



**ECO ANIMAL HEALTH
GROUP PLC**



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Highlights

I am pleased to present these results, which also represent the first full financial year since I became CEO. I am delighted that the Group has performed robustly, with encouraging growth in revenues; and profitability whilst also significantly improving our cash position. The strong performance in the second half of the year has continued and we are delighted that this momentum is evident in buoyant trade currently and, notwithstanding challenges in certain markets, we look forward to the rest of the current financial year with cautious optimism.

We have previously spoken of the strength and depth of our R&D portfolio and I remain convinced that this is a primary driver of future ECO success. I look forward to presenting our results and meeting investors in person during our results meetings or at our AGM in September.

David Hallas, CEO of ECO Animal Health Group plc

Financial Highlights

Group sales

£85.3m +4%

(2022: £82.2)

Adjusted EBITDA

£7.2m

(2022: £5.4m)

Gross margin

+45%

(2022: 43%)

Adjusted EBITDA margin

8.5%

(2022: 6.6%)

Revenue and adjusted EBITDA ahead of market expectations

Group sales increased by 4% to £85.3m, driven primarily by growth in revenues from South & Southeast Asia (excl. China and Japan) and Latin America

- China and Japan sales representing 31% of group sales (2022: 35%), declined by 7%
- Rest of world sales increased by 9%

New product development expenditure £8.3m (2022: £9.0m) as planned

Earnings per share 1.49p (2022: loss per share 1.01p)

Net cash at the end of the period £21.7m (2022: £14.3m), reinforcing the Group's strong balance sheet

RCF facility (£10m) available and undrawn

Operations Highlights

Aivlosin® demand remained strong in key markets, with increasing market share

Unwinding of stock, as new China factory becomes operational

Continuing positive progress towards regulatory filing for poultry mycoplasma vaccines

New partnership with Imperial College London for self-amplifying RNA technology to deliver swine vaccines and biologics

New partnership with Moredun Research Institute to deliver a poultry red mite vaccine

Introduction to ECO

About ECO

ECO Animal Health Group is a publicly quoted profitable animal health biotech company. It provides quality products for swine and poultry, primarily anti-infectives to treat illness, improve health and performance.

The Company has a highly regarded and profitable product with Aivlosin® and it is proud to play an important part in the supply of healthy, nutritious, and safe food to swine and poultry.

ECO operates through a network of partnerships in key markets around the globe.

We have multiple global offices and sales in more than **70 countries**

 www.ecoanimalhealthgroupplc.com



ECONOMICS

The origin of our name. We provide good value to our customers, our shareholders and employees.

ECOSYSTEM

We are a community, interacting harmoniously and effectively together.

RECOGNITION

We recognise the hard work, dedication and results delivered every day.

RECOMENDATION

Our product and customer services encourage our clients to recommend us to others.

RECONSTRUCT

We are constantly evolving, improving, and building on what we have.

RECONCILE & RECOVER

We learn and find ways to reconcile and become stronger individually and as a team.

BECOME

We aim high and will continue to achieve and aspire.

ECO facts

Aivlosin® is one of the 30 largest brands in the \$40 billion global animal health industry and one of the Top 10 livestock brands.

ECO has a unique model of managing upstream partnerships for R&D and manufacturing, as well as downstream commercial partners.

The business is agile and able to make quick decisions. ECO is international through choice and necessity and is adept at managing those complexities.

ECO's goals – our future aims are:

- 1 ECO is well positioned to invest in R&D to develop new products and provide a second revenue stream alongside Aivlosin® whilst remaining focused on swine and poultry, and infectious diseases.
- 2 ECO will continue to develop Aivlosin® and reach countries, species and medical claims which are not fully exploited.
- 3 ECO will continue to make strategic earnings enhancing partnerships or acquisitions to build on its core strengths.
- 4 ECO will listen and strive to create a working environment second to none.
- 5 ECO will continue to foster relationships in all areas of the business and identify growth opportunities.

Road to success

To achieve these aims, ECO will develop and adapt in the following areas:

- become less dependent on Aivlosin® (which generates over 80% of our revenues).
- develop new products and markets to drive future growth.
- enter the poultry space in the US and other major poultry markets.
- secure the manufacturing of existing and future products.
- mature as a team and organisation, understanding the ambitions of the employees and aligning them with the ambitions of the Company.

Chairman and Chief Executive's Combined Statement

for the year ended 31 March 2023



Dr Andrew Jones
Chairman

Having successfully navigated amidst difficult market conditions, we are pleased to report a robust performance of the Group. Despite facing numerous obstacles and uncertainties, ECO has emerged stronger and more determined than ever. Our people have been the true driving force behind our resilience. Their unwavering dedication, adaptability, and persistence have been instrumental in overcoming the challenges.



David Hallas
Chief Executive

Operational Review

Revenues for the period increased to £85.3m along with increasing profitability driven by both customer and market mix: gross margin was up at 45% (2022: 43%) and EBITDA increased to £7.2m (2022: £5.4m). This healthy performance was delivered primarily in the second half of the year and we are delighted to report that this momentum has continued into the new financial year.

ECO saw strong performance in all regions: the Group generated particularly strong growth (+42%) in South & Southeast Asia driven by an impressive performance in Thailand and greater poultry sales in India. ECO is also pleased to report further development in Latin America, which delivered double digit growth. The presence of ECO in all major swine and poultry producing countries globally helps to mitigate the impact from individual market downturns.

Sales of Aivlosin[®], our patented antimicrobial which is used under veterinary prescription for the treatment of economically important respiratory and gastrointestinal diseases in pigs and poultry, reached £75.9m in FY2023 (2022: £72.9m). Demand was stronger than expected in China and Asia.

Sales of the smaller Ecomectin[®] anti-parasitic range were £3.6m (2022: £5.5m) with sales of all other products reaching £5.8m (2022: £3.7m).

In China, the Group has completed on schedule a plant for packaging and finishing final product which has provided greater automation and adherence to the high regulatory compliance requirements. During the construction process inventories were built up to £30m of product. Since completion, we are pleased to report that inventory levels have been reduced considerably to approximately £22m and continue to reduce to more normalised levels.

Product Approvals

Additional product approvals were obtained in the year for Aivlosin including new label extensions for additional diseases and one new country in Latin America. Furthermore, since the year end, the Group has been informed by the FDA that a previous safety warning can now be removed from the Aivlosin label in the USA following trials which show that it is safe to use in pregnant and lactating sows.

Innovation through Research and Development

The Group is pleased to see further progress within our portfolio of projects and continues to invest into vaccine R&D and in building our capability and expertise. The Board has dedicated significant efforts on its R&D programme and the amount of innovation in the pipeline is at its highest level.



We continue to invest in promising projects with substantial value associated with major diseases in swine and poultry.

Two late-stage development projects are expected to be submitted and approved by the end of next financial year (the year ending 31 March 2024).

We have engaged an experienced Contract Manufacturing Organisation ("CMO") and secured production for USA, EU, LATAM and Asia for our new biological products.

In June 2022, the Group announced a collaboration with Imperial College London to assess the veterinary application of self-amplifying RNA technology, representing the next generation of RNA delivered medicines. In July 2022, the Group signed a partnership agreement with the Moredun Research Institute to research and develop an effective first in class vaccine solution for the sustainable control of poultry red mite ("PRM"). Both of these initiatives are progressing well and we look forward to updating the market on these in due course.

The Board believes that investment in the exciting initiatives outlined above should, over time, deliver significant shareholder value and therefore these are being prioritised ahead of the payment of dividends, balancing also the need for prudent management of cash resources. Accordingly no dividend will be recommended in respect of the year

ended 31 March 2023 but the Board does intend to keep this under review in the future as it recognises the value of dividends to shareholders.

People

We extend our sincere gratitude to our people, customers, partners, and shareholders who have stood by us during this journey. Their unwavering support and trust have been instrumental in our resilience. The Group remains committed to delivering exceptional value, driving innovation, and forging a bright future. ECO has now concluded its first Group-wide engagement survey, providing guidance to improving activities and overall satisfaction of all our people. We are pleased that this first survey reported good engagement and actions are underway to build on these good foundations.

The Group has continued to strengthen the Research & Development and Commercial teams through strategic new hires. I would like to extend a warm welcome to our new appointments in our leadership team, which include new heads of our Quality and Regulatory Team and HR Director.

Outlook

Trading momentum from the second half of FY2023 has continued into the first half of the current financial year. In China, the Group has seen improved trading and the Asian and Latin American markets continue the trend of delivering strong growth. Production and operational efficiencies are being driven by the leadership team and this is expected to support margins going forward. The R&D programme continues to provide considerable excitement and game-changing future product flow is confidently expected. Despite the challenges from continuing, sporadic African swine fever outbreaks and commodity price pressures, the Board is cautiously optimistic for the remainder of this financial year and views the future with confidence.

Dr Andrew Jones
Non-Executive Chairman

David Hallas
Chief Executive Officer

9 July 2023

Finance Director's Report

for the year ended 31 March 2023

I am delighted to report a year of strong financial progress. Building on the foundations established in the past three years and working with new leadership we have delivered a year of robust growth in revenue and profit terms whilst improving working capital ratios and balance sheet strength. We have seen growth in all major performance metrics.

Supporting the commercial performance of our existing portfolio of businesses whilst ensuring a robust controls environment is in place to safeguard and maximise the return on assets is central to the role of the finance team, as well as supporting the strategic growth ambitions of the Group.

Trading

Previous years have seen a pattern of stronger trading in the second half of the year. This is associated with disease prevalence in pigs during the Northern Hemisphere winter. This pattern of trading has continued in the year ended 31 March 2023 with the second half accounting for 59% of the annual revenue. The primary contributing segment to this weighting was China and Japan, where the second half represented 68% of the annual revenue. In our interim report for the six months ended 30 September 2022 we stated that China revenue had declined as a result of poor producer margins and Covid impacts; in our second half of year the zero-Covid policy in China was relaxed and pork consumption improved, coinciding with the customary winter disease outbreaks providing a strong end to our trading year in China.

Revenue from China and Japan in the last four successive six-month trading periods was £15.7m, £12.7m, £8.5m and £17.9m, respectively. This underscores the pork industry cycle in China since the restocking of the herd in the year ended 31 March 2021. The recovery in the six months to 31 March 2023 represented a significant improvement in trading conditions and producer margins. Japan represents less than 5% of the segment's combined revenues.

A geographical analysis of revenue is as follows:

Revenue Summary (Year ended 31 March)	2023 (£'m)	2022 (£'m)	% change
China and Japan	26.4	28.4	(7%)
North America (USA and Canada)	15.2	16.4	(7%)
South and Southeast Asia	16.8	11.8	42%
Latin America	18.1	15.8	15%
Europe	6.1	6.4	(5%)
Rest of World and UK	2.7	3.4	(21%)
	85.3	82.2	4%

North America which comprises Canada and the USA showed a small decline overall compared with the year ended 31 March 2022. Canada is a mature market and Aivlosin® enjoys a high market share in this market. The USA had a slower second half compared with prior years where typically disease outbreaks have driven strong demand for the Group's products in the final quarter of the year. This disease driven demand was less pronounced in this financial year.

South and Southeast Asia reported another strong period of annual growth in revenue. Specific strong demand arose from the poultry industry in India and Thailand, with other neighbouring countries also performing well.

Latin America also experienced strong growth in this financial year; principally from Brazil but also showing good revenue performance in Mexico in both swine and poultry.

After some supply interruption in Spain which arose from a regulatory change requiring macrolides to be delivered in water soluble form and not as in-feed

formulation, Europe recorded a small 5% reduction in revenues.

Gross margins were 45% in the year ended 31 March 2023 (2022: 43%). This improvement in gross margins arose in the main from the weakness of Sterling compared with the US Dollar and the Chinese Yuan. At net margin, both of these effects were somewhat offset by the currency effect on foreign denominated administrative costs.

Administrative expenses, at £27.9m, were 16% higher than the prior year (£24.1m). Sterling weakness, as mentioned above, together with increased salary costs, travel costs and depreciation drove the increase.

All R&D programmes progressed well during the year and previously capitalised R&D remained in good standing at the year end with no indications of impairment.

Total expenditure on research and development in the year was £8.3m (2022: £9.0m).

The total expenditure on R&D can be analysed as follows:

	Year ended 31 March	
	2023 £000's	2022 £000's
Research and development expenses – expensed in period	5,920	7,621
Development expenditure – capitalised in intangible assets	2,419	1,421
Total expenditure	8,339	9,042

Overall R&D expenditure in the year was 8% lower than the prior year due largely to timing and phasing of trial work. The portion of this expenditure capitalised in the year nearly doubled as a consequence of the greater proportion of the expenditure in the year ended 31 March 2023 being applied to the late-stage poultry vaccine programmes for mycoplasma prevention in chickens. These projects are in the final development stage and have met the capitalisation requirements set out in IAS38 for the entire financial year.

EBITDA has historically represented a key performance measure for the Group; the removal of amortisation (which is a significant annual non-cash charge to profits), depreciation and other non-cash charges to profit provides a good indication of the underlying cash trading performance of the business. The charge for amortisation of intangible assets in the year was £1.1m (2022: £1.1m). The adjusted EBITDA at £7.2m in the year ended 31 March 2023 was a significant increase on the year ended 31 March 2022 (£5.4m). Furthermore, the adjusted EBITDA margin (excluding foreign exchange movements and expressed as a percentage of revenue in the period) was 8.5% in the year ended 31 March 2023 compared with 6.6% in the year ended 31 March 2022. This increase in the adjusted EBITDA margin arose principally from improved gross margins and the effect of operational gearing in the business.

Profit before income tax was significantly stronger in the year ended 31 March 2023 at £4.4m (2022: £1.4m).

The Group's effective tax rate has reduced to 30% in the year ended 31 March 2023 (2022: 151%) due to lower net non-deductible expenses, lower profitability in high tax rate subsidiaries, increased utilisation of past tax losses, offset by lower R&D expenditure allowances. The UK corporation tax rate moves to 25% with effect from 1 April 2023; this should not impact tax payable in the near term due to the continuing availability of tax losses in the UK.

Earnings per share ("EPS") has improved from a loss per share of 1.01 pence in the year ended 31 March 2022 to 1.49 pence profit per share in the year ended 31 March 2023 and diluted EPS has improved from a loss per share of 1.01 pence in the year ended 31 March 2022 to 1.47 pence profit per share in the year ended 31 March 2023.

The consolidated cash position in the Group has increased to £21.7m at 31 March 2023 from £14.3m at 31 March 2022. The consolidated cash position held outside of China decreased to £4.1m at 31 March 2023 from £6.2m at 31 March 2022. A portion of the China cash is repatriated once per annum by dividend declaration; the Group's share of the cash distribution from ECO Biok in China received in the UK is 51%. During the year the dividend received from ECO Biok was £1.8m – related to the China profitability in the year ended 31 December 2021 (2022: £2.2m – related to year ended 31 December 2020). In addition, the Group received a first dividend of £4.0m during the year from its wholly owned entity in China.

The cash generated from operations was significantly greater in the year ended 31 March 2023 at £18.4m (2022: £2.5m) reflecting the increased profitability of the Group and, most significantly, a release of working capital from reduction in inventories. Group inventory levels fell from £30m at 31 March 2022 to £22.4m at 31 March 2023. The new factory in China was successfully commissioned during the year and the required inventory build ahead of the shutdown period unwound by the end of March 2023. Inventory days, expressed as inventory level as a ratio of annual cost of sales was 174 days at 31 March 2023 (2022: 234 days).

Trade receivables increased by 3% proportional to the increase in revenues in the year; the debtor days ratio remaining consistent at around 114 days. The Group's £5m overdraft facility (undrawn at the year end) remains in place and the Group's committed £10m Revolving Credit Facility ("RCF") has not been utilised to date.

Prior Year Adjustment

The prior year adjustment disclosed in note 3 is a technical item relating to the accounting for share options issued to employees of subsidiary companies. The adjustment affects ECO Animal Health Group plc's balance sheet only (not the consolidated position) and moves the cost of the share-based payment out of the intercompany account and into the investment in subsidiary account.

Audit

We are pleased to have completed the first audit with Haysmacintyre LLP. The audit has been a smooth process with good and appropriate challenge and astute enquiry. I would like to personally thank Haysmacintyre for their work and, subject to their reappointment at this year's AGM, we look forward to working with them again next year.

Christopher Wilks Finance Director

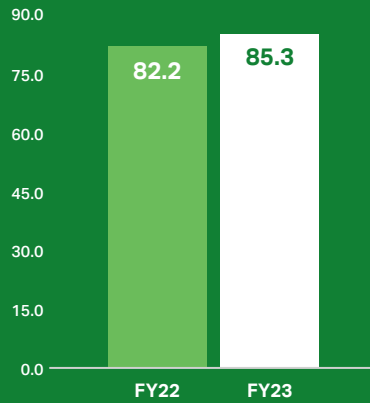
9 July 2023



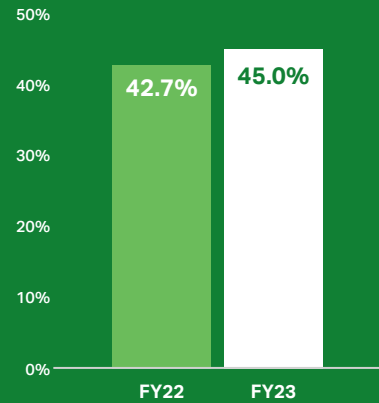
Key Performance Indicators

A summary of the KPIs is as follows:

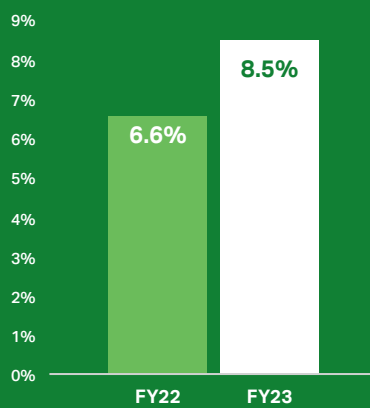
Revenues (£'m)



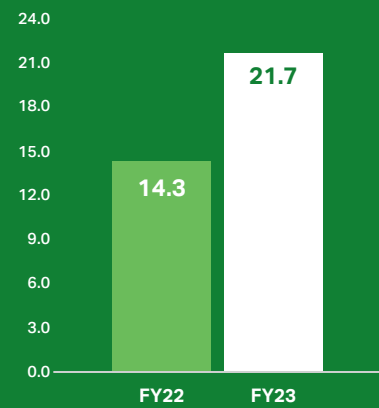
Gross margin (%)



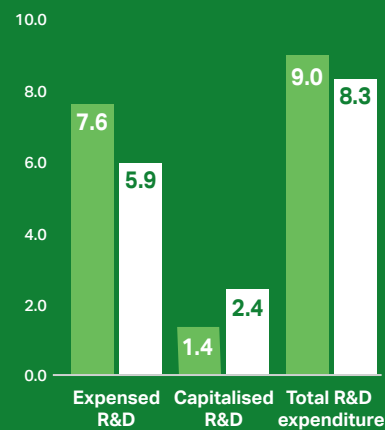
Adjusted EBITDA margin (%)



Cash balances (£'m)



Research & Development (£'m)



EPS (Pence)



Principal Risks and risk management

for the year ended 31 March 2023

The Group has an established process for the identification and management of risk, working within the governance framework. Ultimately, the management of risk is the responsibility of the Board of Directors and the Audit Committee, working through the business leadership team.

The Board's role in risk management includes promoting a culture that emphasises integrity at all levels of business operations and setting the overall policies for risk management and control. The programme to strengthen business controls has continued throughout this financial year and this is resulting in improvements in management information, timeliness of reporting and risk management.

During the year the Enterprise Risk Management framework continued to be assessed by the Group's leadership team seeking areas for improvements

in how we identify and manage our risks. Careful consideration was given to identifying any other emerging risks. The risks were reviewed on a quarterly basis by the leadership team and the Board of Directors.

Each risk area continues to have priority controls allocated to it that are the responsibility of the Executive Directors to manage and review during the financial year. This process inherently manages risk by ensuring the principal risks are being mitigated by prioritised business activity as shown in the table below.

The principal risks are listed on the following pages in order of significance by category. We have made this assessment by reference to the likelihood of each risk occurring and assessing the potential severity of impact it would have on the business from high to low. These ratings are tied directly to agreed and

documented metrics within the Enterprise Risk Management framework. The impact and likelihood ratings are assessed as the residual level taking into account the Group's controls and mitigating actions. We have noted the change in the overall risk since the last presentation or assessment of the risk. As there are a range of impacts in all areas which are mitigated to a high degree, the mitigations in the form of control structures are shown next to each identified risk.

During the year, we have identified four new risks highlighted below.



Strategic Risks

Risk	Likelihood	Controls	Impact	Change in year
High reliance on one supplier for key products.	M	Business interruption insurance with a target of 6 months strategic safety stock in place. Product diversification initiatives.	M	↔
Reliance placed on key directors, senior managers and staff members.	L	NomCom –succession planning embedded. New RemCom policies implemented: <ul style="list-style-type: none"> • Performance management, structured Bonus and LTIP for staff and executive Directors. • Salary benchmarking and staff development. • Board makeup has strengthened to increase its capability. 	M	↔
Employee training to maintain competencies and compliance with regulations.	L	All staff undergo mandatory training on pharmacovigilance, modern slavery, cyber security and other pan-business risks. Regulation-specific training is mandatory for all appropriate employees across the business, and its undertaking is documented by the business within employee files. A training recording system is in place to monitor and record training undertaken.	L	↔
High dependency on a single product.	L	Innovation fund and development pipeline of new products: <ul style="list-style-type: none"> • Vaccines and other products. • Generic defence plans. • New product pipeline is maturing and several new product initiatives are late stage developments. 	H	↔
Potential threat from generic producers.	H	Generic defence strategy – combining strong brand management, regulatory and legal stance in country with patent and trademark infringement enforcement. Aivosin® technical superiority supported by market leading technical knowledge and strain characterisation. Ensure adequate supply and stock pressure in markets. Product diversification initiatives.	H	↑
Disease impact on growth (African Swine Fever, Avian influenza, Human pandemic).	M	Global organisation driving strategy in other geographical territories. Strategy to increase focus on poultry to reduce swine exposure. Remote working capabilities established and proven.	M	↔
Multiple new product launches in a single year and quality risk regarding new biologicals manufacturing.	H	Recruitment underway for additional resource. Planning and preparation being rehearsed, working with experienced external partners.	M	New risk
Regulatory creep resulting in certain formulations not being sold in certain markets.	M	The market in Spain continues to buy feed mix formulation notwithstanding the change of regulation in that market. Maintenance of proactive approach to regulatory change. Trend towards water soluble formulation favours the Group.	M	New risk
Political risk (eg Russia/Ukraine conflict) impacts markets through sanctions or trade difficulties.	M	Current conflict does not impact any major markets for the Group's products.	L	New risk
Political risk – conflict or sanctions reduces supply of pig feed onto world markets which reduces customer margins and demand for the Group's products.	L	Monitoring of customer profitability, market demands. The Group's products represent a small component of the overall costs of animal production.	H	New risk

Principal Risks and risk management (continued)

Operational Risks				
Risk	Likelihood	Controls	Impact	Change in year
Operational activities result in environmental pollution.	L	Virtual supply chain - use of third parties limits our own exposure. Internal and external audits of third party facilities. Staff training.	M	↔
Failure to achieve/maintain Good Manufacturing Practice and quality standards leading to supply interruption.	L	Regular competent authority inspections. Independent and internal QA function. Audits of third party facilities. Track record of successful audits. Functions now embedded and well established. Multidisciplinary team to integrate marketing authorisations with change control processes and artwork for labels.	M	↔
Risk of trial failure impeding registration and approval of Pipeline products.	L	High calibre staff recruited. Use of only reputable and well established laboratories and subcontractors. Regular replenishment of R&D pipeline to counteract effect of attrition.	M	↔
Risk that new products are not as commercially successful as predicted, upon release to the market	L	Commercially trained staff. Ensure trials accurately predict the performance of the product in the marketplace, and retrospective reviews of business cases to identify incorrect assumptions. Marketing department constantly monitor market developments.	M	↔
Continuity of IT services.	M	Retained IT consultancy monitor, investigate and improve the IT infrastructure. Servers hosted on Azure cloud based system with multiple daily back-ups to a second remote server. Active monitoring and correction of system issues. Roll out of laptop encryption. Constant aim to implement best in class security.	L	↑
Risk of business interruption due to fire, flood, explosion, natural disaster impacting ECO premises.	L	Business risk insurance cover. Business continuity plan. Cloud based servers with immediate backup restoration. High level of staff with remote working capability. Team had demonstrated during the global Coronavirus pandemic that they can operate remotely with the same level of efficiency. Safety stocks in strategic markets.	L	↔
Risk of corporate manslaughter.	L	Maintain adequate health and safety procedures and insurances. Only responsible for one manufacturing plant, all other facilities are third party contracted services.	M	↔
Seasonal and un-forecast demand impact on supply chain responsiveness.	L	Forecasting Project: Implementation of MRP, monthly Regional S&OP meetings, increased manufacturing capacity in USA, strategic review of lead times/responsiveness and the value benefit of last minute customisation. Purchase order lead time extended and multi- source supply chain implemented.	L	↔

Financial Risks

Risk	Likelihood	Controls	Impact	Change in year
Fraud and depletion of company funds.	L	Enhanced corporate governance. Implementing robust systems and controls. Keep international cash balances to a minimum. Daily/weekly monitoring of all bank account cash balances with explanations for material increases and depletions of balances. Change overseas local bank accounts to international banks with internet access. Continuation of Internal Audit programme, with a particular focus on LATAM.	L	↔
Cyber attack.	L	Strong firewalls in place. Regular back up of data on duplicate servers. Continual review and strengthening of controls and security. Cyber security assessments/audits and mandatory cyber security awareness and training for staff is in place.	M	↓
Insufficient funding for business growth.	L	Cashflow and working capital management. Close monthly monitoring of budget to actual results. RCF facility in place – undrawn to date.	M	↓
Currency.	M	Monitoring of exchange rates. Operationally transact in multiple currencies which are held and switched when appropriate. Natural hedges in the business (revenue in USD, principle component of cost of goods in USD). SWAPS are used to manage currencies and interest rates.	M	↔
Interest rate risk.	M	Use of SWAPS, fixed margin on RCF and Overdraft, credit control, cash forecasting.	L	↓
International bank sanctions leading to cross-border banking transaction failure.	L	Monitoring of international sanctions. Use of stable and internationally recognised banks for banking transactions. Tight credit control over customers in sensitive countries.	M	↓
Recession in major regions of the world (EU, NA, LATAM) leads to reduced demand for the Group's products.	H	Global teams continue to strengthen relationships, and business with key customers and suppliers. Brand awareness and premium positioning of product. Annual fixing of primary input costs.	L	↔

Corporate Governance

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Chairman's introduction to governance

I am pleased to introduce this section on governance, which describes the activities of the Board and its Committees during FY2022-23 and in the period since the end of the year and how we have ensured governance remains central to delivering on our strategy and the successful operation of our business.

Our strong governance structures and processes support the Board and the Executive Leadership Team in delivering our strategy and creating value for our stakeholders, whilst operating in a sustainable manner.

This year we expanded our ESG reporting to include further information on our performance and strategy on diversity and emissions. We invite you to read our section on ESG in this Annual Report and to visit our website for further information www.ecoanimalhealth.com. We recognise the importance of this disclosure and will continue to develop our future activities and reporting.

As an AIM quoted company, our governance framework is underpinned by the AIM Rules and we have adopted the Quoted Companies Alliance (QCA) Corporate Governance Code (the 'QCA Code') as the benchmark for measuring our adherence to good governance. In addition to the QCA Code, we monitor developments and guidance in the UK Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach. The appointment of Haysmacintyre LLP as our new external auditors provided an additional opportunity to review our governance framework to ensure it is robust and meeting the needs of the Group. The Board has also placed a focus on ensuring its size and composition allows the business to move forward with our strategic objectives.

Our annual Board Performance Review, conducted in accordance with the principles of the QCA Code, had the following key findings and discussion points:

- During the last year there has been significant improvement in preparation and circulation of meeting materials
- The composition of the Board is well balanced and works well

- Identification of the desire for another NED with sector or market experience
- Board meeting conversations are well rounded and includes challenge and support
- Meetings could be more evenly spread throughout the year
- More meeting time could be allocated to strategic matters such as M&A opportunities
- Suggestions around further enhancement to the Board packs
- Incorporation of guest attendees at certain sections of the Board meetings
- Top priority corporate risks individually canvassed
- Succession planning for Board members
- Development of outsourced Internal Audit function

We also review the Investment Association guidelines and seek to comply with these where applicable. Our governance framework is embedded within the Group's culture and provides the right approach for us to adapt and be flexible to the changing demands we need to address. The Board remains committed to ensuring that our business has a positive impact in environmental and social areas and our governance will continue to support our evolving sustainability strategy.

In the sections that follow, we set out our governance structures, along with an overview of how the Company complies with the Principles of the QCA Code and the Board Committee reports.

Dr Andrew Jones
Chairman

9 July 2023

Board of Directors



Dr Andrew Jones
Chairman

Nomination Committee Chairman
Appointed 1 December 2017
Year of Birth 1960

Andrew has over 35 years commercial experience in the life science sector and has held a range of senior positions, including CEO Europe for Arysta Lifescience, CEO Phoqus Pharmaceuticals plc, Principal at Cap Gemini Ernst and Young. He started his career in ICI Agrochemicals (now Syngenta AG). He is also Non-Executive Chairman of RootWave (Ubiquitek Ltd) a UK company developing technology and products that use electricity to kill weeds to provide a sustainable alternative to chemical herbicides. Andrew has a BSc degree and PhD in agricultural biology.



David Hallas
Chief Executive

Appointed 1 April 2022
Year of Birth 1964

David Hallas has over 30 years of experience in the animal health industry and is a qualified veterinarian. He was previously managing director of Sure Petcare, a wholly owned subsidiary of Merck Inc. providing digital based solutions to the companion animal sector with sales of over US\$170m. Prior to this role, he was Associate Vice President of MSD Animal Health with full P&L responsibility for mid Europe which comprised a group of 7 European countries with a combined revenue of over US\$450m; he has also held senior global, regional and business unit management roles in other animal health businesses within Merck, Schering Plough and Pfizer (now Zoetis) and lived and worked overseas including in the USA. David has substantial experience managing profitable growth through the introduction of new products, including vaccines, and successful merger and acquisition integrations.



Christopher Wilks
Finance Director

Appointed 3 September 2019
Year of Birth 1964

Chris has considerable experience in the fields of both finance and science. Chris began his career after graduating from the University of Durham with a BSc in Applied Physics and Electronics. Initially he joined Marconi Space Systems, applying his degree skills to the design of power systems for spacecraft. He then trained as a Chartered Accountant at Arthur Young (now EY), and after qualifying as a Chartered Accountant in audit, he became a manager in its Corporate Finance team. Chris is a Fellow of the Institute of Chartered Accountants in England and Wales.

He is also currently a Non-Executive director (and Chair of the Audit Committee) of Kromek Group plc, an AIM listed worldwide supplier of radiation detection technology and was previously Chief Financial Officer of Signum Technology Limited, a leading group of specialised engineering businesses operating in the safety and critical service flow control sector, which he co-founded. Prior to Signum Technology, Chris was Chief Financial Officer at Sondex plc, a specialist developer of technical instruments for the oil and gas industry.



Dr Frank Armstrong
Remuneration Committee
Chairman

**Independent Non-Executive
Director**
Appointed 1 May 2020
Year of Birth 1957

Frank is a medical doctor, a Fellow of the Royal College of Physicians and a Fellow of the Faculty of Pharmaceutical Medicine. He is currently Non-Executive Chair of Faron Pharmaceutical Oy (AIM), Non-Executive Chair of BioCaptiva Limited, Non-Executive Chair of Bloomsbury Genetic Therapies Limited (BGT), Non-Executive Chair of Newcells Biotech Ltd and a Member of the Court of the University of Edinburgh. He has previously held Non-Executive roles in listed companies with Summit Therapeutics (AIM and NASDAQ), Redx Pharma (AIM), Mereo Biopharma (AIM and NASDAQ) and Juniper Therapeutics (NASDAQ). He started his career at ICI Pharma/Zeneca Pharma before moving to Bayer AG where he became head of worldwide product development.



Tracey James
Audit Committee Chair

Independent Non-Executive Director
Appointed 1 December 2021
Year of Birth 1962

Tracey is a Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner. Tracey was a member of Grant Thornton's Oversight Board and also served on the Audit & Risk and Pensions Committees. She was also previously Finance Director of Karl Storz Endoscopy Canada (1999-2000). Tracey is currently a Non-Executive Director and Chair of the Audit Committee at specialist Engineering and Technology recruitment solutions business, Gattaca plc.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Directors' attendance during the year ended 31 March 2023 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of formal meetings held	7	5	3	1
Andrew Jones	7	5	3	1
David Hallas	7	5*	3*	1*
Chris Wilks	7	5*	2*	0
Tony Rawlinson (resigned on 9 August 2022)	2	1	0	NA
Frank Armstrong	6	5	3	1
Tracey James	7	5	3	1

Directors' service agreements set out the time commitment from each director. Executive Directors are expected to devote all or substantially all of their time to ECO and Non-Executive Directors are required to commit up to three days per month to ECO matters.

Compliance with the Principles of the QCA Code

Compliance with the Principles of the QCA Code

The Company's shares are traded on the AIM market of the London Stock Exchange and as such, the Company is subject to the continuing requirements of the AIM Rules for Companies. As stated in the Chairman's introduction, the Board has adopted, and considers the Company to be fully compliant with, the QCA's Corporate Governance Code. The following table summarises how we apply the ten principles of the QCA Code. The long form assessment of our compliance can be found on our website at www.ecoanimalhealth.com.

QCA Principle	Compliant	Explanation	Further reading
1 Establish a strategy and business model which promote long-term value for shareholders	✓	The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Executive Leadership Team on an ongoing basis with updates to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model.	Strategic report pages 1 to 13
2 Seek to understand and meet shareholder needs and expectations	✓	The Board communicates regularly with its shareholders via investor roadshows, one-to-one meetings and regular reporting as well as at the AGM where active participation from shareholders is encouraged. The Group's website contains information and disclosures required under the AIM Rules and QCA code. Feedback from roadshows is reviewed as an item on the Board agenda.	Group's website ecoanimalhealth.com Audit Committee Report pages 26 to 28
3 Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	The Board values the opinions of key stakeholders in the business and regularly seeks to ensure that the views of its people, suppliers, customers and partners are known and, where relevant to the success of our business, they are acted upon. The Board regularly obtains, and acts on, feedback as to how best it can maintain and improve its interactions.	The Introduction to ECO pages 2 to 3 s.172 statement page 22
4 Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓	The Board is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Group and records them on the Group risk register. The system is designed to manage the risk of failure to achieve the execution of the Group's strategic objectives and business model.	Strategic report – risk review & management pages 10 to 13
5 Maintain the Board as a well-functioning, balanced team led by the Chair	✓	The Board keeps under review its current balance and composition and is supported by Audit, Remuneration and Nomination Committees each with delegated duties and responsibilities. There is a formal schedule of matters specifically reserved for the Board. The Group has three non-executive Directors each considered to be independent. The Board meets on a minimum of 6 occasions spread across each year	Corporate Governance report pages 14 to 40

QCA Principle	Compliant	Explanation	Further reading
<p>6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</p>	✓	<p>The Nomination Committee reviews at least annually the balance and composition of the Board and its Committees. Update training is undertaken periodically. The skills and experience of the Board are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Company. The Company Secretary is assisted by an external company secretarial services provider.</p>	<p>The Directors' Biographies pages 16 to 17</p> <p>Nomination Committee report page 33</p>
<p>7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	✓	<p>The Chairman evaluates the performance of the Board through a combination of questionnaires and one-to-one meetings with each Director. Succession planning is recognised as a material topic for the Company and is the responsibility of the Nomination Committee that makes recommendations to the Board concerning Board appointments.</p>	<p>Nomination Committee report page 33</p>
<p>8 Promote a culture that is based on ethical values and behaviours</p>	✓	<p>The Board leads by example and makes decisions that are in the best interests of the Group and its stakeholders. Culture and ethics underpinned by a clear set of values guiding decision making at all levels in the business.</p>	<p>The Introduction to ECO pages 2 to 3</p>
<p>9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	✓	<p>The Board's governance framework sets out leadership and embedded delegated responsibilities. The Company maintains appropriate governance structures and processes according to its size and complexity. Clear division of responsibility between the Non-Executive Chairman and the Chief Executive. QCA Code compliance and governance continuously reviewed by the Board and in annual Board Effectiveness review.</p>	<p>Corporate Governance Report pages 14 to 40</p> <p>Audit Committee report pages 26 to 28</p>
<p>10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	✓	<p>The Board ensures that all stakeholders across the business are actively engaged and making sure that the business as a whole upholds its values and monitors behaviour. Active engagement with shareholders through meetings, presentations and roadshows and AGM. The Annual and Interim Reports, play an important role in presenting the Company's position and prospects. All RNS press releases are published on the Company's website.</p>	<p>Corporate Governance Report pages 14 to 40</p>

Leadership and the Board

The Role of the Board

The Board comprises two Executive Directors and three independent Non-Executive Directors (including the Chairman).

The Board is responsible for providing effective leadership to promote the long term success of the Company. There is a formal list of matters reserved for the Board, that may only be amended by the Board. The key responsibilities of the Board include:

- setting the Company's vision and strategy;
- ensuring the necessary financial and human resources are in place to support implementation of the strategy;
- maintaining the policy and decision-making process through which the strategy is implemented;
- providing entrepreneurial leadership within a framework of good governance and risk management;
- monitoring performance against key financial and non-financial indicators;
- responsibility for risk management and systems of internal control; and
- setting values and standards in corporate governance matters.

Division of Responsibilities

The responsibilities of both the Chairman and CEO are clearly defined and understood:

- The Non-Executive Chairman, Andrew Jones, has primary responsibility for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. In addition, he maintains a strong focus on governance to ensure good practice is embedded in the day to day operations with good flows in communication and reporting. He maintains a regular dialogue with the CEO to ensure the business receives the support from the Board necessary to progress the strategy. The Chairman also meets with the Non-executive Directors as required. Shareholders have an opportunity to engage with the Chairman and the Board at the Company's AGM.

- The CEO, David Hallas, is responsible for the day-to-day running of the business which includes implementation of the strategy. He is supported by an Executive Leadership Team ("ELT") who have management responsibility for the business operations and support functions. Relevant matters are reported to the Board by the CEO and, as appropriate, the FD and other ELT members.

The role of the independent Non-Executive Directors is to:

- provide oversight and scrutiny of the performance of the Executive Directors;
- constructively challenge to help develop and execute on the agreed strategy;
- satisfy themselves as to the integrity of the financial reporting systems and the information they provide;
- satisfy themselves as to the robustness of the internal controls;
- ensure that the systems of risk management are robust and defensible; and
- review corporate performance and the reporting of performance to shareholders.

Board Committees

The Board has delegated and empowered three Committees: an Audit Committee, a Remuneration Committee, and a Nomination Committee. Each Committee has written terms of reference set by the Board, which are reviewed annually and are available on the Company's website. Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. Each Committee Chair reports to the Board on the activities considered and determined by the relevant Committee. A summary of the Committees' responsibilities and their work during the year can be found in the reports from the Committees appearing later in this section. The Committees are entitled to engage specific advisors as required to discharge their duties.

Board Activities

The Board held seven scheduled meetings during the year at which it considered all matters of a routine nature, structured through clear agenda setting, written reports and presentations from both internal members of staff as well as external advisors and consultants. In addition, the Board held ad-hoc meetings if required to deal with non-routine business. All meetings of the Board were quorate.

Board support, meeting management and attendance

The Board and its Committees meet regularly on scheduled dates. In leading and controlling the Company, the Directors are expected to attend all meetings and their attendance for the financial year 2022-23 is shown above.

The Company Secretary plays a vital role in ensuring good governance, assisting the Chairman. Procedures are in place for distributing meeting agendas and reports so that they are received in good time, with the appropriate information. Ahead of each Board meeting, the Directors each receive reports which include updates on strategy, finance, including management accounts, operations, commercial activities, business development, risk management, legal and regulatory, people and infrastructure and on investor relations.

The Directors may have access to independent professional advice, where needed, at the Company's expense.

Board Effectiveness

The Board conducts an assessment of effectiveness each year through a questionnaire in a process led by the Chairman. The questionnaire provides Directors with the opportunity to express their views on a variety of topics including board leadership, effectiveness and accountability. The detailed findings of the evaluation are reviewed, and actions generated. A summary of the key findings of this year's review are set out in the Chairman's introduction to governance. In addition, the Chairman has regular one-to-one meetings with Directors. In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process. The Board appointed David Hallas as CEO with effect from 1 April 2022. Appointments are made based on required expertise to match the needs of the business while bearing in mind the need to introduce diversity into the Board composition.

Strategic Resources

The ELT includes representation from a wide range of disciplines, each leader identifies and manages the key resources and relationships in their respective areas.

Ethical Behaviours

The Board ensures ethical values and behaviours are recognised and respected, promoting a strong culture of supporting our core values. These values are incorporated into our various codes which are made available on the Company Intranet and which the Board regularly reviews and updates. These codes include Employee code of conduct, human resources policies, Anti Bribery and Corruption, Modern Slavery policy, Health and Safety policies and Social Media policies.

Board Induction, Training and Development

When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. Throughout their tenure, Directors are given access to the Group's operations and personnel, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the Directors to function effectively with appropriate knowledge of the Group.

The Board is satisfied that each Director has sufficient time to devote to discharging his responsibilities as a Director of the Company.

Re-election of Directors

All directors are put forward for re-election on a three-year rotational basis as set out in the articles of association of the Company.

The composition of the board of the directors in relation to diversity is set out in the Nomination Committee Report.

Stakeholder engagement

The Board and its Committees recognise their responsibilities to shareholders and other stakeholders.

The Company communicates with shareholders through the Annual Report and Accounts, regulatory announcements, the AGM as well as meetings with existing or potential new shareholders.

Annual reports as well as other regulatory announcements and related information are all available on the Company's website. The Company's brokers also publish research from time to time.

A list of the Company's significant shareholders can be found in the Directors' Report and in the investor section of the Company's website which is updated following formal notifications of movements to the Company.

The Company maintains regular communication and dialogue with other stakeholders such as our people, customers, suppliers and regulators to understand their needs and concerns and factors these requirements into its decisions and activities.

Annual General Meeting ("AGM")

This year's AGM will take place on Thursday 7 September 2023 at 2.30pm at The Grange, 100 High Street, London, N14 6BN. Details of the resolutions to be considered at the AGM are contained in the Notice of Annual General Meeting.

Voting Outcomes

The Company held its 2022 Annual General Meeting on 26 September 2022 following the financial year ended 31 March 2022. All resolutions proposed to the meetings were duly passed. There were no significant objections.

Internal controls

There is a clearly defined delegation of authority from the Board to the Executive Leadership Team, with appropriate reporting lines to individual Executive Directors. There are procedures for the authorisation of Research and Development, capital expenditure and other investments. Board review of progress in these investment initiatives, together with "milestone" achievement assessment is a regular feature of the Board agenda.

Internal controls are in place which are intended to provide reasonable assurance of the custodianship of assets, the recognition and measurement of liabilities, the maintenance of proper accounting records and the reliability of financial information used within the business.

The Group finance team manages the financial reporting process to ensure that there is appropriate control and

review of the financial information including the production of timely financial information for Board meetings as well as for annual and half-yearly financial reporting responsibilities. Group Finance is supported by the operational finance team throughout the Group, who have responsibility and accountability for providing information in compliance with the policies, procedures and internal best practices.

The Group has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Group.

These include an overall code of conduct, and policies on anti-bribery and corruption, fraud, modern slavery, share dealing in ECO securities, the use of social media and business travel arrangements. These policies are communicated directly to all personnel by email, are re-enforced through periodic training and are available on the Group's intranet site.

Although the Board itself retains the ultimate power and authority in relation to decision making, the Audit Committee meets at least three times a year with external auditors to review specific accounting, reporting and financial control matters. The Committee also reviews the interim and final accounts and has primary responsibility for making a recommendation on the appointment, reappointment and removal of external auditors.

The Committee reviewed the Internal Audit provision in 2022 and concluded that the Group would be better supported by seeking external independent audit provision for specific projects due to the environment in which the Group operates. The Internal Audit function was therefore disbanded and the Group has adopted an approach whereby specialist internal audit work is undertaken by external organisations, the scope and extent of which is focused on both financial and non-financial processes and controls within the Group. Internal Audit work is determined by a risk-based approach and the Audit Committee is responsible for overseeing the work and the implementation of any recommendations.

Section 172 Statement

Under s172 of the Companies Act 2006, Company Directors have a duty to act in good faith that is likely to promote the success of the Company. This duty is for the benefit of the members as a whole, having regard to the likely consequences of decisions for the long-term. In addition, the Directors' duty must have regard to:

- a. The interests of the Company's employees
- b. The need to foster the company's business relationships with suppliers, customers and others
- c. The impact of the company's operations on the community and the environment
- d. The desirability of the company maintaining a reputation for high standards of business conduct, and
- e. The need to act fairly as between members of the company.

The Group actively engages with its stakeholders, taking account of and responding to their interests. Included within this active engagement are the stakeholders referred to in (a) to (e) above, regulatory bodies, taxation inspectorates, industry bodies and other compliance organisations.

As set out in the Corporate Governance report, the Directors have met on several occasions during the year ended 31 March 2023. Discussion topics at each meeting included Research and Development, health, safety and environment, investor feedback, anonymous staff survey and welfare concerns, customer and supplier feedback, capital investment and tax policy.

The activities of the Company have been described further in the various reports from the Chairman, Chief Executive, Committee Chairs and the ESG report. In each case employee impact, supplier and customer benefit and shareholder interests have weighed upon decisions made.

Shareholder engagement this year has been active. The top 10 investors represent approximately 71% of the Company shares and investor meetings, investor calls together with regular trading updates throughout the year assisted with communication. The Company's stockbrokers provide feedback from shareholders and this feedback is discussed at the subsequent Board meeting.

The Group employed an average of 234 people during the financial year ended 31 March 2023 (2022 – 221). All company announcements were simultaneously circulated to all personnel. Communications of note during the year included key new product announcements, new colleagues and retirements, new procedures and governance processes. In addition, our people were invited to technical webinars, Town Hall meetings, product launch discussions and presentations.

During the year an employee engagement survey was conducted. This included questions concerning the workplace environment, structure, salary and benefits and Group strategy. Key findings have been addressed and working parties established to develop solutions. It is intended that the engagement survey will be an annual process.

The Group is considering other ways to reduce its environmental impact; the Group's business model (largely outsourced manufacturing and research) is low impact. The Group utilises electronic communications and hybrid working patterns which will continue to be exploited further helping with the Group's carbon footprint. Further details are contained in the ESG Report.

Going concern

After making appropriate enquiries, the Directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with available cash and a committed borrowing facility.

In reaching this conclusion, the Board has considered the magnitude of potential impacts resulting from uncertain future events or changes in conditions, the likelihood of their occurrence and the likely effectiveness of mitigating actions that the Directors would consider undertaking.

Dr Andrew Jones
Non-Executive Chairman

9 July 2023

ESG Report

ECO is committed to embedding sustainability into its business dealings at the highest standards. ECO recognises the value of incorporating the principles of Environment, Social and Governance (ESG) into everything we do and significant progress was made in the area in 2022-2023. As ESG is of key importance to the Company, it is the responsibility of the Board of Directors, working through the business leadership team.

The Company completed a large project over the past year in which a framework of ESG metrics and targets was developed via a 2-step process. A Benchmarking Exercise in which the ESG disclosures of companies in our sector demonstrating best-practice were evaluated and used to inform the development of ECO metrics and targets by the leadership team that best reflect the aspirations and uniqueness of the Company.

As a result of this project, the Company is clear on what it aspires to achieve in each area, can do and measure now and in the future and what it will commit to in terms of stretching and achievable targets.

ECO is committed to the United Nations Sustainable Development Goals (SDGs) and their role as a blueprint for sustainability. Our aspiration is to contribute to the following six SDGs which are aligned with our current and future business and intentions.

ECO intends to continue our focus on the Environment and DEI

- We aim to be carbon neutral by at least 2045. This will be achieved by implementing a variety of initiatives in the UK and the wider global business.
- We aim to achieve excellence in diversity, focusing on gender parity and ethnic diversity that reflects the regions in which we work.



No Poverty. ECO focuses on economically important diseases of pigs and poultry; by treating and controlling these diseases, animals are healthier and grow more profitably, enhancing the incomes of their keepers.



Zero Hunger. ECO improves the health of pigs and poultry, providing healthy and nutritious meat and eggs to populations around the world.



Good Health and Wellbeing. ECO provides a challenging and safe workplace to global staff, business growth to distributors, funds to enable chosen charities to help those they support and profitable pig and poultry production to producers, increasing their livelihoods and nutrition.



Gender Equality. ECO is committed to gender parity for its workforce and our chosen international charity promotes gender equality as part of its work.



Decent work and economic growth. ECO staff experience work and development opportunities, customers are supported with training and knowledge to better their businesses and we develop upstream and downstream partnerships and employment to suppliers and distributors.



Responsible Production and Consumption. Changes and improvements made by our key supplier and in the UK Southgate office have increased our sustainability.



Our Commitment to the Environment

We are committed to making a fair contribution to reducing the potential of our business operations on the environment and have made significant progress in this area in 2022-2023.

Southgate, UK: In the Company's Head Office (Southgate, London, UK), major improvements to recycling of food and non-perishable waste were made along with the elimination of single-use plastics. Recycled consumables in the kitchen and bathrooms are now used exclusively along with LED lights throughout the office. Installation of a smart meter will enable monitoring of real-time electricity use and may identify opportunities for reduction. Confidential paper was collected (721 kgs), shredded and recycled at a paper mill for re-use in the form of household paper, writing paper, etc. by the company SDR (Secure Data Recycling). Batteries, including laptop batteries, are recycled. Company IT equipment is revived and reused by ECO. If this is not possible, it is donated to a British company, Innovent Recycling, which collect equipment and attempt refurbishment. No ECO IT equipment was collected for refurbishment or recycling in 2022-2023. The Company intends to switch from the current energy supplier (81% green) to a 100% green energy supplier in 2024 at the end of the current contract.

Cars: Two electric cars were added to the UK car fleet driven for company business, making 8% of fleet electric. The Company intention from 2023-2024 is that every UK and European car renewal is carbon-neutral or the employee is moved to a salary swap scheme.

Energy Used for Offices and Business Miles:

Manufacturing and Suppliers: During 2022-2023, ECO's Chinese joint venture 'ECO-Biok' finished building and fitting out their new plant and began manufacture of finished goods to supply the Chinese market. This new plant was built to the latest standards and meets new Chinese requirements including updated animal medicine GMP regulations which came into force in 2022.

Table 1: Office Energy Use

	2021-2022 (kWh)	2022-2023 (kWh)	CO2 equivalent (tCO2e) 2022-2023
Southgate Office	25,501	30,032	8.7
New Malden Office	11,759	28,278	6.3
Japan		9,049	4.2
China		3,687	2.0
Brazil		2,758	0.2

Table 2: Business Miles Driven (Company and Private Cars)

	2021-2022 (tCO2e)	2022-2023 (tCO2e)	# cars driving business mileage	tCO2e/Car
UK	11.3	-	-	-
UK		42.7	27	1.6
Japan		0.03	2	0.0
Brazil		11.3	5	2.3
Mexico		14.2	8	1.8
Europe		35.4	9	3.9
LATAM		1.0	2	0.5
SE ASIA		14.0	6	2.3
USA		1.4	7	0.2

ECO's largest supplier is the manufacturer of tyvalosin, the active pharmaceutical ingredient (API) in Aivlosin®. From 2020-2022, there was an almost 30% reduction in energy consumption per RMB turnover and from 2021-2022, a 9% reduction. The target for 2023 is a further 3% reduction. These reductions were driven by energy conservation and emission reduction measures including photovoltaic power generation, a sewage biogas project and energy-saving air compressors.

Operations: Baseline metrics for 2022-2023 were collected for pallets/skids, route and number of shipments from the Company's global contract facilities. Baseline metrics for the use of HDPE containers for ECO's Ivermectin Injectable formulation were also developed in anticipation of the introduction of PET containers which will reduce the amount of plastic entering landfill. When the same data are collected next year and compared to these baselines, targets can be developed.

Social – Our focus is on gender parity and ethnic diversity

The first ECO Employee Engagement Survey took place in 2022-2023; 78% of respondents agreed or strongly agreed that ECO is a good place to work and the Company aims to increase this to above 80% in 2023-2024. Engagement Workshops were conducted to suggest actions to improve the lowest-performing areas by 5% in 2023-2024. Employee turnover in 2022-2023 was 14% and the retention rate was 86%.

ECO recognises the value of gender diversity in business. The ratio of women:men on the Board and ELT increased in 2022-2023 compared to last year. For the first time, the ratio of women:men was determined for Managers and Non-Managers. ECO has committed to supporting an Employee Engagement Group for Women and to improve gender diversity across all regions, levels and functions of the Company through a combination of recruitment, retention and training programmes.

Using this year's DEI survey, ethnicity information is presented below for Managers and Non-Managers; other data was excluded due to potential biases in the response rate.

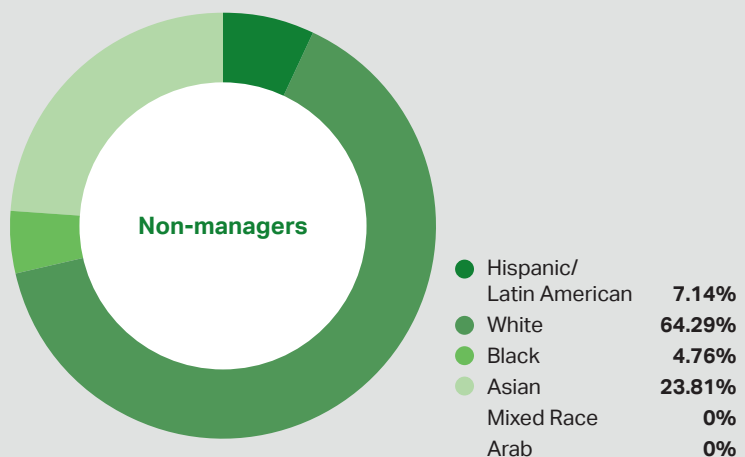
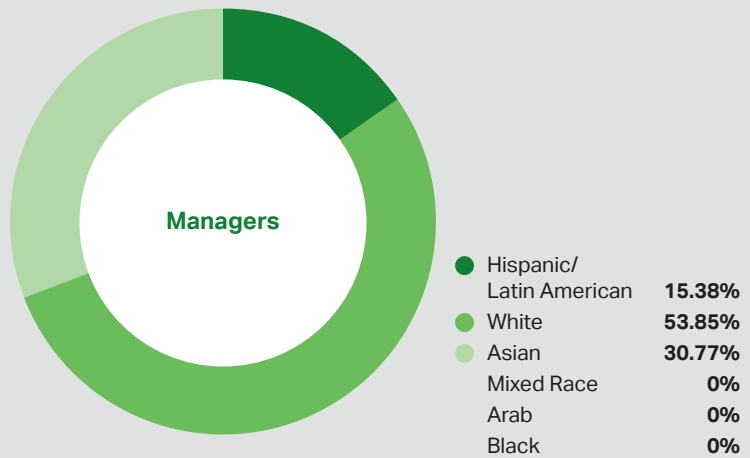
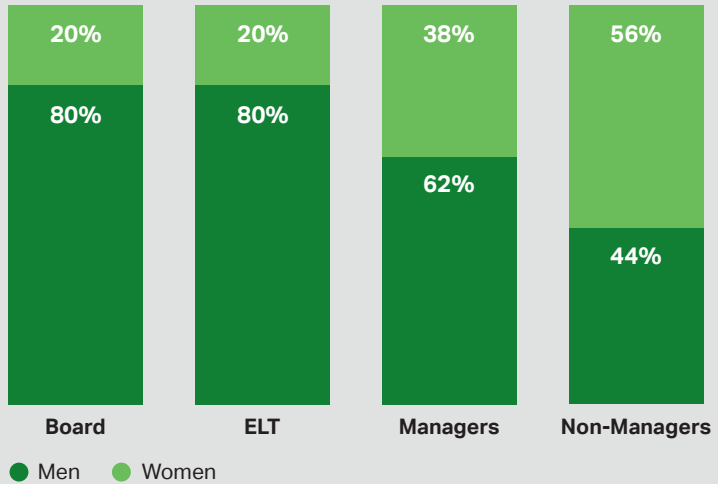
ECO supports two charities, SHIVIA and SignPost, encouraging staff to donate to them with the company matching individual donations. In 2022-2023, £8,000 was donated. A commitment has been made to continued support of both charities next year.

Governance – Ongoing commitment to very high standards

We are committed to meeting high standards of business governance and risk management practices. This applies both to our own operations and our business partners. We have developed, and continue to update, strategies and procedures specific to our business for managing the main risk categories identified by our Board of Directors. The Board is and has been tirelessly focused and committed to improving Business Governance for some time.

ECO has committed to supporting an Employee Engagement Group for Women and to improve gender diversity across all regions, levels and functions of the Company

Gender Ratios



Audit Committee Report

for the year ended 31 March 2023

I am pleased to present the Audit Committee's ("the Committee") annual report on its activities for the period up to the review of our 2023 Annual Report and Accounts.

This report is intended to explain how the Committee has met its responsibilities and report on the activities of the Committee during the year. As Chair of the Committee I would welcome questions from shareholders on any of the Committee's activities at our AGM to be held on 7 September 2023.

Aims and objectives

The Committee monitors the integrity of the Financial Statements of the Interim and Annual Reports and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report taken as a whole is fair, balanced and understandable. It reviews significant financial reporting issues, key judgements and accounting policies and disclosures in financial reports, reviews the effectiveness of the Group's internal control procedures and risk management systems and considers how the Group's internal audit requirements shall be satisfied, making recommendations to the Board. It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements. It monitors the relationship with the Group's independent auditor including the consideration of audit fees and independence.

Members of the Committee have access to the Company Secretary who attends and minutes all meetings. To enable the Committee to discharge its duties effectively, the Company Secretary is responsible for ensuring the Committee receives high-quality, timely information. The Chairman of the Committee works closely with the FD and the finance team to ensure papers for meetings are comprehensive and relevant. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

Membership of the Committee

During the year to 31 March 2023, the Committee comprised Tracey James (Chair), Dr Frank Armstrong, Dr Andrew Jones and Tony Rawlinson (resigned 9 August 2022).

Appointments to the Committee are made by the Board following recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. The Committee members have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and the committee as a whole has recent and relevant financial experience. The

Executive Directors are invited to attend meetings, and other senior people will attend as appropriate. The external auditor also attends the meetings to discuss the planning and conclusions of their work and meet with the members of the Committee without any members of the executive team present. The Committee Chair also meets privately with the senior statutory auditor, Christopher Cork, outside of the Committee meetings.

Operation of the Committee

The Committee reviews and updates the Terms of Reference regularly, to conform to best practice, which are subject to approval by the Board. The Terms of Reference are available on the Group's website as well as in hard copy format from the Company Secretary. Each year, the Committee works to a planned programme of activities, which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls. The Committee approves the terms of all audit and non-audit services provided by the Group's Auditors to ensure audit objectivity is maintained.

The main activities of the Committee during the period since the last Report were as follows:

- Reviewing the management and reporting of financial matters including key accounting policies.
- Reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy.
- Considering the tendering process and appointment of the new external auditors
- Overseeing the relationship with, and the independence and objectivity of, the external auditors.
- Setting policy in relation to the use of the external auditors for non-audit services.
- Advising the Board on the Group's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.

- Reviewing the Group's risk management and internal control systems and their effectiveness, including reviewing the Delegated Authority framework
- Reviewing the Group's procedures for detecting fraud, bribery and corruption and ensuring arrangements are adequate for employees to raise concerns.
- Reviewing the findings of external audit reviews and ensuring that they are scrutinised and remediation plans are implemented.
- Reviewing global compliance matters throughout the year.

Internal Audit

The Committee reviewed the Internal Audit provision in September 2022 and concluded that the Group would be better supported by seeking external independent audit provision for specific projects given the environment in which the Group operates. The Internal Audit function was disbanded and the Group has adopted an approach whereby specialist internal audit work is undertaken by external organisations, the scope and extent of which is focused on both financial and non-financial processes and controls within the Group. Internal Audit work is determined by a risk-based approach.

During the year internal audit carried out and completed a review of GDPR. In addition, a review of cyber security controls and processes was carried out by a third party firm. The Committee reviews the findings of the reviews, ensuring findings are scrutinised and remediation plans are in place.

Risk management and Internal Controls

The Committee reviewed the Group's risk assurance framework in the year. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates as well as the legal requirements of being a UK company admitted to AIM. Internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material loss or misstatement.

The key components of the current systems of internal controls are:

- Clearly communicating Eco's values and strategy to ensure these are understood and people know what is expected.
- Developing business and financial plans that support the strategy.

- Reviewing policies and procedures to ensure these remain fit for purpose.
- Strengthening controls and internal processes.
- Regular reporting of actual performance relative to goals, budgets and forecasts.
- Ensuring there is a structure of accountability
- Training and monitoring
- Board-approved remediation activities in response to internal control review findings.

Whistleblowing

The Group has a Whistleblowing Policy and procedures to help with the detection and prevention of fraud. Published on the Group's Intranet, the Policy provides all employees access to a confidential forum in which it is possible to raise concerns about potential and perceived improprieties. Provided it is appropriate to do so, the process is managed by the Company Secretary. The outcomes of any investigations carried out in accordance with the Policy is reported to the Committee. There were no whistleblowing notifications or events during the year ended 31 March 2023.

Fair, balanced and understandable

The content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the Financial Statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's position and performance against the Group's strategy and business model.

Significant issues

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the Financial Statements. The review included consideration of the following:

Issue	How the committee addresses
Revenue Recognition and discount accounting	<p>The Group has well-developed accounting policies for revenue recognition in compliance with IFRS 15 as shown in Note 2 and 4 to the Financial Statements. The Group has one main source of revenue representing direct sales of animal pharmaceutical products into UK, European and global markets. The Group recognises revenue at the point its performance obligation is met, which may occur at different points in the revenue cycle dependent on contractual terms and shipping methods. Certain revenue arrangements include the offering of volume and other discounts to customers.</p> <p>The Committee receives reports from management and from the auditors to evidence that the policies are complied with across the Group.</p>
Prior Year Adjustment	<p>The Committee reviewed the accounting for share incentive awards made to employees of subsidiary companies and concluded that the previous approach to recording the transaction in the balance sheet of the parent company should be by increasing the value of the investment in subsidiary, rather than recording it as an intercompany receivable. Accordingly, the prior year balance sheet of the Parent company has been restated to show this presentation. There is no impact or effect on the consolidated financial statements.</p> <p>This adjustment is detailed in note 3 of the financial statements.</p>
Intangible assets capitalised and development expenditure	<p>The Group's accounting policy for intangible assets is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12.</p> <p>In practice, work that is undertaken to build towards regulatory approval for a new treatment claim using Aivlosin, existing approved vaccines or other technologies, or an approval for marketing existing technologies or applications in a new geographical market can be viewed as starting at the full development phase and are likely to meet the capitalisation criteria whereas costs in relation to some of the Group's recently announced projects, on vaccine development, for example, are likely to meet the capitalisation requirements once they are approved internally to commence the full development phase, subject to careful consideration of residual technical feasibility/risk.</p> <p>Goodwill and intangible asset impairment calculations (including assumptions about future performance of the Group) and sensitivities are undertaken at least annually by management and reviewed by the Board and the Committee.</p> <p>The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures.</p>
Accounting for and disclosure of non-underlying items	<p>The Committee considered the accounting for and disclosure of non-underlying items (see note 6 to the Financial Statements). The Committee reviewed with management and discussed the accounting and disclosure with the Group's auditors. The Committee concluded it was content with the accounting for and disclosure of non-underlying items.</p>
Going Concern	<p>The Group continues to prepare its Financial Statements on a going concern basis, as set out in Note 2.1 to the Financial Statements on page 50. Management produces working capital forecasts on a regular basis. The Board reviews those forecasts, particularly ahead of the publication of Interim and Annual results. The Board continues to scrutinise the Group's detailed economic forecasts to ensure that all relevant events and conditions are being incorporated that might affect both short, medium and long-term performance. Having reviewed the forecasts as at the date of this Report, the Committee concluded that it was appropriate for the Group to continue to prepare its Financial Statements on a going concern basis.</p>

Audit Committee Report (continued)

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the Report from the independent auditor on pages 39 to 44, about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

Independent auditor

The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the Financial Statements is conducted in accordance with International Standards on Auditing (UK) ('ISAs'), issued by the Auditing Practices Board. There are no contractual obligations that act to restrict the Committee's choice of external auditor.

In September 2022, the Board directed the Committee to undertake a competitive tender of the audit. In November 2022, following detailed selection criteria, the Board appointed Christopher Cork of Haysmacintyre LLP as statutory Auditor to the Group.

The assessment of the effectiveness of external auditors is an ongoing process involving regular discussion with key stakeholders within the Group, engagement with and feedback from the external auditors themselves, and consideration by the committee of the performance of the external auditors. Having considered the effectiveness and performance of the independent auditor for the financial year ended 31 March 2023, the Committee recommended to the Board the reappointment of Haysmacintyre LLP as independent auditor of the Group for the next financial year, which will be subject to approval by the shareholders at the AGM to be held on 7 September 2023.

Independent auditor: services, independence and fees

The independent auditor provides the following deliverables as part of its statutory audit services:

- A report to the Committee giving an overview of the results, significant contracts, estimates, judgements and observations on the control environment
- An opinion on whether the Group and Company Financial Statements are true and fair
- An internal controls report to the Committee, following its audit, highlighting to management any areas of weakness or concern highlighted through the course of their external audit work

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 6 to the Financial Statements. Non-audit fees were £nil in 2023. The Committee concluded that the level of non-audit fees, which represent 0% of the audit fees for the Group, did not have a negative impact on Haysmacintyre's independence. The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditors' independence.

The Committee regulates the appointment of former colleagues of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all our people.

The independent external auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

Tracey James
Audit Committee Chair

9 July 2023

Remuneration Committee Report

for the year ended 31 March 2023

On behalf of the Remuneration Committee, I am pleased to introduce the Remuneration Committee Report. As a company admitted to AIM, we are guided by the QCA's Remuneration Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code and to investor guidelines for best practice.

In this report we set out the Committee's responsibilities and report on the activities of the Committee during the year. We are including in this year's report a Policy Table summarising key elements of our Directors' Remuneration Policy. In addition, in line with good practice, we will voluntarily be putting an advisory resolution to approve this report to our 2023 AGM.

Membership of the Committee

The Remuneration Committee comprises Dr Frank Armstrong (Chairman), Dr Andrew Jones and Tracey James. Tony Rawlinson resigned from the Committee on 9 August 2022.

Role of the Remuneration Committee

On behalf of the Board, the Remuneration Committee reviews and determines the pay, benefits and other terms of service of the Company's Executive Directors (CEO and CFO) and the ELT. The Committee also keeps under review the broad compensation strategy with respect to all other Company employees.

The terms of reference of the Committee are set out on the Company's website.

Policy table

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base Salary	To help recruit and retain high performing Executive Directors. Reflects the individual's experience, role and importance to the business.	Base salary is reviewed annually with any changes effective 1 October with reference to each Executive Director's performance and contribution, company performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.	The Committee is guided by the general increase for the broader employee population but has discretion to decide on a lower or a higher increase.	The Committee considers individual and Company performance when setting base salary.
Benefits	To help recruit and retain high performing Executive Directors. To provide market competitive benefits.	Executive directors benefit from private medical, permanent health insurance and life assurance cover.	Maximum benefit applies according to the underlying insurance policy and is four times base salary in the case of life assurance.	N/a
Pension	To help recruit and retain high performing Executive Directors. To provide market competitive pensions.	Employer's pension contribution.	The Company may contribute up to 10% of base salary in the case of CFO	None

Remuneration Committee actions in the year

During the course of the year, the main activities of the Committee were:

- Approving annual bonus structure and targets for the year to March 2023
- Determining the executive annual bonus outcome for the year to March 2022
- Review of the 2022 Remuneration Committee Report
- Considering changes to Executive salaries at mid year in line with our normal cycle
- Considering the level and structure of LTIP awards in the context of the company's dilution limits, including communicating with the company's major shareholders in late 2022
- Approval of performance criteria for the LTIP for Executive Directors and ELT of the Group for FY 23
- Approval of grant of LTIP awards for the Executive Directors and ELT in February 2022
- Approval of the grant of CSOP awards across the company, with awards actually made following the year end

Post year end, the committee has:

- Approving annual bonus structure and targets for the year to March 2024
- Determining the executive annual bonus outcome for the year to March 2023

- Review of the Remuneration Committee Report in the Annual Report & Accounts 2023

Company performance during the year

The Group's financial performance in the year ended 31 March 2023 exceeded market expectations from a revenue, profitability and cash perspective, but in certain respects did not exceed internal targets. Executive bonuses have been assessed accordingly.

Remuneration Policy

The Company's remuneration structure has been designed to bring the Company into line with best remuneration practice and to improve the alignment of senior leadership with shareholder interests, thereby supporting future value creation. The Committee's aim, as in previous years, is that the rewards that can be earned provide a competitive level of incentive and are appropriate for a Company of comparable size and complexity at each level of performance. To this end, the Committee considers appropriate goals from time to time which it believes will best ensure delivery of the Company's short and long term objectives and ensure alignment with stakeholder interests.

Remuneration Committee Report (continued)

Element	Link to remuneration policy/ strategy	Operation	Maximum opportunity	Performance metric
Annual Bonus Plan	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	The Annual Bonus is earned by the achievement of one-year performance targets set by the Remuneration Committee. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. 33% of awards to Executives under the Annual Bonus plan are deferred into shares vesting after 3years under the deferred bonus plan. Awards are subject to malus and clawback provisions.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary with target set at 60%.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. At present, the performance targets are based on EBITDA, ROCE and personal targets.
Long Term Incentive Plan (LTIP)	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long-term.	Executive Directors are eligible to receive awards under the LTIP at the discretion of the Committee. Awards are granted as nil-cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions.	In accordance with the scheme rules the maximum award in any financial year is 100% of base salary. Awards in FY23 were set at 35% of base salary.	Performance criteria and weightings may be changed from year to year. For awards made in FY23 75% of the award was subject to an absolute TSR target and 25% subject to R&D based targets.
All employee share plan	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way	The Executive Directors may participate in the CSOP on the same terms as other eligible employees.	The maximum participation level will be aligned to HMRC limits. To date, Executive Directors have not received CSOP awards.	None
Shareholding requirement	Encourages Executive Directors to achieve the Company's long-term strategy and create sustainable stakeholder value Aligns with shareholder interests	125% for the CEO and 100% for the FD. This percentage is 18% and 98% respectively at 30 June 2023	n/a	n/a
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses may be reimbursed.	The Group Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	n/a

From 1 April 2021, the share-based incentive arrangements for the ELT and Executive Directors has comprised awards from the new LTIP and to members staff of market priced share options from the Company's established Share Option Scheme.

Other Information

Remuneration of the Non-Executive Directors is determined by the Chairman and the CEO. They may be paid additional fees in the

event that their workloads are significantly in excess of their contractual obligations. The Chairman's remuneration is determined by Remuneration Committee in conjunction with the CEO. However, the Chairman is not entitled to vote on the matter.

The Executive Directors are employed under rolling service contracts which may be terminated by the Company or the individual giving 12 months' notice. Non-Executive Directors are retained under Letters of

Appointment which may be terminated by either the Company or the individual giving 3 months' notice, or immediately in the event that the director is not re-elected by shareholders at an AGM.

The Executive Directors' service agreements and the Non-Executive Directors' appointment letters are available for inspection by shareholders at the Company's registered office and at the Company's AGM.

Remuneration during the year ended 31 March 2023

Directors' remuneration

The aggregate remuneration payable to the Directors in respect of the period was as follows:

	Salary		Other		Pension		Bonus		Total Remuneration		Share based Payments		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
D. Hallas	324		1				166 ¹		491		6		497	
C. Wilks	250	240	2	1	25	23	55	12	332	276	64	47	396	323
A. Jones	81	77							81	77			81	77
A. Rawlinson	25	50							25	50			25	50
F. Armstrong	49	46							49	46			49	46
T. James	59 ²	15							59	15			59	15

1. This includes an amount of £85,000 in respect of a joining bonus

2. This includes an amount of £10,000 (2022: Nil) in respect of additional work undertaken to support the audit for the year ended 31 March 2022

Salaries

For FY23, the salary of the Chief Executive Officer was £315,000 and the salary of the Chief Financial Officer was £243,146. All UK based staff and Directors received a 5% increase in salary on 1 October 2022.

Annual bonus

The Committee considered the performance of the Executive Directors in the financial year against the criteria of the Annual Bonus Scheme that comprised a 70% element of basic salary based on financial performance and 30% of basic salary on performance against personal objectives.

In the financial year the Company underperformed against the financial goals set out in the Annual Bonus Scheme and this was reflected by the Remuneration Committee in the Executive's bonus award. The Chief Executive Officer received a bonus upon commencement of his service – this was to compensate him for share incentives which were abandoned in his previous employment.

In accordance with the Annual Bonus one third of the bonus amount set out above in respect of David Hallas and Christopher Wilks for the period will be settled in an award of nominal price shares, as specified in the Policy Table.

Long term incentives

The Company made awards under its LTIP to Executive Directors and ELT members on 24 February 2023 subject to three year performance targets for absolute Total Shareholder Return ("TSR") and Research & Development ("R&D"). 75% of the award vests based on achievement of the TSR objectives and 25% of the award vests based upon achievement of the R&D targets.

Details of awards held by Executive Directors under the LTIP and awards under the Deferred Bonus Plan at 31 March 2022 and 31 March 2023 are set out below:

	Date of grant	No of awards as at 31 March 2022	Number of awards granted in year	Price at date of grant (£)	Normal vesting date	No of awards held as at 31 March 2023
LTIP						
David Hallas	24-Feb-23		117,313	1.275	24-Feb-26	117,313
Christopher Wilks	28-Apr-21	64,824		3.625	28-Apr-24	155,199
	24-Feb-23		90,375	1.275	24-Feb-26	
Deferred bonus						
Christopher Wilks	24-Sep-21	14,782		3.22	24-Sep-24	19,091
	12-Dec-22		4,309	1.165	12-Dec-25	

Total awards granted within the last 10 years which have been exercised for new shares or remain outstanding are within the conventional UK dilution limit of 10%. The Company is committed to operating within this limit.

Directors' interests

Directors' Shareholdings as at 31 March 2023 were as follows:

	Number of shares	Cost of shares	% of issued shares
David Hallas	53,394	58,596	0.08%
Christopher Wilks	159,095	249,371	0.23%
Andrew Jones	16,449	32,249	0.02%
Frank Armstrong	3,000	9,720	0.00%
Tracey James	5,000	4,500	0.01%

Remuneration for Year ending 31 March 2024

Executive remuneration will be operated under the policy detailed above.

Salaries and fees

Executive salaries and Non-Executive Director fees will be reviewed during the year with any changes effective 1 October 2023.

Annual bonus plan

The Annual Bonus Plan applies to both executive directors and the ELT. Performance targets for 2023/24 are split as to 70% linked to Revenue and EBITDA performance, 30% linked to achievement of personal targets set by the Remuneration committee. The proposed personal objectives for the CEO and CFO for 2023/24 are focused around business performance and projects, growth and corporate governance.

Long term incentives

The Committee intends to make LTIP awards to its Executive Directors and ELT members during FY23. These will operate in line with the company's policy.

Annual General Meeting

Following consideration of governance good practice, the Committee will voluntarily put a separate advisory resolution on its remuneration report to its 2023 AGM.

Dr Frank M Armstrong
Remuneration Committee Chairman

9 July 2023

Nomination Committee Report

for the year ended 31 March 2023

Membership of the Committee

The Nomination Committee comprises Dr Andrew Jones (Chairman), Dr Frank Armstrong, Tracey James, Tony Rawlinson (resigned 9 August 2022) and David Hallas.

Main responsibilities

The terms of reference of the Committee are set out on the Company's website. The main responsibilities of the Committee are as follows:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board.
- Giving full consideration to succession planning.
- Keeping under review the leadership needs of the organisation.
- Being responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.
- Formulating plans for succession for both Executive and Non-Executive Directors.
- Nominating membership of the Audit and Remuneration Committees.
- The re-election by shareholders of Directors under the annual re-election provisions and of the retirement by rotation provisions in the Company's Articles of Association.
- Any matters relating to the continuation in office of any Director at any time including the appointment or removal of any Director to Executive or other office.

Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

Activities during the year

The Committee met twice during the year.

The Committee considered the composition and experience among the Non-Executive Directors and identified that it would be valuable to add to the existing animal health sector expertise currently in the team. It was decided to address this need by recruitment in the medium term.

During the year Tony Rawlinson decided, after 7 years as a Non-Executive Director, to step down from the Board of Directors. The Committee and Board decided the remaining Non-Executive team was able to fully support the needs of business for the remainder of the financial year and to defer the process to seek a replacement in the new financial year.

The Committee also reviewed in detail the succession and development plans for the Executive Directors and members of the Executive Leadership Team.

The Committee and Board recognise the importance and benefits of diversity and will continue to look for ways to build on current foundations.

Dr Andrew Jones Nomination Committee Chairman

9 July 2023

Directors' Report

for the year ended 31 March 2023

The Directors present their report and financial statements for the year ended 31 March 2023.

Directors

The following Directors have held office since 1 April 2022:

Andrew Jones	Non-Executive Chairman
Anthony Rawlinson (resigned 9 August 2022)	Non-Executive Director
Frank Armstrong	Non-Executive Director
Tracey James	Non-Executive Director
David Hallas	Chief Executive Officer
Christopher Wilks	Chief Financial Officer

Principal activities

The principal activities of the Group in the year under review were those of manufacturers and suppliers of animal health products. These activities were conducted on a global scale, through a network including both regional offices, (notably in Shanghai and Princeton) and overseas subsidiaries.

Results and dividends

The consolidated income statement for the year is set out on page 42.

The profit for the year after tax was £3.1m (2022: loss of £0.7m). The Company does not propose to pay a dividend for the year ended 31 March 2023 (year ended 31 March 2022 – nil).

Shareholder	Shares	% of issued share capital
Schroders	10,454,171	15.44
Soros Fund Management	7,715,642	11.39
P A Lawrence and Family	6,754,694	9.97
AXA SA	5,596,867	8.26
Chelverton Asset Management	5,000,000	7.38
Lombard Odier Asset Management	3,546,099	5.24
FIL Investment Management	2,991,052	4.42
abdrn plc	2,050,146	3.03
Sorbus Partners	2,000,000	2.95
Killik Asset Management	1,811,921	2.68
Artemis Investment Management	1,687,647	2.49
Grandeur Peak Global Advisors	1,670,000	2.47
Close Brothers Group	1,430,975	2.11

Future developments

The likely future development of the business is covered in the Strategic Report.

Financial risk management

Information on the use of financial instruments by the Group and its management of financial risk is disclosed in note 32 to the financial statements. Further details of the Group's financial risks and controls are set out in the Strategic Report.

Energy and carbon emission

An analysis of energy consumption and carbon emissions is included in the Sustainability Report. The ECO Group in the UK has an outsourced business model. All warehouses and production facilities are contracted to specialist regulated and approved companies. As such the premises occupied by ECO in the UK comprise two offices. Consequently, the emissions from ECO Group premises in the UK are disclosed in the ESG report.

Post balance sheet events

Post balance sheet events are detailed in note 33 to these financial statements.

Substantial shareholdings

At 31 May 2023 the Company had been notified of the following holdings of 2% of more of its issued share capital:

Group research and development activities

The Group is continually researching into and developing new products and markets. Details of expenditure incurred and written off during the year are shown in the notes to the financial statements. The Group remains committed to obtaining further authorisations of its Aivlosin® products in other key territories and for additional disease applications, while at the same time expanding its product offering to include vaccines and other biologicals relevant to the swine and poultry markets.

Directors' insurance

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors which remained in place at 31 March 2023 and throughout the preceding year.

Financial instruments

The Group's accounting policies for financial instruments and strategy for management of those financial instruments are given in notes 2.6 and 32 to the financial statements respectively.

Internal financial controls

The Board of Directors is responsible for the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the companies concerned and the risks to which they are exposed. This provides reasonable, but not absolute, assurance against material misstatement or loss. Strict financial and other controls are exercised by the Group over its subsidiary companies by day to day supervision of the businesses by the Directors.

Stockbrokers

Singer Capital Markets is the Group's nominated advisor and stockbroker and Investec is the joint broker. The closing share price on 31 March 2023 was 96.5p per share (2022: 165p). During the year the average share price was 111.24 p (2022: 272.4p).

Auditors

The auditors Haysmacintyre LLP are being proposed for reappointment at the forthcoming Annual General Meeting of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with UK adopted international financial reporting standards. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether applicable UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Statement of disclosure to auditors

So far as each of the Directors at the date of approval of this report are aware:

- (a) there is no relevant audit information of which the Group and the Company's auditors are unaware; and
- (b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group and the Company's auditors are aware of that information.

Parent Company Guarantee

ECO Animal Health Group PLC has given statutory guarantees against all the outstanding liabilities of ECO Animal Health Ltd, thereby allowing its subsidiary to be exempt from the annual audit requirement under Section 479A of the Companies Act, for the year ended 31 March 2023.

Cautionary statement and Forward-Looking Statements

Under the Companies Act 2006, a company's Directors' Report is required, among other matters, to contain a fair review by the Directors of the Group's business through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chair's Statement, the Chief Executive's Review and the Finance Director's Report incorporated into it by reference, has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and colleagues are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. These factors include, but are not limited to, those discussed under

principal risks and uncertainties. The forward-looking statements reflect the knowledge and information available to the Company and Group during preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company or Group.

On behalf of the Board.

Dr Andrew Jones
Chairman

9 July 2023

Independent Auditor's Report to the Members of Eco Animal Health Group Plc

for the year ended 31 March 2023

Opinion

We have audited the financial statements of ECO Animal Health Group Plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 March 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Financial Position, Statements of Financial Position, Consolidated Cash Flow Statement, Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Parent Company's and Group's affairs as at 31 March 2023 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

An overview of the scope of our audit

Our audit scope covered all the Group's components with varying levels of testing based on the significance of each component. We performed a scoping assessment of the Group at the planning stage of the audit and subsequently updated this assessment for the year-end figures. We assessed the risk of material misstatement for each of these components and determined their significance based on the overall impact to the Group financial statements. Our assessment incorporated a consideration of

the significance of revenue, expenditure and balances in the context of the group financial statements group materiality. We also assessed each entity in relation to the risk of management override of controls.

At March 2023, the Parent Company, Eco Animal Health Limited, the sub-Group in China, the Brazil trading entity and the Pharmgate Animal Health LLC US joint operation were considered by us to constitute significant components of the Group. The audits of all entities other than the sub-Group in China were carried out by the Group audit team for the purposes of this opinion. The audits of the sub-Group in China which represents Zhejiang Eco Biok Animal Health Products, Shanghai Eco Biok Animal Health Products and Zhejiang ECO Animal Health Company Limited have all been audited to component materiality by LehmanBrown (Beijing) CPAs under instruction from and supervision by Haysmacintyre LLP as the Group auditor.

The remaining entities were deemed insignificant to the Group based on the above metrics and therefore the audit work on these components has been limited to analytical review, specific cut-off testing, attendance of stock count at year-end as well as verification of bank balances to third-party confirmation, where considered appropriate. This work has been performed by the Group audit team.

Our group audit scoping ensures we have attained coverage through full-scope and specified audit procedures of 91% of group revenues, 97% of group profit before tax and 99% of group total assets. The remaining balances were tested analytically using group materiality. The work performed was to the materiality levels set out below, with component materiality levels adopted for the relevant subsidiary entities depending on the level of work to be performed as a result of our scoping assessment.

We communicated with both the Directors and the Audit Committee our planned audit work via our audit planning report and relevant discussion.

We communicated audit progress with the Audit Committee through interim audit progress meetings. We have communicated any issues to the Audit Committee and the Directors in our final audit findings report.

Our involvement with the component auditor

Where work has been performed by the component auditor, we have been involved at all stages of the component audit to ensure in our role as Group auditor the work completed was sufficient to provide us with sufficient and appropriate audit evidence to allow us to form our basis for our opinion on

the Group financial statements as a whole. Our involvement with the component auditor consisted of, but was not limited to the following procedures:

- Arrangement of an audit planning meeting with ourselves and the component auditors.
- An assessment of the internal policies and procedures of the component auditor to ensure that the audit methodology was appropriate and of consistent quality with our own.
- Planning communications outlining the key audit risks with the component auditor to ensure that their focus was applied to the key risk areas outlined by ourselves as Group auditor.
- We completed a remote review of the audit files prepared by the component auditors and a review of the appendices and internal reporting memos provided to us by the component auditors.

Throughout the audit process the Group audit team remained in contact with the component auditors to discuss progress, findings and discuss further audit work to be performed in order to complete the work on the Chinese entities to an appropriate standard.

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included consideration of the inherent risks to the Group's business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period 12 months from the date of the signing of the financial statements.

The risks that we considered most likely to affect the Group's financial resources or ability to continue operations over this period were adverse circumstances impacting timely conversion of trade receivables to cash, growth in revenues, adverse changes in working capital trends and significant difficulties in relation to accessing overseas cash. The performance of the overseas markets is significant to the Group model and therefore through our review we have considered any downturn in performance in these markets.

We considered these risks through a review of the application of reasonably foreseeable downside scenarios that could arise with reference to the level of available financial resources indicated by the Group's financial forecasts and management's assessment of these risks, including potential mitigations available. This has been aligned with our review of the development of future products and the assessments performed by management in determining the market opportunities that they look to exploit.

Our audit procedures to evaluate the director's assessment of the Group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern;

- Evaluating the methodology used by the directors to assess the Group and the Company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment and evaluating the key assumptions used and judgements applied;
- Reviewing the liquidity headroom and applying a number of sensitivities to the base forecast assessment of the directors to ensure there was sufficient headroom to adopt the going concern basis of accounting; and
- Reviewing the appropriateness of the directors' disclosures regarding going concern in the financial statements.

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

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

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
<p>Revenue recognition</p> <p>The Group's revenue recognition policy is included within the accounting policies in note 2 and the components of revenue are set out in note 4.</p> <p>The Group recognises revenue in respect of the sale of Aivlosin and Vaccine products in the UK, European and Global markets. The Group recognises revenue in line with delivery terms per customer and therefore at the point in which their obligation is satisfied in transferring control of the product over to its customer.</p> <p>As a result of revenue relating to product sales only, there is a risk that it has been materially misstated as a result of fraud or error through the recognition of revenue related to sales that occurred around year-end and the incorrect application of delivery terms in relation to the revenue being recognised.</p>	<p>In response to this risk our work consisted of but was not limited to the following audit procedures:</p> <ul style="list-style-type: none"> • Assessed the Group's accounting policy for each material revenue stream and performed walkthrough procedures to assess the design and implementation of controls. • Evaluated management review controls in respect of revenue recognition. • We performed substantive testing in year on sales at a lower risk rating as documented in our audit planning report. We documented the business processes in place for the recording of a sale in the ledger for both the UK and significant overseas operations. • Our review also included an assessment of the appropriateness of the recognition of trade receivables, accrued income and deferred income. • We obtained details of all the relevant delivery terms applicable to the Group and performed walkthrough tests of each determining whether these had been appropriately applied in recognising revenue in the financial statements. • We performed specific targeted testing around year-end, with March 2023 and April 2023 sales listings reviewed and delivery terms obtained for a selection of significant transactions. We agreed sales to supporting documentation and recorded the delivery terms for each item. The application of delivery terms was then reviewed to ensure revenue was being recognised as expected. <p>Based on the assessment and given the significant coverage of testing over Group revenue, we found no evidence to suggest that revenue was not being recognised in accordance with the Group's revenue recognition accounting policy. We found that the application of this policy in line with contractual delivery terms was as expected particularly around year-end.</p>

Independent Auditor's Report to the Members of Eco Animal Health Group Plc (continued)

Key Audit Matter	How our scope addressed this matter
<p>Recoverability of capitalised development costs and application of IAS38</p> <p>The Group's accounting policy for intangible assets is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12.</p> <p>The Group have a specific policy in relation to research and development which has been prepared in accordance with IAS 38 requirements.</p> <p>The net book value of capitalised development costs is £17,477k at 31 March 2023 and therefore is a material balance within the Group financial statements.</p> <p>There is a risk that these intangible assets are materially overstated, or that insufficient impairment or amortisation has been charged. Furthermore, there is a risk that additions in the year are capitalised incorrectly on the basis that the weight of evidence does not suggest the project has moved beyond the research stage.</p> <p>Management impairment reviews are areas that carry risks of error or fraud due to the degree of estimation uncertainty included in forecasting and discounting future cash flows, due to the assumptions made in relation to future market demand, applicable discount rates and various other macroeconomic inputs included in the impairment model.</p> <p>The impact of this is that the recoverable amount of capitalised development costs carry a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements.</p>	<p>In response to this risk our work consisted of but was not limited to the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained and reviewed the Group research and development policy and critically assessed the application of the policy in line with the IAS38 requirements. • We obtained the intangible fixed asset register and verified the brought forward figures to the prior year signed financial statements. • For a sample of previously capitalised intangibles, we obtained supporting documentation to ensure there were no indications that these projects should no longer be capitalised as intangible assets. We also ensured that sales related to these historically capitalised projects were taking place evidencing that they remained viable in the market. • For the development projects ongoing in the year, we obtained management's assessment and obtained supporting evidence where possible to ensure that the treatment of these costs as development costs were appropriate and in line with IAS 38 criteria. • We tested a sample of capitalised additions to supporting documentation and to the specific study that this related to so that we could understand the work being performed and assess whether it satisfied the development costs criteria. • We discussed these projects with the Group's internal research and development team as well as an external expert engaged by the Group who specifically assessed the studies included in the additions sample. We performed our own review of the expert provided by the Group to ensure that their assessment was reasonable and that the expert was reliable. • We obtained management's impairment assessment and critically analysed the inputs in the model and the forecasts for future revenues of the projects in development. We challenged assumptions made by management in relation to the forecasts. This included comparing historic forecasts against actuals to determine their accuracy' as well as performing stress tests on future forecasts to determine the impact. • We reviewed the amortisation policy as disclosed in the notes and performed our own recalculation to ensure correctly calculated. <p>Based on the above assessment, we found no evidence to suggest that development costs were materially overstated in the financial statements. We found that the application of the policy was in line with IAS 38 requirements and there was no evidence of any impairment of the capitalised development costs.</p>
<p>Recoverability of goodwill</p> <p>The Group's accounting policy for goodwill is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12.</p> <p>The total goodwill balance as at 31 March 2023 is £17,930k. The goodwill is primarily attributable to Eco Animal Health Limited, which has a loss before tax for the year ended 31 March 2023 of £357k. Furthermore, this component has suffered losses before tax in both FY21 and FY22. These losses are indicators that the goodwill attributable to the loss-making CGU may be impaired.</p> <p>There is a risk that goodwill attributable to the historic acquisition of subsidiaries (determined to be the appropriate CGUs for goodwill allocation) is impaired.</p>	<p>In response to this risk our work consisted of but was not limited to the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained management's assessment of the cash generating unit's ("CGUs") to which goodwill has been allocated to ensure this was appropriate. • We obtained management's impairment assessment of goodwill and assessed the cashflows included in the impairment review to ensure these were in line with the guidance provided by IAS 36. • We reviewed and scrutinised the estimates and judgements made by management in preparing the cashflow forecasts to ensure that these were reasonable. • In determining whether evidence of impairment exists, we performed sensitivity analysis on the base case forecast prepared by management to determine the changes required in the key estimates for the headroom to be nil. • We ensured that the financial statements contained appropriate levels of disclosure to draw attention to the key estimation uncertainty arising on the impairment review prepared for the purposes of IAS 36. <p>Based on the above assessment, we found no evidence to suggest that goodwill was materially impaired. We also noted that management's impairment review was appropriate when considering the stipulations of IAS 36.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed, or influenced. We determined overall materiality for the Group financial statements as a whole to be £835,000 being 1% of revenue for the year. We considered it appropriate to determine our materiality based on revenue as we consider this to be the key metric in assessing the financial performance and position of the Group. For each of the significant components as documented above, we applied a specific materiality for the review based on revenue metrics. Our materiality for the parent company was determined to be 95% of group materiality which totalled £794,000. For those components that were considered non-significant, we performed analytical reviews and specific testing to Group materiality.

We determined performance materiality to be 75% for the Group and all significant components with 75% based on our assessment of the Group's control environment. We evidenced effective controls in place which mitigate the risk of misstatement and have obtained evidence to support their effectiveness through our assessment of controls and walkthrough procedures.

We agreed with the Audit Committee that we would report to it all audit differences in excess of £41,750 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider

whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 35, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the Group and industry, we considered the extent to which non-compliance with laws and regulations could have a material effect on the financial statements. We also identified and considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, corporation tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the AIM Rules, Companies Act 2006, relevant pharmaceutical regulations, corporation tax, payroll tax and sales tax;

- We obtained an understanding of how the Group complies with these frameworks through discussions with the Directors and management;
- We inspected relevant tax filings and considered these and other relevant correspondence for indications of non-compliance;
- We assessed the susceptibility of the Parent Company's and Group's financial statements to material misstatement including how fraud might occur by considering the key risks impacting the financial statements;
- We carried out a review of manual entries recorded in management's accounting records and assessed the appropriateness of such entries;
- We challenged assumptions and judgements made by management and their critical accounting estimates;
- We assessed whether the Group's control environment is adequate for the size and operating model of such a Group.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Cork
(Senior Statutory Auditor)

For and on behalf of Haysmacintyre LLP,
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

Financial Statements

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Consolidated Income Statement

for the year ended 31 March 2023

	Notes	2023 £000's	2022 £000's
Revenue	4	85,311	82,195
Cost of sales		(46,935)	(47,059)
Gross profit		38,376	35,136
		45.0%	42.7%
Other income	5	357	65
Research and development expenses		(5,920)	(7,621)
Administrative expenses		(27,866)	(24,055)
Impairment of intangible assets		-	(2,085)
Profit from operating activities	6	4,947	1,440
Finance income	7	104	190
Finance costs	7	(656)	(284)
Net finance cost		(552)	(94)
Share of profit of associate	16	45	43
		45	43
Profit before income tax		4,440	1,389
Income tax charge	9	(1,349)	(2,094)
Profit/(loss) for the year		3,091	(705)
Profit/(loss) attributable to:			
Owners of the parent Company		1,008	(686)
Non-controlling interest	27	2,083	(19)
Profit/(loss) for the year		3,091	(705)
Earnings per share (pence)	8	1.49	(1.01)
Diluted earnings per share (pence)	8	1.47	(1.01)
Adjusted EBITDA (Non-GAAP measure)	6	7,235	5,406

The notes on pages 50 to 92 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	2023 £000's	2022 £000's
Profit for the year		3,091	(705)
Other comprehensive income/(losses):			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences		(586)	2,195
<i>Items that will not be reclassified to profit or loss:</i>			
Deferred tax on property revaluations		-	1
Remeasurement of defined benefit pension schemes	24	100	24
Other comprehensive income/(losses) for the year		(486)	2,220
Total comprehensive income for the year		2,605	1,515
Attributable to:			
Owners of the parent Company		798	435
Non-controlling interest	27	1,807	1,080
		2,605	1,515

The notes on pages 50 to 92 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Share Capital £000's	Share Premium £000's	Revaluation Reserve £000's	Other Reserves £000's	Foreign Exchange Reserve £000's	Retained Earnings £000's	Total £000's	Non-controlling Interest £000's	Total Equity £000's
Balance as at 31 March 2021	3,379	63,258	656	106	1,092	13,410	81,901	13,414	95,315
Loss for the year	-	-	-	-	-	(686)	(686)	(19)	(705)
Other comprehensive income:									
Foreign currency differences	-	-	-	-	1,096	-	1,096	1,099	2,195
Deferred tax on revaluation of freehold property	-	-	1	-	-	-	1	-	1
Actuarial gains on pension scheme assets	-	-	-	-	-	24	24	-	24
Total comprehensive income for the year	-	-	1	-	1,096	(662)	435	1,080	1,515
Transactions with owners:									
Issue of shares in the year	2	61	-	-	-	-	63	-	63
Share-based payments	-	-	-	-	-	342	342	-	342
Dividends	-	-	-	-	-	(677)	(677)	(2,210)	(2,887)
Transactions with owners	2	61	-	-	-	(335)	(272)	(2,210)	(2,482)
Balance at 31 March 2022	3,381	63,319	657	106	2,188	12,413	82,064	12,284	94,348
Profit for the year	-	-	-	-	-	1,008	1,008	2,083	3,091
Other comprehensive income:									
Foreign currency differences	-	-	-	-	(310)	-	(310)	(276)	(586)
Actuarial gains on pension scheme assets	-	-	-	-	-	100	100	-	100
Total comprehensive income for the year	-	-	-	-	(310)	1,108	798	1,807	2,605
Transactions with owners:									
Share-based payments	-	-	-	-	-	408	408	-	408
Dividends	-	-	-	-	-	-	-	(1,810)	(1,810)
Transactions with owners	-	-	-	-	-	408	408	(1,810)	(1,402)
Balance at 31 March 2023	3,381	63,319	657	106	1,878	13,929	83,270	12,281	95,551

The notes on pages 50 to 92 form part of these financial statements.

Statement of Changes in Equity

for the year ended 31 March 2023

Company

	Share Capital £000's	Share Premium £000's	Revaluation Reserve £000's	Other Reserves £000's	Retained Earnings £000's	Total £000's
Balance as at 31 March 2021	3,379	63,258	385	106	10,326	77,454
Loss for the year	-	-	-	-	(1,586)	(1,586)
Other comprehensive income:						
Deferred tax on revaluation of freehold property	-	-	1	-	-	1
Actuarial gains on pension scheme assets	-	-	-	-	24	24
Total comprehensive income for the year	-	-	1	-	(1,562)	(1,561)
Transactions with owners:						
Issue of shares in the year	2	61	-	-	-	63
Share-based payments	-	-	-	-	342	342
Dividends	-	-	-	-	(677)	(677)
Transactions with owners	2	61	-	-	(335)	(272)
Balance at 31 March 2022	3,381	63,319	386	106	8,429	75,621
Loss for the year	-	-	-	-	(1,701)	(1,701)
Other comprehensive income:						
Actuarial gains on pension scheme assets	-	-	-	-	100	100
Total comprehensive income for the year	-	-	-	-	(1,601)	(1,601)
Transactions with owners:						
Share-based payments	-	-	-	-	408	408
Transactions with owners	-	-	-	-	408	408
Balance at 31 March 2023	3,381	63,319	386	106	7,236	74,428

The notes on pages 50 to 92 form part of these financial statements.

Statements of Financial Position

(CO. NUMBER: 01818170)

as at 31 March 2023

	Notes	Group		Company		
		2023 £000's	2022 £000's	2023 £000's	2022 £000's Restated	2021 £000's Restated
Non-current assets						
Intangible assets	12	35,636	34,304	-	-	-
Property, plant and equipment	13	6,097	3,465	565	748	651
Investment property	14	-	227	-	227	305
Right-of-use assets	15	4,282	1,773	71	59	37
Investments	16	252	212	21,165	21,230	21,047
Amounts due from subsidiary Company	18	-	-	51,526	52,742	54,894
Deferred tax assets	19	559	523	12	50	-
Total non-current assets		46,826	40,504	73,339	75,056	76,934
Current assets						
Inventories	17	22,409	30,142	-	-	-
Trade and other receivables	18	26,850	25,969	1,073	338	281
Income tax recoverable		2,947	1,596	-	-	-
Other taxes and social security		395	1,075	43	386	27
Cash and cash equivalents	20	21,658	14,314	388	279	819
Assets held for sale	14	230	-	230	-	-
Total current assets		74,489	73,096	1,734	1,003	1,127
Total assets		121,315	113,600	75,073	76,059	78,061
Current Liabilities						
Trade and other payables	21	(14,523)	(12,954)	(520)	(326)	(524)
Provisions	23	(5,178)	(3,875)	-	-	-
Income tax payable		(1,017)	(224)	-	-	-
Other taxes and social security payable		(516)	(239)	-	-	-
Lease liabilities	22	(884)	(397)	(41)	(13)	(7)
Dividends		(50)	(50)	(50)	(50)	(50)
Current liabilities		(22,168)	(17,739)	(611)	(389)	(581)
Net current assets		52,321	55,357	1,123	614	546
Total assets less current liabilities		99,147	95,861	74,462	75,670	77,480
Non-current liabilities						
Deferred tax liabilities	19	-	-	-	-	6
Lease liabilities	22	(3,596)	(1,513)	(34)	(49)	(32)
Total assets less total liabilities		95,551	94,348	74,428	75,621	77,454

	Notes	Group		Company		
		2023 £000's	2022 £000's	2023 £000's	2022 £000's Restated	2021 £000's Restated
Equity						
Issued share capital	26	3,381	3,381	3,381	3,381	3,379
Share premium account		63,319	63,319	63,319	63,319	63,258
Revaluation reserve		657	657	386	386	385
Other reserves	28	106	106	106	106	106
Foreign exchange reserve	28	1,878	2,188	-	-	-
Retained earnings		13,929	12,413	7,236	8,429	10,326
Shareholders' funds		83,270	82,064	74,428	75,621	77,454
Non-controlling interests	27	12,281	12,284	-	-	-
Total equity		95,551	94,348	74,428	75,621	77,454

Approved by the Board and authorised for issue on 9 July 2023

Dr Andrew Jones,
Chairman.

The notes on pages 50 to 92 form part of these financial statements.

Statements of Cash Flows

for the year ended 31 March 2023

	Notes	Group		Company	
		2023 £000's	2022 £000's	2023 £000's	2022 £000's
Cash flows from operating activities					
Profit/(loss) before income tax		4,440	1,389	(1,793)	(1,611)
Adjustment for:					
Finance income	7	(104)	(190)	(1,225)	(832)
Finance cost	7	656	284	151	71
Foreign exchange (gain)/loss	6	(468)	(989)	5	(2)
Depreciation	13	812	455	183	28
Amortisation of right-of-use assets	15	452	398	22	16
Revaluation of investment property	14	(3)	78	(3)	78
Amortisation of intangible assets	12	1,087	1,140	-	-
Impairment of intangible assets	12	-	2,085	-	-
Share of associate's results	16	(45)	(43)	-	-
Share based payment charge	25	408	342	179	342
Dividends received		-	-	-	(177)
Operating cash flows before movements in working capital		7,235	4,949	(2,481)	(2,087)
Change in inventories		7,776	(8,585)	-	-
Change in receivables		(1,843)	7,630	1,109	2,385
Change in payables		3,802	(2,868)	202	(174)
Change in provisions and pensions		1,439	1,392	100	-
Cash generated from operations		18,409	2,518	(1,070)	124
Finance costs	7	(451)	(106)	(139)	(60)
Income tax		(2,052)	(2,960)	(14)	(17)
Net cash from/(out) operating activities		15,906	(548)	(1,223)	47
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	(3,562)	(1,624)	-	(125)
Disposal of property, plant and equipment	13	-	3	-	-
Purchase of intangibles	12	(2,419)	(1,263)	-	-
Finance income	7	104	190	1,225	-
Dividends received		-	-	144	177
Net cash (used in)/from investing activities		(5,877)	(2,694)	1,369	52

	Notes	Group		Company	
		2023 £000's	2022 £000's	2023 £000's	2022 £000's
Cash flows from financing activities					
Proceeds from issue of share capital		-	63	-	63
Interest paid on lease liabilities	22	(205)	(111)	(12)	(11)
Principal paid on lease liabilities	22	(387)	(371)	(21)	(14)
Dividends paid		(1,810)	(2,886)	-	(677)
Net cash (used in)/from financing activities		(2,402)	(3,305)	(33)	(639)
Net increase/(decrease) in cash and cash equivalents		7,627	(6,547)	113	(540)
Foreign exchange movements		(283)	1,338	(4)	-
Balance at the beginning of the period		14,314	19,523	279	819
Balance at the end of the period	20	21,658	14,314	388	279

The notes on pages 50 to 92 form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2023

1. General information

ECO Animal Health Group plc ("the Company") and its subsidiaries (together "the Group") manufacture and supply animal health products globally.

The Company is traded on the AIM market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is The Grange, 100 High Street, Southgate, London, N14 6BN.

2. Summary of the Group and Company's significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Financial Reporting Standards. There were no changes to accounting policies on adoption of UK IFRSs.

The preparation of financial statements, in accordance with UK-adopted international accounting standards, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Further details of estimates and judgements are provided in note 2.30.

The principal accounting policies are set out below and have been applied consistently in dealing with items which are considered material in relation to the financial statements. They are prepared under the historical cost convention with the exception of certain items which are measured at fair value as described in the accounting policies below.

Going Concern

After making appropriate enquiries, the Directors have, at the time of approving the financial statements, formed a judgement that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

This conclusion is based on a review of the resources available to the Group, taking account of the Group's financial projections together with available cash and committed borrowing facilities. The Directors have performed a reverse stress test on the business, by considering what quantum of revenue and gross margin reduction would be required to exhaust all available funds within 12 months of the date of approving the financial statements, having due regard to the identified strategic risks. The Directors concluded that the likelihood of such a reduction was remote, and therefore that no material uncertainty exists with respect of going concern.

2.2 Adoption of new and revised standards

No new standards or amendments that became effective in the financial year had a material impact in preparing these financial statements.

There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that have not been adopted early.

The following standard is effective for annual reporting periods beginning on or after 1 January 2023:

- IFRS 17 – Insurance Contracts

The following amendments are effective for annual reporting periods beginning on or after 1 January 2023:

- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).

The following amendments are effective for annual reporting periods beginning on or after 1 January 2024:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Non-current liabilities with covenants (Amendments to IAS 1); and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2023.

An entity is classed as a subsidiary of the Company when as a result of contractual arrangements, the Company has the power to govern its financial and operating policies so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured, as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value, the difference is recognised directly in the income statement.

Accounting policies of subsidiaries have been changed where material to ensure consistency with the policies adopted by the Group. Although the subsidiaries in Brazil and China and the joint operations in the USA and Canada all have December year ends, the Group uses management accounts to the end of March to prepare the Group accounts.

Subsidiaries are wholly consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. The Group has not elected to take the option to use fair value in acquisitions completed to date.

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Board.

Assets and liabilities of the Group are not reviewed on a segment basis by the chief operating decision-maker, accordingly assets and liabilities on a segment basis are not presented in these consolidated financial statements.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated and company financial statements are presented in Pounds Sterling, which is the Group and the Company's functional currency.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the date of the financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in the income statement within administrative expenses.

(c) Group companies

The results and financial position of all Group entities that have a functional currency different from the Group's functional and presentation currency are translated into the Group's functional and presentation currency as follows:

- assets and liabilities for each Statement of financial position presented are translated at the closing exchange rate at the date of the Statement of financial position;
- income and expenses for each income statement are translated at average exchange rates unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case the income and expenses are translated at the rate on the dates of the transaction; and
- all resulting exchange differences are recognised through other comprehensive income as a separate component of equity.

When a foreign operation is partially disposed or sold, exchange differences that were recognised in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

2.6 Financial instruments

Financial assets

Financial assets comprise mainly trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. These financial assets arise principally from the provision of goods to customers and are measured at amortised cost.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed with reference to historical data adjusted by forward-looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within Administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

Financial liabilities comprise mainly trade and other payables and bank overdrafts in the consolidated statement of financial position. These financial liabilities are initially recognised at fair value and subsequently measured at amortised cost in accordance with IFRS 9.

2.7 Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the costs of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal. Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

2.8 Other intangible assets

IAS 38 – Intangible Assets includes guidance on the accounting for Research and Development expenditure. Such an intangible asset is a resource that is controlled by the entity as a result of past events (for example, purchase or self-creation) and from which future economic benefits (inflows of cash or other assets) are expected. The three critical attributes of an intangible asset are:

- Identifiability;
- control (power to obtain benefits from the asset); and
- future economic benefits (such as revenues or reduced future costs).

Identifiability

An intangible asset is identifiable when it:

- is separable (capable of being separated and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract); or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Development expenditure – whether purchased or self-created (internally generated) is an example of an intangible asset, governed under IAS 38.

Recognition criteria

IAS 38 requires an entity to recognise an intangible asset (at cost) if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

IAS 38 includes additional recognition criteria for internally generated intangible assets.

Expenditure on the research phase of an internal project is expensed as incurred. Expenditure in the development phase of an internal project is capitalised if the entity can demonstrate:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) its intention to complete the intangible asset and use or sell it.
- c) its ability to use or sell the intangible asset.
- d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The probability of future economic benefits must be based on reasonable and supportable assumptions about conditions that will exist over the life of the asset.

If an entity cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only.

The Group context of IAS 38

Since the early start-up stages of the business, the Group has and continues to invest significant expenditure in research and development into new animal treatments and therapies. This has resulted in a significant family of pharmaceutical treatments for pigs and poultry. Branded as Aivlosin, this product has developed over 20 years into treatments for multiple respiratory and intestinal infections – each of which have separate regulatory and marketing approvals in each target market. The work to bring Aivlosin from the laboratory to the commercial farm has moved through the classical phases of pharmaceutical development and the ECO Animal Health R&D model can be described by the following broad phases:

- The discovery phase – in vitro, in laboratory.
- The proof of concept phase – key efficacy trials in small groups of animals.
- The exploratory development phase – optimisation of dose, economic validation.
- The full development phase – building the data set for dossier submission.
- Submission of an application for regulatory approval.
- Marketing and regulatory approval granted – commercial revenue begins.

The application of the principles of IAS 38 to the above model is to treat expenditure on Research and Development as an expense until the likely commercial benefits that will flow from the project can be judged to be highly probable. This means that the technical feasibility (judged by reference to efficacy) must be certain, the economic feasibility (judged by reference to manufacturing methodology, market

intelligence, overall programme cost) has to be highly probable and the likelihood of gaining regulatory approval must be judged to be highly probable. The Directors consider that capitalisation will generally commence once a project enters the full development phase.

In practice, work that is undertaken to build towards regulatory approval for a new treatment claim using Aivlosin, vaccines or other technologies, or an approval for marketing new technologies of applications in a new geographical market can be viewed as starting at the full development phase and are likely to meet the capitalisation criteria whereas costs in relation to some of the Group's recently announced projects, on vaccine development, for example, are likely to meet the capitalisation requirements once they are approved internally to commence the full development phase, subject to careful consideration of residual technical feasibility/risk.

Amortisation of capitalised expenditure is determined with reference to the point at which regulatory approval is given to the product to which the expenditure relates. For historic periods, the approach adopted has been to amalgamate the expenditure incurred on all projects relating to the same product, since the last regulatory approval and then identify the next nearest regulatory approval given for that product in either the same or a subsequent half-year. Amortisation begins in the half-year following the receipt of regulatory approval. A full six months of amortisation is charged in the first half-year for which costs are amortised.

Where it is possible to allocate an individual capitalised cost to a single identifiable project the start date for amortisation is the half-year following the half-year period in which the project receives regulatory approval. Where regulatory approval has not been received for a project, the amortisation has not started.

Amortisation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Aivlosin	5% on cost
Ecomectin	10% on cost
Vaccines	5% on cost
Trade marks and patents	10% on cost

2.9 Property, plant and equipment and depreciation

Plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	10%-20% on cost
Fixtures, fittings and equipment	10%-20% on cost
Motor vehicles	25% on cost
Leasehold Improvement	18%-25% on cost

Freehold land and buildings valuations are measured as a level 3 recurring fair value measurement. The property is professionally valued by a qualified surveyor at least once every three years. Surpluses (which are not reversals of previous deficits) arising from the periodic valuations are taken to other comprehensive income, and deficits (which are not reversals of previous surpluses) are taken to the income statement within administrative expenses. Depreciation is provided at a rate calculated to expense the valuation less estimated residual value over the remaining useful life of the building at a rate of 2% per annum on a straight line basis. Land is not depreciated.

2.10 Impairment of non-financial assets

The carrying amounts of assets are reviewed at each year end, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the impairment loss if any. The recoverable amount is the higher of its fair value and its value in use. For intangible assets with an indefinite useful life or not available for use, an impairment test is performed at each year end.

In assessing value in use, the expected future cashflows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss for costs other than goodwill is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years and no reversal of impairment losses recognised on goodwill.

2.11 Investment property

Investment property is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value as a level 3 recurring fair value measurement.

The property is professionally valued by a qualified surveyor at least once every three years. Surpluses and deficits arising from the periodic valuations are taken to the income statement within administrative expenses.

2.12 Investments in subsidiaries

An investment in a subsidiary is where the Group own a controlling interest in an entity. Investments in subsidiaries are stated at cost less impairment in the Parent Company's statement of financial position.

Other non-current asset investments are stated at fair value. They are recognised or derecognised on the date when the contract for acquisition or disposal requires the delivery of that investment.

Investments are assessed for impairment at the end of each reporting period. An impairment is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount, with the value of any impairment being the difference between the recoverable amount and carrying amount.

Impairments can be reversed in subsequent periods where there is any indication that the impairment loss recognised in a prior period may no longer exist or have decreased.

2.13 Joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement.
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement.
- The legal form of joint arrangements structured through a separate vehicle.
- The contractual terms of the joint arrangement agreement.
- Any other facts and circumstances (including any other contractual arrangements).

The Group has interests in joint operations. The Group recognises its share of the assets, liabilities, income, expenses and cashflows of joint operations combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

2.14 Investments in associates

An associate is an entity in which an investor has significant influence but not control or joint control. Significant influence is defined as "the power to participate in the financial and operating policy decisions but not to control them".

The Group reports its interests in associates using the equity method of accounting. Under this method, an equity investment is initially recorded at cost (subject to initial fair value adjustment if acquired as part of the acquisition of a subsidiary) and is subsequently adjusted to reflect the Group's share of the net profit or loss of the associate. If the Group's share of losses of an associate equal or exceed its "interest in the associate", the Group discontinues recognising its share of further losses. If the associate subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2.15 Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases under IFRS 16, except for short-term leases and leases of low-value assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs

incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section 2.10 for further details.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

Extension and termination options

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

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the

lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Recognition exemptions

The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option.

The Group also applies the recognition exemption to leases of which the underlying asset is of low value, comprising assets below the Group's capitalisation threshold. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Practical expedients

The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

2.16 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the historical batch price of the principal raw materials and the weighted average cost for other ingredients and other product costs. The cost of finished goods comprises raw materials, packaging costs and sub-contracted manufacturing costs. Net realisable value is the estimated selling price in the ordinary course of business, less any costs which would be incurred in completing the goods ready for sale.

2.17 Trade receivables

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade receivables are presented net of discounts or other variable consideration adjustments earned, where the expectation and intention is to settle the balance net. Impairment provisions are recognised based on the simplified approach in accordance with IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. See impairment section in section '2.6 Financial instruments' for more details.

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less. For the purpose of the statement of cash flows, bank overdrafts are included in the presentation of cash and cash equivalents.

2.19 Financial liabilities and equity

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

2.20 Bank borrowings and loans

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs (which equate to fair value). Finance charges including premiums payable on settlement or redemption and direct issue costs are accounted for on an amortised cost basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.21 Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.22 Provisions

Provisions are recognised when there is a present obligation as a result of a past event and it is probable that the an outflow of resources will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation outstanding at the year end and are discounted to present value where the effect is material.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. The Group's revenue is principally derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer. This point in time is determined with reference to INCO terms with that customer, with control of goods deemed to have transferred as per the relevant INCO terms. The most common terms used by the group are Carriage, Insurance and Freight ("CIF"), Free On Board ("FOB"), ExWorks ("EXW") and Carriage and Insurance Paid to ("CIP").

- For transactions under CIF and FOB, the revenue is recognised at the point the goods are loaded onto the vessel or aircraft and a bill of lading or airway bill is issued.
- For transactions under EXW, the revenue is recognised at the point the goods are collected from the Group's warehouses or factory.
- For transactions under CIP, the revenue is recognised at the point the goods are loaded on to a truck at the designated point of departure and a loading note is issued.

Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Transaction price is determined by the contract and variable consideration relating to discounts, free goods or volume rebates have been constrained in estimating contract revenue that is highly probable by using the most likely amount method.

The Group's contracts for delivery of goods are less than 12 months, there are no warranties within its sales contracts.

Revenue is recognised when the performance obligation is fulfilled, and the amount can be measured reliably. The performance obligation is fulfilled when control of the goods passes to the customer, which is normally in accordance with INCO terms or receipt by customer. No goods are dispatched on a sale or return basis. Distributors trade on their own account and not as agents.

The Group also receives interest and royalty income, which are recognised on an accrual basis.

2.24 Pensions

Defined Contribution Scheme

The pension costs charged against operating profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Defined Benefit Scheme

The regular cost of providing retirement pensions and related benefits is charged to the income statement over the employees' service lives on the basis of a constant percentage of earnings. The present value of the defined benefit obligation less the fair value of the plan assets is disclosed as an asset or liability in the statement of financial position in accordance with IAS 19. The disclosure of a net defined benefit asset is limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan. Actuarial gains or losses are recognised through other comprehensive income.

2.25 Share-based payments

The Group issues equity-settled share options to certain employees in exchange for services from those employees. Equity-settled share options are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant.

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

Fair value is measured by use of the Black-Scholes model for those options granted with non-market performance conditions. The expected life used in the model has been established based on management's best estimate of the effects of non-transferability, exercise restrictions and behaviour considerations.

In addition, the binomial model has been used to model future market outcomes for those options granted with a market performance condition.

Further details of the inputs to the Black-Scholes and the binomial model can be found in note 25 to the accounts.

Share-based payment charges are credited to retained earnings.

2.26 Taxation

Tax expense for the period comprises current and deferred tax.

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the year end. Tax expenses are recognised in profit or loss or other comprehensive income according to the treatment of the transactions which give rise to them.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantively enacted, by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- the Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- the Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

2.27 Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Amounts arising on the restructuring of equity and reserves to protect creditor interests are credited to the capital redemption reserve.

Amounts arising from share-based payment expenses are recorded within retained earnings.

The cost of its own shares bought into treasury is debited to retained earnings as required by the Companies Act 2006. A subsequent sale of these shares would result in this entry being wholly or partly reversed with any profit on the sale being credited to Share Premium.

Amounts arising from the revaluation of non-monetary assets and liabilities held in foreign subsidiaries, and joint operations are held within the foreign exchange revaluation reserve.

2.28 Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interest in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owner. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in the income statement.

2.29 Dividend distribution

Dividends are recorded when they become a legal obligation of the Company. For final dividends, this will be when they are approved by the shareholders at the AGM. For interim dividends, this will be when they have been paid.

2.30 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment review of intangible assets

The Group tests annually whether intangible assets with indefinite life, or not yet available for use, have suffered any impairment. Other intangible assets are reviewed for impairment when an indication of potential impairment exists. Impairment provisions are recorded as applicable based on Directors' estimates of recoverable values.

The recoverable amounts of the Cash Generating Units (CGUs) to which intangible assets are allocated are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the assumption of an indefinite future life for the assets giving rise to the cash flows. Where intangible assets relate to future product releases the key assumptions also relate to forecasts for market share and product pricing. These assumptions and other commercial outlook conditions may change, which in turn might result in material changes in the recoverable amount in the future. The Group also reviews and quantifies the tax implications related to any recognised impairments and these are included within tax calculations as appropriate.

Further details of the impairment reviews performed can be found in note 12 of the financial statements.

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted).
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of inputs used that has a significant effect on the fair value measurement of the item.

The Group measures a number of items at fair value, including:

- land and buildings (note 13);
- investment property (note 14);
- Pension and other post-retirement benefit commitments (note 24);
- share-based payments (note 25); and
- initial recognition of financial instruments (note 32).

For more detailed information in relation to the fair value measure of the items above please refer to the applicable notes.

Provisions

Certain aspects of a sales tax related to imported products in a Group subsidiary might have been applicable. The subsidiary has been importing an increasing volume of product in recent years. This matter is at an early stage and subject to further review of the tax legislation and case law. No tax payment has yet been determined. However, a substantial tax settlement may be required in due course and a provision has been recognised.

Pension scheme

The Group maintains one defined benefit pension scheme which has been accounted for according to the provisions of IAS 19. Although the assumptions were determined by a qualified actuary, any change in those assumptions may materially impact the financial position and results of the Group. Details of the assumptions used can be found in note 24 of the financial statements.

Share-based payments

The charge to the Income Statement in respect of share-based payments has been externally calculated using management's best estimates of the number of options expected to vest and various other inputs to the Black-Scholes and the binomial model, as disclosed in note 25. Variations in those assumptions in the model may have a material impact on the Group's results and financial position at the time of valuation. Those options that contain market conditions have been valued using the binomial model, and those without have been calculated using the Black-Scholes model. Management assess whether the charge or vested portion should be amended based on an annual reassessment of the likelihood of non-market based vesting conditions being met.

Leases – estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

In practice, the Group considered the following aspects in the assessment of IBR. Once decided, the IBR will remain unchanged unless there are modifications in lease terms or changes in the assessment of an option to purchase the underlying asset.

A base rate that reflects economic environment and the term of the lease. This is mainly derived from the yield of a government bond issued by the country in which the Group has in scope leases. Where the term of the lease does not conform with the maturity period of the bond, the Group considered other available information such as yields on the bonds with the nearest maturity period, or the yield curve published by the country's treasury department. Considering there is often a difference in the cash flow profile between a lease and government bond, the Group has decided to reduce the base rate by 0.05% to 0.10%.

Financing factors that reflect the lessee companies' risk premium on borrowing. Management considered the financial strength and credit risk of the lessee companies and has estimated the credit spread to be in the range of 1.50% to 5.00%.

Notes to the Consolidated Financial Statements (continued)

Asset factors that reflect the quality of hypothetical security. Depending on the location and type of underlying assets, the Group expects the quality of security in this hypothetical borrowing transaction to vary. For example, the right to use a warehouse in rural areas may provide less relevant security compared to commercial office in a major city's central business district. Based on the Group's assessment, the asset factor ranges between - 0.45% to - 0.50%.

The following are the critical judgements that have been made in the process of applying the Group's accounting policies and have the most significant effects on the amounts recognised in financial statements.

Accounting for ECO Biok as a subsidiary

The Group has determined that it has control over Zhejiang ECO Biok Animal Health Products Limited ("ECO Biok") and its results are therefore consolidated within the Group accounts. The Group owns a 51% interest in ECO Biok and is the entity through which the Group has chosen to enter the Chinese market. ECO Biok depends on the Group for the right to sell Aivlosin products.

Capitalisation of intangible assets

The Group assesses development costs incurred for capitalisation in accordance with the requirements of IAS38 and the Group's accounting policy described in note 2.8. The stage of development

and assessment of technical and commercial feasibility, in particular, require the use of judgements and estimates in consultation with the new product development team.

Income taxes

The Group is subject to income taxes in the United Kingdom and also in other jurisdictions.

Significant judgements are required in determining the provision for income taxes including the use of tax losses and in estimating deferred tax assets arising from unused tax losses or credits. There are some transactions and calculations for which the ultimate tax determination is uncertain, including tax credits for research and development expenditures. The Group recognises assets and liabilities based on estimates of the final agreed position.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets on timing differences are recognised to the extent by which the Directors estimate that future profits will be generated to utilise the underlying costs or losses to which they relate.

3. Prior Year Restatement

The Group reviewed the accounting for share incentive awards made to employees of subsidiary companies and concluded that the previous approach to recording the transaction in the balance sheet of the parent company should be by increasing the value of the investment in subsidiary, rather than recording it as an intercompany receivable. Accordingly, the prior year balance sheets of the Parent company have been restated to show this presentation. There is no impact or effect on the consolidated financial statements.

	Notes	2022 as reported £000's	Adjustments £000's	2022 as restated £000's	2021 as reported £000's	Adjustments £000's	2021 as restated £000's
Non-current assets							
Property, plant and equipment	13	748	-	748	651	-	651
Investment property	14	227	-	227	305	-	305
Right-of-use assets	15	59	-	59	37	-	37
Investments	16	20,032	1,198	21,230	20,032	1,015	21,047
Amounts due from subsidiary Company	18	53,940	(1,198)	52,742	55,909	(1,015)	54,894
Deferred tax assets	19	50	-	50	-	-	-
Total non-current assets		75,056	-	75,056	76,934	-	76,934
Current assets							
Trade and other receivables	18	338	-	338	281	-	281
Other taxes and social security		386	-	386	27	-	27
Cash and cash equivalents	20	279	-	279	819	-	819
Total current assets		1,003	-	1,003	1,127	-	1,127
Total assets		76,059	-	76,059	78,061	-	78,061

	Notes	2022 as reported £000's	Adjustments £000's	2022 as restated £000's	2021 as reported £000's	Adjustments £000's	2021 as restated £000's
Current Liabilities							
Trade and other payables	21	(326)	-	(326)	(524)	-	(524)
Lease liabilities	22	(13)	-	(13)	(7)	-	(7)
Dividends		(50)	-	(50)	(50)	-	(50)
Current liabilities		(389)	-	(389)	(581)	-	(581)
Net current assets		614	-	614	546	-	546
Total assets less current liabilities		75,670	-	75,670	77,480	-	77,480
Non-current liabilities							
Deferred tax liabilities	19	-	-	-	6	-	6
Lease liabilities	22	(49)	-	(49)	(32)	-	(32)
Total assets less total liabilities		75,621	-	75,621	77,454	-	77,454
Equity							
Issued share capital	25	3,381	-	3,381	3,379	-	3,379
Share premium account		63,319	-	63,319	63,258	-	63,258
Revaluation reserve		386	-	386	385	-	385
Other reserves	28	106	-	106	106	-	106
Retained earnings		8,429	-	8,429	10,326	-	10,326
Shareholders' funds		75,621	-	75,621	77,454	-	77,454
Non-controlling interests	27	-	-	-	-	-	-
Total equity		75,621	-	75,621	77,454	-	77,454

4. Segment information

Management has determined the operating segments based on the reports reviewed by the Board to make strategic decisions. The Board considers the business from a geographical perspective. Geographically, management considers the performance in the Corporate/UK, China and Japan, North America, South and South East Asia, Latin America, Europe and the Rest of the World.

Revenues are geographically allocated by the destination of customer.

The performance of these geographical segments is measured using Earnings before Interest, Tax, Depreciation and Amortisation ("Adjusted EBITDA**"), adjusted to exclude share-based payments, revaluation, impairment and personnel related litigation matters. Adjusted EBITDA is a non-GAAP measure used by the management to assess the underlying business performance.

	Corporate/ U.K. £000's	China & Japan £000's	North America £000's	S & SE Asia £000's	Latin America £000's	Europe £000's	Rest of World £000's	Total £000's
Year ended 31 March 2023								
Sale of goods	1,303	26,374	15,172	16,759	18,107	6,073	1,338	85,126
Royalties	-	-	-	-	-	-	185	185
Revenue from external customers	1,303	26,374	15,172	16,759	18,107	6,073	1,523	85,311
Adjusted EBITDA**	(19,101)	9,340	5,463	6,767	3,059	1,486	689	7,703
Year ended 31 March 2022								
Sale of goods	1,525	28,385	16,402	11,816	15,775	6,430	1,623	81,956
Royalties	-	-	-	-	-	-	239	239
Revenue from external customers	1,525	28,385	16,402	11,816	15,775	6,430	1,862	82,195
Adjusted EBITDA**	(18,623)	10,260	5,546	4,632	3,035	841	704	6,395

A reconciliation of adjusted EBITDA for reportable segments to profit from operating activities is provided as follows:

	2023 £000's	2022 £000's
Adjusted EBITDA for reportable segments	7,703	6,395
Depreciation	(812)	(455)
Amortisation of right-of-use assets	(452)	(398)
Revaluation of investment property	3	(78)
Provision for ongoing employee litigation	-	(457)
Amortisation	(1,087)	(1,140)
Impairment	-	(2,085)
Share-based payment charges	(408)	(342)
Profit from operating activities	4,947	1,440
Foreign exchange differences	(468)	(989)
Adjusted EBITDA for the Group	7,235	5,406

**Adjusted EBITDA reported for the segments includes foreign exchange gains and losses. The Adjusted EBITDA for the Group is presented in note 6.

Product Revenues

	2023 £000's	2022 £000's
Aivlosin	75,942	72,939
Ecomectin	3,595	5,543
Others	5,774	3,713
Total	85,311	82,195

All product revenues are recognised at a point in time.

Contract Balances

	2023 £000's	2022 £000's
Within one year or on demand		
At 1 April	203	2,155
Amounts included in contract liabilities that was recognised as revenue during the period	(203)	(2,155)
Cash received in advance of performance and not recognised as revenue during the period	1,079	203
At 31 March	1,079	203

The Group recognised contract liabilities of £1,079,000 at 31 March 2023 (2022: £203,000). The Group does not hold any long-term sales contracts and any rebates, discounts or free goods incentives are settled and recognised as revenue within the next accounting period. Contract balances are reported within trade and other payables on the Statement of Financial Position.

5. Other income

	2023 £000's	2022 £000's
Sundry income	357	65
	357	65

6. Result from operating activities

	Notes	2023 £000's	2022 £000's
Result from operating activities is stated after charging/(crediting):			
Cost of inventories recognised as an expense		46,461	46,482
Employee benefits expenses	30	15,461	14,054
Amortisation of intangible assets	12	1,087	1,140
Depreciation	13	812	455
Amortisation of right-of-use assets	15	452	398
Revaluation of investment property	14	(3)	78
Gain on foreign exchange transactions		468	989
Research and development		5,920	7,621
Impairment losses on trade receivables	18	533	(167)
Audit fees recognised in the financial period to the Company's auditors for the audit of the parent Company and Group annual accounts		535	452
Audit fees recognised in the financial period to the Company's auditors and its associates for the audit of the Company's subsidiaries		70	41

Total fees payable to the Company's auditor for the audit of these parent Company and Group annual accounts, for the year ended 31 March 2023, are £290,000 (2022: £584,000), and fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries are £24,000 (2022: £83,000).

Notes to the Consolidated Financial Statements (continued)

	2023 £000's	2022 £000's
Earnings before interest, Tax, Depreciation, Amortisation, Revaluation, Impairment, Personnel related litigation matters, Share-based payments and Foreign exchange differences (adjusted EBITDA) - Non-GAAP measure		
Profit from operating activities	4,947	1,440
Depreciation	812	455
Amortisation of right-of-use assets	452	398
Revaluation of investment property	(3)	78
Amortisation	1,087	1,140
Impairment	-	2,085
Personnel related litigation matters	-	457
Share-based payments	408	342
	7,703	6,395
Foreign exchange differences	(468)	(989)
Adjusted EBITDA	7,235	5,406

Management believe that adjusted EBITDA is an appropriate measure of the Group's performance as it is the initial source for all re-investment and for all returns to shareholders. Investors, bankers and analysts all focus on this important measure of underlying performance because it enables them to make judgements about the Group's ability to generate sufficient cash to meet all the re-investment needs of the business while still providing adequate returns to shareholders. Therefore, adjusted EBITDA has a direct relationship with the value of the Group and is seen by our investors as a Key Performance Indicator for management.

The following items are adjusted for in the calculation of adjusted EBITDA as defined by the Group.

Item	Rationale for Adjustment
Depreciation and Amortisation	These items are a result of past investments and therefore, although they are correctly recorded as a cost of the business, they do not reflect current or future cash outflows. Additionally, Depreciation and Amortisation calculations are subject to judgement regarding useful lives and residual values of particular assets and the adjustment removes the element of judgement.
Revaluation of Investment Property	These are subject to judgement and do not reflect cash flows.
Gains and Losses on Disposal of Fixed Assets and Impairment of Intangibles	These items are a result of past investments and therefore, although they are correctly recorded as income or cost of the business, they do not reflect current or future cash outflows.
Employment litigation	Amount in respect of a probable settlement of an employment related matter in a foreign subsidiary of ECO Animal Health Group plc
Share-based Payments	This item is subject to judgement and will never be reflected in the Group's cash flows.
Foreign Exchange differences	Since the key driver of this figure is the revaluation of monetary assets denominated in foreign currency at the period end, which may reverse prior to settlement, taking this figure out of the EBITDA figure removes volatility from the performance measure. Foreign exchange movements are largely outside of the Group's control, so this gives a better measure of the Group's progress than statutory profit measures which include them.

7. Finance income/(expense)

	2023 £000's	2022 £000's
Finance income		
Interest received on short term bank deposits	104	190
Finance costs		
Interest paid	(451)	(173)
Interest paid on lease liabilities	(205)	(111)
	(656)	(284)
Net finance costs	(552)	(94)

8. Earnings per share

The calculation of basic earnings per share is based on the post-tax profit for the year divided by the weighted average number of shares in issue during the year.

	2023			2022		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£000's	000's	pence	£000's	000's	pence
Earnings attributable to ordinary shareholders on continuing operations after tax	1,008	67,722	1.49	(686)	67,717	(1.01)
Dilutive effect of share options	-	918	-	-	-	-
Diluted earnings per share	1,008	68,640	1.47	(686)	67,717	(1.01)

The diluted EPS figure reflects the impact of historic grants of share options and is calculated by reference to the number of options granted for which the average share price for the year was in excess of the option exercise price.

9. Taxation

	2023 £000's	2022 £000's
Current tax		
Foreign corporation tax on profits for the year	2,405	3,284
Foreign withholding tax	325	406
Research and development tax credits claimed in the year	(1,391)	(1,594)
Research and development tax credits - adjustment for prior year	46	437
Deferred tax		
Origination and reversal of temporary differences	(36)	(439)
Income tax charge	1,349	2,094
Origination and reversal of temporary differences	-	(1)
Deferred tax recognised through reserves	-	(1)

	2023 £000's	2022 £000's
Factors affecting the tax charge for the year		
Profit before income tax	4,440	1,389
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 19% (2021: 19%)	844	264
Effects of:		
Non-deductible expenses	1,207	1,345
Non-chargeable credits	(571)	(69)
Right-of-use assets depreciation	(37)	(37)
Withholding tax on inter-company dividends	325	406
Enhanced allowance on research and development expenditure	(573)	(1,208)
Adjustment in respect of prior years	98	456
Different tax rate for foreign subsidiaries	506	844
Origination and reversal of temporary differences	-	114
Unused tax losses carried forward	(363)	(109)
Tax effect of share based payments	(14)	88
Patent Box claim	(73)	-
Income tax charge	1,349	2,094
Effective income tax rate	30%	151%

Future tax changes

On 5 March 2021 it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023. This change was substantively enacted in April 2021 and the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25% (2022: 25%).

10. Loss for the financial year

	2023 £000's	2022 £000's
Parent Company's (loss) for the financial year	(1,701)	(1,586)

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the Parent Company income statement.

11. Dividends

	2023 £000's	2022 £000's
Cash dividends on ordinary shares declared and paid:		
Final dividend for the year end 31 March 2022 at 1.0p per ordinary share	-	677

The Board of Directors does not propose that a dividend be paid for the year ended 31 March 2023 (2022: Nil).

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at the date of the Statement of Financial Position.

12. Intangible assets

Group	Goodwill £000's	Distribution rights £000's	Drug registrations, patents and license costs £000's	Total £000's
Cost				
At 31 March 2021	17,930	407	23,963	42,300
Additions	-	-	1,421	1,421
Impairment	-	-	(2,092)	(2,092)
At 31 March 2022	17,930	407	23,292	41,629
Additions	-	-	2,419	2,419
Impairment	-	-	-	-
At 31 March 2023	17,930	407	25,711	44,048
Amortisation				
At 31 March 2021	-	(139)	(6,053)	(6,192)
Charge for the year	-	(19)	(1,121)	(1,140)
Written back on impairment	-	-	7	7
At 31 March 2022	-	(158)	(7,167)	(7,325)
Charge for the year	-	(20)	(1,067)	(1,087)
Written back on impairment	-	-	-	-
At 31 March 2023	-	(178)	(8,234)	(8,412)
Net Book Value				
At 31 March 2023	17,930	229	17,477	35,636
At 31 March 2022	17,930	249	16,125	34,304
At 31 March 2021	17,930	268	17,910	36,108

The amortisation and impairment charges are included within administrative expenses in the income statement.

Notes to the Consolidated Financial Statements (continued)

Distribution rights are amortised over their estimated useful life of 20 years and reviewed for impairment when any indication of potential impairment exists. The remaining amortisation period at the date of the financial statements ranged from 3 to 20 years.

The acquisition of ECO Animal Health Limited in October 2004 gave the Group ownership of the intellectual property and established distribution networks in respect of Aivlosin and Ecomectin. The acquisitions of Zhejiang Eco Biok Animal Health Products Limited in 2007 and ECO Animal Health Japan Inc in 2009 opened further distribution and sale opportunities for Aivlosin and Ecomectin.

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from the business combination. During the year the Group modified the cash flows used in the impairment review of the goodwill balance such that the Group's global revenues in respect of Aivlosin and Ecomectin products are now used, and the expected future cash flows in respect of new vaccines – both the outflows on research and development of these new products and the forecast revenues from sales – are excluded. This approach is appropriate given that the acquisitions which gave rise to the goodwill balance were made to enhance the Group's global capacity to sell Aivlosin and Ecomectin products.

The Group has recalculated the headroom as it would have been at March 2022 when comparing the net present value of cash flows to the carrying value of goodwill on this modified basis.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the estimated remaining useful life of the asset.

The Group prepares cashflow forecasts that cover the two-year period after the Statement of Financial Position date and then extrapolates them assuming a 3% annual growth rate which is well below the past performance of the business. The Directors believe that the long-term growth rate assumed does not exceed the average long-term growth rate for the relevant markets.

Management estimates discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. In the current year management estimated the applicable rate to be 7% (2022: 7%). Management considers that there is adequate headroom when comparing the net present value of the cashflows to the carrying value of goodwill to conclude that no impairment is necessary this year. On assumptions as at each period end the excess of recoverable amount over carrying value is over £118 million (2022: reported as £44 million and recalculated as £162 million using the modified basis).

Management believes that the most significant assumption in the calculation of value in use is the estimated growth rate. However, even if the growth rate were to be zero, the recoverable amount would still be over £102 million (2022: reported as £39 million and recalculated as £141 million) more than the carrying value and no impairment would be necessary.

The group estimates that the discount rate applied when calculating the value in use would have to increase to a rate in excess of 45% before there was an indication that the goodwill balance would need to be impaired (2022: recalculated as 57%).

The net book value of drug registrations, patents and license costs can be broken down as follows:

	2023 £000's	2022 £000's
Aivlosin	13,353	13,945
Ecomectin	637	754
Vaccines	3,386	1,296
Others	101	130
	17,477	16,125

Aivlosin is a highly effective antibiotic that treats a range of specific enteric (gut) and respiratory diseases in pigs and poultry, ensuring a rapid return to health. In addition to the welfare benefits, healthy animals gain weight faster, digest food more efficiently and get to market earlier which all bring economic benefit to the farmer. Substantial ongoing product development covering more formulations, species and diseases is expected to substantially further increase its revenue generating potential. The remaining useful life is from 3 to 20 years.

Ecomectin is an endectocide that controls worms, ticks, lice and mange in grazing stock and pigs. The remaining useful life is 2 to 10 years.

At 31 March 2023 Intangible assets included £5,453,000 (2022: £3,502,000) of assets capitalised that had not commenced their useful life, of which approximately £2,307,000 (2022: £2,044,000) were Aivlosin related products.

Drug registrations and licences are amortised over their estimated useful lives of 10 to 20 years, which is the Directors' estimate of the time it would take to develop a new product allowing for the Group's patent protection and the exclusivity period which comes with certain registrations. All such costs are recorded in the UK/Corporate reporting segment.

The group continuously reviews the status of its research and development activity, paying close attention to the likelihood of technical success and the commercial viability of development projects. In the year to March 2023 there were no indications that an impairment was necessary (2022: impairment of £2,085,000).

13. Property, plant and equipment

Group	Freehold Land and Buildings £000's	Leasehold improvements £000's	Plant and Machinery £000's	Fixtures, Fittings and Equipment £000's	Motor Vehicles £000's	Total £000's
Cost or valuation						
At 31 March 2021	667	555	787	1,748	269	4,026
Additions	36	50	1,305	233	-	1,624
Disposals	-	-	(19)	(26)	-	(45)
Foreign exchange movements	6	-	114	57	18	195
At 31 March 2022	709	605	2,187	2,012	287	5,800
Additions	31	146	2,813	465	107	3,562
Disposals	(18)	-	(355)	(46)	(16)	(435)
Foreign exchange movements	(2)	-	(41)	(33)	(6)	(82)
At 31 March 2023	720	751	4,604	2,398	372	8,845
Depreciation						
At 31 March 2021	(23)	(103)	(503)	(1,011)	(205)	(1,845)
Charge for the year	(16)	(112)	(54)	(250)	(24)	(456)
Disposals	-	-	17	24	-	41
Foreign exchange movements	(1)	-	(31)	(26)	(17)	(75)
At 31 March 2022	(40)	(215)	(571)	(1,263)	(246)	(2,335)
Charge for the year	(32)	(116)	(194)	(443)	(27)	(812)
Disposals	9	-	265	44	16	334
Foreign exchange movements	-	-	49	11	5	65
At 31 March 2023	(63)	(331)	(451)	(1,651)	(252)	(2,748)
Net Book Value						
At 31 March 2023	657	420	4,153	747	120	6,097
At 31 March 2022	669	390	1,616	749	41	3,465
At 31 March 2021	644	452	284	737	64	2,181

The freehold land and buildings at Coombe Road, New Malden was valued at £565,000 at 31 March 2023 by Colliers International Property Consultants Limited (external independent qualified valuers). The fair value of the freehold property was determined by applying a 7.5% discount rate to the annual rental value of the property as determined by local market conditions. The Group considers the fair value of the property determined. This property will continue to be valued on a regular basis.

Valuation Technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
RICS Valuation – Global Standards ('Red Book Global Standards')	<ul style="list-style-type: none"> Estimated market rent Capital Value Price per square foot in local market Yield in local market General condition Statutory searches Environmental matters 	Reduced marketability and hence rent achievable by the property.

Notes to the Consolidated Financial Statements (continued)

In determining the fair value of freehold land and buildings level-3 fair value inputs are used. The Directors believe that the fair value of freehold land and buildings reflects the carrying value and a significant change in unobservable inputs would not significantly increase or reduce the fair value of the freehold land and buildings.

The freehold property of 78 Coombe Road, New Malden is subject to a legal charge held by the Company's bankers dated 20 March 1987.

The value of the freehold property would have been recorded at £219,000 (2022: £229,000) on a historical cost basis.

Depreciation has been included in the administrative expenses line in the income statement, except for £275,000 (2022: £158,000) of depreciation of production equipment in the Chinese subsidiary ECO Biok and for £9,011 (2022: £7,000) of depreciation in Pharmgate Animal Health USA LLC, which are included within cost of sales.

Company	Freehold Land and Buildings £000's	Fixtures, Fittings and Equipment £000's	Total £000's
Cost or valuation			
At 31 March 2021	615	58	673
Additions	-	125	125
At 31 March 2022	615	183	798
Additions	-	-	-
At 31 March 2023	615	183	798
Depreciation			
At 31 March 2021	(12)	(10)	(22)
Charge for the year	(12)	(16)	(28)
At 31 March 2022	(24)	(26)	(50)
Charge for the year	(26)	(157)	(183)
At 31 March 2023	(50)	(183)	(233)
Net Book Value			
At 31 March 2023	565	-	565
At 31 March 2022	591	157	748
At 31 March 2021	603	48	651

14. Investment property

Group and Company	Freehold Land and Buildings £000's
At 31 March 2021	305
Revaluation in 2022	(78)
At 31 March 2022	227
Revaluation in 2023	3
At 31 March 2023	230

The property in Western Road, Mitcham was valued at £230,000 as at 31 March 2023 by Colliers International Property Consultants Limited (external independent qualified valuer). The fair value of the investment property was determined by applying an 8.36% discount rate to the annual rental value of the property as determined by local market conditions.

The value of the investment property would have been recorded at £130,000 on a historical cost basis.

Valuation Technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
RICS Valuation – Global Standards ('Red Book Global Standards')	<ul style="list-style-type: none"> Estimated market rent Capital value Price per square foot in local market Yield in local market General condition Statutory searches Environmental matters 	Reduced marketability and hence rent achievable by the property.

In determining the fair value of investment property level-3 fair value inputs are used. The significant unobservable inputs used in establishing the fair value of investment property are the estimated market rent and capital value. The Directors believe that the fair value of investment property reflects the carrying value and a significant change in unobservable inputs would not significantly increase or reduce the fair value of the investment property.

During the financial period ended 31 Mar 2023, the Group agreed to sell the property for consideration of £230,000 and has classified this property as assets held for sale.

15. Right-of-use assets

Group	Property £000's	Vehicles £000's	Other £000's	Total £000's
Cost or valuation				
At 31 March 2021	2,201	147	22	2,370
Additions	615	66	7	688
Disposals	(366)	(18)	(22)	(406)
Foreign exchange movements	105	-	-	105
At 31 March 2022	2,555	195	7	2,757
Additions	3,022	100	2	3,124
Disposals	(29)	-	-	(29)
Foreign exchange movements	(161)	-	-	(161)
At 31 March 2023	5,387	295	9	5,691
Depreciation				
At 31 March 2021	(878)	(75)	(18)	(971)
Charge for the year	(355)	(38)	(5)	(398)
Disposals	366	18	22	406
Foreign exchange movements	(21)	-	-	(21)
At 31 March 2022	(888)	(95)	(1)	(984)
Charge for the year	(402)	(50)	-	(452)
Disposals	-	-	-	-
Foreign exchange movements	27	-	-	27
At 31 March 2023	(1,263)	(145)	(1)	(1,409)
Net Book Value				
At 31 March 2023	4,124	150	8	4,282
At 31 March 2022	1,667	100	6	1,773
At 31 March 2021	1,323	72	4	1,399

Notes to the Consolidated Financial Statements (continued)

Company	Vehicles £000's	Other £000's	Total £000's
Cost or valuation			
At 31 March 2021	68	7	75
Additions	38	-	38
Disposals	-	(7)	(7)
Foreign exchange movements	-	-	-
At 31 March 2022	106	-	106
Additions	-	34	34
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 March 2023	106	34	140
Depreciation			
At 31 March 2021	(32)	(6)	(38)
Charge for the year	(16)	-	(16)
Disposals	-	7	7
Foreign exchange movements	-	-	-
At 31 March 2022	(48)	1	(47)
Charge for the year	-	(22)	(22)
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 March 2023	(48)	(21)	(69)
Net Book Value			
At 31 March 2023	58	13	71
At 31 March 2022	58	1	59
At 31 March 2021	36	1	37

16. Investments

Group	Investment in Associate £000's	Unlisted investments £000's	Total £000's
At 31 March 2021	171	9	180
Share of associate's result for the year	43	-	43
Foreign exchange differences	(11)	-	(11)
At 31 March 2022	203	9	212
Share of associate's result for the year	45	-	45
Foreign exchange differences	(5)	-	(5)
At 31 March 2023	243	9	252

Company	Unlisted investments (subsidiaries) £000's	Total £000's
Cost		
At 31 March 2021 Restated	21,047	21,047
Additional investment	183	183
At 31 March 2022 Restated	21,230	21,230
Disposal	(65)	(65)
At 31 March 2023	21,165	21,165
Impairment		
At 31 March 2021	(20)	(20)
Impairment charge	-	-
Disposal	-	-
At 31 March 2022	(20)	(20)
Impairment charge	-	-
Disposal	20	20
At 31 March 2023	-	-
Net Book Value		
At 31 March 2023	21,165	21,165
At 31 March 2022 Restated	21,210	21,210
At 31 March 2021 Restated	21,027	21,027

Notes to the Consolidated Financial Statements (continued)

The Company holds more than 20% of the share capital of the following companies:

Subsidiary undertakings held by the Company

Company	Registered office address	Country of registration or incorporation	Class	Shares held %
Zhejiang ECO Biok Animal Health Products Limited	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	3*
ECO Animal Health Limited	78 Coombe Road, New Malden, Surrey, KT3 4QS	Great Britain	Ordinary	100

Subsidiary undertakings held by the Group

Company	Registered office address	Country of registration or incorporation	Class	Shares held %
ECO Animal Health Southern Africa (Pty) Limited.	228 Athol Road, Highlands North, Johannesburg 2192	South Africa	Ordinary	100
Zhejiang ECO Biok Animal Health Products Limited.	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	51*
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	Room 1502-3, Imago Plaza, No. 99 Wuning Road, Ptro District, Shanghai 200063	P. R. China	Ordinary	51
Zhejiang ECO Animal Health Limited	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	100
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	Av. Dr. Cardoso de Melo, 1470, Cj311, Villa Olimpia, CEP 04548-005, Sao Paulo	Brazil	Ordinary	100
ECO Animal Health Japan Inc.	1-2-1, Hamamatsu-cho, Minato-Ku, Tokyo	Japan	Ordinary	100
ECO Animal Health USA Corp.	344 Nassau Street, Princeton, New Jersey, 08540	U.S.A.	Ordinary	100
Interpet LLC.	3775 Columbia Pike, Ellicott City, Maryland, 21043	U.S.A.	Ordinary	100
ECO Animal Health de Mexico, S de R.L. de C.V.	Av Tecnologico Sur 134-4, Unidad Habitacional Moderna, Queretaro, 76030	Mexico	Ordinary	100
ECO Animal Health de Argentina S.A.	Calle 4 E 43/44 N: 581 P.6 D:B La Plata, Buenos Aires	Argentina	Ordinary	100
ECO Animal Health Malaysia Sdn. Bhd.	10 th Floor, Menara Hap Seng, No 1 & 3, Jalan P Ramlee, 50250 Kuala Lumpur	Malaysia	Ordinary	100
ECO Animal Health India (Private) Ltd	No 33/5, Second Floor, Mount Kailash Building, Meanee Avenue Road, Ulsoor Bangalore, Karnataka, 560042	India	Ordinary	100
ECO Animal Health Europe Ltd	6 Northbrook Road, Dublin 6, Eire	Republic of Ireland	Ordinary	100

*The Group's control over its China based subsidiary Zhejiang ECO Biok Animal Health Products Limited is achieved via a joint holding of 51% of the entity's Ordinary share capital between the Company (3%) and its UK based trading subsidiary ECO Animal Health Limited (48%).

The principal activity of these undertakings for the last relevant financial year was as follows:

Company Name	Principal activity
ECO Animal Health Limited	Distribution of animal drugs
ECO Animal Health Southern Africa (Pty) Limited	Non-trading
Zhejiang ECO Biok Animal Health Products Limited	Manufacture of animal drugs
Shanghai ECO Biok Veterinary Drug Sale Company Ltd.	Distribution of animal drugs
Zhejiang ECO Animal Health Limited	Procurement of raw materials
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	Distribution of animal drugs
ECO Animal Health Japan Inc.	Distribution of animal drugs
ECO Animal Health USA Corp.	Distribution of animal drugs
Interpret LLC	Non-trading
ECO Animal Health de Mexico, S. de R. L. de C. V.	Distribution of animal drugs
ECO Animal Health de Argentina S.A.	Non-trading
ECO Animal Health Malaysia Sdn. Bhd	Non-trading
ECO Animal Health India (Private) Ltd	Non-trading
ECO Animal Health Europe Ltd	Non-trading

Zhejiang ECO Biok Animal Health Products Limited, Zhejiang ECO Animal Health Limited and ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda all have 31 December year ends. The Group receives management accounts for the three months to 31 March for these subsidiaries for use in preparing the consolidated financial statements.

Interpet LLC has been excluded from consolidation as it holds no assets or liabilities and has ceased trading.

The following trading subsidiaries have no requirement for audit under local legislation:

ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.

ECO Animal Health Japan Inc.

ECO Animal Health USA Corp.

ECO Animal Health de Mexico, S. de R. L. de C. V.

ECO Animal Health Group PLC has given statutory guarantees against all the outstanding liabilities of ECO Animal Health Ltd, thereby allowing its subsidiary to be exempt from the annual audit requirement under Section 479A of the Companies Act, for the year ended 31 March 2023.

Non-controlling interests

Zhejiang ECO Biok Animal Health Products Limited (Zhejiang ECO Biok) and Shanghai ECO Biok Veterinary Drug Sale Company Limited (Shanghai ECO Biok), both 51% owned subsidiaries of the Group, have material non-controlling interests (NCI). Summarised financial information in relation to these two subsidiaries is presented below together with amounts attributable to NCI.

Please note that as Shanghai ECO Biok is a 100% owned subsidiary of Zhejiang ECO Biok, the summarised results below are consolidated on Zhejiang ECO Biok level, before wider group eliminations.

Notes to the Consolidated Financial Statements (continued)

Summarised statement of comprehensive income

For the year ended 31 March	2023 £000's	2022 £000's
Revenue	24,122	26,803
Cost of sales	(13,504)	(17,192)
Gross Profit	10,618	9,611
Administrative expenses	(4,927)	(8,875)
Operating profit/(loss)	5,691	736
Other income	345	34
Finance income	(94)	84
Profit before tax	5,942	854
Tax expense	(1,691)	(891)
Profit after tax	4,251	(37)
Profit allocated to NCI	2,083	(19)
Other comprehensive (loss)/income allocated to NCI	(276)	1,099

Summarised balance sheet

As at 31 March	2023 £000's	2022 £000's
Assets:		
Property, plant and equipment	860	1,960
Right-of-use assets	3,445	1,080
Deferred tax assets	-	3
Inventories	5,047	14,081
Trade and other receivables	3,925	6,300
Cash and cash equivalents	14,877	6,148
	28,154	29,572
Liabilities:		
Trade and other payables	1,742	4,489
Contract liabilities	1,080	11
Lease liabilities - short term	585	144
Lease liabilities - long term	3,061	1,040
	6,468	5,684

Summarised cash flows

For the year ended 31 March	2023 £000's	2022 £000's
Cash flows from operating activities	15,802	(2,818)
Cash flows from investing activities	(2,772)	(810)
Cash flows from financing activities	(3,924)	(4,565)
Foreign exchange movements	(376)	690
Net increase/(decrease) in cash and cash equivalents	8,730	(7,503)

Joint Operations

The Group also holds (by means of its ownership of ECO Animal Health USA Corp.), a 50% interest in Pharmgate Animal Health LLC, which is resident in the U.S.A. Pharmgate Animal Health LLC distributes the Group's products in the U.S.A.

The Group also holds (by means of its ownership of ECO Animal Health Ltd) a 50% interest in Pharmgate Animal Health Canada Inc, which distributes its products into Canada.

The Group also holds (by means of its ownership of ECO Animal Health Europe Ltd) a 50% interest in ECO-Pharm Limited, based in the Republic of Ireland. ECO-Pharm Limited has not yet commenced trading.

Both Pharmgate Animal Health LLC and Pharmgate Animal Health Canada Inc. have accounting years which end on 31 December.

The Group's holdings in each of the joint operations' share capital is given in the table below:

Pharmgate Animal Health Canada Inc	Holding (shares)	Shares in issue	Holding %
Common Shares	100	200	50
Class A Shares	100	100	100
Class B Shares	-	100	-

Pharmgate Animal Health USA LLC	Holding (shares)	Shares in issue	Holding %
Common Shares	100	200	50
Class A Shares	100	100	100
Class B Shares	-	100	-

ECO-Pharm Limited	Holding (shares)	Shares in issue	Holding %
Common Shares	25,000	50,000	50
Class A Shares	1	1	100
Class B Shares	-	1	-

In the case of Pharmgate Animal Health Canada Inc and Pharmgate Animal Health USA LLC, A shares carry the rights to dividends payable out of profits attributable to the Group. These are made up of profits made by products supplied by the ECO Group plus 50% of any profit relating to new products developed jointly by the partners to the joint operation.

In the case of ECO-Pharm Limited, profits attributable to the Group are made up of profits made by products supplied by the ECO Group plus 33% of any profit relating to new products developed jointly by the partners to the joint operation.

The following amounts included in the Group's financial statements are related to its interest in these joint operations.

	Pharmgate Animal Health LLC		Pharmgate Animal Health Canada Inc	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Non-current assets	2	11	-	-
Current assets	1,175	1,871	614	631
Current liabilities	(1,149)	(1,855)	(613)	(630)
Sales	11,672	12,640	3,499	3,756
Profit after tax	-	-	-	-

Notes to the Consolidated Financial Statements (continued)

Associated Company

The Group also holds (by means of its ownership of ECO Animal Health Japan Inc.) a 47.62% interest in EcoPharma.com which is resident in Japan. This Company distributes Animal Health products and other general merchandise within Japan.

ECO Animal Health Japan Inc's holding in EcoPharma.com is 10,000,000 shares out of a total of 21,000,000 shares.

The following amounts included in the Group's financial statements are related to its interests in this associated Company.

	2023 £000's	2022 £000's
Investments (share of net assets)		
At 1 April	203	171
Share of results for the year	45	43
Foreign exchange movement	(5)	(11)
At 31 March	243	203
Summarised financial information		
At 31 March		
Current assets	831	744
Non-current assets	37	27
Current liabilities	(224)	222
Non-current liabilities	(134)	120
Net assets (100%)	510	428
Group share of net assets (47.62%)	243	204
Year ended 31 March		
Revenue	2,122	1,897
Net profit	95	90

17. Inventories

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Raw materials and consumables	9,252	9,772	-	-
Finished goods and goods for resale	7,660	13,277	-	-
Work in progress	5,497	7,093	-	-
	22,409	30,142	-	-

The above total includes the provision of inventory amounting to £384,000 (2022: £146,000).

18. Trade and other receivables

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's Restated
Non-current:				
Amounts owed by group undertakings	-	-	51,526	52,742

The intercompany debt is due on demand, however the company has classified the receivable as a non-current asset as it does not expect to realise the asset within 12 months after the reporting period.

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Current:				
Trade receivables	24,813	23,388	-	-
Other receivables	1,312	660	825	80
Amounts owed by group undertakings	-	-	-	48
Prepayments and accrued income	725	1,921	248	210
	26,850	25,969	1,073	338

The ageing analysis of these trade receivables is as follows:

	Trade receivables		Net of impairment	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Current	20,241	20,849	19,922	20,849
Up to 3 months past due	4,097	1,772	3,932	1,751
3 to 6 months past due	711	346	677	346
Over 6 months past due	609	615	282	442
	25,658	23,582	24,813	23,388

Movement on the Group provision for impairment of trade receivables is as follows:

Group	2023 £000's	2022 £000's
Balance at 1 April	194	351
Additional provision made	646	13
(Recovered) in the year	(80)	(59)
Written off in the year	(33)	(121)
Other	118	10
Balance at 31 March	845	194

19. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets/(Liabilities)	
	2023 £000's	2022 £000's
Trade related temporary differences	(2,830)	(2,586)
Overseas trade related temporary differences	-	3
Freehold property	9	9
Investment property and assets held for sale	17	18
Plant and equipment	(96)	(109)
Deferred tax on pension scheme	(45)	
Deferred tax on share options	56	43
Tax losses carried forward	3,448	3,145
Amount receivable/(payable) after more than one year	559	523

The movement on the deferred tax account can be summarised as follows:

	Trade-related temporary differences £000's	Freehold property £000's	Investment property and assets held for sale £000's	Plant and machinery £000's	Pension scheme £000's	Share options £000's	Total £000's
At 31 March 2022	562	9	18	(109)	-	43	523
Credit/(Charge) for the year through income statement	56	-	(1)	13	(45)	13	36
At 31 March 2023	618	9	17	(96)	(45)	56	559

Trade related temporary differences relate predominantly to research and development tax deductions claimed in advance of expense recognition in the income statement, carried forward trading losses and a provision for unrealised profit arising on consolidation. The tax losses carried forward are not expected to expire under current legislation.

Any future dividend received from the Chinese subsidiary Zhejiang ECO Biok Animal Health Products Limited will be subject to a 5% withholding tax. The deferred tax liability in respect of this has not been recognised.

Company	Freehold property £000's	Investment property and assets held for sale £000's	Pension scheme £000's	Share options £000's	Total £000's
At 31 March 2021	8	(2)	-	-	6
Credit for the year through income statement	-	20	-	23	43
Credit for the year through reserves	1	-	-	-	1
At 31 March 2022	9	18	-	23	50
Credit for the year through income statement	-	(1)	(45)	8	(38)
At 31 March 2023	9	17	(45)	31	12

At 31 March 2023 the Group has recognised a deferred tax asset in respect of carried forward UK trading losses of £10,489,000 (2022: £10,489,000). At 31 March 2023 the Group has unrecognised carried forward excess UK trading losses of £4,613,000 (2022: £3,185,000) and unrecognised carried forward overseas trading losses of £1,319,000 (2022: £1,508,000). These tax losses are not expected to expire.

20. Cash and cash equivalents

Cash and cash equivalents comprise cash, short-term deposits held by the Group net of amounts outstanding on bank overdraft. The carrying amount of these assets are not significantly different to their fair value.

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Cash and cash equivalents	21,658	14,314	388	279
Cash and cash equivalents presented in the statement of cash flows	21,658	14,314	388	279

Balances drawn on the bank overdraft facility are repayable on demand and form an integral part of the cash management of the Group and Company. In the statement of cash flows, the Group and the Company have presented cash and cash equivalents net of balances outstanding on bank overdrafts. Amounts drawn and repaid on the overdraft facility are therefore considered as part of changes in cash and cash equivalents and are not presented as financing cash flows.

Cash and short-term deposits held in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is £17.6m (2022: £8.1m).

Significant non-cash transactions from investing activities are as follows:

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Acquisition of property, plant and equipment by means of leases or not yet paid at year end	3,124	688	34	38
Acquisition of intangible assets not yet paid at year end	306	106	-	-

21. Trade and other payables

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Trade payables	6,124	9,415	194	50
Contract liabilities	1,079	203	-	-
Other payables	667	926	45	70
Accruals and deferred income	6,653	2,410	281	206
	14,523	12,954	520	326

22. Borrowings

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Cash and cash equivalents	21,658	14,314	388	279
Lease liabilities	(4,480)	(1,910)	(75)	(62)
Net Cash	17,178	12,404	313	217

The Group has an overdraft facility in certain currencies in respect of a pool of bank accounts held with NatWest Bank plc.

Notes to the Consolidated Financial Statements (continued)

The interest rate for all currency overdrafts is 1.8% over the relevant currency base rate and the borrowings are secured by two debentures held over the assets of the Group. Any drawdown of this facility is repayable on demand. The Company and ECO Animal Health Limited have each given a guarantee to the Group's bankers for the overdraft facility. The facility has a gross and net limit of £5,000,000, which may be borrowed and repaid at will.

At 31 March 2023, the undrawn facility was £5,000,000 (2022: £5,000,000).

The Group put in place a £10m revolving credit facility with Natwest bank on 9 July 2022. This facility is interest bearing and can be drawn by the Group on demand, The facility expires on 30 June 2026.

Reconciliation of Lease Liabilities

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Opening lease liabilities	(1,910)	(1,522)	(62)	(39)
New lease liabilities	(3,327)	(672)	(22)	(37)
Repayment	387	483	21	25
Lease liabilities interest	(205)	(111)	(12)	(11)
Disposal	-	-	-	-
Foreign exchange	575	(88)	-	-
Closing lease Liabilities	(4,480)	(1,910)	(75)	(62)
Current lease liabilities	(884)	(397)	(41)	(13)
Non-current lease liabilities	(3,596)	(1,513)	(34)	(49)

The Group leases a number of properties and motor vehicles in the jurisdictions it operates in. At 31 March 2023 there were no termination or extension options on leases.

The Group expensed £48,000 for the year ended 31 March 2023 (2022: £64,000) for short term leases.

Group Leases Maturity

At 31 March 2023 the Group held the following number of leases in each of the maturity categories below.

At 31 March 2023	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	1	1	-	2
Between 1 - 5 years	5	8	3	16
Over 5 years	4	-	-	4
Total number of leases	10	9	3	22
Average remaining lease term (in years)	8.3	2.7	3.3	5.3
At 31 March 2022	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	1	4	-	5
Between 1 - 5 years	9	1	1	11
Over 5 years	2	-	-	2
Total number of leases	12	5	1	18
Average remaining lease term (in years)	6.5	1.2	4.7	4.9

Amounts payable under lease arrangements for the Group

The undiscounted contractual cash flows payable under the existing lease arrangements at 31 March are analysed into the following maturity categories.

Group	2023 £000's	2022 £000's
Up to 1 year	896	523
Between 1 - 5 years	2,503	1,104
Over 5 years	1,983	1,391
Total	5,382	3,018

23. Provisions

	Litigation £000's	Overseas tax £000's	Other £000's	Total £000's
At March 2021	-	1,782	-	1,782
Charge for year through income statement	456	1,003	-	1,459
Foreign Exchange		634	-	634
At 31 Mar 2022	456	3,419	-	3,875
Charge for year through income statement	-	1,214	124	1,338
Foreign Exchange	-	(35)	-	(35)
At 31 March 2023	456	4,598	124	5,178

Provisions include an amount of £456,000 in respect of personnel related litigation matters. Management has assessed the range of possible outcomes to these claims and the provision made represents a best estimate, and is mid-range of the possible outcomes, having taken legal advice. ECO management is vigorously defending the claims and the timing of any settlement is uncertain due to the varying nature of the claims and the availability of the relevant courts if required.

Provisions also include an amount of £4,598,000 in respect of overseas tax liabilities. Certain aspects of a sales tax related to imported products in a Group subsidiary might have been applicable. The subsidiary has been importing an increasing volume of product into this country in recent years. This matter is at an early stage and subject to further review of the tax legislation and case law. No tax payment has yet been determined. However, a substantial tax settlement may be required in due course and a provision has been recognised.

24. Pension and other post-retirement benefit commitments

Defined Contribution Pension Scheme

The Group operates defined contribution pension schemes. The assets of the schemes are held separately from the Group and independently administered by insurance companies. The pension cost charge represents contributions payable to the funds in the year and amounted to £90,845 (2022: £96,850).

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme in the UK for a number of ex-employees which is closed to new members. A full actuarial valuation was carried out at 6 April 2022 and updated to 31 March 2023 for IAS 19 purposes by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2023	31 March 2022
Discount rate	4.85%	2.75%
Pension revaluation	3.30%	3.95%
Inflation assumption with a maximum of 5% p.a.	3.30%	3.95%

Mortality rates

No pre-retirement mortality is assumed (2022: none). Post retirement mortality is based on 100% of the SAPS "S2" normal tables, based on the members' year of birth, improving in line with CMI 2021 projections with a 1.25% long term trend rate (2022: 1.25%).

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year-end would be 22.2 years for males (2022: 22.2 years) and 24.4 years for females (2022: 24.3 years). For members retiring in 20 years' time, the expectation of life would be 23.6 years for males (2022: 23.5 years) and 25.8 years for females (2022: 25.8 years).

The weighted average term of the liabilities is 8 years (2022: 10 years).

The scheme is exposed to a number of risks including:

- Interest rate risk: Movements in the discount rate used could affect the present value of the defined benefit pension obligations.
- Longevity risk: Changes in the estimated mortality rates of former employees could affect the present value of the defined benefit pension obligations.
- Investment risk: Variations in the actual return from the scheme's investments could affect the scheme's ability to meet its future pension obligations.

	2023 £000's	2022 £000's
Assets at start of year	1,648	1,795
Defined benefit obligation at start of year	(1,569)	(1,799)
Net asset/(liability) at 1 April	79	(4)
Return on assets	45	33
Interest cost	(43)	(33)
	2	-
Gain/(loss) from asset return	17	(5)
Gain/(Loss) from changes in assumptions	43	29
Gain/(loss) from experience	40	-
Statement of other comprehensive income	100	24
Employer contributions (gross)	-	59
Net asset at 31 March	181	79
Actual assets at end of year	1,135	1,648
Actual defined benefit obligation at end of year	(954)	(1,569)

Gain/(loss) on changes in assumptions was nil (2022: nil) relating to changes in demographic assumptions and a gain of £43,000 (2022: £29,000 gain) relating to changes in financial assumptions.

The pension fund assets (principally made up of annuities for the benefit of active pensioners) are all held within a policy managed by an insurance company regulated by the Financial Conduct Authority of the United Kingdom and the United Kingdom Pensions Regulator. By law, the trustees are required to act in the best interests of participants to the schemes. Responsibility for governance of the plans – including investment decisions and contributions schedules lies with trustees.

	2023 £000's	2022 £000's
Reconciliation of changes in the asset value during the year		
Fair value of assets at 1 April	1,648	1,795
Return on assets	45	33
Gain/(loss) on asset return	17	(5)
Employer contributions (gross)	-	59
(Decrease)/increase in secured pensioners' value due to scheme experience	(575)	(234)
Benefits paid	-	-
Fair value of assets at 31 March	1,135	1,648
Reconciliation of changes in the liability value during the year		
Defined benefit obligation at 1 April	1,569	1,799
Interest cost	43	33
Past service cost	(40)	-
(Gain)/loss on changes in assumptions	(43)	(29)
(Decrease)/increase in secured pensioners' value due to scheme experience	(575)	(234)
Benefits paid	-	-
Defined benefit obligation at 31 March	954	1,569

The amount of annual contribution to be paid by the employer of £58,000(2022: £59,000) is expected to continue until December 2023.

Year ended 31 March	2023 £000's	2022 £000's	2021 £000's	2020 £000's	2019 £000's
Fair value of plan assets	1,135	1,648	1,795	1,795	1,802
Present value of defined benefit obligation	954	1,569	1,799	1,814	1,899
(Deficit)/Surplus in plan	181	79	(4)	(27)	(97)
Experience (losses)/gains on plan liabilities	17	(5)	-	(2)	(38)

	2023 £000's	2022 £000's
Plan Assets		
Assets under management	291	259
Annuities	844	1,389
Total	1,135	1,648

Notes to the Consolidated Financial Statements (continued)

Assets under management composition

	2023	2022
Corporate Bonds	43.0%	42.6%
Overseas Equities	29.2%	27.7%
UK Equities	17.6%	17.8%
Property	7.8%	10.5%
Cash	2.4%	1.4%
	100.0%	100.0%

Defined benefit obligation – sensitivity analysis

The following amounts are the effect (on the defined benefit obligation) of reasonably possible changes to the key actuarial assumptions, as required by IAS 19.

Actuarial assumptions	Reasonably Possible Change	(Decrease)/Increase in Defined Benefit Obligation			
		2023		2022	
		£000's	£000's	£000's	£000's
Discount rate	+/- 0.1%	(62)	73	(15)	15
Members' life expectancy	+/- 1 year	62	(64)	81	(84)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the Statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The Company has given a floating charge dated 1 December 2006 over all of its assets to the trustees of the pension fund to secure all present and future obligations and liabilities to the pension fund.

25. Share-based payments

The expense recognised for share-based payments made during the year is shown in the following table:

	Group		Company	
	2023 £000's	2022 £000's	2023 £000's	2022 £000's
Total expense arising from equity settled share-based payments transactions	408	342	179	120

The share-based payment plans are described below:

Movements in issued share options during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	Options		Options	
	2023	2023	2022	2022
	000's	WAEP (£)	000's	WAEP (£)
Outstanding at 1 April	3,866	3.47	3,370	3.73
Granted during the year - Employee scheme	-	-	327	3.50
Granted during the year - LTIPs	551	0.05	279	0.05
Granted during the year - Deferred bonus	46	0.05	38	0.05
Cancelled during the period	(1,686)	3.20	(122)	2.01
Exercised during the period	-	-	(26)	2.42
Outstanding at 31 March	2,777	2.84	3,866	3.47
Granted < 3 years ago and not vested	(1,239)		(643)	
Exercisable at 31 March	1,538	4.47	3,223	3.81

1,537,850 options were exercisable at 31 March 2023 (2022: 3,223,400). The WAEP of exercisable options at 31 March 2023 was 447.0p (2022: 381.0p).

The average share price during the year was 111.2p (2022: 272.4p).

The maximum aggregate number of shares over which options may currently be granted cannot exceed 10% of the nominal share capital of the Company on the grant date. The options outstanding at 31 March 2023 had a weighted average exercise price of £2.84 (2022: £3.47) and a weighted average remaining contractual life of 4.7 years (2022: 2.8 years).

ECO Animal Health Group plc Executive Share Option Scheme

In accordance with the Executive Share Option Scheme, approved and unapproved share options are granted to Directors and employees who devote at least 25 hours per week to the performance of duties or employment with the Group.

No share options have been granted in the year under this scheme (2022: 326,679). In addition 550,953 options have been issued under the group's Long Term Incentive Plan (2022: 278,500) and 45,606 under the group's deferred bonus arrangements (2022: 37,755).

The exercise price of the options is equal to the market price of the shares at the date of grant. The options vest three years from the date of grant and if the option holder ceases to be a Director or employee of the Company due to injury, disability, redundancy or retirement on reaching pensionable age or any other age at which they are bound to retire at in accordance with the terms of their contract of employment, the option may be exercised within a period of six months after the option holders so ceasing, although the Board may, at its discretion, extend this period by up to 36 months after the date of cessation.

If the option holder ceases employment for any other reason, the option may not be exercised unless the Board permits. The approved and unapproved options will be forfeited where they remain unexercised at the end of their respective contractual lives of ten and seven years respectively.

Notes to the Consolidated Financial Statements (continued)

An analysis of the expiry dates of the outstanding options at 31 March 2023 is given below:

Date of grant	Unapproved	Approved	Exercise price	Expiry date
09 October 2013	-	8,600	£ 1.960	09 October 2023
21 August 2014	-	11,400	£ 1.615	21 August 2024
13 February 2015	-	23,700	£ 2.005	13 February 2025
26 August 2015	-	22,850	£ 2.650	26 August 2025
19 January 2016	-	10,200	£ 3.150	19 January 2026
17 February 2016	-	19,600	£ 3.125	17 February 2023
01 March 2016	-	9,600	£ 3.125	01 March 2026
12 September 2016	-	23,100	£ 4.325	12 September 2026
12 September 2016	351,900	-	£ 4.325	12 September 2023
15 September 2016	-	2,000	£ 4.350	15 September 2026
15 September 2016	398,000	-	£ 4.350	15 September 2023
21 September 2017	-	45,125	£ 6.200	21 September 2027
21 September 2017	266,875	-	£ 6.200	21 September 2024
12 April 2018	-	3,900	£ 5.450	12 April 2028
23 October 2018	-	65,200	£ 3.800	23 October 2028
23 October 2018	265,800	-	£ 3.800	23 October 2025
19 December 2018	-	7,800	£ 3.800	19 December 2028
19 December 2018	2,200	-	£ 3.800	19 December 2025
28 April 2021*	326,679	-	£ 0.050	28 April 2028
28 April 2021	-	154,149	£ 3.495	29 April 2031
28 April 2021	124,351	-	£ 3.495	28 April 2028
24 September 2021	37,755	-	£ 0.050	24 September 2028
12 December 2022	45,606	-	£ 0.050	12 December 2029
27 February 2023*	550,953	-	£ 0.050	27 February 2030
	2,370,119	407,224		

*These are the options where a TSR criterion affects the price.

The market price of the shares at 31 March 2023 was 96.5p (2022: 165.0p) with a range in the year of 82.5p to 165.0p (2022: 127.5p to 395.0p).

The Company uses a Black-Scholes model to value share-based payments for options with service conditions and/or non-market performance conditions and the following table lists the inputs to this model for the last five years.

	2023	2022	2021	2020	2019
Vesting period (years)	3 - 4	3 - 4	n/a	n/a	3
Option expiry (years)	10	7 - 10			7 - 10
Dividends expected on the shares	0.00%	1.00%			1.90%
Risk free rate (average)	3.20% - 3.75%	0.18%			1.00%
Volatility of share price	40%	40%			20.00%
Weighted average fair value (pence)	84.0 - 108.0	101.0 - 316.0			51.0

The risk-free rate has been based on the yield from UK Government Treasury coupons. The volatility of the share price was estimated based on standard deviation calculations on the historic share price.

Long term incentive plan

Under this plan share options may be granted to certain Executive Directors and members of the Company's Executive Leadership Team. The share options awarded under the LTIP are subject to an exercise price of £0.05 per share and performance conditions being achieved that have been set by the Remuneration Committee and relate to total shareholder return (TSR) and research and development targets.

Subject to the performance conditions being met, the share Options will vest after the end of a three year vesting period from 1 April 2022 to 31 March 2025. The proportion of share options relating to each performance condition is: (i) 75% in relation to the TSR conditions; and (ii) 25% in relation to the R&D targets.

The TSR conditions mean that the share options subject to these conditions will vest subject to the following: (i) 25% of the share options will vest if the annual compound TSR over the performance period equals 7.5%; (ii) 50% of the share options will vest if the annual compound TSR over the performance period equals 10%; and (iii) 100% of the share options will vest if the annual compound TSR over the performance period equals 20%. The TSR conditions are modelled using the Cox, Ross and Rubenstein binomial option pricing model for which the key inputs are the starting equity value, a time period of three years, an assumption that the equity value changes once every three months, the volatility of the share price, and the dividend yield.

The R&D targets mean that the share options subject to these targets will vest subject to the following: (i) 25% of the shares options will vest if specified R&D targets agreed between Executive Management and the Remuneration Committee during the performance period are achieved; and (ii) 100% of the shares options will vest if specified R&D targets agreed between Executive Management and the Remuneration Committee during the performance period are achieved. The R&D targets comprise a range of identifiable and quantifiable criteria relating to the introduction of new R&D projects, the progress of existing R&D projects to later stages of the development cycle, the submission of projects for approval to relevant regulators and for the approval of projects by the relevant regulators.

26. Share capital

	2023 £000's	2022 £000's
Authorised		
68,100,000 ordinary shares of 5p each	3,405	3,405
10,790 deferred ordinary shares of 10p each	1	1
32,334 convertible preference shares of £1 each	32	32
	3,438	3,438
Allotted, called up and fully paid		
67,721,916 (2022: 67,721,916) ordinary shares of 5p each	3,381	3,381

During the year no shares were issued. (2022: 25,500 shares at a premium of £61,000 as a result of the exercise of options by employees).

All share issued are non-redeemable and rank equally in terms of voting rights (one vote per share); rights to participate in all approved dividend distribution for that class of shares; and right to participate in any capital distribution on winding up.

The shares in the original or any increased capital of the Company may be issued with such preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital as the Company may from time to time determine.

27. Non-controlling (minority) interests

	2023 £000's	2022 £000's
Balance as at 1 April	12,284	13,414
Share of subsidiary's (loss)/profit for the year	2,083	(19)
Share of foreign exchange gain/(loss) on net investment	(276)	1,099
	1,807	1,080
Share of dividend paid by subsidiary	(1,810)	(2,210)
Balance as at 31 March	12,281	12,284

28. Other reserves

The Group and Company held a Capital redemption reserve of £106,000 as at 31 March 2023 (2022: £106,000).

Included in the Group's foreign exchange reserve are the following exchange movements on consolidation of the subsidiaries and joint operations listed below:

	At 31 March 2022 £000's	Movement in the year £000's	At 31 March 2023 £000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	1,385	(287)	1,098
Zhejiang ECO Animal Health Limited	186	133	319
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	311	(91)	220
ECO Animal Health Japan Inc.	14	(34)	(20)
ECO Animal Health USA Corp.	51	(86)	(35)
ECO Animal Health de Mexico, S. de R. L. de C. V.	237	103	340
ECO South Africa	-	(49)	(49)
Pharmgate LLC	4	1	5
Foreign exchange reserve movements charged to Consolidated Statement of Comprehensive Income	2,188	(310)	1,878

29. Directors' emoluments

	2023 £000's	2022 £000's
Emoluments for qualifying services	1,009	793
Company pension contributions to money purchase schemes	25	32
Share-based payments	70	112
Benefits in kind	3	4
	1,107	941

During the year no directors exercised share options (2022: none) realising a gain of £nil (2022: £nil).

The highest paid director received £497,000 (2022: £430,000) including £6,000 (2022: £65,000) of share-based payments and nil (2022: £9,000) of pension contributions.

30. Employees

Number of employees

The average number of employees (including Directors) during the year was:

	2023 Number	2022 Number
Directors	6	5
Production and development	89	72
Administration	47	49
Sales	92	95
	234	221
Employment costs (including amounts capitalised)		
	2023 £000's	2022 £000's
Wages and salaries	13,045	12,251
Share-based payments	408	341
Social security costs	1,600	1,185
Other pension costs	408	277
	15,461	14,054

31. Related party transactions

Dividends paid to related parties

During the year Mr P Lawrence (a significant shareholder) and his family received no dividends (2022: £66,960).

The other Directors and their families received dividends to the value of £nil (2022: £nil).

Interest and management charges from Parent to the other Group companies

During the year the Company made management charges on an arm's length basis to ECO Animal Health Limited amounting to £750,000 (2022: £687,267) and charged interest of £1,224,705 (2022: £832,000) to the subsidiary company. Both of these transactions were made through the inter-company account and were eliminated on consolidation.

During the year Zhejiang ECO Animal Health Ltd paid dividends to ECO Animal Health Ltd of £4,167,710 (RMB 33,300,000)

During the year Zhejiang ECO Biok Animal Health Products Limited paid dividends of £144,828 (RMB 900,000) to ECO Animal Health Group plc (2022: £176,717) and £1,739,409 (RMB 15,300,000) to ECO Animal Health Limited (2022: £2,122,406).

Key management compensation

The Group regards the Board of Directors as its key management.

	2023 £000's	2022 £000's
Emoluments for qualifying services	881	793
Company pension contributions to money purchase schemes	25	32
Share-based payments	70	112
Benefits in kind	3	4
	979	941

The number of Directors for which retirement benefits were accruing was 2 (2022: 2).

32. Financial instruments

The Group uses financial instruments comprising borrowings, cash and cash equivalents and various items, such as trade receivables, trade payables etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Directors are responsible for the overall risk management.

The main risks arising from the Group's use of financial instruments are capital and liquidity risk, credit risk and foreign currency risks and they are summarised below. The policies have remained unchanged throughout the year.

Capital and liquidity risk

The Group manages its capital to ensure continuity as a going concern whilst maximising returns through the optimisation of debt and equity. As part of this, the Board considers the cost and risk associated with each class of capital. The capital structure of the Group consists of cash and cash equivalents in note 20, borrowings in note 22 and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the Group's statement of changes in equity.

Liquidity risk is managed by maintaining adequate reserves and banking facilities with continuous monitoring of the latest developments by management.

The Group's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

As an AIM quoted company, our governance framework is underpinned by the AIM Rules and the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (the 'QCA Code'). In addition to the QCA Code, we monitor developments and guidance in the UK Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach. We also review the Investment Association guidelines and seek to comply with these where applicable.

At 31 March 2023, the Group was contractually obliged to make repayments as detailed below:

	2023 £000's	2022 £000's
Within one year or on demand		
Trade payables	6,124	9,415
Other payables	565	926
Accruals	6,653	2,410
	13,342	12,751

Credit Risk

Credit risk is that of financial loss as a result of default by a counterparty on its contractual obligations. The Group's exposure to credit risk arises principally in relation to trade receivables from customers and on short term bank deposits. Customers' creditworthiness is wherever possible checked against independent rating databases and filing authorities, or otherwise assessed on the basis of trade knowledge and experience. Exposure and customer credit limits are continually monitored both on specific debts and overall.

The credit risk in relation to short term bank deposits is limited because the counterparties are banks with good credit ratings.

The Group operates in certain geographical areas which are from time to time subject to restrictions in the free movement of funds. The Board seeks to minimise the Group's exposure to these markets but the nature of our business makes it impossible to eliminate this exposure completely.

None of those receivables has been subject to a significant increase in credit risk since initial recognition and, consequently, 12-month expected credit losses have been recognised, and there are no non-current receivable balances lifetime expected credit losses.

Currency risk

The Group operates in overseas markets particularly through its subsidiaries in China, Brazil, Mexico, the USA and Japan as well as its joint operation in Canada and is therefore subject to currency exposure on transactions undertaken during the year. The Group does some simple economic hedging of receivables when the Board feels it is appropriate to do so and foreign exchange differences on retranslation of foreign monetary items are recorded in administrative expenses in the income statement.

The table below shows the extent to which the Group companies have monetary assets and liabilities in currencies other than in Sterling

	US Dollar £000's	Euros £000's	Chinese RMB £000's	Japanese Yen £000's	Brazilian Real £000's	Canadian Dollar £000's	Mexican Peso £000's	Other £000's
2023								
Trade and other receivables	34,969	2,013	3,880	303	3,251	752	335	153
Trade and other payables	(25,436)	(479)	(5,258)	(449)	(49)	(673)	-	(125)
Cash and cash equivalents	2,162	515	17,736	240	265	180	125	53
Total	11,695	2,049	16,358	94	3,467	259	460	81
2022								
Trade and other receivables	9,027	2,068	6,789	123	1,964	806	2,648	108
Trade and other payables	(3,912)	(425)	(4,701)	(158)	(97)	(426)	(350)	(67)
Cash and cash equivalents	4,752	366	8,261	120	145	208	311	92
Total	9,867	2,009	10,349	85	2,012	588	2,609	133

At 31 March 2023 the Group was mainly exposed to the US Dollar, Euro, Chinese RMB, Japanese Yen, Brazilian Real, Canadian Dollar and Mexican Peso. The following table details the effect of a 10% movement in the exchange rate of these currencies against sterling when applied to outstanding monetary items denominated in foreign currency as at 31 March 2023.

	2023 £000's	2022 £000's
U S Dollar	1,300	1,096
Euro	228	223
Chinese RMB	1,818	1,150
Japanese Yen	10	9
Brazilian Real	385	224
Canadian Dollar	29	65
Mexican Peso	51	290

Analysis of financial instruments by category

Group 2023	Financial assets £000's	Financial liabilities £000's	Total £000's
Trade and other receivables	26,865	-	26,865
Cash and cash equivalents	21,658	-	21,658
Trade and other payables	-	(13,339)	(13,339)
Amounts due under leases	-	(4,480)	(4,480)
2022	£000's	£000's	£000's
Trade and other receivables	24,048	-	24,048
Cash and cash equivalents	14,314	-	14,314
Trade and other payables	-	(12,801)	(12,801)
Amounts due under leases	-	(1,910)	(1,910)
Company 2023	Financial assets £000's	Financial liabilities £000's	Total £000's
Trade and other receivables	723	-	723
Cash and cash equivalents	388	-	388
Trade and other payables	-	(418)	(418)
Amounts due under leases	-	(76)	(76)
Amounts due from group undertakings	51,526	-	51,526
2022	£000's	£000's	£000's
Trade and other receivables	128	-	128
Cash and cash equivalents	279	-	279
Trade and other payables	-	(376)	(376)
Amounts due under leases	-	(62)	(62)
Amounts due from group undertakings	53,940	-	53,940

All financial assets and liabilities in the Group's and Company's statements of financial position are classified as held at amortised cost for both the current and previous year.

33. Post balance sheet events

Disposal of property in New Malden

The Group accepted an offer of £795,000 for the property located at Coombe Road, New Malden, and expect to complete in the financial year ending 31 March 2024. The sale is subject to contract. As at 31 March 2023, the carrying value of the property was £565,000.

DIRECTORS AND ADVISERS

Directors	Andrew Jones	Non-Executive Chairman
	David Hallas	Chief Executive
	Christopher Wilks	Finance Director
	Frank Armstrong	Non Executive Director
	Tracey James	Non Executive Director
Secretary	Christopher Wilks	
Company Number	1818170	
Registered Office	The Grange 100 High Street London N14 6BN	
Registered Auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG	
Registrars	Share Registrars Limited 3 The Millennium Centre Crosby way Farnham Surrey GU9 7XX	
Lawyers	Mills & Reeve LLP 24 King William Street London EC4R 9AT	
Bankers	Natwest plc Tooting Branch, 30 High Street London SW17 0RG	
Nominated Adviser And Broker	Singer Capital Markets One Bartholomew Lane London EC2N 2AX	
Joint Broker	Investec 30 Gresham Street London EC2V 7QP	

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