners of the parent	**(715)**	742

* May be reclassified subsequently to profit & loss

Consolidated statement of financial position
Year ended 31 December 2021

	Notes	For the year ended 31 December	
		2021	**2020**
		£'000	£'000
Assets			
Non-current assets			
Goodwill	10	**50,337**	50,987
Intangible assets	11	**29,719**	37,812
Property, plant and equipment		**626**	265
Right-of-use-assets	16	**1,658**	1,790
Investments in joint ventures	12	**1,290**	**1,457**
Deferred tax assets	8	**1,963**	2,220
Other financial assets		**90**	63
Other non-current assets		**24**	48
Total non-current assets		**85,707**	94,642
Current assets			
Inventories		**10,328**	12,797
Trade receivables		**7,135**	10,142
Other current assets		**1,200**	1,589
Cash and cash equivalents		**5,633**	5,265
Total current assets		**24,296**	29,793
Total assets		**110,003**	124,435
Liabilities			
Current liabilities			
Borrowings	13	**–**	(637)
Lease liabilities	16	**(723)**	(951)
Trade payables		**(10,021)**	(11,348)
Tax payables		**(471)**	(553)
Accrued charges and contract liabilities	14	**(1,083)**	(2,686)
Other current liabilities		**(2,156)**	(3,202)
Total current liabilities		**(14,454)**	(19,377)
Non-current liabilities			
Borrowings	13	**(9,243)**	(16,432)
Lease liabilities	16	**(996)**	(861)
Deferred tax liabilities	8	**(4,271)**	(4,804)
Contract liabilities	14	**(675)**	(556)
Provisions		**(408)**	(96)
Other non-current liabilities		**(1,157)**	(717)
Total non-current liabilities		**(16,750)**	(23,466)

Total Liabilities		**(31,204)**	(42,843)
Net assets		**78,799**	81,592
Equity			
Share capital	15	**12,019**	12,012
Share premium	15	**132,798**	132,729
Reverse acquisition reserve		**(56,762)**	(56,762)
Accumulated losses		**(11,676)**	(9,445)
Other reserves		**2,420**	3,058
Equity attributable to the owners of the parent		**78,799**	81,592
Total equity		**78,799**	81,592

Consolidated statement of changes in equity
Year ended 31 December 2021

	Attributable to the owners of the parents					
	Share capital £'000	**Share premium** £'000	**Retained earnings/ Accumulated losses** £'000	**Reverse acquisition reserve** £'000	**Other reserve** £'000	**Total equity** **£'000**
At 1 January 2021	**12,012**	**132,729**	**(9,445)**	**(56,762)**	**3,058**	**81,592**
Loss for the year	**–**	**–**	**(77)**	**–**	**–**	**(77)**
Other comprehensive expense	**–**	**–**	**–**	**–**	**(638)**	**(638)**
Total comprehensive expense	**–**	**–**	**(77)**	**–**	**(638)**	**(715)**
Dividends paid	**–**	**–**	**(2,403)**	**–**	**–**	**(2,403)**
Exercise of share options	**7**	**69**	**–**	**–**	**–**	**76**
Share based payments	**–**	**–**	**249**	**–**	**–**	**249**
At 31 December 2021	**12,019**	**132,798**	**(11,676)**	**(56,762)**	**2,420**	**78,799**

	Attributable to the owners of the parents					
	Share capital £'000	**Share premium** £'000	**Retained earnings/ Accumulated losses** £'000	**Reverse acquisition reserve** £'000	**Other reserve** £'000	**Total equity** **£'000**
At 1 January 2020	**12,012**	**132,729**	**(8,640)**	**(56,762)**	**2,550**	**81,889**
Profit for the year	**–**	**–**	**234**	**–**	**–**	**234**
Other comprehensive income	**–**	**–**	**–**	**–**	**508**	**508**
Total comprehensive expense	**–**	**–**	**234**	**–**	**508**	**742**
Dividends paid	**–**	**–**	**(1,201)**	**–**	**–**	**(1,201)**
Share based payments	**–**	**–**	**162**	**–**	**–**	**162**
At 31 December 2020	**12,012**	**132,729**	**(9,445)**	**(56,762)**	**3,058**	**81,592**

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 2021

	Notes	For the year ended 31 December	
		2021	**2020**
		£'000	£'000
Operating activities			
Profit before tax		**945**	199
Non-cash and operational adjustments			
Share in net loss of joint ventures	12	**188**	93
Depreciation of property, plant and equipment		**1,186**	1,243
Amortisation of intangible assets	11	**7,217**	8,149
Impairment of intangible assets	11	**2,761**	19
Share-based payment expense		**249**	162
Gain on disposal of fixed assets		**(396)**	(16)
Non-cash movement in provisions		**120**	534
Movement allowance for bad debt and inventories		**760**	509
Financial income		**(459)**	(219)
Financial expense		**1,221**	815
Impact of foreign currencies		**88**	(82)
Fair value adjustment contingent consideration		**(17)**	–
Movements in working capital			
Decrease in trade receivables		**3,540**	640
Decrease/(Increase) in inventories		**1,356**	(1,615)
(Decrease)/increase in payables		**(2,698)**	882
Income tax paid		**(2,038)**	(196)
Net cash flow from operating activities		**14,023**	11,117
Investing activities			
Purchase of property, plant and equipment		**(557)**	(177)
Purchase of intangible assets	11	**(2,658)**	(2,258)
Proceeds from the sale of property, plant and equipment (net)		**540**	122
Capital contribution in joint venture	12	**(289)**	(593)
Net cash flow used in investing activities		**(2,964)**	(2,906)
Financing activities			
Proceeds from loans and borrowings and convertible debt		**(8,476)**	(6,002)
Repayment of loans and borrowings		**1,524**	(5)
Repayment of IFRS16 lease liability	16	**(1,024)**	(1,081)
Receipts from issue of share capital		**76**	–
Dividends paid	15	**(2,403)**	(1,201)
Interest paid		**(447)**	(516)
Other financial (expense)/income		**(213)**	(53)
Net cash flow used in financing activities		**(10,963)**	(8,858)
Net increase/(decrease)in cash and cash equivalents		**96**	(647)
Cash and cash equivalents at beginning of year		**5,265**	6,165

Exchange rate differences on cash and cash equivalents		**272**	(253)
Cash and cash equivalents at end of year		**5,633**	5,265

	Notes	**For the year ended 31 December**	
		2021	**2020**
		£'000	£'000
Reconciliation of net cash flow to movement in net debt			
Net increase in cash and cash equivalents in the year		**96**	(647)
Cash flow from decrease in debt financing		**6,952**	6,007
Foreign exchange differences on cash and borrowings		**1,148**	(1,290)
Movement in net debt during the year		**8,196**	4,070
Net debt at the start of the year		**(13,618)**	(17,812)
Movement in lease liabilities during the year	16	**92**	124
Net debt at the end of the year		**(5,330)**	(13,618)

Notes to the consolidated financial statements
Year ended 31 December 2021

1. Financial information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 and 31 December 2020. The financial information for 2020 is derived from the statutory accounts for 2020 which have been delivered to the Registrar of Companies and those for 2021 will be delivered in due course. 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.

2. Basis of preparation

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

The consolidated financial statements cover the year ended 31 December 2021 and compromise the consolidated results of the Group. The financial information included in this preliminary announcement has been prepared on the same basis as set out in the Annual Report 2021.

3. Summary of significant accounting policies

Going concern

The Directors have prepared cashflow forecasts for a period of at least 12 months from the date of signing of the financial statements (the going concern assessment period). These forecasts indicate that the Group will have sufficient funds to meet its obligations as they fall due, taking into account the potential impact of "severe but plausible" downside scenarios to factor in a range of downside revenue estimates, including further unexpected COVID disruptions, 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 from its committed facilities and complies with all its banking covenants throughout the going concern assessment period. Accordingly, the Directors continue to adopt the going concern basis of preparation.

The Group's financing arrangements consist of a committed revolving credit facility of €41.5m and a €10m acquisition line, which cannot be utilised to fund our operations. 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%.

As at 31 December 2021 and throughout the financial year, all covenant requirements were met with significant headroom across all three measures.

4. Non-underlying items

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Amortisation and impairment of acquisition related intangibles		
Classified within research and development expenses	**951**	1,100
Classified within general and administrative expenses	**4,580**	4,800
Classified within net other operating expenses	**2,761**	-
Total amortisation and impairment of acquisition-related intangibles	**8,292**	5,900
Restructuring costs	**17**	415
Acquisition and integration costs	**188**	698
Brexit-related costs	**-**	5
Divestments and business disposals	**(462)**	85
COVID-19	**11**	283
Other non-underlying items	**558**	372
Total non-underlying items before taxes	**8,604**	7,758
Tax impact	**(1,303)**	(1,639)
Total non-underlying items after taxes	**7,301**	6,119

The amortisation charge of acquisition-related intangibles largely relates to the Esteve acquisition of £1,980k (2020: £2,047k), the Riemser acquisition of £212k (2020: £373k) and the reverse acquisition of Animalcare Group plc of £3,375k (2020: £3,479k).

The impairment charge of £ 2,761k (2020: £nil) primarily reflects the non-cash impairment of four projects that formed part of the acquired development pipeline, the principal drivers for which are:

- the recall and suspension of all products containing ranitidine for human use by European and US authorities. Consequently, Animalcare has ceased development of ranitidine for animal use; and
- technical and manufacturing issues that have significantly impacted the timing of supply and expected commercial returns of an equine product.

Expenses relating to acquisition, business development, integration, restructuring and other costs of £0.8m (2020: £1.5m) include the carve out and partnership of Identicare Ltd, our microchipping and database services business, with effect from 1 January 2022, reorganisation and restructuring of our Belgium and UK logistic operations and the relocation of our Spanish office.

Finally, strong focus on core higher margin brands have led to several product divestments with associated income on sale of £462k (2020: £85k).

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 financial income, plus income taxes and deferred taxes, plus depreciation, amortisation and impairment. Underlying EBITDA equals EBITDA plus non-underlying items.

The following table summarises the segment reporting from continuing operations for 2021 and 2020. As management's controlling instrument is mainly revenue-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	
	2021	**2020**
	£'000	£'000
Pharma		
Revenues	**74,024**	70,494
Gross Profit	**39,418**	36,559
Gross Profit %	**53%**	52%
Segment underlying EBITDA	**13,455**	12,091
Segment underlying EBITDA %	**18%**	17%
Segment EBITDA	**13,143**	10,231
Segment EBITDA %	**18%**	15%

The segment EBITDA is reconciled with the consolidated net profit/(loss) of the year as follows:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
EBITDA	**13,143**	10,231
Depreciation, amortisation and impairment	**(11,154)**	(9,428)
Operating profit/(loss)	**1,989**	803
Financial expenses	**(2,613)**	(1,051)
Financial income	**1,757**	540
Share in net profit/(loss) of joint ventures	**(188)**	(93)
Income taxes	**(1,371)**	(985)
Deferred taxes	**349**	1,020
(Loss)/profit for the year	**(77)**	234

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

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Belgium	**8,834**	11,353
Spain	**2,811**	2,476
Portugal	**4,061**	4,276
UK	**62,157**	68,042
Other	**5,881**	6,275
Non-current assets excluding deferred tax assets and financial instruments	**83,744**	92,422

Revenue by product category

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Companion animals	**51,326**	44,808
Production animals	**16,980**	19,720
Equine	**5,637**	5,947
Other	**81**	19
Total	**74,024**	70,494

Revenue by geographical area

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Belgium	**4,023**	9,502
The Netherlands	**1,769**	1,326
United Kingdom	**15,471**	11,553
Germany	**10,373**	10,746
Spain	**21,035**	17,990
Italy	**8,885**	7,935
Portugal	**4,193**	4,554
European Union - other	**6,971**	5,621
Asia	**681**	782
Middle East Africa	**1**	81
Other	**622**	404
Total	**74,024**	70,494

Revenue by category

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Product sales	**72,651**	69,443
Services sales	**1,373**	1,051
Total	**74,024**	70,494

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. Financial expenses

Financial expenses include the following elements:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Interest expense	**447**	516
Foreign currency losses	**1,912**	418
Change in fair value - losses on financial instruments	**85**	17
Other financial expenses	**169**	100
Total	**2,613**	1,051

7. Financial income

Financial income includes the following elements:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Foreign currency exchange gains	**1,754**	518
Income from financial assets	**1**	13
Other financial income	**2**	9
Total	**1,757**	540

8. Income tax

Income tax

The following table shows the breakdown of the tax expense for 2021 and 2020:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Current tax charge	**(1,371)**	(830)
Tax adjustments in respect of previous years	**–**	(155)

Total current tax charge	**(1,371)**	(985)
Deferred tax - origination and reversal of temporary differences	**458**	950
Deferred tax - adjustments in respect of previous years	**(109)**	70
Total deferred tax credit	**349**	1,020
Total tax (expense)/income for the year	**(1,022)**	35

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

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Profit before tax	**945**	199
Share in net loss/(profit) of joint ventures	**(188)**	(93)
Profit before tax, excl. Share in net loss of joint ventures	**1,133**	292
Tax at 19.00% (2020: 19.00%)	**(215)**	(55)
Effect of:		
Overseas tax rates	**(386)**	(262)
Non-deductible expenses	**(180)**	(109)
Other taxes	**–**	(7)
Use of tax losses previously not recognised	**76**	181
Changes in statutory enacted tax rate	**(273)**	(4)
Tax adjustments in respect of previous year	**(109)**	(85)
Non recognition of deferred tax on current year losses	**(105)**	(423)
Recognition of formerly non-recognised deferred tax assets on TLCF	**50**	821
R&D relief	**200**	44
Other	**(80)**	(66)
Income tax (expense)/income as reported in the consolidated income statement	**(1,022)**	35

The tax credit of £1,303k (2020: £1,639k) shown within "non-underlying items" on the face of the consolidated income statement, which forms part of the overall tax charge of £1,022k (2020: £35k credit) relates to the items in note 4.

The tax rates used for the 2021 and 2020 reconciliation above are the corporate tax rates of 25.00% (Belgium), 15.00% (the Netherlands), 30.70% (Germany), 33.00% (France), 25.00% (Spain), 24.00% (Italy), 21.00% (Portugal) and 19.00% (the United Kingdom). These taxes are payable by corporate entities in the above-mentioned countries on taxable profits under tax law in that jurisdiction.

The March 2021 Budget resulted in an increase to the UK standard rate of corporation tax to 25% from 1 April 2023. Given the legislation was enacted during the year deferred taxes have been adjusted accordingly reflecting the increase of the tax rate in the future, resulting in a deferred tax charge of £273k.

Deferred taxes at the balance sheet date have been measured using the enacted tax rates and reflected in these financial statements.

Deferred tax

(a) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Goodwill	**(125)**	(150)	**(923)**	(785)	**(1,048)**	(935)

Intangible assets	**243**	275	**(3,435)**	(4,048)	**(3,192)**	(3,773)
Property, plant and equipment	**(186)**	(309)	**(195)**	(130)	**(381)**	(439)
Financial fixed assets	**1**	1	**–**	–	**1**	1
Inventory	**(11)**	(22)	**(40)**	(19)	**(51)**	(41)
Trade and other payables/receivables	**94**	120	**59**	46	**153**	166
Borrowings	**182**	272	**223**	132	**405**	404
Provisions	**3**	–	**–**	–	**3**	–
Accruals and deferred income	**13**	104	**40**	–	**53**	104
Tax losses carried forward	**1,749**	1,929	**–**	–	**1,749**	1,929
Total	**1,963**	2,220	**(4,271)**	(4,804)	**(2,308)**	(2,584)

(b) Movements during the year
Movement of deferred taxes during 2021:

	Balance at 1 January 2021	**Recognised in income**	**Foreign exchange adjustments**	**Balance at 31 December 2021**
	£'000	**£'000**	**£'000**	**£'000**
Goodwill	(935)	(174)	61	**(1,048)**
Intangible assets	(3,773)	600	(19)	**(3,192)**
Property, plant and equipment	(439)	34	24	**(381)**
Financial fixed assets	1	–	–	**1**
Inventory	(41)	(13)	3	**(51)**
Trade and other payables/receivables	166	(11)	(2)	**153**
Accruals and deferred income	104	(44)	(7)	**53**
Borrowings	404	27	(26)	**405**
Provisions	–	–	3	**3**
Tax losses carry forward and other tax benefits	1,929	(70)	(110)	**1,749**
Net deferred tax	**(2,584)**	**349**	**(73)**	**(2,308)**

Movement of deferred taxes during 2020:

	Balance at 1 January 2020	**Recognised in income**	**Foreign exchange adjustments**	**Balance at 31 December 2020**
	£'000	£'000	£'000	£'000
Goodwill	(772)	(118)	(45)	(935)
Intangible assets	(3,771)	(37)	35	(3,773)
Property, plant and equipment	(399)	(21)	(19)	(439)
Financial fixed assets	1	–	–	1
Inventory	(29)	(10)	(2)	(41)
Trade and other payables/receivables	2	165	(1)	166
Accruals and deferred income	6	97	1	104
Borrowings	407	(24)	21	404
Tax losses carry forward and other tax benefits	903	968	58	1,929
Net deferred tax	(3,652)	1,020	48	(2,584)

Tax losses

The Group has unused tax losses, tax credits and notional interest deduction available in an amount of £7,435k for 2021 (2020: £7,532k).

Deferred tax assets have been recognised on available tax losses carried forward for some legal entities, resulting in amounts recognised of £ 1,749k (2020: £ 1,929k). This was based on management's estimate that sufficient positive taxable basis will be generated in the near future for the related legal entities with fiscal losses.

After re-evaluation it was decided that Ecuphar NV will not recognise new deferred tax assets of £118k in 2021.

9. Earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holder 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 were used in the earnings per share computations:

Profit/(loss) before continuing operations

	For the year ended 31 December			
	2021 Underlying £'000	2020 Underlying £'000	**2021 Total £'000**	2020 Total £'000
Net profit/(loss) for the year	**7,224**	6,353	**(77)**	234
Net profit/(loss) attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**7,224**	6,353	**(77)**	234

Average number of shares (basic and diluted)

	For the year ended 31 December			
Number of shares	**2021 Underlying**	2020 Underlying	**2021 Total**	2020 Total
Weighted average number of ordinary shares for basic earnings per share	**60,081,167**	60,057,161	**60,081,167**	60,057,161
Dilutive potential ordinary shares - share options	**376,836**	42,581	**376,836**	42,581
Weighted average number of ordinary shares adjusted for effect of dilution	**60,458,003**	60,099,742	**60,458,003**	60,099,742

Basic earnings/(loss) per share

	For the year ended 31 December			
	2021 Underlying in pence	2020 Underlying in pence	**2021 Total in pence**	2020 Total in pence

From operations attributable to the ordinary equity holders of the company	**12.0**	10.6	**(0.1)**	0.4
Total basic earnings per share attributable to the ordinary equity holders of the company	**12.0**	10.6	**(0.1)**	0.4

Diluted earnings/(loss) per share

	For the year ended 31 December			
	2021 Underlying in pence	2020 Underlying in pence	**2021 Total in pence**	2020 Total in pence
From operations attributable to the ordinary equity holders of the Company	**12.0**	10.6	**(0.1)**	0.4
Total basic earnings per share attributable to the ordinary equity holders of the Company	**12.0**	10.6	**(0.1)**	0.4

10. Goodwill

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

	For the year ended 31 December	
	2021 £'000	**2020** £'000
CGU: Pharmaceuticals	**50,337**	50,987
Total	**50,337**	50,987

The changes in the carrying value of the goodwill can be presented as follows for the years 2021 and 2020:

	Total
	£'000
At 1 January 2020	50,454
Currency translation	534
At 31 December 2020	50,988
Currency translation	(651)
At 31 December 2021	**50,337**

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 the reverse acquisition of Animalcare Group plc in 2017.

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

	2021	2020
Discount rate (pre-tax) %	**11.8**	11.2

Growth rate (in perpetuity) %	**1.9**	2.0

In the prior year the discount rate (pre-tax) was incorrectly disclosed as 10.2%. This has been restated to disclose the actual pre-tax rate used in 2020 of 11.2%.

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 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 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 £19.9m 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 £15.3m but would not give rise to an impairment.

The CGU is robust to small reductions in short-term cash flows, whether driven by lower sales growth, lower operating profits or lower cash conversion. A 57.0% reduction in total annual cash flows would give rise to an impairment of £100k. An increase in discount rates to 20.1% or a reduction in perpetuity growth rates to (18.6%) would each give rise to an impairment in the CGU of £100k.

11. Intangible assets

The changes in the carrying value of the intangible assets can be presented as follows for the years 2021 and 2020:

	In Process R&D	**Patents, distribution rights and licenses**	**Product portfolios and product development costs**	**Capitalised software**	**Total**
	£'000	£'000	£'000	£'000	£'000
Acquisition value/cost					
At 1 January 2020	17,921	18,438	38,606	1,516	76,481
Additions	1,592	39	51	573	2,255
Disposals	(1,104)	–	(1,957)	(14)	(3,075)
Currency translation	246	789	916	74	2,025
At 31 December 2020	18,655	19,266	37,616	2,149	77,686
At 1 January 2021	**18,655**	**19,266**	**37,616**	**2,149**	**77,686**
Additions	**1,247**	**–**	**1,030**	**1,080**	**3,357**
Disposals	**(4,934)**	**(57)**	**(134)**	**(20)**	**(5,145)**
Transfers	**(2,195)**	**–**	**2,195**	**–**	**–**
Currency translation	**(327)**	**(961)**	**(1,140)**	**(119)**	**(2,547)**
At 31 December 2021	**12,446**	**18,248**	**39,567**	**3,090**	**73,351**

	In Process R&D	**Patents, distribution rights and licenses**	**Product portfolios and product development costs**	**Capitalised software**	**Total**

Amortisation					
At 1 January 2020	(4,813)	(9,969)	(17,769)	(930)	(33,481)
Amortisation	(1,473)	(2,805)	(3,508)	(363)	(8,149)
Disposals	1,080	–	1,958	14	3,052
Impairments	–	(19)	–	–	(19)
Transfers	44	–	–	(44)	–
Currency translation	(93)	(511)	(619)	(54)	(1,277)
At 31 December 2020	(5,255)	(13,304)	(19,938)	(1,377)	(39,874)
At 1 January 2021	**(5,255)**	**(13,304)**	**(19,938)**	**(1,377)**	**(39,874)**
Amortisation	**(1,387)**	**(1,897)**	**(3,303)**	**(630)**	**(7,217)**
Disposals	**4,211**	**57**	**46**	**55**	**4,369**
Impairments	**(2,671)**	**–**	**(77)**	**(13)**	**(2,761)**
Currency translation	**147**	**770**	**855**	**88**	**1,860**
Other	**–**	**–**	**–**	**(9)**	**(9)**
At 31 December 2021	**(4,955)**	**(14,374)**	**(22,417)**	**(1,886)**	**(43,632)**
Net carrying value					
At 31 December 2021	**7,491**	**3,874**	**17,150**	**1,204**	**29,719**
At 31 December 2020	13,400	5,962	17,678	772	37,812

In-process research and development 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 in-process R&D costs for which the capitalisation criteria are met. Patents, distribution rights and licences 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 capitalised software includes an IT driven by accelerated CRM software investment and website and platform development relating to Identicare Ltd.

The total amortisation charge for 2021 is £7,217k (2020: £8,149k) which is included in lines cost of sales, research and development expenses, sales and marketing expenses and general and administrative expenses of the consolidated income statement. Included in the total amortisation and impairment charge is £8,292k (2020: £5,900k) relating to acquisition related intangibles.

Further an impairment charge of £2,761k (2020: £19k) was recorded during the financial year.

In 2021, the Group has invested in intangibles for an amount of £ 3,357k, which is £ 699k higher than the additions reported in the cashflow (£ 2,658k). This is the result of the license payable to STEM, which is only taken into capex for the actual cash out part.

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 CA$3m, of which CA$1m was paid in 2020, CA$0.5m during the financial year and CA$1.5m still payable over 34 months. The Group has an option, for a period of 5 years, to acquire an additional one-sixth stake in STEM for CA$4 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 is accounted for through the equity method in the consolidated financial statements.

Separately, we also announced that we had entered into a licensing agreement, under which we will invest a further CA$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.

During the financial year the group made its first license payment of CA$0.5m. The following payment is due in 2023, therefore only a long-term payable of CA$1.3m (£766k) is remaining. Further, for the capital contribution, the outstanding short-term liability is £277k (2020: £272k), shown in the balance sheet as other current liability. The outstanding long-term liability is £502k (2020: £717k), shown in the balance sheet as other non-current liability. The Group expects the licencing agreement to be earnings enhancing in 2022.

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**		**Nature of relationship**	**Measurement method**	**Carrying amount**	
		2021	2020			**2021**	2020
		%	%			**£'000**	£'000
STEM Animal Health Inc.	Canada	33.34%	33.34%	Joint Venture	Equity method	**1,290**	1457

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 reflects the amounts presented in the financial statements of the relevant joint venture followed by Animalcare's share of those amounts.

	For the year ended 31 December 2021	**For the year ended 31 December 2020**
	£'000	**£'000**
Non-current assets	547	760
Current assets	945	911
Total assets	**1,492**	**1,671**
Non-current liabilities	0	0
Current liabilities	525	297
Total liabilities	**525**	**297**
Net assets	**967**	**1,374**
Group Share	322	458
Goodwill	561	552
Fair value identified intangibles	554	608
Deferred tax liability	(147)	(161)
Investment value in joint venture	**1,290**	**1,457**

Summarised statement of comprehensive income:

	For the year ended 31 December 2021 £'000	For the year ended 31 December 2020 £'000
Sales	856	134
Operating expenses	(1,338)	(378)
Financial result, net	55	(1)
Net (loss)/profit for the year	**(427)**	**(245)**
Group share in net (loss)/profit for the year	**(142)**	**(82)**
Depreciation on fair value adjustments on intangible fixed assets (net of deferred tax)	(46)	(11)
Total group share in net (loss)/profit for year	**(188)**	**(93)**
Other comprehensive income	21	(18)
Group share in total comprehensive income	**(167)**	**(111)**

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

As at 1 January	**1,457**	**–**
Acquisition in joint venture	–	1,568
Group share of net profit/(loss) for the year	(188)	(93)
Foreign currency translation differences	21	(18)
As at 31 December	**1,290**	**1,457**

13. Borrowings

The loans and borrowings include the following:

	Interest rate	Maturity	For the year ended 31 December 2021	2020
			£'000	£'000
Revolving credit facilities	Euribor +1.50%	March 25	**5,462**	12,227
Roll over investment facility	Euribor +1.50%	March 25	**–**	797
Acquisition loan	Euribor +1.75%	March 25	**3,781**	4,045
Lease liabilities	See note 16		**1,719**	1,812
Total loans and borrowings			**10,962**	18,881
Of which				
Non-current			**10,239**	17,293
Current			**723**	1,588

Revolving credit facilities and roll over investment facilities

The Group's financing arrangements are split equally amongst four syndicate banks. The current agreements consist of:

- €41.5m revolving credit facilities
- €10m available acquisition financing

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 have a bullet maturity in March 2025.

14. Accrued charges and contract liabilities

Accrued charges and contract liabilities consists of the following:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Accrued charges	**923**	2,450
Contract liabilities - due within one year	**168**	234
Other	**(8)**	2
Total due within one year	**1,083**	2,686
Contract liabilities - due after one year	**675**	556

Accrued charges of £923k (2020: £2,450k) mainly include Ecuphar Veterinaria (£451k), Ecuphar NV (£138k) and Belphar (£266k) and are mostly related to pay-roll, marketing authorisation holder fees and bank interest costs.

Contract liabilities arise from certain services sold by the Group's subsidiary Identicare Ltd. Historically, and in return for a single upfront payment, Identicare Ltd 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 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, currently between eight and 14 years.

Throughout 2021, Identicare Ltd 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	
	2021	**2020**
	£'000	£'000
Balance at the beginning of the year	**790**	772
Contract liabilities deferred to following years	**170**	201
Release of contract liabilities from previous years	**(117)**	(183)
Balance at the end of the year	**843**	790

The contract liabilities fall due as follows:

	For the year ended 31 December	
	2021	**2020**
	£'000	£'000
Within one year	**168**	234
After one year	**675**	556
Balance at the end of the year	**843**	790

15. Equity

Share capital

Number of shares	For the year ended 31 December 2021	2020
Allotted, called up and fully paid Ordinary Shares of 20p each	**60,092,161**	60,057,161

	For the year ended 31 December 2021 £'000	2020 £'000
Allotted, called up and fully paid Ordinary Shares of 20p each	**12,019**	12,012

The following share transactions have taken place during the year ended 31 December 2021:

	For the year ended 31 December Number of shares	£'000
At 1 January 2021	60,057,161	12,012
Exercise of share options	35,000	7
At 31 December 2021	**60,092,161**	**12,019**

Dividends

	For the year ended 31 December 2021 £'000	2020 £'000
Ordinary interim dividend paid for the period ended 31 December 2020 of 2.0p per share	**–**	1,201
Ordinary final dividend for the year ended 31 December 2020 of 2.0p per share	**1,201**	–
Ordinary interim dividend paid for the period ended 31 December 2021 of 2.0p per share	**1,202**	–
	2,403	1,201

16. IFRS 16 Leases

The balance sheet shows the following amounts relating to leases as at 31 December 2021:

	31 December 2021 £'000	1 January 2021 £'000
Buildings	**579**	831
Vehicles	**1,079**	957

	31 December 2021	1 January 2021
Other	**-**	1
Total right-of-use assets	**1,658**	1,789
Current lease liabilities	**723**	951
Non-current lease liabilities	**996**	861
Total lease liabilities	**1,719**	1,812

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				
At 1 January 2020	1,271	1,587	81	2,939
Additions	343	583	-	926
Disposals and contract modifications	(30)	(225)	(2)	(257)
Transfers	(71)	-	-	(71)
Currency Translation	57	84	5	146
Other	-	-	-	-
At 31 December 2020	1,570	2,029	84	3,683
Additions	336	881	-	1,217
Disposals and contract modifications	(286)	(425)	(63)	(774)
Transfers	3	-	(3)	-
Currency Translation	(84)	(134)	(2)	(220)
Other	(12)	(61)	-	(73)
At 31 December 2021	**1,527**	**2,290**	**16**	**3,833**
Depreciation				
At 1 January 2020	**(378)**	**(598)**	**(46)**	**(1,022)**
Depreciation charge for the year	(433)	(619)	(31)	(1,083)
Disposals	22	181	(3)	200
Transfers	71	-	-	71
Currency translation	(21)	(35)	(3)	(59)
At 31 December 2020	(739)	(1,071)	(83)	(1,893)
Depreciation charge for the year	(428)	(634)	(4)	(1,066)
Disposals and contract modifications	182	424	63	669
Transfers	(6)	-	6	-
Currency translation	43	70	2	115
At 31 December 2021	**(948)**	**(1,211)**	**(16)**	**(2,175)**
Net book value				
At 31 December 2021	**579**	**1,079**	**-**	**1,658**

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

	Lease Liability

	£'000
At 1 January 2021	**1,812**
Additions	1,217
Disposals	(118)
Interest expense	53
Payments	(1,077)
Modifications	(61)
CTA	(107)
At 31 December 2021	**1,719**

The following amounts are recognised in the income statement:

	For year ended 31 December 2021 £'000
Depreciation expense of right-of-use assets	(1,066)
Interest expense on lease liabilities	(53)
(Loss)/gain on disposal of IFRS16 assets	-
Expense relating to short-term leases and low-value assets	(159)
Total amount recognised in the income statement	**(1,278)**

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.

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 €126,430, 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. The process involving the expert auditor is ongoing. Other than the €126,430, which may be valid, no further provision in respect of this matter has been included in the financial statements.

18. Events after balance sheet date

On 1 January 2022, we entered into a partnership with an entrepreneur to develop and drive growth within Identicare Ltd, the Group's pet microchipping and consumer-focused services business. In connection with this partnership, a growth share plan has been put in place based on certain equity value-based performance criteria.

On 24 March 2022, the Group announced that it has 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 will make upfront payments to Orthros Medical totalling €500,000 and will fund some early research activities as part of the collaboration. As the two licensed preclinical candidates progress, Orthros Medical may receive development, regulatory and commercial milestone payments up to a total value of €11 million as well as single digit royalties on net sales of the products. These payments are expected to be paid out of the Group's operating cash flow.

19. Annual Report

This 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 2021 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: 10 Great North Way, York Business Park, Nether Poppleton, York, YO26 6RB, UK.

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