ECO ANIMAL HEALTH GROUP PLC

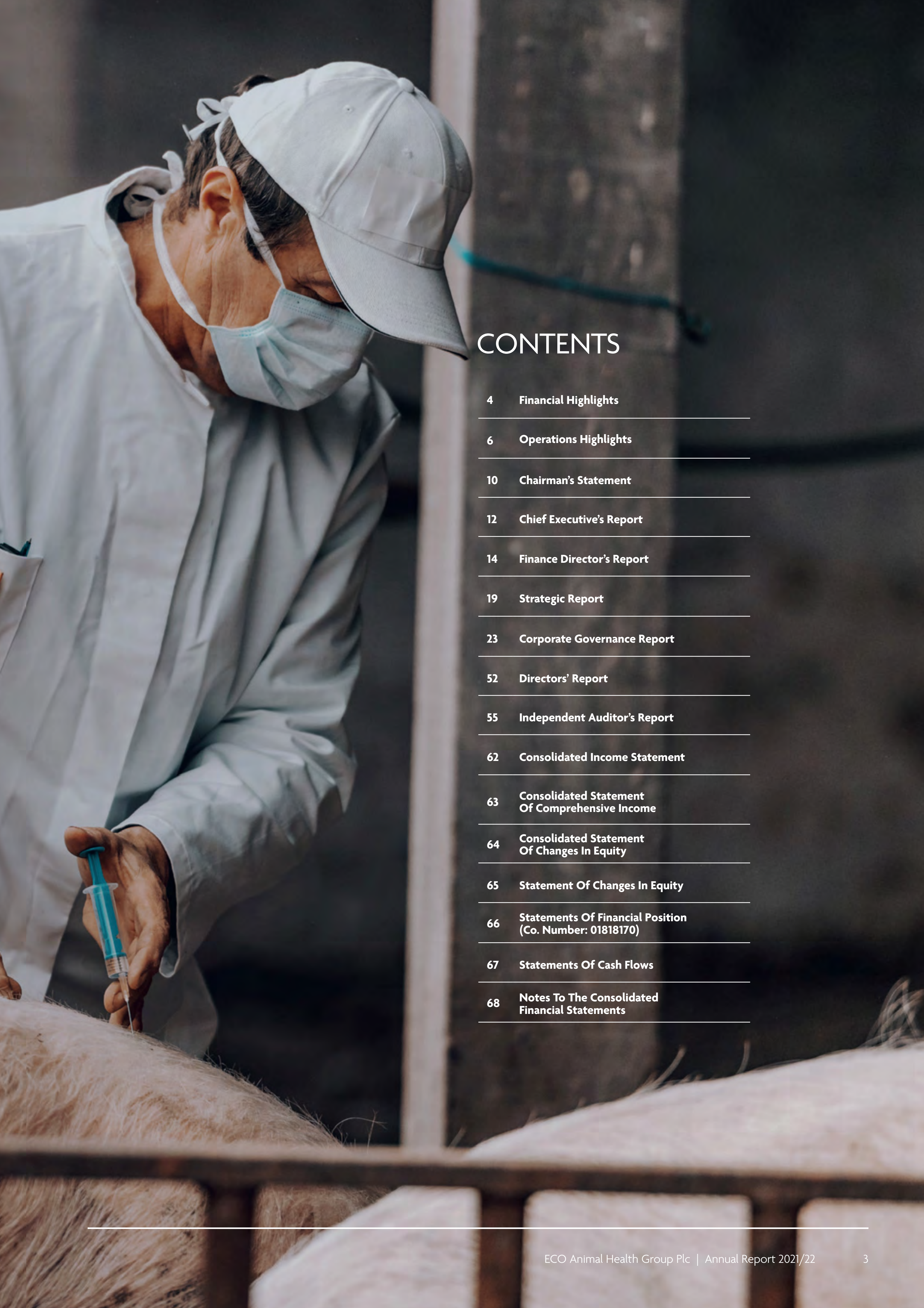
ANNUAL REPORT & ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022

ECO Animal Health Group Plc

ECO ANIMAL HEALTH GROUP PLC

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	78 Coombe Road New Malden, Surrey KT3 4QS	
Registered Auditors	BDO LLP Level 12 Thames Tower Station Road Reading RG1 1LX	
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	Peel Hunt LLP 100 Liverpool Street London EC2M 2AT	
Joint Broker	Investec 30 Gresham Street London EC2V 7QP	



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FINANCIAL HIGHLIGHTS

SALES
AT £82.2m
(2021: £105.6m)

GROSS MARGIN
43%
(2021: 50%)

PROFIT BEFORE TAX
TO £1.4m
(2021 restated: £19.3m)

LOSS PER SHARE

1.01p

(2021 restated: 10.86p)

CASH GENERATION FROM OPERATIONS

AT £2.5m

(2021: £15.8m)

NEW PRODUCT DEVELOPMENT EXPENDITURE

AT £10.2m

(2021: £9.1m)

NET CASH

AT £14.3m

(2021: £19.5m)

OPERATIONS HIGHLIGHTS

AIVLOSIN® DEMAND REMAINS
ROBUST WITH INCREASING
market share in key markets

TWO NEW AIVLOSIN REGULATORY APPROVALS IN CHINA:
The first zero day drug withdrawal period anti-microbial for poultry
New swine respiratory disease marketing authorisation

REVENUE OUTSIDE CHINA AND JAPAN
INCREASED BY 15%
reflecting rising farm incomes and profitability

TWO NEW POULTRY
VACCINE PROJECTS PROGRESSED
to full development

APPOINTMENT OF NEW CHIEF EXECUTIVE, DAVID HALLAS, AND NEW NON-EXECUTIVE DIRECTOR, TRACEY JAMES

CONTINUED
CORPORATE GOVERNANCE
enhancements including new ESG report

David Hallas, CEO of ECO Animal Health Group plc, commented:

"I am delighted to have joined ECO in April this year and I have seen so many promising signs within the Company since I have arrived.

Whilst the well documented China revenue performance has disappointed due to the extensively depressed pork prices, the underlying growth and continuing gains in other markets is impressive."

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR") as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

Forward-Looking Statements

This announcement contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company and Group during preparation and up to the publication of this announcement. 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 announcement should be construed as a profit forecast by the Company or Group.

Contacts

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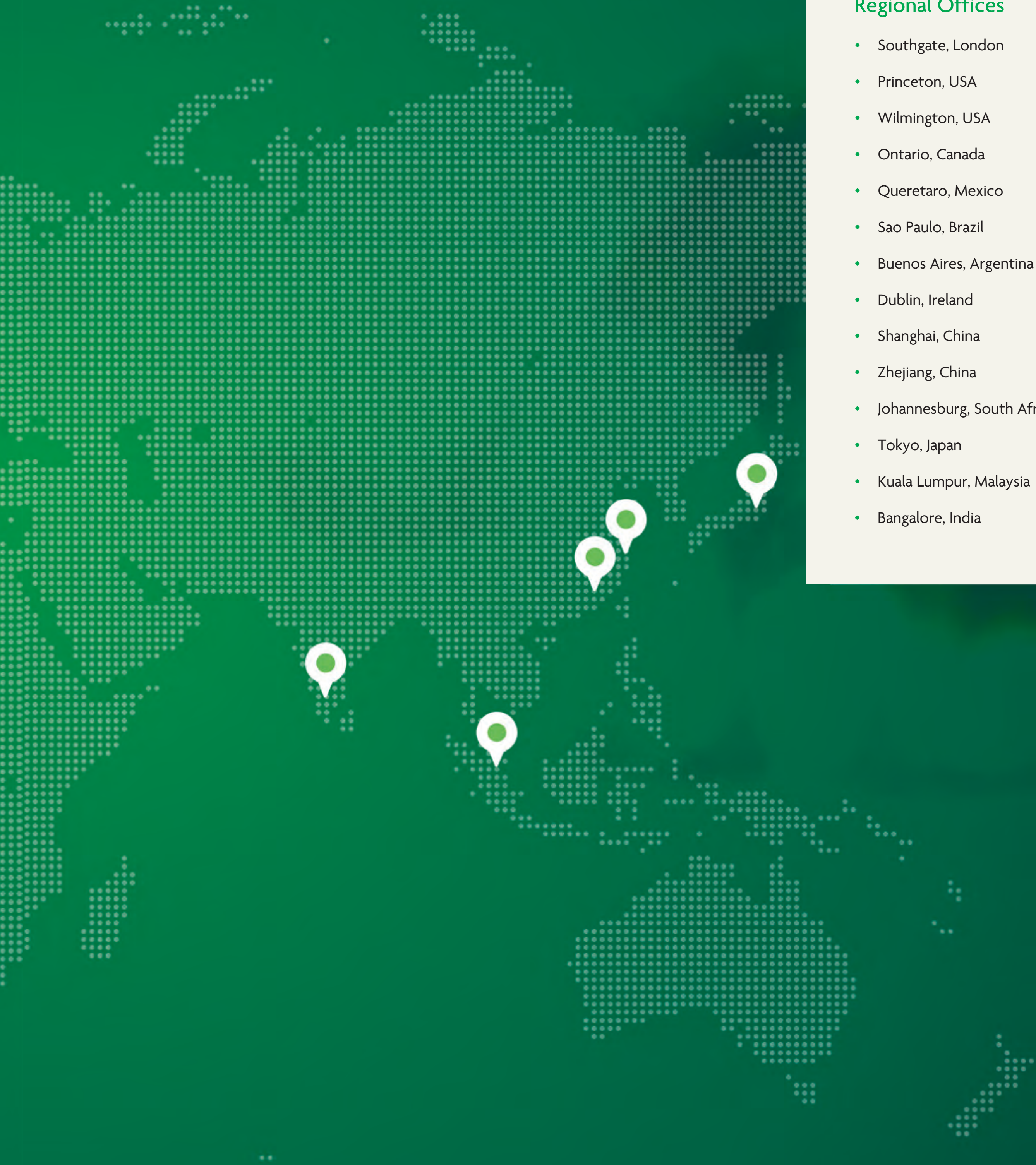
James Steel
Dr Christopher Golden

ECO GLOBAL OFFICES

SALES IN MORE THAN 70 COUNTRIES



Head Office

- New Malden, London

Regional Offices

- Southgate, London
- Princeton, USA
- Wilmington, USA
- Ontario, Canada
- Queretaro, Mexico
- Sao Paulo, Brazil
- Buenos Aires, Argentina
- Dublin, Ireland
- Shanghai, China
- Zhejiang, China
- Johannesburg, South Africa
- Tokyo, Japan
- Kuala Lumpur, Malaysia
- Bangalore, India

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

I am pleased to report that ECO continues to make strong progress on its journey towards building a broader and long term sustainable business.

Sales of our core Aivlosin business delivered strong growth in North America, South East Asia and Latin America. Sales in Europe were slightly down due to supply chain and post Brexit importation difficulties. China, however, saw a major reduction in sales due to a very rapid and steep down cycle in the overall pig market. Market cycles are a feature of our market, and looking through these, we believe there are opportunities for continued growth of our core Aivlosin business in the coming years.

The combination of the impact of the China market decline and our continued substantial investment in R&D has resulted in a significant reduction in bottom line performance for the year. The Board believes that the significant investment in R&D is the most effective use of our cash flow and expects it to lead to a substantial and sustainable increase in shareholder value.

Our substantial investment in R&D has created a broad portfolio of vaccines and biologicals projects that offer competitive advantages over existing solutions in the market. Some of these projects moved into advanced stages of development during the year and, based on current plans, the first projects are likely to receive regulatory approval before the end of calendar year 2023. We made an initial presentation of the portfolio and its potential future value at our Capital Markets Day in January 2022. The Board is excited about the transformative potential of the portfolio to drive a major increase in shareholder value. Further updates on R&D progress will be provided at the appropriate time in the coming year.

As we committed last year, we have laid out further information on our approach to ESG and will continue to develop and embed our strategy in this important area in the coming year.

We announced in July 2021 that Marc Loomes, the former Chief Executive ("CEO") of ECO, had informed the Board of his wish to retire by the end of 2022. Marc joined ECO in 2004 and the contribution his leadership has made to the growth and development of the business cannot be understated. We sincerely thank him and wish him every success and happiness in the next phase of his life.

We announced in January 2022 the appointment, effective 1 April 2022, of David Hallas as the new CEO of ECO. David has more than 30 years of experience in the animal health sector and we are delighted to have been able to attract such a high calibre individual to lead ECO through the next phase of its development.

We were delighted to welcome Tracey James to the Board; she has now taken over as Chair of Audit Committee and will build on the foundations put in place by Tony Rawlinson who recently resigned from the Board as a Non-Executive Director. After nearly eight years' service to the Board of ECO, I would like to personally thank him for his support and wisdom and wish him well for the future. We will in due course seek to add a further Non-Executive Director to the Board.

The Board recognises the value of dividends to shareholders and balancing the need for prudent management of cash resources as well as funding the exciting pipeline of new products. We have however decided that the best use of the Group's cash at the current time is in the new product development initiatives and accordingly no dividend will be recommended in respect of the year ended 31 March 2022.

COVID-19 has remained a challenge during the year. We are very appreciative and recognise that our people have shown great commitment and flexibility to keep ECO operating and progressing.

Finally, on behalf of the Board, I sincerely thank all our shareholders and stakeholders for the continued support you give to ECO, it is much valued and appreciated as we build out the next exciting phase for ECO.

Outlook

As anticipated, the first months of the new financial year has seen Chinese revenue at a subdued level when compared with the record sales of the equivalent prior year period. The first quarter coincided with a policy of extended urban lock-down within China in an attempt to control the spread of COVID-19. This reduced pork consumption, prolonging the period during which major producers were trading at a loss and therefore dampened demand for Aivlosin®. However, gross margins in China were stronger due to the favourable customer mix and demand for Aivlosin® in this period was at a similar level to that experienced before the ASF outbreak.

Recently the Chinese pork to feed price ratio has increased to greater than 5; this is the first occasion in the last year and is a primary indicator of improved profitability within the ECO customer base and an improved trading environment. We believe that customers will remain cautious for the remainder of the calendar year; as winter disease outbreaks occur and the normal seasonal demand for pork increases, which is expected to lead to an increase in the demand for Aivlosin® during the fourth quarter.

Outside of China, the first quarter of our financial year ending 31 March 2023 saw strong year-on-year growth. This growth is particularly strong in our newer markets of South East Asia supported by the trends in USA and Brazil, which we currently expect to continue.

Like many businesses we are monitoring costs closely as the impact of increasing energy costs and general inflationary pressures will be felt by the business throughout this year. We remain committed to a focused programme of new product development and are excited with the progress we are making. We continue to focus our R&D activities on initiatives which will provide the greatest shareholder value whilst balancing the cost, return, risk and time to market.

We look forward to the rest of this financial year with cautious optimism and confidence.

Dr Andrew Jones
Non-Executive Chairman
30 August 2022

We remain committed to a focused programme of new product development and are excited with the progress we are making

NET CASH AT YEAR END OF £14.3m

CHIEF EXECUTIVE'S REPORT
FOR THE YEAR ENDED 31 MARCH 2022

This is my first report as Chief Executive, having succeeded Marc Loomes in April 2022. I am grateful to Marc for his leadership and considerable contribution to the growth and development of ECO.

The Group confronted a series of operational challenges during a year dominated by pork price volatility in China, and the global COVID-19 related disruption of work locations, international travel and supply chains. Despite the significant reduction in revenue from China, business in most other major markets advanced and the Group continued to invest in critical organisation development and strategically important R&D projects.

Operational Review

The difficult trading conditions in China which were primarily caused by low pork prices and subsequent negative profitability for swine producers, significantly impacted the Group's performance as global revenue declined by 22% to £82.2m. Excluding China and Japan, revenue advanced by 15% to £53.8m reflecting the value of ECO's global footprint (selling in more than seventy countries) and was an excellent and noteworthy performance.

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, reduced by 17% to £72.9m (2021: £87.5m) due to reduced Chinese sales and accounting for 89% of total revenue.

Sales of the smaller Ecomectin® anti-parasitic range increased by 31% to £5.5m (2021: £4.2m) and represented 7% of the Group's revenue.

Sales of all other products were £3.7m (2021: £13.8m) and mainly comprised a range of supportive antimicrobial products for pigs in China.

Exposure to Russia and Ukraine is minimal with remaining Russian orders being fulfilled on a payment before collection basis.

Product Approvals

Two Aivlosin® marketing authorisations were obtained from the Ministry of Agriculture and Rural Affairs ("MOA") of the People's Republic of China for the use of Aivlosin® Water Soluble Granules. The first approval allows for the treatment of respiratory disease caused by Mycoplasma and other sensitive bacteria, in chickens laying eggs for human consumption and in breeding chickens. Aivlosin® is the first antimicrobial to be licensed by the Chinese MOA for laying birds with a zero day drug withdrawal period for eggs. China is the world's largest producer of table eggs and accounts for more than a third of the world's laying birds. The second approval was for swine respiratory disease ("SRD") adding three important bacterial respiratory pathogens of swine, *Haemophilus parasuis, Pasteurella multocida,* and *Streptococcus suis* to the existing *Mycoplasma hyopneumoniae* registration. Aivlosin® is approved for the treatment of SRD in other markets; it occurs worldwide and causes major economic losses to the pig industry due to mortality, reduction in growth rates and decreased feed efficiency.

Innovation through Research and Development

ECO started a programme of significant investment in vaccine R&D and in building our capability and expertise around four years ago and has seen encouraging progress within the portfolio of projects.

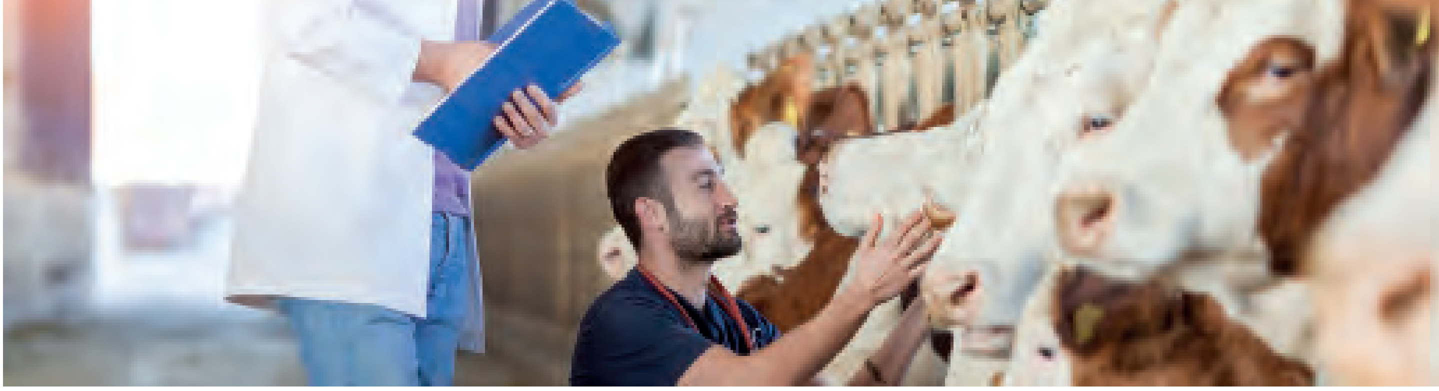
Two poultry vaccine projects progressed to full development during the year. These vaccines protect against respiratory disease estimated to cost the poultry industry over £600m and will enter a vaccine market segment currently worth over £100m. First approvals are expected towards the end of calendar 2023.

The Company's early-stage research and proof of concept activities are managed through collaborations with leading research institutions and universities with later stage full development work managed by ECO's experienced project leaders through contract research organisations. This model mitigates the significant costs associated with in-house laboratories and Company owned research facilities.

ECO has a formidable team of scientists and is building a significant product portfolio pipeline with a mix of well-established concepts and novel, highly competitive technologies and approaches with the emphasis on vaccines and other new products to complement our existing antimicrobial business. The pipeline is focused on providing solutions to respiratory and gastrointestinal (gut) diseases of major economic importance in pigs and poultry and is constantly refreshed as new opportunities are identified.

New product development expenditure in the year was £10.2m (2021: £9.1m) ensuring the acceleration of key projects.

A successful Capital Markets Day in early 2022 provided details of the significant commercial value that exists within ECO's pipeline of over 12 active projects with the first two late-stage development vaccines set to achieve approvals by the end of 2023, and several programmes



expected to progress to clinical proof of concept and early development in 2022 and 2023.

Sustainable future and our ESG approach

We have made significant progress over the year on climate goals and on equity, diversity and inclusion. We include for the first time an ESG report. We have collected baseline metrics and will use these to track progress and to develop credible performance targets as part of a measurable climate transition plan.

By providing medicines and vaccines to pig and poultry producers, we improve the lives of both animals and the people who rely on them. The healthy animals that we help to produce assists the world with its sustainability goals of the alleviation of poverty and hunger.

COVID-19 Impact

The COVID-19 related restrictions on free movement have limited access to customers, most notably in China where travel remains severely curtailed, and created considerable supply chain disruption and uncertainty. Despite these constraints, the Company has successfully adopted a hybrid working model and has mitigated most COVID-19 related challenges through innovative ways of working.

People

Our people have demonstrated superb commitment and flexibility during a particularly challenging period for the business. We remain exceedingly grateful to our colleagues, customers, and suppliers in showing considerable resilience and engagement during a time of rapid and considerable change.

David Hallas
Chief Executive
30 August 2022

108 MARKETING AUTHORISATIONS FOR AIVLOSIN®

REVENUE EXCLUDING CHINA AND JAPAN **UP BY 15%**

TWO NEW MARKETING AUTHORISATIONS FOR AIVLOSIN® IN CHINA

FINANCE DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The year ended 31 March 2022 has been impacted by a slowdown in China which, set against a record year in China last year, has resulted in reduced earnings. Nevertheless, good growth outside of China and progress in the R&D arena provides confidence.

Introduction

The year ended 31 March 2022 has seen ECO further develop its long term aim of becoming a leader in the field of animal health, through the development of new and effective products that meet the needs of veterinary professionals caring for livestock. Targeted and effective research and development remains essential to achieving these goals. A Capital Markets Day, held earlier this year, presented more detail around the Group's R&D activity to make sure research and development is consistently capitalised.

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 ambition of the finance team, as well as supporting the strategic growth ambitions of the Group.

A geographical analysis of revenue is as follows:

	Year ended 31 March		
Revenue Summary	**2022 (£'m)**	**2021 (£'m)**	**% change**
China and Japan	**28.4**	58.9	(52%)
North America (USA and Canada)	**16.4**	13.9	18%
South and South East Asia	**11.8**	9.1	30%
Latin America	**15.8**	14.3	10%
Europe	**6.4**	6.6	(3%)
Rest of World and UK	**3.4**	2.8	21%
	82.2	105.6	(22%)

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. We finished the last quarter of the year ended 31 March 2021 very strongly and the record pork prices in China continued into the first quarter of this financial year resulting in a strong start to the year ended 31 March 2022. Our outlook statement last year signalled a slowdown in China in the latter part of the year and, as a result the second half weighting was less evident with 53% of revenue in the second half (the Group's second half revenue accounts for 60% of the total in the year ended 31 March 21).

Revenue from China and Japan in the second half of the year was £12.7m compared to the first six months ended 30 September 2021 of £15.7m. This unusual pattern of trading in China (second half at 45% of full year) underscores the extent of the slowdown in the China swine industry and the economic difficulties that producers have faced. Japan represents less than 5% of the combined revenues.

Aside from China and Japan, most other markets have demonstrated sustained revenue growth, arising from improving market share and relatively stable producer margins. The total revenue excluding China and Japan increased by 15% to £53.8m in the year ended 31 March 2022 compared with £46.7m in the year ended 31 March 2021.

Revenue in our key market of China (including Japan) was sharply down at £28.4m (2021: £58.9m) largely due to the record pork prices in 2021 resulting in record ECO Group revenue in 2021 followed by a sharp decline in pork prices and consequent difficult trading conditions for our customers. Revenue in China and Japan in the last full year of trading before the outbreak of African Swine Fever ("ASF") (the year ended 31 March 2018) was £27.6m. The pork commodity price cycle in the last few years in China has exhibited more extreme peaks and troughs over a compressed timeline and this arose from the ASF outbreak in 2019. The restructuring of the Chinese pork production industry over the period from 2019 resulted in over capacity and over supply which exceeded the immediate consumer demand. This cycle had started to correct itself during the final quarter of our financial year, but a policy of

COVID-19 lockdowns within major Chinese cities reduced demand for pork, extending the period of low pork prices. Recently pork prices appear to be increasing and we look forward with cautious optimism to stronger trading in China.

North America and Latin America demonstrated continued strong growth of 14% in the year; stable markets in the USA provided opportunity for market share expansion and Brazil, in particular, benefitted from exports to China in the early part of the year.

The sales performance in South and South East Asia has again been strong; despite both ASF and COVID-19 impacting these markets. Notably strong revenues were recorded in Thailand (an increase from £4.5m to £7.1m). In addition, recovery in the Indian poultry market is signalled by some material orders received in the last quarter of the financial year.

Gross margins were 43% in the year ended 31 March 2022 (2021 restated: 50%). This decline arose due to the combined effects of less volume through our key China market (certain elements of fixed cost within cost of sales) as well as less revenue from a high margin market. China and Japan represented 35% of the Group's revenue in the year ended 31 March 2022 (2021: 56%).

Administrative expenses, at £22.9m, were lower than the year ended 31 March 2021 (£25.5m).

Wages and salaries declined to £12.3m (2021: £13.8m) reflecting lower bonus accruals – specifically in China and in respect of the Executive Directors. Foreign exchange gains of £1.0m were recorded in the year (2021: foreign exchange loss of £2.2m). This arose in the main from the weakening of sterling compared with the US Dollar and the Chinese RMB.

Excluding the foreign exchange effects from administrative expenses the costs in the year were slilghtly higher than the prior year at £23.9m (2021: £23.3m). As described in the Group's Interim Report, two development projects, which had previously been capitalised, were impaired in the year resulting in a charge to the income statement of £2.1m. This impairment arose due to the prioritisation of certain other more promising R&D programmes.

Total expenditure on research and development in the year was £10.2m (2021: £9.1m). The total expenditure in R&D can be analysed as follows:

EXPENDITURE IN R&D £10.2m

	Year ended 31 March	
	2022 £000's	**2021 £000's**
Research and development expensed in the period	**8,762**	8,072
Development expenditure – capitalised in intangible assets	**1,421**	986
Total expenditure	**10,183**	9,058

Overall R&D expenditure in the year increased both in absolute terms (an increase of 12%) and as a percentage of revenue – cash expenditure was 12.4% of revenue in the year ended 31 March 2022 (2021: 8.6%). This increase in expenditure reflects the Group's stated intention to invest in its promising pipeline of new technologies and new products. It should also be noted that the proportion of R&D expenditure capitalised in the year has increased from 11% to 14% as more programmes have moved from the early research phase into the later development phase. In particular, the Group's poultry mycoplasma vaccines have entered the final development phase and expenditure has begun to be capitalised.

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 exceptional items 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 (2021: £0.9m). The adjusted EBITDA margin (excluding foreign exchange movements and expressed as a percentage of revenue in the period) was 6.6% in the year ended 31 March 2022 compared with 22.3% in the year ended 31 March 2021 (restated). This decline in the adjusted EBITDA margin arises principally due to weaker sales in China; the operational gearing from decreasing revenue with largely fixed overheads.

Profit before income tax has decreased to £1.4m in the year ended 31 March 2022 (2021 restated: £19.3m), due principally to the same reasons – EBITDA is weaker, as well as the one off impact of the R&D impairment (£2.1m).

The Group continues to benefit from a low effective tax rate in the UK due to the significant expenditure in the R&D programme for which R&D tax credits are claimed. Historic tax losses result in zero tax payable in the UK in the year. For the Group overall, in the year ended 31 March 2022 the effective tax rate was 151% (2021 restated: 18%), reflecting the impairment charge for which no tax deduction is received, higher tax rates in overseas jurisdictions as well as withholding tax on dividends and royalties set against low overall profit before tax.

Loss after tax was £0.7m in the year ended 31 March 2022 (2021 restated profit: £15.8m). Earnings per share ("EPS") has declined from 10.86 pence in the year ended 31 March 2021 (restated) to a loss per share of 1.01 pence in the year ended 31 March 2022; the decrease in EPS arises from the decline in the Group portion of post-tax profits.

The consolidated cash position in the Group has decreased from £19.5m at 31 March 2021 to £14.3m at 31 March 2022. This consolidated cash position at 31 March 2022 includes £6.1m (2021: £13.7m) which is held in the Group's subsidiary in China. A portion of this cash is repatriated from China once per annum by dividend declaration; the Group's share of the China cash distribution which is received in the UK is 51%. During the year the dividend received from the Group's holding in the China subsidiary was £2.3m – related to the China profitability in the year ended 31 December 2020 (2021: £0.6m – related to year ended 31 December 2019).

The cash generated from operations was significantly lower in the year ended 31 March 2022 at £2.5m (2021: £15.8m) reflecting the decreased profitability of the Group and an increase in Group inventories of £8.6m. The increase in Group inventories arose from a slowdown in the efficiency of international shipping during the year; this affected all businesses trading globally during 2021 and 2022, particularly those with procurement in China. Additionally, the inventories in China started to increase before the year end in preparation for production stoppage over the summer of 2022 when production is switched to the new factory in China. This project will be complete by November 2022 and the excess stock holding is planned to unwind during the production stoppage period. Trade receivables declined by 24% reflecting the reduction in Group revenues and an unwind of an exceptionally high closing debtors position as at 31 March 2021. From operating cashflow, income tax of £3.0m was paid, £1.6m of property, plant and equipment was purchased, development expenditure of £1.3m was capitalised, dividends were paid to the minority interest in China and ECO Animal Health Group plc shareholders (£2.9m in total), the US Dollar and other foreign denominated cash balances generated a foreign exchange gain of £1.3m and other sundry cash outflows of £0.3m resulted in an overall net cash decline of £5.2m and a cash balance at 31 March 2022 of £14.3m. The Group's £5m overdraft facility (undrawn at the year end) remains in place.

Prior Year Adjustment

It recently came to our attention that certain aspects of a sales tax related to imported products in a foreign jurisdiction where we operate through a subsidiary company, might have been applicable. ECO has been importing an increasing volume of product into this country in recent years. This issue is at an early stage and no tax payment has yet been determined. However, it is likely that a substantial tax settlement could be required in due course and an estimated sum of £3.4m has been provided for in the Statement of Financial Position. The sum has been apportioned to appropriate years, disclosed in Note 3 and charged to cost of sales within the Consolidated Income Statement. The impact of this item in the year ended 31 March 2022 was an increase in cost of sales of £0.9m (2021 restated: £0.9m).

Exceptional items

In the Group's Interim Report, we described the impairment of previously capitalised R&D expenditure in relation to two projects which were paused during the year. This impairment is shown as exceptional. Additionally, we have created a provision for a probable settlement of personnel related disputes. These disputes are not expected to settle for some time.

Audit

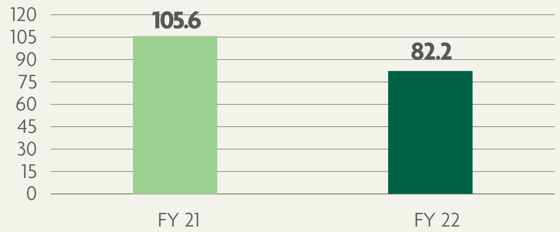
The tax issue leading to the prior year adjustment and the exceptional items caused a delay to the finalisation of our audit this year.

The limitation in scope qualification in respect of non-attendance at stock takes at 31 March 2020 remains in the audit report this year because 31 March 2020 reflected the opening position for the comparative year ended 31 March 2021. We expect this to be the last year in which this qualification arises.

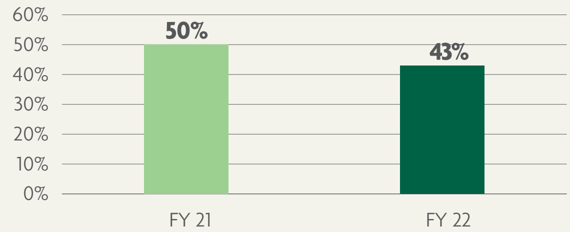
Key Performance Indicators

A summary of the KPIs is as follows:

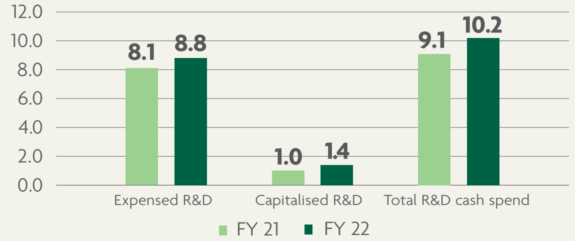
Revenues (£'m)



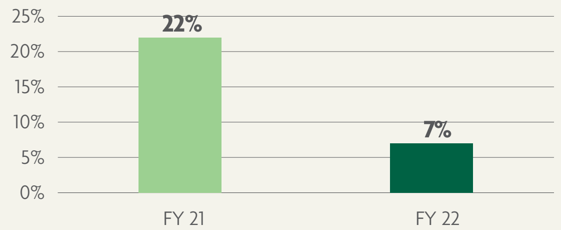
Gross Margin (%)



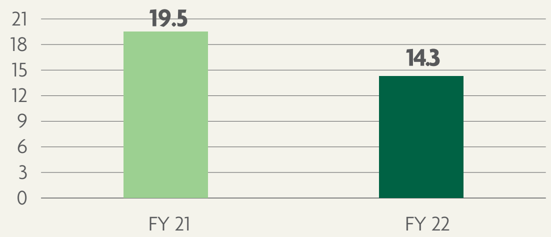
Research & Development (£'m)



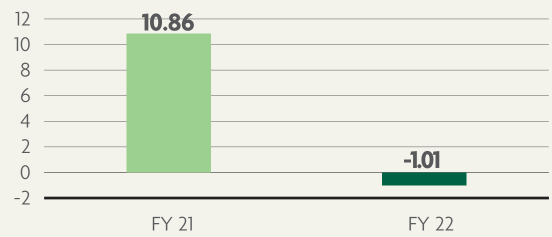
Adjusted EBITDA margin (%)



Cash balances (£'m)



EPS (Pence)



An explanation of the various trends in the KPIs above is included in the CEO's and Finance Director's reports.

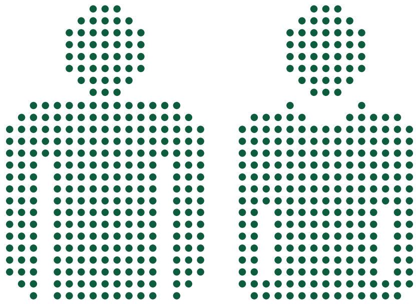
Post balance sheet events

Marc Loomes, who joined ECO in 2004, became Managing Director in 2005 and CEO in 2010, retired from the Board of Directors on 1 April 2022. David Hallas joined ECO Animal Health Group plc as CEO on 1 April 2022. Tony Rawlinson, Non-Executive Director, resigned from the Board on 9 August 2022 to pursue other business opportunities.

The Group put in place a £10m revolving credit facility with NatWest Bank on 9 July 2022. This facility is committed, subject to half yearly covenant compliance checks and bears interest at a fixed margin over SONIA base rate. The facility expires on 30 June 2026.

Christopher Wilks
Finance Director
30 August 2022

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022



ECO strives to provide best in class, scientifically proven ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry. Our vision is to achieve this responsibly, working in partnership with veterinarians, animal health professionals and livestock producers bringing value to all by improving animal health around the world.

The business strategy is to generate shareholder value by achieving the maximum sales potential and profit from the existing product portfolio whilst investing in R&D for new products, particularly vaccines, and seeking to in-license new products. We will also seek to diversify by acquisition. The Group continues to invest in skilled people, embracing and believing in the benefits of diversity within the workplace and striving for equality of reward and opportunity.

ECO HAS PROVED TO BE HIGHLY ADAPTABLE IN A CHANGING WORLD

Growth of existing product portfolio

ECO prioritises sales and development activities for existing products through ECO operating companies in key growth markets, principally China, North America, South and South East Asia and selected Latin American countries. Third party distributors are used in smaller markets to contain costs, recognising that this approach does lead to margin sacrifice for ECO. The cost base is managed to reflect achievable growth rates particularly when individual markets experience slowdowns. In all markets, Key Account management frameworks are adopted with major producers. The primary competitive targets for our portfolio are branded, well-established, first-generation products; we concentrate on the additional value added by our products.

Focus on investment in R&D

ECO's increase in R&D investment is focused on several late, mid and early stage projects which collectively provide a balanced mix of well-established concepts and novel technologies and approaches. This investment in R&D staff and the pipeline is expected to lead to further approvals for Aivlosin® in key markets, an acceleration and broadening of the introduction potential for vaccines in pigs and poultry and to an expansion of the search for new products in collaboration with leading universities and research institutions where an exclusive position with worldwide commercial rights can be obtained.

Licensing and acquisition

ECO seeks to both license-in new products for pigs and poultry and to diversify by acquisition to complement our organic growth and provide enhanced product portfolio breadth in core markets.

Skilled people

ECO has highly professional, experienced and committed people throughout the business. Our strategy is to build on this core strength and to continue to develop an organisational culture that attracts and rewards top talent in a company that offers career challenge and opportunity.

Sustainability, Environmental and Other Social Issues

The Group's enhanced report on environmental, social, human rights and community matters is set out in the Sustainability Report within this Annual Report.

Principal Risks and Risk management

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 was assessed by the Group's Internal Audit department, seeking areas for improvements in how we identify and manage our risks. The business is now one year into a three-year plan to implement a solid framework throughout the entire business which includes effective mechanisms for identifying and capturing risks. During the current financial year, the business discussed and agreed objective metrics for measuring the impact and likelihood of risks. Subsequently, when the principal risks affecting the Group were comprehensively reviewed these metrics were utilised when determining the impact and likelihood ratings, as well as incorporating any contextual changes or new controls that have changed the significance of each risk. Careful consideration was given to identifying any other emerging risks. The risks were reviewed on a quarterly basis by the leadership team and periodically by 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. We have also assessed the future trend of each risk as far as we can predict. 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 reconsidered a previously identified risk of bank deposits being lost through a bank collapse as this particular risk is no longer relevant to ECO in the current climate. However, a related risk has been identified following the situation in Ukraine which pertains to banking or transaction failures leading to loss of monies. ECO's exposure to this risk is managed and is considered minimal at this time.

Similarly, the risk of failure of new product developments has been considered in greater depth and an additional risk has been identified which recognises the risk of a new product failing to achieve its projected success once it has been released to market.

The risks to the Group associated with climate change have been considered in depth. We have analysed (as part of our ESG work) the impact that ECO has on its environment and the risks that the environment poses to ECO. The combination of the ECO business model, its global footprint, operating model and inventory management provide good mitigation assurance but this remains an area of active monitoring and analysis.

It is recognised that one of ECO's core strengths is the passion and competency of its people. Accordingly, a further risk has been added to the risk register which underlines the need for the business to ensure all personnel are properly trained and undergo regular updates to their current learning to ensure the business is keeping pace with changing regulations..

TABLE KEY: H = HIGH M = MEDIUM L = LOW

Strategic risks

Risk	Likelihood	Controls	Impact	Forward Trend
High reliance on one supplier for key products	M	Business interruption insurance with a target of 6 months strategic safety stock in place. Investigating supply to ensure supply source redundancy.	M	↘
Reliance placed on key directors, senior managers and staff members.	L	NomCom – succession plans being expanded, appointment of, and transition to, new CEO successfully performed. New RemCom policies being implemented: • Performance management, structured Bonus and LTIP for staff and executive Director's. • Salary benchmarking and people development. • Board has doubled in size to increase its capability.	M	↘
Employee training to maintain competencies and compliance with regulations.	L	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 programme to centralise core training is currently being developed.	L	↔
High dependency on a single product	L	Innovation fund and development pipeline of new products: • Vaccines and other products. • Generic defence plans. • Significant investment in biologicals R&D pipeline	H	↘
Potential threat from generic producers	H	Generic defence strategy – combining strong regulatory and legal stance in country with patent and trademark infringement enforcement. Ensure adequate supply and stock pressure in markets. Experienced international and local management teams.	M	↔

Risk	Likelihood	Controls	Impact	Forward Trend
Disease impact on growth (African Swine Fever, Coronavirus)	M	Global organisation driving strategy in other geographical territories. Strategy to increase focus on poultry. Remote working capabilities established and proven.	M	↔
Failure to identify biologicals manufacturing resource – this being a key success factor for R&D project delivery	L	Board approval of 5 year strategic plan which identifies a pathway to accessing Biologicals manufacturing capability.	L	↘

Operational risks

Risk	Likelihood	Controls	Impact	Future Trend
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. Training of Human resources.	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. 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 human resources 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 people. Ensure trials accurately predict the performance of the product in the marketplace, and retrospective reviews of business cases to identify incorrect assumptions.	M	↔
Continuity of IT services.	L	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.	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 people with remote working capability. Team had demonstrated during the global Coronavirus pandemic that 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 unforecasted 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	↔

New EU Veterinary Regulations entering into force (End 2021/Start 2022)	M	Maintain proactive approach to understanding new requirements. Ensure measures in place to maintain compliance. Manufacturing sites currently maintain all appropriate licences.	L	↔

Financial risks

Risk	Likelihood	Controls	Impact	Future Trend
Mid term recession in major regions in the world (EU, NA, LATAM) Coronavirus effects to linger into 2022 in major economies in the world.	H	Our global teams will continue to strengthen relationships and business with key customers and accounts. A worldwide footprint in all major swine and poultry markets diversifies this risk. Association with the food producing industry mitigates this inherent risk	L	↔
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 cyber security awareness and training for personnel is in place	H	↘
Insufficient funding for business growth	L	Cashflow and working capital management. Close monthly monitoring of budget to actual results. Robust credit facility is currently being increased which significantly reduces the likelihood of this risk.	H	↘
Currency and foreign exchange restrictions	M	Monitoring of exchange rates. Operationally transact in multiple currencies which are held and switched when appropriate. In house treasury function to hedge when necessary.	M	↔
International tax rule changes lead to restrictions in cashflow and possible non compliance	L	Monitoring of international tax rules, use of skilled knowledgeable local tax experts, annual compliance check, transfer price monitoring.	M	↗

Dr Andrew Jones
Chairman
30 August 2022

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2022

A strong business requires strong governance

We aim to continually update our approach to corporate governance and we have ensured that governance remains central to delivering on our strategy and the successful operation of our business.

Chairman's introduction to governance

Dear Shareholders

I am pleased to introduce this section on governance, which describes the activities of the Board and its Committees during FY2021-22 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.

This year we have developed expanded our reporting of ESG to include further information on our performance and strategy on diversity and emissions. We recognise the importance of this area and will continue to develop our future activities and reporting.

We have also taken steps to broaden our communication with private and small investors through live on-line presentations through our collaboration with Equity Developments. We have been delighted with the investor feedback and engagement from these sessions and plan to continue and build on this activity where possible.

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. We also review the Investment Association guidelines and seek to comply with these where applicable.

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.

Your support as shareholders is vital to the success of the Company and we intend to remain responsive to shareholder's views and to engage with you so that the Company will deliver on its and your objectives.

Thank you for you continued support.

Yours sincerely

Dr Andrew Jones
Chairman
30 August 2022

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 Non-Executive Chairman of Downland Marketing Limited, a distribution franchise group supplying animal health and nutrition products to grassland animal farmers in the UK., He is also Non-Executive Chairman of RootWave (Ubiqutek 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. Mr Wilks 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, Mr Wilks was Chief Financial Officer at Sondex plc, a specialist manufacturer of technical instruments for the oil and gas industry.

Anthony (Tony) Rawlinson

Independent Non-Executive Director
Appointed 1 January 2015
Resigned 9 August 2022
Year of Birth 1957

Tony is a Chartered Accountant with over 30 years corporate finance experience advising smaller quoted companies. After spending 14 years at Henry Ansbacher & Co and Strand Partners, he co-founded Dowgate Capital Advisers in 2001 and led its growth and development. He was also Chairman of its AIM quoted parent Company, Dowgate Capital, which was sold to a competitor in a recommended transaction in 2009. In 2010 he co- founded Cairn Financial Advisers LLP, a Nominated Adviser to a number of AIM companies and a corporate advisory firm. Tony retired from Cairn in November 2020.

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 Enhanc3D Ltd, Non-Executive Chair of Bloomsbury Genetic Therapies Limited (BGT), a Non-Executive Director 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. She is also a Non-Executive Director and Chair of the Audit Committee at CT Automotive Group PLC.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Director's attendance during the year ended 31 March 2022 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of formal meetings held	**7**	**4**	**4**	**3**
Andrew Jones	7	4	4	3
Marc Loomes* (resigned as CEO on 1 April 2022)	7	3	0	3
Chris Wilks	7	4	0	0
Tony Rawlinson (resigned on 9 August 2022)	7	4	4	3
Frank Armstrong	7	4	4	3
Tracey James (appointed 1 December 2021)	1	1	0	0

*David Hallas was appointed as Chief Executive Officer on 1 April 2022.

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

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 the QCA's Corporate Governance Code. The following table summarises how we apply the ten principles of the QCA Code:

	QCA Principle	Explanation
1	To 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 relevant operational and management updates being reported to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. Further details of the Group's strategy can be found in the Strategic Report

	QCA Principle	Explanation
2	To seek to understand and meet shareholder needs and expectations	The Directors are committed to open communication with the Group's shareholders to ensure that they clearly understand its business, strategy and performance. The Board actively seeks dialogue with its shareholders via investor roadshows, one-to-one meetings and regular reporting. The Board believes that open communication with investors and analysts is the best way to ensure it understands what is expected of the Group in order to allow it to drive its business forward. The Company has an established programme of engaging openly with shareholders. Communications with shareholders are via its website, the publication of the Annual Report and the Interim Statement, trading and other announcements made on RNS and at the Annual General Meeting where the Board encourages investors to participate. The Group's website contains information on the Group's business, corporate information and specific disclosures required under AIM Rules for Companies and the QCA Code. Following the announcement of the Group's full year and half year results the Company makes presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Group's broker and discussion of this feedback is an item on the Board's agenda.
3	To 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 employees, suppliers, customers and partners are known and where relevant to the success of our business they are acted upon. The Group recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the demands of a sophisticated customer base. The Company has close on-going relationships with a broad range of its stakeholders; monitors feedback from them and uses this to develop future policy.

	QCA Principle	Explanation
4	To 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 Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Company's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements. The Board reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Details of these risks, and their management, are contained in the Strategic Report. The Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the Group. Where the management of operational risk requires outside advice, this is sought from expert parties, and the Company has put measures in place to protect itself against supplier failure including insurance and buffer stock. Further details of our risk management, risks and internal; controls can be found in the Strategic Risk section of the Strategic Report.

	QCA Principle	Explanation
5	To maintain the Board as a well-functioning, balanced team led by the Chair	The Board keeps under review its current balance and composition in order to ensure that it has a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and address anticipated issues in the foreseeable future. The Board is supported by the Audit, Remuneration and Nomination Committees. The purpose of the Board is to ensure that the business is managed for the long- term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which the Group operates. The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Group. There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy & management; structure & capital; financial reporting & controls; internal controls; contracts; communications; board membership and other appointments; delegation of authorities and corporate governance. The Company has four non-executive Directors (from 9 August three, and it is intended that the number will return to four in due course), each considered to be independent by the Board. The Board meets on a minimum of 6 occasions with board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. The Board has an audit committee, a remuneration committee and a nomination committee each with delegated duties and responsibilities. Further details of the role of the board and the committees and how they operate can be found in the Chairman's introduction to governance and the Board Committee reports that follow this section.
6	To ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Nomination Committee reviews at least annually the balance and composition of the Board and its Committees to ensure the skill and experience needed for successful operation are in place. Update training is undertaken periodically. The skills and experience of the Board are set out in their biographical details included within this corporate governance report and the Company's website and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Company for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Company Secretary is assisted by an external professional company secretarial services provider.

	QCA Principle	Explanation
7	To evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Chairman evaluates the performance of the Board through a combination of questionnaires and one-to-one meetings with each Director. This process offers Directors an opportunity to discuss their contribution in terms of their skills and experience as well as identifying improvements or development to enhance the capabilities of the Board as a whole. Further details of the board performance review undertaken in the year are set out in this corporate governance report. 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..
8	To promote a culture that is based on ethical values and behaviours	The Board aims to lead by example and make decisions that are in the best interests of the Group and its stakeholders as a whole. Our culture is underpinned by a clear set of values, which guide decision making at all levels in the business. The Board reviews and approves the Group's policies which are then implemented and communicated internally and externally to those who are expected to adhere to them. The Board recognises that its decisions will impact the corporate culture of the Group as a whole and that this will affect the performance of the business. The Board is also very conscious that the tone and culture that it sets will greatly impact all aspects of the Group and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives whilst, in particular, meeting the exacting demands of a sophisticated customer base. The Company's ethical approach to business is reflected in the way the Company has been able to develop long term and fruitful relationships with its clients. The Company seeks to ensure that responsible business practice is fully integrated into the management of all its operations and into the culture of all parts of its business. It believes that the consistent adoption of responsible business practice is essential for operational excellence, which in turn is expected to ensure the delivery of its core objectives of sustained real growth in future profitability.

	QCA Principle	Explanation
9	To maintain governance structures and processes that are fit for purpose and support good decision- making by the Board	The Board undertook a review of its governance and framework to ensure that the Group's governance structures remain appropriate and are fit for purpose in May 2022. This framework sets out leadership and embeds delegated responsibilities to enable informed and confident decision-making. The Company maintains appropriate governance structures and processes according to its size and complexity. There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group. The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Director and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders. Compliance with the QCA Code and corporate governance requirements generally are reviewed on an on-going basis by the Board as well as part of the annual Board Effectiveness review process.
10	To communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Board ensures that all stakeholders across the business are actively engaged through the relevant areas of responsibility. This includes making sure that the business as a whole upholds its values and monitors behaviour for acceptability. The Company recognises that meaningful engagement with its shareholders is integral to the continued success of the Group and the Company has actively engaged with shareholders through meetings, presentations and roadshows. The Board considers that the Annual Report and the Interim Report published at the half-year, play an important part in presenting all shareholders with an assessment of the Company's position and prospects. All RNS press releases are published on the Company's website. The Annual General Meeting is an opportunity for shareholders to meet and discuss the Company's business with the Directors. The Board is supported by the audit, remuneration and nomination committees, each of which has access to information, resources and advice that it deems necessary, at the Group's cost, to enable the committees to discharge their duties.

Leadership and the Board

The Role of the Board

The Board comprises two Executive Directors and four 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. In anticipation of the recruitment of the new CEO, during the year the Remuneration Committee engaged the services of AON Executive Compensation to benchmark the salary and other benefits of the CEO.

Board Activities

The Board held five 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, there were two ad-hoc meetings of the Board to deal with non-routine business.

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 2021-22 is shown in the Corporate Governance section of this report, immediately before the Compliance with the Principles of the QCA Code.

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. In addition, the Chairman has regular one-to-one meetings with Directors. A Board performance review was held in the financial year led by the Chairman where it was determined that the Board, its Committees and individual directors were felt to be working well with recommendations being made in relation to how the Board's agenda and performance could be evolved. In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process. The Board appointed a new non-executive director in the period and a new 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 employees, 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 Monday 26 September 2022 at 11.30am 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 Annual General Meeting on 16 September 2021 following the financial year ended 31 March 2021. All resolutions proposed to the meetings were duly passed on a poll. 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 Company has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Company. 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 twice 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 Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the

Group. Activities of the internal audit function in the financial year are detailed further in the Audit Committee Report.

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 2022. Discussion topics at each meeting included the Group's response to the COVID-19 global pandemic, Research and Development, health, safety and environment, investor feedback, staff 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 66% 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 221 people during the financial year ended 31 March 2022 (2021 – 207). All company announcements were simultaneously circulated to all personnel. Communications of note during the year included the arrangements for remote and safe working during the Coronavirus pandemic, key new product announcements, new colleagues and retirements, new procedures and governance processes. In addition, all members of staff were invited to technical webinars, product launch discussions and presentations.

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 has successfully traded through the "lockdown" period, utilising to a much greater extent electronic communications and these tools 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
30 August 2022

ESG REPORT

ECO's purpose is to develop, register and supply high quality veterinary medicines and vaccines to improve the health and welfare of pigs and poultry providing sustainable livelihoods to producers.

We are committed to sustainability as an integral component of the Group's commitment to acting with the highest standards in its business dealings.

Core to our conduct is a set of ethical principles designed to:

1. Respect, protect and keep safe our people, customers, suppliers, collaborators, stakeholders and shareholders,
2. Protect the environment and
3. Enhance the reputation of the Group in its chosen field of business, animal health.

These principles ensure that we provide a safe and fulfilling work environment, create a business with whom other like-minded businesses will wish to collaborate, make a positive contribution to the communities in which we work, and enhance shareholder value.

ESG is recognised as being of key importance and is the responsibility of the Board of Directors, working through the business leadership team.

This inaugural ESG Report is divided into the three key areas of Social, Environment and Business Governance following on from last year's Sustainability Report. Details of ECO's approach to corporate governance is set out in the Corporate Governance Report.

Significant advances have been made in the ESG arena during the past year, fulfilling the commitments made in last year's report, specifically in the areas of voluntary environmental reporting, evaluating a baseline for DEI and Fair Tax Mark accreditation. 2022/23's objectives include working with specialist consultants to further establish the current position for the global business and to develop clear objectives and metrics for the next financial year working with the Board and the ELT.

SOCIAL

We maintain regular communication and dialogue with our stakeholders such as employees, customers, shareholders, suppliers and regulators to understand their needs and concerns and factor these requirements into our decisions and activities. The ECO Employee Health and Wellbeing document is awaiting approval of the Board.

Our People

At ECO, we recognise that our people are our most important asset. We aim to attract and retain unique and diverse professionals by offering them a great place to work and the opportunity to grow, both professionally and personally.

Our commitment to diversity and inclusion is strongly rooted in our respect for local culture and practices It is our practice to employ local teams to work with local people rather than head-office people working abroad on assignment which has created a unique sense of belonging among our employees. The Company follows the UK and relevant local laws including the Equality Act 2010 and the National Minimum Wage Act to ensure fair employment practices and complies with national legal requirements regarding pay, working hours and annual leave for our employees who are highly skilled individuals with specific training, expertise and experience.

We invest in healthy and safe workplaces and employee policies that protect our people which include the Employee Privacy Notice, GDPR Data Privacy Notice, Antiharassment and Bullying Policy, Flexible Working Policy, Business Travel, Health and Safety Policy Statement, Lone Working Policy, Parental Leave Policy and Display Screen Equipment Use Guidelines.

Further policies provide guidance for ethical work practices and include the Employee Code of Conduct, Anti-Bribery and Corruption and the Company's Modern Slavery Act Statement.

In addition, the Whistleblowing Policy and Fraud Policy support ethical work practices. There have been no incidents of whistle blowing or fraud during the current financial year.

The Board of Directors has overall responsibility for ensuring that the Fraud Policy complies with our legal and ethical obligations, and that all those under our control comply with it. The CEO has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering fraud. Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it. The ELT safeguards the Group from fraud and corruption by establishing and maintaining a comprehensive system of internal controls to discourage perpetuation of fraud and to detect instances of fraud. Internal Audit is responsible for examining and evaluating the adequacy and effectiveness of internal controls, as audit procedures alone are not designed to guarantee the detection of fraud.

The Fraud Policy encourages the reporting of ethical concerns and actual or potential breaches of our policies or the law to the Group. Concerns are raised with line management unless they entail a potential breach of law or serious non-compliance with ECO policies in which case they should be reported to the CEO, the FD, the head of HR or the Chair of the Audit Committee.

To ensure engagement with the wider business, all ECO people are notified and provided full information by the CEO when interim and full-year annual reports are published, and new regulatory approvals are achieved as well as by the ELT or CEO when new starters join the company.

The spread of COVID-19 has caused the Company to modify its business practices (including instituting remote and hybrid work for many of the Company's employees), and the Company may take further actions as may be required by government authorities or as the Company determines are in the best interests of our customers, employees and business partners. Our continued growth has only been possible due to our ability to recruit and retain talented people representing diverse backgrounds, experiences, and skill sets. Our Group trading companies employ local nationals.

A new process for personnel training has been developed and implemented during the year. Training needs related to specific job roles have been identified by the ELT for all functions. This year, 98 signed training records were returned out of just over 100 potential returns. Next year, the system will include the incorporation of these training records into the eQMS to further increase visibility and the potential for monitoring.

Mandatory pharmacovigilance training was expanded globally to include personnel in LATAM, SE Asia, China and Japan. ECO has approximately 110 Standard Operating Procedures (SOPs) across the business including Regulatory, Quality, IT and R&D; these are updated on an ongoing basis to meet both internal commitments and those of external regulatory authorities. Of these, 54 have been reviewed and/or updated, 10 retired and 41 are in the process of being reviewed.

Diversity, Equity and Inclusion ("DEI")

ECO's DEI strategy falls under the remit of the Board along with the CEO, HR and the Executive Leadership Team. This first DEI report serves as a baseline to inform the upcoming year's ESG programme intended to increase diversity, equity and inclusion at all levels in the Company.

As outlined in the ECO Corporate Governance Report, the Nomination Committee is responsible for the Board's policy on diversity. ECO is a global company with a diverse and inclusive workforce. The Board recognises the benefits of diversity in its broadest sense and diversity of skills, background knowledge, international and industry experience, race and gender, amongst many other qualities, are taken into consideration when seeking to appoint new Directors to the Board.

ECO is committed to creating an inclusive environment for employees as outlined in the Equal Opportunities Statement and Diversity, Equity and Inclusion Policy. These policies aim to achieve equality by removing any potential discrimination in the way that employees are treated by fellow employees or the Company, including people of different sexual orientations, transgendered and transsexual people, people on the grounds of their sex and people of different races.

Gender Breakdown

ECO recognises the value of gender diversity in business. Using internal data from March 2022, the female:male ratio within specific ECO groups was analysed to serve as a baseline. This data will inform the DEI strategy for the next year, which will critically evaluate the various means by which ECO intends to increase gender diversity.

At Board level, Tracey James was appointed during the past year as a Non-Executive Director of the Board, making the female:male ratio 1:5 with 17% female and 83% male representation. On the Executive Leadership Team, there were no females on the team of eight. The commitment to promotion of gender diversity has already been signalled with the appointment of a female to the Executive Leadership Team shortly after the end of this financial year.

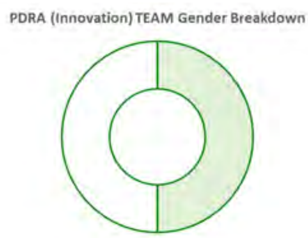
Within the ECO Animal Health Limited workforce, which includes Customer Services and Finance functions not captured elsewhere along with ECO Animal Health plc, Executive Leadership Team, LATAM, SE ASIA and EUMEAF which are also included in the relevant group and regional data, the gender breakdown is virtually evenly split between male and female employees.

Within the Sales Teams, the gender breakdown varies as shown in the graphs below.

In all but ECO Japan, the regions have more male than female employees. Traditionally, the pig and poultry sectors, and the veterinary surgeons and key accounts serving these, have been male-dominated. ECO is committed to improving gender diversity across all regions, levels and functions of the Company and this will be through a combination of recruiting, retention and training programmes.

In the Global Operations Team, there are two male managers overseeing a team of eight filled positions. Of these, there are five females and one male resulting in a total team gender ratio of 5 females:3 males (63% females:37% male).

In the PDRA Team, there are 14 members with the Head being male. There are 7 females and 7 males in the team.



Other DEI elements

A survey of employees was carried out to develop a DEI baseline for this first ESG report. There were 68 responses from the 109 invited to participate, which was a 62% response rate. The survey will be repeated next year to measure the change from this baseline following the strategic actions taken to improve diversity. This data will serve as a baseline for the identification and development of objectives for the next financial year along with the metrics for measuring them.

Ethnicity

Of the 68 respondents, 67% are White, 24% are Asian, 6% are Mixed or multiple ethnic backgrounds, 4% are Hispanic and Latino and 1% are Black.

Gender Orientation

Forty respondents identified as men and 28 as women, with no respondents identifying as genderqueer or non-binary or as agender. One of 68 respondents identified as transgender or any other non-cis gender.

Sexual Orientation

Sixty-four respondents identified as straight, two as bisexual, one as asexual and one preferred not to answer.

Disability

Asked if they were a person living with a disability, there were 67 responses. Of these, 3 responded yes, 63 no and one preferred not to answer.

Language

The majority (40 of 68) of respondents do not speak English as a first language. Some of the most prominently spoken languages at home include English, Spanish, French, Portuguese and Japanese.

Religion

Half of the respondents identify as Christian, followed by almost 15% classifying themselves as Agnostic. In contrast, 10% have identified as Atheist. Hinduism and Buddhism constitutes 7% each, followed by approximately 3% identifying with Islam. 7% have preferred not to respond.

Caretaker Status

Twelve of 68 respondents are caretakers of adults, with two preferring not to answer. Forty-two of 68 respondents are caretakers of children, with three preferring not to answer.

The Board is committed to improving diversity, equity and inclusion at all levels within the Group. Our intention is to establish a gender diversity support programme over the coming months and to continue to update stakeholders as progress is made.

Our Community

Shareholders:

The Group communicates regularly with shareholders through the Annual Report and Accounts, Interim Statements, regulatory announcements, the AGM and other meetings. Annual reports, regulatory announcements and related information are available to all stakeholders on the website.

The Board believes in responsible tax conduct and in paying our fair share of corporation tax. Discussions with the Fair Tax Foundation have taken place during the year and the ECO Animal Health draft tax policy has been updated to reflect the necessary changes to achieve the Fair Tax Mark accreditation. ECO is proud to have achieved Fair Tax Mark accreditation mid-July 2022.

Business Partners – Veterinary Surgeons, Producers and Distributors:

We recognise that our product and customer offerings to veterinary surgeons and producers must be of consistently high quality. We offer educational opportunities and programmes to veterinary surgeons and large pig and poultry producers. The topics are those which support a wider animal health and welfare agenda such as prevention and management of disease, biosecurity, Antimicrobial Resistance ("AMR") and industry updates as well as how our products fit with these themes using globally recognised experts and our people with specialist knowledge. Many of these training sessions are hands-on, practical and delivered locally and include subjects such as poultry hatchery audits and respiratory lung lesion scoring workshops.

As the impact of the COVID-19 pandemic lessened, value-added services were continued through a hybrid mix of virtual meetings and events and face-to-face meetings.

The Group's third party distributors are an integral part of our success. We have close relationships and offer technical and marketing support, training and educational customer events. In line with our values, our distributors must comply with local pharmaceutical laws and sector industry regulations including but not limited to those around bribery and corruption and pharmacovigilance.

Our Antibribery and Corruption Policy is available to all employees. The Board has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it. The CEO has primary and day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries about it, and auditing internal control systems and procedures to ensure they are effective in countering bribery and corruption. Management at all levels are responsible for ensuring those reporting to them understand and comply with this policy and are given adequate and regular training on it. Training in the areas of bribery and corruption for the sales managers who work with the Group's distributors is planned for the next financial year.

The Wider Community:

The Group, like all businesses, has a responsibility to the wider communities in which we operate. Healthy pigs, poultry and laying hens make significant contributions to the protein volumes that feed the world. In addition to the negative welfare consequences, diseased animals, whether clinical or subclinical, grow more slowly, consume more feed and water, need more accommodation and space and require more treatments if not administered the most appropriate medication from the start than do healthy animals.

The Group manufactures and sells a novel antimicrobial containing the active product ingredient (API) tylvalosin under the registered tradenames Aivlosin® and Valosin®. We do not support or promote increased use of antibiotics but focus instead on awareness that if a macrolide antibiotic is the best treatment option (based on diagnostics and veterinary surgeon experience) then Aivlosin® is likely to be an ideal choice requiring a low milligram of medication per kilogram bodyweight use over a treatment course because of its low effective therapeutic dose and short treatment duration and having a very short withdrawal period.

Aivlosin® is available only by veterinary prescription and is not licensed for use in human medicine. It is licensed for the treatment and metaphylaxis (disease control) of economically important diseases in pigs and poultry following strict regulatory procedures insisted upon by regional and local authorities.

The Group's response to the globally important issue of AMR especially in the areas of Stewardship, Marketing and Distribution, Research and Development (R&D) and Manufacturing and Production are laid out in detail in an 'ECO Animal Health Position Paper – Approach to AMR' which is available on request.

The Group is a member of the UK National Office of Animal Health ("NOAH"), in turn a National Association Member of Animal Health Europe and Health for Animals, and an active member of the Livestock One Health Subcommittee which includes AMR in its remit. We recognise the vital importance of antimicrobials to both human and veterinary medicine and of the recommendations and classifications within the World Health Organisation, World Organisation for Animal Health and the European Medicines Agency antibiotic lists.

ENVIRONMENT

We recognise the importance of incorporating environmental factors, alongside social, governance and commercial factors, into our overall investment and risk management framework. We also recognise the potential impact of our business operations on the environment and are committed to making a fair contribution to reducing this impact.

We aim to keep use of consumables to a minimum by promoting the effective and efficient usage of equipment, facilities, supplies and services. We encourage all our people to reduce wastage, not to print unnecessarily, to turn off excessive lights or heating/cooling equipment, to use water resources appropriately and to switch off any electronic equipment which is not in use. Confidential papers are shredded and recycled using an external recycling company. Batteries, including laptop batteries, are recycled. IT equipment is either revived and reused or collected by an external recycling company.

As part of our commitment to drive forward our climate journey, the Southgate office was recently refurbished which has helped to reduce the company's energy footprint. These included installation of raised access floor particle board with greater thermal insulation rating, ceiling tiles with greater thermal insulation rating, new and more efficient hot water heater, Daikin VRV 2 pipe system with heat recovery system throughout the office to provide heating and cooling and LED lighting switched via presence detectors. In the bathrooms, new modern flushing systems provide which provide better water control were installed. In the kitchen, modern Bosch appliances with better EPC ratings than the old appliances were installed along with a boiling water tap.

During the COVID-19 lockdowns when business travel was not possible and our people were remotely working, the company's energy footprint was lowered even further which could pave the way for exploring new ways of working to continue this trend.

Manufacturing and research functions are mainly outsourced which reduces our direct impact. This requires us to put in place a robust Supplier Code of Conduct to ensure the companies with which we work take their responsibilities as seriously as we do.

The Company's tylvalosin API manufacturer has developed an industry-leading wastewater treatment system that exceeds local regulatory requirements and is now marketing the system to other producers who also wish to reduce their environmental impact on watercourses. The Group's manufacturer conforms with the Chinese legislation requirements to stream-dry then incinerate biomass remaining at the end of API manufacture.

The establishment of minimum order quantities for shipments of finished goods has helped to reduce the amount of packaging and energy used for land, water and air transportation.

Streamlined Energy and Carbon Report

This inaugural report will serve as a baseline for the further development of an environmental programme at the global level. ECO is a low energy user and thus exempt from mandatory climate reporting. However, in recognition of the importance of the environmental area and as a commitment to creating a baseline from which to improve, ECO has undertaken a voluntary, initial climate assessment focused on the UK operations in collaboration with an external climate consultancy, Enistic.

Introduction, Context and Methodology

Under changes introduced by the Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, March 2019, large unquoted companies and large LLPs are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency action, through their annual reports. Limitations regarding energy reporting in Group subsidiaries has resulted in the current omission of reported global energy use. The SECR roadmap includes plans for future reporting of global energy use.

Scope Of Works

The sites within scope were the 78 Coombe Road, New Malden, Surrey, UK, KT3 4QS and The Grange, 100 The High Street, Southgate, London, UK N14 6BN offices, referred to as 'Surrey' and 'London', respectively.

In addition, business mileage undertaken during the period in company-owned cars was converted to a carbon footprint.

ECO's Offices Contributions

Sites Within Scope

Site	Size (square feet)	Size (% of estate)	Description	Tenure	Notes
London	5,630	77%	General Office Offices	Owned, in scope	Office
Surrey	1,697	23%	General Office Offices	Owned, in scope	Office
Total applicable estate size (excludes out of scope properties)	7,327	100%	350,000		
Total estate size (including out of scope properties)	7,327	100%			
Number of sites	2				

Benchmarks of ECO's Energy Use

Site	Type of building	Size (sqm)	Energy used (kWh)	Energy used (kWh/sqm/year)	UK average (kWh/sqm/year)	Percentage of average	ECO Rating
Surrey	General Office/ Offices	158	4,453	28	95	30%	A – Excellent
London	General Office/ Offices	523	24,836	47	95	50%	B – Good

Carbon Intensity Measure

Combined, the two ECO offices are 7.3 thousand square feet. The ECO carbon footprint during this financial year was 20 tCO_2e. Therefore, the ECO carbon intensity is 2.7 tCO_2e per 1000 square feet.

Factors Driving ECO's Fleet Carbon Emissions

tCO_2e emitted by ECO car fleet

Source	Total tCO_2e
Electricity	8.5
Hybrid car	5.8
Medium car 1.4-2.0 litre petrol	5.1
Medium car 1.7-2.0 litre diesel	0.4
Total	**19.8**

Fleet Details (000's kWh)

Category	Subcategory	Total
Transport – company vehicles	Hybrid car	19
Transport – company vehicles	Medium car 1.4-2.0 litre petrol	16
Transport – company vehicles	Medium car 1.7-2.0 litre diesel	1
Total		36

Fuel type	Total Energy Consumption (Offices and Fleet)		
	Electricity kWh	Transport (kWh p.a.)	TOTAL
London	24,836	–	24,836
Surrey	4,453	–	4,453
Offices TOTAL			**29.289**
Transport – company vehicles	–	35,709	**35,709**
TOTAL kWh	29,289	35,709	**64,998**

Statement Of Carbon Emissions

Statement of carbon emissions compliant with UK legislation set out in the Streamlined Energy and Carbon Reporting (SECR), 21 January 2021 covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and energy efficiency actions.

	This reporting period (Apr 2021 – Mar 2022)	Prior reporting period (Apr 2020 – Mar 2021)
Total electricity use (Scope 2)	29,289 kWh	n/a
Total transport fuel (Scope1)	35,709 kWh	n/a
Total energy use (all sources)	64,998 kWh	n/a
Total carbon emissions (Scope2)	9 tCO2e	n/a
Total carbon emissions (Scope 1)	11 tCO2e	n/a
Total carbon emissions	20 tCO2e	n/a
Total estate	7,327 sq ft	n/a
Carbon intensity ratio	2.7 kgCO2e per sq ft	n/a

Carbon And Energy Efficiency Actions

We are committed to responsible carbon management and will practise energy efficiency throughout our organisation, wherever it's cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

ECO has implemented the following policies in response to COVID-19 which increased the businesses' energy efficiency in the financial year.

- Moved to remote home working and then a hybrid model as restrictions eased.
- Implemented and encouraged the use of video conferencing.
- Reduced business travel

Methodology used in the calculation of disclosures

ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency, 21.01.21) used in conjunction with Government GHG reporting conversion factors.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

Business Governance:

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.

We recognise that in our industry, reputation and trust are of utmost importance. We strive to cultivate a strong culture of ethics throughout the company to ensure our clients' interests are always at the forefront of our activities. We are committed to preserving our high legal, ethical and moral standards and aim to foster and encourage a culture of strict compliance with local and international laws and regulations. Our Supplier Code of Conduct outlines the behaviours and responsibilities expected of our suppliers across the entire business.

We strive to provide best-in-class, scientifically proven, ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry. We aim to do this sustainably, working in partnership with animal health professionals and livestock producers bringing value to all by improving animal husbandry around the world.

Our flagship product Aivlosin® is marketed and distributed in more than 70 countries around the world. Promotion and communications with distributors, subsidiaries and customers highlight the need for diagnosing infection before treatment, using preventative methods such as management and vaccines to reduce the risk of animals becoming sick and using antimicrobials responsibly when they are needed.

With the end-user in mind, the R&D pipeline is focused on preventative vaccines and biologicals along with further claims and variations for Aivlosin®. In this way, we will contribute to making available a wider range of options for veterinary surgeons, pig and poultry producers and their animals in the future.

Product Development:

We develop medicines and vaccines to improve the health and welfare of pigs and poultry. Product development for both new products and significant changes to existing products is initiated by the Global Project Leader with the development of a Business Case. This is presented to the Executive Leadership Team for approval of an initial project assessment. The project then progresses through the process under the supervision of the Global Project Leader and Project Team. Examples include new marketing authorisations for Aivlosin® in China and a poultry vaccine licensing deal between ECO and Ghent University.

The scientific studies required to obtain marketing authorisations are determined by the regulatory authorities and supported by published literature and laboratory testing where possible. Protocols for trials placed at Universities and Contract Research Organisations are reviewed by animal welfare committees focused on the health of animals. All stakeholders subscribe to the application of the principles of reduce, refine and replace for animal testing.

Manufacturing:

The Group complies with all the requirements of operating within the highly regulated pharmaceutical industry. The contract manufacturers are under the direct control of the Group with contractual obligations and operate in accordance with Good Manufacturing Practice (GMP) guidelines. For example, we work with an exclusive API contract manufacturer in the production of tylvalosin. This manufacturing plant is registered to the US Food and Drug Administration ("FDA") standards and by many other national authorities. It has passed routine inspections every two to three years since first being FDA-registered in 2009. We perform manufacturing plant audits and inspections at a minimum of every three years either directly or via an independent, qualified third-party. UK-based manufacturing personnel visit the plant twice per year and while in the plant make observations in line with the Modern Day Slavery Statement.

Due to COVID-19 travel restrictions, we have been unable to send UK-based personnel to the plant. However, members of staff based in China have continued to perform routine GMP audits and to carry out training on topics including quality, production, etc. at least once a quarter. During this financial period, at least three GMP audit visits were made. In addition, training courses were performed for plant employees on topics such as data integrity (MHRA Guidance), cleaning validation (FDA/EMA/ISPE/PDA Guidance) and remote evaluation (FDA/EMA/PDA Guidance). A European, independent consultant company is hired to conduct a GMP audit inspection of the site once every two to three years. Over the past year, because of COVID-19 restrictions, this company used the team from their Chinese subsidiary to carry out the GMP audit inspection in June 2021; following the audit visit, the auditor concluded that the ECO quality management system is well-managed and follows the Chinese, EU and US regulatory requirements. Observations made during the visit are addressed through a managed CAPA system.

All batches of API are subject to third-party independent Quality Control laboratory testing when entering countries for manufacture into final Aivlosin® product.

The Chinese joint venture Zhejiang ECO-Biok Animal Health Products Co. Ltd is currently building a new plant which will manufacture finished goods to supply the Chinese market. The new plant will comply with updated animal medicine GMP regulations coming into force during 2022.

Product Promotion:

We are members of our UK industry professional body NOAH and comply with their Code of Practice. Product information provided to our customers is aligned to the Summary of Product Characteristics ("SPCs") and is factual, fair and not designed to mislead. All customer materials including brochures, posters and publications go through an internal review process involving technical and regulatory review with final sign-off by the CEO.

AUDIT COMMITTEE REPORT

Dear Shareholder

On behalf of the Audit Committee (the 'Committee'), I am pleased to introduce the Audit Committee Report. As a company admitted to AIM, we are guided by the QCA's Audit Committee Guide and, when appropriate to do so, look to the UK Corporate Governance Code 2018 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.

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 department to ensure papers for meetings are comprehensive and comprehensible. 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 22, the responsibilities of the Committee Chair were transferred to Tracey James from February 2022, who joined the Group as Independent Non-Executive Director in December 2021. Until his resignation on 9 August 2022, Tony Rawlinson retained responsibility as independent Non-Executive Director on the Audit Committee alongside Frank Armstrong and Andrew Jones.

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. All four members of the Committee have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and have recent and relevant financial experience. The CEO, FD and the Internal auditor are invited to attend all meetings, while other senior financial 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 after each meeting. The Committee can call for information from management and consults with the external auditor directly if required.

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 take as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Company's position and performance, business model and strategy.
- Considering the appointment of external auditors and the frequency of re-tendering and rotation of the audit.
- 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.
- Reviewing the Group's procedures for detecting fraud, bribery and corruption and ensuring arrangements are adequate for employees to raise concerns.

Internal Audit

The Internal Audit function within ECO was formed in January 2020, with the aim of seeking to improve processes within the business and identify areas where the greatest risks lie. Internal Audit acts independently to evaluate and improve the effectiveness of operations, risk management, control and governance processes.

Internal Audit was heavily involved in three significant off-Audit Plan pieces of work: mapping the financial processes across the business for the purposes of use within the Financial Position and Prospects Procedures Memorandum; facilitating the external audit; and working with senior management to build a robust Enterprise Risk Management Framework.

Internal Audit Completed the Financial Controls UK Audit and the Overseas review is in progress. Internal Audit followed up on corrective actions from previous reviews with only one major findings outstanding relating to the completeness and review of the bank register. The plan for the current year includes a review of the Financial Controls at the Joint Venture in China, Employee Framework and GDPR, with an external specialist review of Cyber and Information Security.

The committee review the findings of the internal audit reviews, ensuring findings are scrutinised and remediation plans are regularly reviewed by the Committee where appropriate.

Risk management and Internal Controls

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control and has delegated its oversight to the Committee.

During the year, the Committee has reviewed and reported on the identification, evaluation and management of risks facing the business and has considered the effectiveness of associated processes and controls to ensure a healthy balance between the risk we face and harnessing the opportunities that align with strategy to grow a strong and sustainable business. At least once a year, the Board also reviews risk management and those risks the Board is not prepared to take are either avoided or, as far as possible, are mitigated and/or transferred to insurers. 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.

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 2022.

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.

There is a repeat of the qualification in the Audit Report relating to non-attendance at certain stock counts in respect of the at 31 March 2020 due to COVID-19 restrictions.

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	The Group has well-developed accounting policies for revenue recognition in compliance with IFRS15 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. The Committee receives reports from management and from the auditors to evidence that the policies are complied with across the Group.
Prior Year Adjustment	During the close of the year ended 31 March 2022, the Group became aware of material foreign tax liabilities that fall due in a foreign jurisdiction on the import of goods, and would have fallen due in previous periods. The Group was not previously aware of these foreign taxes, nor had it recognised a cost and liability in the financial records for the years ended 31 March 2021, 31 March 2020 or periods prior. These liabilities are deductible for foreign corporation tax purposes. The Group has estimated the total liabilities due, including interest, and the related foreign corporation tax impact, and their effect on the prior periods' consolidated financial statements, on the basis that full disclosure is made to the relevant tax authority. These adjustments are detailed in note 3 of the financial statements.
Intangible assets capitalised and development expenditure	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. 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. 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. Based on the impairment reviews as at 31 March 2022 and reflecting on the decisions arising from management's detailed review of operations, the Committee agreed with management's recommendation that the impairment of three R&D projects, comprising a horse paste anti-parasitic project and two minor legacy Aivlosin® programmes was appropriate. The projects, whilst viable, were of lower return than other programmes and were therefore de-prioritised. The total impairment in the year ended 31 March 2022 was £2.1m (2021 - £Nil). The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures.
Accounting for and disclosure of non-underlying items	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.
Going Concern	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 68. 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 continue to scrutinise the Group's detailed economic forecasts in light of the changing economic conditions created by the current crisis in Ukraine and the COVID-19 pandemic 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. Further headroom is provided in the Group's assessment of going concern as a result of putting a £10m Revolving Credit Facility in place which is in addition to the existing £5m overdraft facility. The RCF expires in 2026.

Shareholders' attention is drawn to the section titled 'Responsibilities for the financial statements and the audit' in the Report from the independent auditor on pages 55 to 61 about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

Independent auditor: reappointment

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 2021, the Board proposed and shareholders approved at the AGM, the reappointment of BDO LLP as the Group's registered independent public accounting firm for the financial year ended 31 March 2022.

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, the Committee recommended to the Board the reappointment of BDO LLP as independent auditor of the Company for the next financial year.

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 both 2022 and 2021. The Committee concluded that the level of non-audit fees, which represent 0% (2021: 0%) of the audit fees for the Group, did not have a negative impact on BDO'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
30 August 2022

REMUNERATION COMMITTEE REPORT

Dear Shareholder,

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.

Membership of the Committee

The Remuneration Committee comprises Dr Frank Armstrong (Chairman), Dr Andrew Jones, Tracey James and Tony Rawlinson (resigned 9 August 2022). Tracey joined the Committee on her appointment as a Non-Executive Director on 1 December 2021.

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 FD) 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.

Strategic alignment and Remuneration Policy

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 in practice

The basic structure of remuneration comprises a basic salary, Annual Bonus Plan and a share based incentive and a pension plan. From 1 April 2021, the share based incentive arrangements for the ELT and Executive Directors comprises awards from the new LTIP and to members staff of market priced share options from the Company's established Share Option Scheme. The Executive Directors are also eligible to participate in the Company's Deferred Bonus Plan ("DBS") that has been established to allow the Remuneration Committee to require a significant part of the annual bonuses awarded to the Executive Directors to be deferred in exchange for nominal cost share awards.

Executive directors, the ELT and members of staff also benefit from private medical and permanent health insurance. In addition, all Executive Directors are covered under the Company's life assurance policy.

The Group also makes contributions to defined contribution pension schemes for the benefit of members of staff, executive directors and the ELT. The assets of the scheme are held separately from the Group and are independently administered by insurance companies. The Group also operates a legacy defined benefit scheme in the UK. Further information on these pension arrangements is set out in note 24 to these accounts.

Remuneration during the year ended 31 March 2022

The financial year ended 31 March 2022 continued to be challenging, operating in a global pandemic and running the business remotely in a hybrid environment with few opportunities for face to face meetings or country visits.

The Remuneration 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 according to the financial performance of the Company and a 30% element of basic salary according to performance against personal objectives.

The Executives' personal goals were set in consideration of operating during the COVID-19 pandemic.

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.

Directors' remuneration

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

	Salary or Fees		Other		Pension		Bonus		Total Remuneration		Share Based Payments		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	£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
M. Loomes	311	306	3	4	9	10	42	220	374	540	65	1	430	541
C. Wilks	240	236	1	1	23	23	12	148	276	409	47		323	409
A.Jones	77	75							77	75			77	75
A.Rawlinson	50	60							50	60			50	60
F. Armstrong	46	41							46	41			46	41
T. James	15								15				15	

The Remuneration Committee has determined that the deferral arrangements of a portion of the Executive Directors' bonuses in accordance with the Annual Bonus Plan should be adopted and applied to the bonuses awarded in respect of the year ended 31 March 2022.

Accordingly, one third of the bonus amount set out above in respect of Chris Wilks for the period will be settled in an award of nominal price shares, subject to a three year vesting condition and malus and claw-back provisions. In addition, 20% of the bonus amounts payable to ELT members will be deferred and settled in an award of nominal price shares subject to the same provisions.

In relation to Marc Loomes who resigned as CEO and as a director on 1 April 2022, and retired from the Company on 30 June 2002, the Remuneration Committee has determined that the above deferral arrangements will not apply to the FY2022 annual bonus payable to Marc Loomes and that, in the relation to the award of 22,973 nominal paid shares made on 24 September 2021 to Marc Loomes under the terms of the Deferred Bonus Plan ("Share Award") concerning the deferral of one-third of Marc Loomes FY2021 annual bonus, such Share Award shall vest in full and be capable of exercise within 12 months of retirement date.

Directors' interests

Details of Shareholdings as at 30 June 2022 was as follows:

	Number of shares	Cost	Notes
Marc Loomes	233,244	384,999	1
David Hallas	33,000	38,610	2
Christopher Wilks	150,095	241,829	
Andrew Jones	7,500	24,750	
Frank Armstrong	3,000	9,720	

[1] An interest in 200,000 ordinary shares was transferred to M Loomes on 7 March 2022, pursuant to the grant of an option over these shares by persons connected with Peter Lawrence, the former Chairman of the Company on 7 March 2019. The transfer value at the time of vesting is included in this table and was the basis for PAYE assessment.

[2] David Hallas was appointed as CEO on 1 April 2022 and these shares were purchased by him on 12 May 2022

No Director held any shares in the company on 31 March 2021.

Details of share option awards, awards under the Company's Long Term Incentive Plan ("LTIP") and awards under the Deferred Bonus Plan ("DBS") at 31 March 2022 and 31 March 2021 are set out below:

	Date of grant	Number of shares		Option price per share (p)
		31-Mar-22	31-Mar-21	
Share options				
Marc Loomes	12-Apr-18	3,900	3,900	545.00
	15-Sep-16	400,000	400,000	435.00
	18-Dec-15	350,000	350,000	312.50
LTIP's				
Marc Loomes	28-Apr-21	87,901		5.00
Christopher Wilks	28-Apr-21	64,824		5.00
Deferred bonus plan shares				
Marc Loomes	24-Sep-21	22,973		5.00
Christopher Wilks	24-Sep-21	14,782		5.00

Remuneration Structure for Year ended 31 March 2022

The key elements of the Company remuneration structure are as follows:

Overview

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. In particular the share incentive arrangements will in due course bring the share dilution limits back into alignment with best practice.

Annual bonus plan

- The Annual Bonus Plan applies to both executive directors and the ELT;
- Maximum and on-target awards will, as previously, be kept in line with those of comparable companies as shown in recent AIM remuneration surveys. On target awards are set at 60% of base salary and maximum possible awards are capped at 100% of base salary;
- Performance assessments are split as to 35% linked to growth in profit before tax, 35% linked to ROCE with the 30% remainder linked to the achievement of personal targets set by the committee. The committee may change these objectives from year to year. The proposed personal objectives for the CEO and FD in the current year (FY22) are focused around business performance, growth and corporate governance;
- Awards to the Executive Directors under the Annual Bonus Plan include a deferred element (33 % of any such award) that will be settled in shares which will vest after 3 years subject to malus provisions in the year of the award and clawback provisions during the 3 year vesting period for the deferred element. Awards under the Annual Bonus Plan (non-deferred element, being 67% of the award) are settled in cash through the payroll after the AGM. The deferred element of any bonuses awarded to the ELT is 20% with 80% settled in cash after the relevant Annual audit is completed.

Long term incentives

- The LTIP applies to both executive directors and the Executive Leadership Team
- Vesting of awards made under the new LTIP will be over a 3 year period and will be subject to achievement of performance conditions; these conditions include a comparison of the Company's Total Shareholder Return ("TSR") to an absolute TSR growth target set by the Committee (75% weighting) and achievement of R&D targets (25% weighting).
- LTIP awards will be subject to malus (during the vesting period) and clawback (in the 3 years following vesting) provisions.
- All other members of staff will continue to be eligible to be awarded market priced options. The terms of the existing unapproved staff share option scheme rules ("USOS") have been amended for future grants to allow for any future gains to be settled in shares or cash (at the Committees' discretion) to reduce dilution of the Company's share capital.

Share ownership

Executive directors are subject to share ownership targets to achieve over time. These targets, in line with market guidance, have been set by the Remuneration Committee at 125% of basic salary for the CEO and 100% of salary for the FD. This percentage is 120% (CEO, Marc Loomes) and 101% in respect of the FD (Christopher Wilks), at 30 June 2022.

Other Information

Remuneration of the Non-Executive Directors is determined by the Chairman and the CEO. The Non-Executive Directors are not entitled to annual bonuses, employee benefits or participation in share option schemes. However, they may be paid additional fees in the event that their workloads are significantly in excess of their contractual obligations. No changes are proposed for the current financial year.

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. The services of all Executive Directors may be terminated by the Company or the individual giving 12 months' notice. Non-Executive Directors are retained under Letters of Appointment. Non-Executive director appointments 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.

Dr Frank M Armstrong
Remuneration Committee Chairman
30 August 2022

NOMINATION COMMITTEE REPORT

The Nomination Committee comprises all the Non-Executive Directors and the CEO.

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 three times during the year.

A major activity for Committee was the process for search and recruitment of a successor to Marc Loomes, whose intention to retire was announced on the 26 July 2021. The Committee developed a specification for the role based on a consideration of the strategy and future needs of the Company. The extensive process was supported by a leading executive search consultancy. Following a recommendation by the Nomination Committee, the Board was pleased to announce the appointment of David Hallas as the new CEO on 18 January 2022. He took up his appointment on 1 April 2022 and brings with him extensive experience managing profitable growth through the introduction of new products, including vaccines, and successful merger and acquisition integrations.

The Committee had also identified the need for extra Non-executive resource with relevant financial expertise to continue to improve corporate governance to take over as chair of the Audit Committee when the existing chair stood down. Following a search and recruitment process, again supported by an external search firm, the Company was pleased to announce on 1 December 2021, the appointment with, immediate effect, of Tracey James as Non-executive Director. Tracey is a highly experienced Chartered Accountant who has spent 26 years with Grant Thornton UK LLP, with the last 14 years as an Audit Partner and is also an experienced Non-executive Director. She assumed the Role of chair of the Audit Committee in February 2022.

The Nomination Committee is very pleased that the addition of Tracey James to our Board has improved our gender diversity at Board level.

The Nomination Committee and Board noted the findings of the initial ESG report and recognise the importance and benefits of diversity and will continue to ensure we look for opportunities to develop and improve our approach throughout the Company

Dr Andrew Jones
Nomination Committee Chairman
30 August 2022

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2022

The Directors present their report and financial statements for the year ended 31 March 2022.

Directors

The following Directors have held office since 1 April 2021:

Andrew Jones	Non-Executive Chairman
Anthony Rawlinson (resigned 9 August 2022)	Non-Executive Director
Frank Armstrong	Non-Executive Director
Tracey James (appointed 1 December 2021)	Non-Executive Director
Marc Loomes (resigned 1 April 2022)*	Chief Executive
Christopher Wilks	Finance Director

*David Hallas was appointed Chief Executive with effect from 1 April 2022

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 62.

The loss for the year after tax was £0.6m (2021 restated: £15.9m). The Company does not propose to pay a dividend for the year ended 31 March 2022 (year ended 31 March 2021 – 1p per share).

Future developments

The likely future development of the business is covered in the Chairman's Statement and 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 30 June 2022 the Company had been notified of the following holdings of 3% of more of its issued share capital:

Shareholder	**Shares**	**% of issued share capital**
AXA Framlington Investment Managers	8,369,527	12.36
P A Lawrence and Family	6,958,694	10.28
Chelverton Asset Management	4,525,000	6.68
Schroder Investment Management	4,340,829	6.41
Danske Bank Asset Management	4,253,409	6.28
Soros Fund Management	4,170,095	6.16
Canaccord Genuity Wealth Management (Inst)	3,650,000	5.39
Amati Global Investors	3,188,099	4.71
Artemis Investment Management	2,897,015	4.28
Invesco	2,386,982	3.53

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 2022 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 were the Company's nominated advisor and stockbroker at the year end. Peel Hunt and Investec are joint brokers. The closing share price on 31 March 2022 was 165p per share (2021: 322.5p). During the year the average share price was 272.4 p (2021: 253.1p).]

Auditors

The auditors BDO 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 2022.

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
30 August 2022

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC
FOR THE YEAR ENDED 31 MARCH 2022

Qualified opinion on the financial statements

In our opinion, except for the possible effects on the corresponding figures of the matter described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ECO Animal Health Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2022 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statements of financial position, the consolidated and company statements of cash flow, 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

We were not able to observe the counting of physical inventories around the Group, except for the China locations, ("non-China Group inventories") held at 31 March 2020 due to restrictions and control measures arising as a result of the COVID 19 pandemic. We were unable to satisfy ourselves by alternative means concerning the non-China Group inventories quantities held at 31 March 2020, which were included in the consolidated statement of financial position at a value of £14,003,000 (representing 82% of total inventory) by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect on the cost of sales and recorded tax amounts in the statement of comprehensive income, for the year ended 31 March 2021. Our audit opinion on the financial statements for the year ended 31 March 2021 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter, on the comparability of the current year's figures and the corresponding figures.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remain independent of the Group and the Parent Company 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.

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 and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' method of assessment, including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- Reviewing the reverse stress test, testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation.
- Challenging the Directors on whether the reverse stress test is appropriate and appropriately stresses the business. We did this by reviewing the scenarios used by the Directors in their assessment, challenging assumptions and performing further sensitivity analysis.
- Reviewing the period assessed by the Directors checking that they have considered a period of at least 12 months from the date of approval of the financial statements, as well checking that the Directors have considered any events or conditions that may exist beyond that period.
- Reviewing the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.
- Comparing the level of available financial resources with the Group's financial forecasts, including taking account of reasonably possible (but not unrealistic) adverse effects that could arise from risks, both individually and collectively, relating to the Group. We have also reviewd the accuracy of historical forecasting against actual results.
- Verifying the revolving credit facility (RCF) and overdraft facilities entered into, in July 2022, to the signed banking agreements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent 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.

Overview

Coverage	84% (2021: 94%) of Group profit before tax 87% (2021: 83%) of Group revenue 99% (2021: 106%) of Group net assets, due to a combination of net assets and net liabilities in non-significant components
Key audit matters	2022 / 2021 1. Revenue recognition relating to year end cut off — 2022: ✓ 2. Intangible assets – capitalised development expenditure — 2022: ✓ 2021: ✓ 3. Revenue recognition and discount accounting — 2021: ✓ KAM 3 is no longer considered to be a key audit matter as the significant risk for revenue has been isolated to cut-off at the year end (KAM 1).
Materiality	*Group financial statements as a whole* £700,000 (2021: £750,000) based on 0.85% of revenue (2021: 3.7% of profit before tax for the year).

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

At March 2022, the Parent, the UK trading entity, the sub-Group in China and the Brazil trading entity were deemed to be the significant components of the Group. The audits of the Parent Company, ECO Animal Health Limited and the Brazil trading entity were carried out by the Group audit team for the purposes of this opinion. The audits of the sub-Group, headed by Zhejiang ECO Biok Animal Health Products Limited were conducted by BDO China under instruction from and reporting to BDO LLP as the Group auditor. Our involvement with the component auditor is discussed below.

A wholly owned foreign entity in China, Zhejiang ECO Animal Health Company Limited and a US joint operation, Pharmgate Animal Health LLC were determined to contain significant balances and specific procedures were performed on these balances with reference to group materiality. The audit of the US joint operation was carried out by the Group audit team for the purposes of this opinion. The audit of the wholly owned foreign entity in China was conducted by BDO China under instruction from BDO LLP as the Group auditor, as with the sub-Group referenced above. The remaining entities were deemed insignificant to the Group due to the size of operations and balances within each entity. Audit work on these components has been limited to analytical review, verification of bank balances to third-party confirmations and sample revenue cut-off procedures carried out by the Group audit team.

Our involvement with the component auditor

For the work performed by the component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with the component auditor included the following:

- Internal planning discussions with the component auditor. The component auditor is a BDO member firm, ensuring consistent audit methodology and quality.
- Issue of reporting instructions and appendices for clarity on reporting requirements and for the documentation of reporting responses to the Group engagement team.
- Specific discussions surrounding significant audit risk areas, including the Key Matter relating to revenue recognition for year-end cut-off identified above.
- Remote review of audit files and work performed, along with review of internal reporting documents.

- Remote attendance at the component audit completion meeting, along with group management.

The Group audit team were unable to visit the component location due to Covid-19 related travel restrictions, however regular Microsoft Teams calls were undertaken with the component auditors throughout the planning, execution and completion stages of the work, where remote review of the component auditor's file was performed, findings were discussed, and additional work was instructed as necessary.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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 THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition relating to year end cut off 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. 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 will occur at different points in the revenue cycle dependent on contractual terms. Given the potential for misstatement of revenue specifically around year end cut off, whether due to fraud or error, we consider revenue cut-off a significant risk of material misstatement in the financial statements.	We reviewed the revenue recognition policy applied by the Group and considered its compliance with IFRS 15 'Revenue from Contracts with Customers'. Our work included review of management's identification of performance obligations and assessment of contractual terms to determine when these performance obligations were met, both throughout the year and around year-end. We tested a sample of the Group's revenue and credit note transactions around the year end to verify that revenue was accurately recorded in the correct accounting period. This testing was performed through agreement of revenue recognised to documentation validiating that the performance obligation had been satisfied in line with the contract. The period over which cut-off procedures were performed was determined by reference to location specific delivery timeframes across the group's international operations. **Key observations:** Based on the work performed, we consider that revenue has been recognised in accordance with the Group's revenue recognition accounting policy and in the appropriate period.

KEY AUDIT MATTER	HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Intangible Assets – capitalised development expenditure 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. The Group's policy is to capitalise development expenditure in accordance with IAS 38 Intangible Assets. Given the potential for misstatement of capitalised development expenditure, as well as the identified misstatements in prior periods (see note 3), we considered development expenditure capitalisation a key audit matter. Management are required to determine whether there are indicators of impairment in identified intangible assets and perform impairment assessments if they are identified. Annual formal impairment reviews are required for all intangible assets not yet available for use. The animal pharmaceutical marketplace is subject to regional regulation and procedures which can impact the ongoing feasibility of development projects. Development outcomes can also change the assessment of the future economic viability of past capitalised development costs. In addition to this, impairment assessments can also be complex and include judgements over significant unobservable inputs and assumptions utilised.	We agreed a sample of capitalised additions to underlying supporting documentation to determine whether the cost met the criteria of IAS 38 at the point of capitalisation. We reviewed management's assessments of ongoing projects, including current status and viability in light of regional regulation, particularly for those projects jointly undertaken with third parties, and determined whether the status of the projects recorded was appropriate for the costs to be capitalised under IAS 38. We reviewed management's annual impairment assessment at 31 March 2022, for capitalised development costs not yet available for use. We challenged the estimates used in forecast discounted cash flows by considering the appropriateness of each input used by management through comparison to industry knowledge, Group performance and historic results and use of valuation specialists where appropriate. Discounted cash flows have been verified for consistency to cash flow forecasts utilised by management for their going concern assessment. We challenged whether or not technical feasibility continued to be highly probable by review of the latest development status, discussion with and challenge of ECO development experts and assessment of wider market conditions. We also sampled amortisation entries for the period 1 April 2021 to 31 March 2022 to check amortisation commenced in the correct period and was recorded over the useful life in accordance with the Group policy. We reviewed the appropriateness of the useful lives applied by corroborating the historical period during which the Group's products have been sold and considering the periods over which competitor's products have been marketed. **Key Observations** We did not identify anything to suggest that the judgements applied by management, in respect of capitalisation, amortisation or impairment assessment at 31 March 2022, were inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		**Parent company financial statements**	
	2022 £	**2021 £**	**2022 £**	**2021 £**
Materiality	700,000	750,000	495,000	340,000
Basis for determining materiality	0.85% of Revenue. Due to the significant reduction in profit before tax and focus on research into new animal health products, a change of basis for materiality was considered to be more appropriate.	3.7% of Profit before tax for the year	Capped at 71% of Group materiality given the assessment of the components' aggregation risk.	Capped at 45% of Group materiality given the assessment of the components' aggregation risk.
Rationale for the benchmark applied	Revenue is considered the most appropriate measure while the Group is investing the majority of profits into research and development.	Profit before tax is considered the most appropriate measure in assessing the performance of the Group.	The company is the Group parent holding company, holding investments in other group entities.	
Performance materiality	400,000	450,000	282,000	204,000
Basis for determining performance materiality	57% of materiality, on the basis of adjustments identified in prior periods, the location of components and the planned nature of testing.	60% of materiality, on the basis of adjustments identified in prior periods, the location of components and the planned nature of testing.	57% of materiality, on the basis of adjustments identified in prior periods and the planned nature of testing.	60% of materiality, on the basis of adjustments identified in prior periods and the planned nature of testing.

Component materiality

We set materiality for each component of the Group based on a percentage of between 56% and 75% (2021: 40% to 80%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £390,000 to £525,000 (2021: £340,000 to £600,000). In the audit of each component, we further applied performance materiality levels of 57% (2021: 60%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £21,000 (2021: £22,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

As described in the basis for qualified opinion section of our report, where the other information refers to inventories, cost of sales or related balances the current year and corresponding figures may not be comparable.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Statement of Directors' responsibilities

As explained more fully in the statement of Directors' responsibilities, , 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 and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:
    - The nature of the industry, including the design of the Group's remuneration policies;
    - Obtaining an understanding of the legal and regulatory framework in which the Group operates, including:
        - Companies Act 2006
        - The accounting framework
        - Relevant tax legislation to local jurisdictions
        - Relevant medical regulators to local jurisdictions
    - Enquiries of management, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures in relation to:
        - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
        - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
        - The internal controls established to mitigate risks relating to fraud or non-compliance with laws and regulations. .

    - Discussing amongst the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in revenue recognition, specifically in relation to revenue cut-off, as well as the potential for management override of controls specifically in relation to the posting of journal adjustments and the inappropriate use of estimates.

- We have responded to risks identified by performing procedures including the following:
    - Performance of sample cut-off procedures over revenue recognition around the year-end;
    - Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
    - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
    - Reading the minutes of meetings of those charged with governance.
- We have also considered the risk of fraud through management override of controls by:
    - Testing the appropriateness of atypical journal entries and other adjustments, choosing journals to test based on criteria assessment of the nature of journals and the associated risks and verifying those journals to supporting documentation; and
    - Assessing whether the judgements made in making accounting estimates are indicative of potential bias, in particular assumptions used in determining the defined benefit pension liability.
- Our testing was performed at a level we deemed capable of identifying material error.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and discussed how and where these might occur and remained alert to any indications of fraud and non-compliance with laws and regulations throughout the audit, including the component audit team.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Oliver (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom
30 August 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £000's	2021 £000's Restated
Revenue	4	**82,195**	**105,607**
Cost of sales		(47,059)	(52,858)
Gross profit		**35,136**	**52,749**
Other income	5	65	319
Research and development expenses	6	(8,762)	(8,072)
Administrative expenses		(22,914)	(25,547)
Impairment of intangible assets	12	(2,085)	-
Profit from operating activities	6	**1,440**	**19,449**
Finance income	7	190	129
Finance costs	7	(284)	(302)
Net finance expense		**(94)**	**(173)**
Share of profit of associate	16	43	38
		43	**38**
Profit before income tax		1,389	19,314
Income tax charge	9	(2,094)	(3,486)
(Loss)/Profit for the year		**(705)**	**15,828**
(Loss)/Profit attributable to:			
Owners of the parent Company		(686)	7,337
Non-controlling interest	27	(19)	8,491
(Loss)/Profit for the year		**(705)**	**15,828**
(Loss)/Earnings per share (pence)	8	(1.01)	10.86
Diluted (loss)/earnings per share (pence)	8	(1.01)	10.85
Earnings before Interest, Tax, Depreciation, Amortisation, Revaluation, Impairment, Legal provision, Share Based Payments and Foreign Exchange Differences	6	5,406	23,532

The notes on pages 68 to 130 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £000's	2021 £000's Restated
(Loss)/Profit for the year		**(705)**	**15,828**
Other comprehensive income/(losses):			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		2,195	11
Items that will not be reclassified to profit or loss:			
Deferred tax on property revaluations		1	84
Remeasurement of defined benefit pension schemes	24	24	(32)
Other comprehensive income/(losses) for the year		**2,220**	**63**
Total comprehensive income for the year		**1,515**	**15,891**
Attributable to:			
Owners of the parent Company		435	7,681
Non-controlling interest	27	1,080	8,210
		1,515	**15,891**

The notes on pages 68 to 130 form part of these financial statements.

	Share Capital	Share Premium Account	Revaluation Reserve	Other Reserves	Foreign Exchange Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2020 (restated)	**3,377**	**62,882**	**572**	**106**	**800**	**5,982**	**73,719**	**5,766**	**79,485**
Profit for the year (restated)	**-**	**-**	**-**	**-**	**-**	**7,337**	**7,337**	**8,491**	**15,828**
Other comprehensive income:									
Foreign currency differences	-	-	-	-	292	-	292	(281)	11
Deferred tax on property revaluations	-	-	84	-	-	-	84	-	84
Actuarial gains on pension scheme assets	-	-	-	-	-	(32)	(32)	-	(32)
Total comprehensive income for the year	-	-	84	-	292	7,305	7,681	8,210	15,891
Transactions with owners:									
Issue of shares in the year	2	376	-	-	-	-	378	-	378
Share-based payments	-	-	-	-	-	123	123	-	123
Dividends	-	-	-	-	-	-	-	(562)	(562)
Transactions with owners	2	376	-	-	-	123	501	(562)	(61)
Balance as at 31 March 2021 (restated)	**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 property revaluations	-	-	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 as at 31 March 2022	**3,381**	**63,319**	**657**	**106**	**2,188**	**12,413**	**82,064**	**12,284**	**94,348**

The notes on pages 68 to 130 form part of these financial statements

COMPANY

	Share Capital	Share Premium Account	Revaluation Reserve	Other Reserves	Retained Earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2020	**3,377**	**62,882**	**302**	**106**	**11,138**	**77,805**
Loss for the year	-	-	-	-	(903)	(903)
Other comprehensive income:						
Deferred tax on property revaluations	-	-	83	-	-	83
Actuarial loss on pension scheme assets	-	-	-	-	(32)	(32)
Total comprehensive loss for the year	-	-	83	-	(935)	(852)
Transactions with owners						
Issue of shares in the year	2	376	-	-	-	378
Share-based payments	-	-	-	-	123	123
Dividends	-	-	-	-	-	-
Transactions with owners	2	376	-	-	123	501
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 property revaluations	-	-	1	-	-	1
Actuarial loss on pension scheme assets	-	-	-	-	24	24
Total comprehensive loss 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 as at 31 March 2022	**3,381**	**63,319**	**386**	**106**	**8,429**	**75,621**

The notes on pages 68 to 130 form part of these financial statements.

	Notes	Group 2022 £000's	2021 £000's Restated	2020 £000's Restated	Company 2022 £000's	2021 £000's
Non-current assets						
Intangible assets	12	34,304	36,108	36,020	-	-
Property, plant and equipment	13	3,465	2,181	2,426	748	651
Investment property	14	227	305	305	227	305
Right-of-use assets	15	1,773	1,399	1,658	59	37
Investments	16	212	180	166	20,032	20,032
Amounts due from subsidiary Company	18	-	-	-	53,940	55,909
Deferred tax assets		523	266	164	50	-
Total non-current assets		**40,504**	**40,439**	**40,739**	**75,056**	**76,934**
Current assets						
Inventories	17	30,142	20,504	17,264	-	-
Trade and other receivables	18	25,969	32,452	28,353	338	281
Income tax recoverable		1,596	3,475	1,265	-	-
Other taxes and social security		1,075	496	652	386	27
Cash and cash equivalents	20	14,314	19,523	11,877	279	819
Total current assets		**73,096**	**76,450**	**59,411**	**1,003**	**1,127**
TOTAL ASSETS		**113,600**	**116,889**	**100,150**	**76,059**	**78,061**
Current Liabilities						
Trade and other payables	21	(12,954)	(14,521)	(14,486)	(326)	(524)
Provisions	23	(3,875)	(1,782)	(1,128)	-	-
Borrowings		-	-	(2,032)	-	-
Income tax payable		(224)	(3,015)	(940)	-	-
Other taxes and social security		(239)	(501)	-	-	-
Lease liabilities	22	(397)	(311)	(342)	(13)	(7)
Dividends		(50)	(50)	(50)	(50)	(50)
Current liabilities		**(17,739)**	**(20,180)**	**(18,978)**	**(389)**	**(581)**
Net current assets		**55,357**	**56,270**	**40,433**	**614**	**546**
Total assets less current liabilities		**95,861**	**96,709**	**81,172**	**75,670**	**77,480**
Non-current liabilities						
Deferred tax	19	-	(183)	(263)	-	6
Lease liabilities	22	(1,513)	(1,211)	(1,424)	(49)	(32)
TOTAL ASSETS LESS TOTAL LIABILITIES		**94,348**	**95,315**	**79,485**	**75,621**	**77,454**
EQUITY						
Issued share capital	26	3,381	3,379	3,377	3,381	3,379
Share premium account		63,319	63,258	62,882	63,319	63,258
Revaluation reserve		657	656	572	386	385
Other reserves	28	106	106	106	106	106
Foreign exchange reserve	28	2,188	1,092	526	-	-
Retained earnings		12,413	13,410	5,982	8,429	10,326
Shareholders' funds		82,064	81,901	73,719	75,621	77,454
Non-controlling interests	27	12,284	13,414	5,766	-	-
Total equity		**94,348**	**95,315**	**79,485**	**75,621**	**77,454**

Approved by the Board and authorised for issue on 30 August 2022.

Dr Andrew Jones, Chairman.

The notes on pages 68 to 130 form part of these financial statements.

		Group		Company	
		2022	2021	2022	2021
	Notes	£000's	£000's Restated	£000's	£000's Restated
Cash flows from operating activities					
Profit/(loss) before income tax		1,389	19,314	(1,611)	(916)
Adjustment for:					
Finance income	7	(190)	(129)	(832)	(875)
Finance cost	7	284	302	71	65
Foreign exchange (gain)/loss		(989)	559	(2)	(3)
Depreciation	13	455	430	28	15
Amortisation of right-of-use assets	15	398	403	16	24
Revaluation of investment property	14	78	-	78	-
Amortisation of intangible assets	12	1,140	898	-	-
Impairment of intangible assets	12	2,085	-	-	-
Share of associate's results	16	(43)	(38)	-	-
Share based payment charge		342	123	342	8
Dividends received		-	-	(177)	(46)
Operating cash flows before movements in working capital		**4,949**	**21,862**	**(2,087)**	**(1,728)**
Change in inventories		(8,585)	(3,698)	-	-
Change in receivables		7,630	(3,959)	2,385	4,044
Change in payables		(2,868)	753	(174)	33
Movement in provisions	23	1,392	868	-	-
Cash generated from/(used in) operations		**2,518**	**15,826**	**124**	**2,349**
Interest paid		(106)	(79)	(60)	(54)
Income tax		(2,960)	(3,766)	(17)	(5)
Net cash (used in)/from operating activities		**(548)**	**11,981**	**47**	**2,290**
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	(1,624)	(212)	(125)	(37)
Disposal of property, plant and equipment	13	3	11	-	-
Purchase of intangibles	12	(1,263)	(861)	-	-
Finance income	7	190	129	-	-
Dividends received		-	-	177	46
Net cash (used in)/from investing activities		**(2,694)**	**(933)**	**52**	**9**
Cash flows from financing activities					
Proceeds from issue of share capital		63	378	63	378
Interest paid on lease liabilities	22	(111)	(122)	(11)	(11)
Principal paid on lease liabilities	22	(371)	(378)	(14)	(23)
Dividends paid		(2,886)	(562)	(677)	-
Net cash (used in)/from financing activities		**(3,305)**	**(684)**	**(639)**	**344**
Net (decrease)/increase in cash and cash equivalents		**(6,547)**	**10,364**	**(540)**	**2,643**
Foreign exchange movements		1,338	(686)	-	-
Balance at the beginning of the period		19,523	9,845	819	(1,824)
Balance at the end of the period	20	**14,314**	**19,523**	**279**	**819**

The notes on pages 68 to 130 form part of these financial statements.

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 78 Coombe Road, New Malden, Surrey, KT3 4QS.

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, which include a £10m Revolving Credit Facility effective from July 2022 to June 2026 on top of the existing £5m overdraft facility. 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 accounts. 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

The following new standards, amendments and interpretations for existing standards became effective in the financial year. These standards have been applied in preparing these financial statements but did not have a material effect.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that have been adopted early.

The following standard is effective from 1 January 2023.

- IFRS 17 – Insurance Contracts

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements in future periods.

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 2022.

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.

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. 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, 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.

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 the Group has capitalised costs which relate to multiple products, a proportional method is adopted to determined what ratio of costs capitalised to date should be subject to amortisation. This method first looks at capitalised costs that relate to specific products and identifies the proportion of such costs that are subject to amortisation at the end of any given half-year period. The ratio thus calculated is then applied to those costs that relate to multiple products to determine the portion that should be subject to amortisation.

These approaches have been modified where it is possible to allocate an individual capitalised cost to a single identifiable project. In these cases 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 equals or exceeds 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.

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 Incoterms 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 accruals 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 a Monte Carlo simulation 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 Monte Carlo simulation models 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 substantially 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 substantially 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

IFIRC 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 statement of profit or loss.

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:

Capitalisation and impairment review 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.

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 (CGU's) 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 estimated remaining useful life of the asset. 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.

Income taxes

The Group is subject to income taxes in all jurisdictions in which it operates.

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 treatment of some specific overseas transactions, and tax impact of the price of goods traded between group entities. Therefore, 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.

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 23 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 amount of options expected to vest and various other inputs to the Black-Scholes and Monte Carlo simulation valuation models, as disclosed in note 24. 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.

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%.

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 weighted average of the discount rates applied by the Group is as follows:

	2022	**2021**
Property	4.3%	5.9%
Vehicle	29.0%	29.0%
Other	4.0%	4.0%
Weighted average	5.7%	7.2%

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 23)
- share-based payments (note 25); and
- initial recognition of financial instruments (note 32).

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

3. Prior Year Restatement

The Group has become aware of tax liabilities in a foreign jurisdiction associated with the importation of goods and which would have fallen due in previous periods. The Group had not previously recognised a liability, nor had it recognised a cost, in the financial records for the years ended 31 March 2021, 31 March 2020 or periods prior.

The Group has estimated the total liabilities, the related foreign corporation tax impact, and their effect on the prior periods' consolidated financial statements. As the Group has only recently become aware of the liability, it has yet to confirm the exact amounts payable and it is not clear when a settlement of these obligations will occur, however precedent suggests that this may be up to 7 years.

The tax is related to the importation of goods and therefore charged to cost of sales. The associated corporation tax impact is shown in the Group's corporation tax charge and deferred tax asset.

The prior years' restatement in respect of these tax liabilities did not have an effect on the individual financial statements of the Company.

The impact of the prior years' restatement on the Group's financial statements is detailed below.

Impact on the Group consolidated income statement for the year to 31 March 2021

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Revenue	**105,607**	**–**	**105,607**
Cost of sales	(51,990)	(868)	(52,858)
Gross profit	**53,617**	**(868)**	**52,749**
Other income	319	–	319
Research and development expenses	(8,072)	–	(8,072)
Administrative expenses	(25,547)	–	(25,547)
Profit from operating activities	**20,317**	**(868)**	**19,449**
Finance income	129	–	129
Finance costs	(200)	(102)	(302)
Net finance expense	**(71)**	**(102)**	**(173)**
Share of profit of associate	38	–	38
	38	**–**	**38**
Profit before income tax	20,284	(970)	19,314
Income tax charge	(3,635)	149	(3,486)
Profit for the year	**16,649**	**(821)**	**15,828**
Profit attributable to:			
Owners of the parent Company	8,158	(821)	7,337
Non-controlling interest	8,491	–	8,491
Profit for the year	**16,649**	**(821)**	**15,828**
Earnings per share (pence)	12.08	(1.22)	10.86
Diluted earnings per share (pence)	12.07	(1.22)	10.85
Earnings before Interest, Tax, Depreciation, Amortisation, Share Based Payments and Foreign Exchange Differences	24,400	(868)	23,532

Impact on the Group statement of comprehensive income for the year to 31 March 2021

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Profit for the year	**16,649**	**(821)**	**15,828**
Other comprehensive income/(losses):			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences	(258)	269	11
Items that will not be reclassified to profit or loss:			
Deferred tax on property revaluations	84	–	84
Remeasurement of defined benefit pension schemes	(32)	–	(32)
Other comprehensive income/(losses) for the year	(206)	269	63
Total comprehensive income for the year	16,443	(552)	15,891
Attributable to:			
Owners of the parent Company	8,233	(552)	7,681
Non-controlling interest	8,210	–	8,210
	16,443	(552)	15,891

Impact on consolidated statement of financial position

	2021 as reported	Adjustments	2021 as restated	2020 as reported	Adjustments	2020 as restated
	£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets						
Intangible assets	36,108	-	36,108	36,020	-	36,020
Property, plant and equipment	2,181	-	2,181	2,426	-	2,426
Investment property	305	-	305	305	-	305
Right-of-use assets	1,399	-	1,399	1,658	-	1,658
Investments	180	-	180	166	-	166
Amounts due from subsidiary Company	-	-	-	-	-	-
Deferred tax assets	-	266	266	-	164	164
Total non-current assets	**40,173**	**266**	**40,439**	**40,575**	**164**	**40,739**
Current assets						
Inventories	20,504	-	20,504	17,264	-	17,264
Trade and other receivables	32,452	-	32,452	28,353	-	28,353
Income tax recoverable	3,475	-	3,475	1,265	-	1,265
Other taxes and social security	496	-	496	652	-	652
Cash and cash equivalents	19,523	-	19,523	11,877	-	11,877
Total current assets	**76,450**	**-**	**76,450**	**59,411**	**-**	**59,411**
TOTAL ASSETS	**116,623**	**266**	**116,889**	**99,986**	**164**	**100,150**
Current Liabilities						
Trade and other payables	(14,521)	-	(14,521)	(14,486)	-	(14,486)
Provisions	-	(1,782)	(1,782)	-	(1,128)	(1,128)
Borrowings	-	-	-	(2,032)	-	(2,032)
Income tax payable	(3,015)	-	(3,015)	(940)	-	(940)
Other taxes and social security	(501)	-	(501)	-	-	-
Lease liabilities	(311)	-	(311)	(342)	-	(342)
Dividends	(50)	-	(50)	(50)	-	(50)
Current liabilities	**(18,398)**	**(1,782)**	**(20,180)**	**(17,850)**	**(1,128)**	**(18,978)**
Net current assets	**58,052**	**(1,782)**	**56,270**	**41,561**	**(1,128)**	**40,433**
Total assets less current liabilities	**98,225**	**(1,516)**	**96,709**	**82,136**	**(964)**	**81,172**
Non-current liabilities						
Deferred tax	(183)	-	(183)	(263)	-	(263)
Lease liabilities	(1,211)	-	(1,211)	(1,424)	-	(1,424)
TOTAL ASSETS LESS TOTAL LIABILITIES	**96,831**	**(1,516)**	**95,315**	**80,449**	**(964)**	**79,485**
EQUITY						
Issued share capital	3,379	-	3,379	3,377	-	3,377
Share premium account	63,258	-	63,258	62,882	-	62,882
Revaluation reserve	656	-	656	572	-	572
Other reserves	106	-	106	106	-	106
Foreign exchange reserve	549	543	1,092	526	274	800
Retained earnings	15,469	(2,059)	13,410	7,220	(1,238)	5,982
Shareholders' funds	**83,417**	**(1,516)**	**81,901**	**74,683**	**(964)**	**73,719**
Non-controlling interests	13,414	-	13,414	5,766	-	5,766
Total equity	**96,831**	**(1,516)**	**95,315**	**80,449**	**(964)**	**79,485**

Impact on consolidated statement of cashflows

	2021 As reported	Adjustments	2021 As restated
	£000's	£000's	£000's
Cash flows from operating activities			
Profit/(loss) before income tax	20,284	(970)	19,314
Adjustment for:			
Finance income	(129)	-	(129)
Finance cost	200	102	302
Foreign exchange (gain)/loss	559	-	559
Depreciation	430	-	430
Amortisation of right-of-use assets	403	-	403
Revaluation of investment property	-	-	-
Amortisation of intangible assets	898	-	898
Impairment of intangible assets	-	-	-
Share of associate's results	(38)	-	(38)
Share based payment charge	123	-	123
Dividends received	-	-	-
Operating cash flows before movements in working capital	**22,730**	**(868)**	**21,862**
Change in inventories	(3,698)	-	(3,698)
Change in receivables	(3,959)	-	(3,959)
Change in payables	753	-	753
Movement in provisions	-	868	868
Cash generated from/(used in) operations	**15,826**	**-**	**15,826**
Interest paid	(79)	-	(79)
Income tax	(3,766)	-	(3,766)
Net cash from operating activities	**11,981**	**-**	**11,981**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(212)	-	(212)
Disposal of property, plant and equipment	11	-	11
Purchase of intangibles	(861)	-	(861)
Finance income	129	-	129
Dividends received	-	-	-
Net cash (used in)/from investing activities	**(933)**	**-**	**(933)**
Cash flows from financing activities			
Proceeds from issue of share capital	378	-	378
Interest paid on lease liabilities	(122)	-	(122)
Principal paid on lease liabilities	(378)	-	(378)
Dividends paid	(562)	-	(562)
Net cash (used in)/from financing activities	**(684)**	**-**	**(684)**
Net (decrease)/increase in cash and cash equivalents	**10,364**	**-**	**10,364**
Foreign exchange movements	(686)	-	(686)
Balance at the beginning of the period	9,845	-	9,845
Balance at the end of the period	**19,523**	**-**	**19,523**

Impact on consolidated statement of changes in equity

	Share Capital	Share Premium Account	Revaluation Reserve	Other Reserve	Foreign Exchange Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2020 (restated)	**3,377**	**62,882**	**572**	**106**	**800**	**5,982**	**73,719**	**5,766**	**79,485**
Profit for the year	–	–	–	–	–	8,158	8,158	8,491	16,649
Adjustment for overseas sales taxes	–	–	–	–	–	(821)	(821)	–	(821)
Profit for the year (restated)	**–**	**–**	**–**	**–**	**–**	**7,337**	**7,337**	**8,491**	**15,828**
Other comprehensive income:									
Foreign currency differences (restated)	–	–	–	–	292	–	292	(281)	11
Deferred tax on property revaluations	–	–	84	–	–	–	84	–	84
Actuarial gains on pension scheme assets	–	–	–	–	–	(32)	(32)	–	(32)
Total comprehensive income for the year	–	–	84	–	292	7,305	7,681	8,210	15,891
Transactions with owners:									
Issue of shares in the year	2	376	–	–	–	–	378	–	378
Share-based payments	–	–	–	–	–	123	123	–	123
Dividends	–	–	–	–	–	–	–	(562)	(562)
Transactions with owners	**2**	**376**	**–**	**–**	**–**	**123**	**501**	**(562)**	**(61)**
Balance as at 31 March 2021	**3,379**	**63,258**	**656**	**106**	**1,092**	**13,410**	**81,901**	**13,414**	**95,315**

Management have identified a misclassification in the cash flow statement of the Company for finance income that was accrued rather than received as cash. There was no impact on the Company profit or statement of financial position.

The impact on the Company statement of cashflows

	2021 As reported	Adjustments	2021 restated
	£000's	£000's	£000's
Cash flows from operating activities			
Profit/(loss) before income tax	(916)	-	(916)
Adjustment for:			
Finance income	(875)	-	(875)
Finance cost	65	-	65
Foreign exchange (gain)/loss	(3)	-	(3)
Depreciation	15	-	15
Amortisation of right-of-use assets	24	-	24
Revaluation of investment property	-	-	-
Amortisation of intangible assets	-	-	-
Impairment of intangible assets	-	-	-
Movement in provisions	-	-	-
Share of associate's results	-	-	-
Share based payment charge	8	-	8
Dividends received	(46)	-	(46)
Operating cash flows before movements in working capital	**(1,728)**	**-**	**(1,728)**
Change in inventories	-	-	-
Change in receivables	3,169	875	4,044
Change in payables	33	-	33
Cash generated from/(used in) operations	**1,474**	**875**	**2,349**
Interest paid	(54)	-	(54)
Income tax	(5)	-	(5)
Net cash from operating activities	**1,415**	**875**	**2,290**
Cash flows from investing activities			
Acquisition of property, plant and equipment	(37)	-	(37)
Disposal of property, plant and equipment	-	-	-
Purchase of intangibles	-	-	-
Finance income	875	(875)	-
Dividends received	46	-	46
Net cash (used in)/from investing activities	**884**	**(875)**	**9**
Cash flows from financing activities			
Proceeds from issue of share capital	378	-	378
Interest paid on lease liabilities	(11)	-	(11)
Principal paid on lease liabilities	(23)	-	(23)
Dividends paid	-	-	-
Net cash (used in)/from financing activities	**344**	**-**	**344**
Net (decrease)/increase in cash and cash equivalents	**2,643**	**-**	**2,643**
Foreign exchange movements	-	-	-
Balance at the beginning of the period	(1,824)	-	(1,824)
Balance at the end of the period	**819**	**-**	**819**

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.

	Corporate/ U.K.	China & Japan	North America	S & SE Asia	Latin America	Europe	Rest of Word	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Year ended 31 March 2022								
Revenue from external customers	1,525	28,385	16,402	11,816	15,775	6,430	1,862	82,195
Sale of goods	1,525	28,385	16,402	11,816	15,775	6,430	1,623	81,956
Royalties	–	–	–	–	–	–	239	239
	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
Total Assets	30,040	50,526	11,958	4,978	13,653	2,684	(239)	113,600
Year ended 31 March 2021								
Revenue from external customers	1,471	58,906	13,887	9,118	14,265	6,580	1,380	105,607
Sale of goods	1,471	58,906	13,887	9,118	14,265	6,580	1,204	105,431
Royalties	–	–	–	–	–	–	176	176
	1,471	58,906	13,887	9,118	14,265	6,580	1,380	105,607
Adjusted EBITDA** (restated)	(17,644)	26,080	4,973	3,390	2,392	1,597	515	21,303
Total Assets (restated)	33,136	59,568	8,109	3,165	9,641	2,250	754	116,623

During the year ended 31 March 2021 the revenue from sales to one particular customer in the 'China & Japan' segment was £15,692,000, which was greater than 10 percent of the revenue of the Group. There have been no similar cases in the Group in the current financial year.

Goodwill and other intangible assets are initially allocated to the geographical segments on the basis of the proportion of sales achieved by each segment.

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

	2022	2021 (restated)
	£000's	£000's
Adjusted EBITDA for reportable segments	6,395	21,303
Depreciation	(455)	(430)
Amortisation of right-of-use assets	(398)	(403)
Revaluation of investment property	(78)	–
Personnel related litigation matters	(457)	–
Amortisation	(1,140)	(898)
Impairment	(2,085)	–
Share-based payment charges	(342)	(123)
Profit from operating activities	1,440	19,449

**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

	2022	2021
	£000's	£000's
Aivlosin	72,939	87,549
Ecomectin	5,543	4,234
Others	3,713	13,824
Total	82,195	105,607

Contract Balances

	2022	2021
Within one year or on demand	£000's	£000's
At 1 April	2,155	594
Amounts included in contract liabilities that was recognised as revenue during the period	(2,155)	(594)
Cash received in advance of performance and not recognised as revenue during the period	203	2,155
At 31 March	203	2,155

The Group recognised contract liabilities of £203,000 at 31 March 2022 (2021: £2,155,000). 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

	2022 £000's	2021 £000's
Sundry income	65	319
Total	65	319

6. Result from operating activities

	Notes	2022 £000's	2021 £000's
Result from operating activities is stated after charging/(crediting):			
Cost of inventories recognised as an expense		46,482	51,864
Employee benefits expenses	30	14,054	14,867
Amortisation of intangible assets	11	1,140	898
Depreciation	12	455	430
Amortisation of right-of-use assets	14	398	403
Revaluation of investment property	13	78	-
Gain/(Loss) on foreign exchange transactions		989	(2,229)
Research and development		8,762	8,072
Impairment losses on trade receivables	17	(167)	(65)
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts		452	442
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries		41	475

Total fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts, for the year ended 31 March 2022, were £581,000 (2021: £350,000), and total fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries were £26,000 (2021: £48,000).

	2022	2021 (restated)
	£000's	£000's
Earnings before interest, tax, depreciation, amortisation, revaluation, impairment, Personnel related litigation matters, share-based payments and foreign exchange differences (adjusted EBITDA)		
Profit from operating activities	1,440	19,449
Depreciation	455	430
Amortisation of right-of-use assets	398	403
Revaluation of investment property	78	-
Amortisation	1,140	898
Impairment	2,085	-
Personnel related litigation matters	457	-
Share-based payments	342	123
	6,395	21,303
Foreign exchange differences	(989)	2,229
Adjusted EBITDA	**5,406**	**23,532**

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.
Personnel related litigation matters	Amount in respect of a probable settlement of personnel related litigation matters.
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)

	2022	2021
	£000's	£000's
Finance income		
Interest received on short term bank deposits	190	129
Finance costs		
Interest paid	(173)	(181)
Interest paid on lease liabilities	(111)	(121)
	(284)	(302)
Net finance costs	(94)	(173)

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.

	2022			2021		
	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	(686)	67,717	(1.01)	7,337	67,559	10.86
Dilutive effect of share options	-	-	-	-	44	(0.01)
Diluted earnings per share	(686)	67,717	(1.01)	7,337	67,603	10.85

Diluted earnings per share takes into account the dilutive effect of share options. As the Group's result for the year ending 31 March 2022 was a loss there is no dilutive effect on the earnings per share.

9. Taxation

	2022	2021
	£000's	£000's
Current tax		
Foreign corporation tax on profits for the year	3,284	5,772
Foreign withholding tax	406	31
Research and development tax credits claimed in the year	(1,594)	(1,569)
Research and development tax credits - adjustment for prior year	437	(752)
Deferred tax		
Origination and reversal of temporary differences	(439)	4
Income tax charge	2,094	3,486

	2022	2021
	£000's	£000's
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,389	19,314
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 19% (2021: 19%)	264	3,669
Effects of:		
Non-deductible expenses	1,345	374
Non-chargeable credits	(69)	(141)
Right-of-use assets depreciation	(37)	(40)
Withholding tax on inter-company dividends	406	31
Enhanced allowance on research and development expenditure	(1,208)	(1,741)
Adjustment in respect of prior years	456	-
Different tax rate for foreign subsidiaries	844	1,261
Origination and reversal of temporary differences	114	(116)
Unused tax losses carried forward	(109)	189
Tax effect of share based payments arrangements	88	-
Income tax charge	2,094	3,486

	2022	2021
	%	%
Applicable tax rate per UK legislation	19.00	19.00
Effects of:		
Non-deductible expenses	96.84	1.93
Non-chargeable credits	(4.97)	(0.73)
Right-of-use assets depreciation	(2.66)	(0.21)
Withholding tax on inter-company dividends	29.23	0.16
Enhanced allowance on research and development expenditure	(86.97)	(9.01)
Adjustment in respect of prior years	32.83	-
Different tax rate for foreign subsidiaries	60.76	6.53
Origination and reversal of temporary differences	8.21	(0.60)
Unused tax losses carried forward	(7.85)	0.98
Tax effect of share based payment arrangements	6.34	-
Income tax charge	150.76	18.05

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 as the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 25% (2021: 19%).

At the year ended 31 March 2022 the Group had unused overseas tax losses amounting to £1,003,000 (2021: £nil) for which no deferred tax asset has been recognised.

10. Loss for the financial year

	2022	2021
	£000's	**£000's**
Parent Company's (loss) for the financial year	(1,586)	(903)

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

	2022	2021
	£000's	**£000's**
Cash dividends on ordinary shares declared and paid:		
Final dividend for the year end 31 March 2021 at 1.0p per ordinary share (settled 22 October 2021)	677	-

The Board of Directors does not propose that a dividend be paid for the year ended 31 March 2022 (2021: £0.01).

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 fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and licence costs	Total
	£000's	£000's	£000's	£000's
Cost				
At 31 March 2020	17,930	407	22,977	41,314
Additions	-	-	986	986
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**
Amortisation				
At 31 March 2020	-	(120)	(5,174)	(5,294)
Charge for the year	-	(19)	(879)	(898)
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)**
Net Book Value				
At 31 March 2022	17,930	249	16,125	34,304
At 31 March 2021	17,930	268	17,910	36,108
At 31 March 2020	17,930	287	17,803	36,020

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

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 4 to 20 years.

The carrying value of goodwill is attributable to the following cash generating units:

Entity	Date of acquisition	2022 & 2021
		£000's
ECO Animal Health Limited	1 October 2004	17,359
Zhejiang Eco Biok Animal Health Products Limited	1 April 2007	94
ECO Animal Health Japan Inc	24 December 2009	477
		17,930

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGU's) that are expected to benefit from the business combination.

The recoverable amounts of the CGU's 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 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. Forecasts for new products under development have been included based on board approved plans for the next five years. 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's. In the current year management estimated the applicable rate to be 7% (2021: 8%) due to changes in the relative weighting of elements of the Group's capital structure. 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. The Directors consider that no reasonably possible change in assumptions, requiring disclosure, would result in impairment.

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

	2022	2021
	£000's	£000's
Aivlosin	13,945	15,161
Ecomectin	754	2,466
Vaccines	1,296	267
Others	130	16
	16,125	17,910

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 4 to 20 years.

Ecomectin is an endectocide that controls worms, ticks, lice and mange in grazing stock and pigs. The remaining useful life is 0 to 10 years.

At 31 March 2022 Intangible assets included £3,355,000 (2021: £5,791,000) of assets capitalised that had not commenced their useful life, of which approximately £2,044,000 (2021: £4,909,000) 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 2022 there were indications that certain development projects for which costs have previously been capitalised were unlikely to achieve technical success or commercial viability. Net capitalised costs of £2,085,000 in respect of these projects have been impaired through the income statement during the period reducing the carrying value of the impaired assets to nil. The capitalised costs had previously been recognised within the Group's UK/Corporate segment.

13. Property, plant and equipment

Group	Freehold Land and Buildings	Leasehold improve-ments	Plant and Machinery	Fixtures, Fittings and Equipment	Motor Vehicles	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation						
At 31 March 2020	668	555	986	1,650	311	4,170
Additions	-	-	64	153	2	219
Disposals	-	-	(247)	(34)	(29)	(310)
Foreign exchange movements	(1)	-	(16)	(21)	(15)	(53)
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**
Depreciation						
At 31 March 2020	(9)	-	(710)	(812)	(213)	(1,744)
Charge for the year	(14)	(103)	(47)	(238)	(28)	(430)
Disposals	-	-	244	29	26	299
Foreign exchange movements	-	-	10	10	10	30
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 2021	**(40)**	**(215)**	**(571)**	**(1,263)**	**(246)**	**(2,335)**
Net Book Value						
At 31 March 2022	669	390	1,616	749	41	3,465
At 31 March 2021	644	452	284	737	64	2,181
At 31 March 2020	659	555	276	838	98	2,426

The freehold land and buildings at Coombe Road, New Malden was valued at £615,000 at 31 March 2020 by Colliers International Valuation UK LLP (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')	• 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 freehold land and buildings level-3 fair value inputs are used. The significant unobservable inputs used in establishing the fair value of freehold land and buildings are the estimated market rent and capital value. 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 £229,000 (2021: £239,000) on a historical cost basis.

Depreciation has been included in the administrative expenses line in the income statement, except for £158,000 (2021: £118,000) of depreciation of production equipment in the Chinese subsidiary ECO Biok and for £7,000 (2021: £6,000) of depreciation in Pharmgate Animal Health USA LLC, which are included within cost of sales.

Company	**Freehold Land and Buildings**	**Fixtures, Fittings and Equipment**	**Total**
Cost or valuation	**£000's**	**£000's**	**£000's**
At 31 March 2020	615	14	629
Additions	-	44	44
At 31 March 2021	615	58	673
Additions	-	125	125
At 31 March 2022	615	183	798
Depreciation			
At 31 March 2020	-	(7)	(7)
Charge for the year	(12)	(3)	(15)
At 31 March 2021	(12)	(10)	(22)
Charge for the year	(12)	(16)	(28)
At 31 March 2022	(24)	(26)	(50)
Net Book Value			
At 31 March 2022	591	157	748
At 31 March 2021	603	48	651
At 31 March 2020	615	7	622

14. Investment property

Group and Company	Freehold Land and Buildings
	£000's
At 31 March 2020	305
Revaluation in 2021	-
At 31 March 2021	305
Revaluation in 2022	(78)
At 31 March 2022	227

The property in Western Road, Mitcham was valued at £305,000 as at 31 March 2020 by Colliers International Valuation UK LLP (external independent qualified valuer). The fair value of the investment property was determined by applying a 7.75% 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')	• 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.

Following the year end, the Group decided to dispose of the property and agreed to sell the property for consideration of £227,000. This value is lower than the carrying value at the balance sheet date and as such indicated that the property should be revalued. This revaluation is noted as a post balance sheet event in Note 33 to these financial statements.

15. Right-of-use assets

Group	Property	Vehicles	Other	Total
	£000's	£000's	£000's	£000's
Cost or valuation				
At 31 March 2020	2,113	198	23	2,334
Additions	129	58	-	187
Disposals	-	(109)	-	(109)
Foreign exchange movements	(41)	-	(1)	(42)
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
Depreciation				
At 31 March 2020	(542)	(119)	(15)	(676)
Charge for the year	(347)	(52)	(4)	(403)
Disposals	-	96	-	96
Foreign exchange movements	11	-	1	12
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)
Net Book Value				
At 31 March 2022	1,667	100	6	1,773
At 31 March 2021	1,323	72	4	1,399
At 31 March 2020	1,571	79	8	1,658

Company	**Vehicles**	**Other**	**Total**
	£000's	**£000's**	**£000's**
Cost or valuation			
At 31 March 2020	95	7	102
Additions	40	-	40
Disposals	(67)	-	(67)
Foreign exchange movements	-	-	-
At 31 March 2021	68	7	75
Additions	38	-	38
Disposals	-	(7)	(7)
Foreign exchange movements	-	-	-
At 31 March 2022	106	-	106
Depreciation			
At 31 March 2020	(72)	(5)	(77)
Charge for the year	(23)	(1)	(24)
Disposals	63	-	63
Foreign exchange movements	-	-	-
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)
Net Book Value			
At 31 March 2022	58	1	59
At 31 March 2021	36	1	37
At 31 March 2020	23	2	25

16. Fixed asset investments

Group

	Investment in Associate £000's	Unlisted investments £000's	Total £000's
At 31 March 2020	157	9	166
Share of associate's result for the year	38	-	38
Foreign exchange differences	(24)	-	(24)
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

Company

	Unlisted investments	Total
Cost	(subsidiaries) £000's	£000's
At 31 March 2020	20,077	20,077
Disposed	(25)	(25)
At 31 March 2021	20,052	20,052
Disposed	-	-
At 31 March 2022	20,052	20,052
Impairment		
At 31 March 2020	(45)	(45)
Impairment charge	-	-
Disposal	25	25
At 31 March 2021	(20)	(20)
Impairment charge	-	-
Disposal	-	-
At 31 March 2022	(20)	(20)
Net Book Value		
At 31 March 2022	20,032	20,032
At 31 March 2021	20,032	20,032
At 31 March 2020	20,032	20,032

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

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, Cl311, 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 Techologico 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.	10th 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

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were:

	2022		2021 (restated)	
	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
	£000's	£000's	£000's	£000's
ECO Animal Health Limited	(5,461)	(373)	(5,088)	(1,816)
ECO Animal Health Southern Africa (Pty) Limited	315	35	280	4
Zhejiang ECO Biok Animal Health Products Ltd	25,069	(37)	27,384	17,340
Zhejiang ECO Animal Health Limited	6,196	4,886	-	-
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	(691)	473	(963)	(26)
ECO Animal Health Japan Inc.	1,300	(103)	1,398	(16)
ECO Animal Health de Mexico, S. de R. L. de C. V.	729	124	578	151
ECO Animal Health USA Corp.	(1,029)	411	(1,382)	111
ECO Animal Health India (Private) Ltd	(13)	(12)	(1)	(2)
ECO Animal Health Europe Ltd	-	-	-	-

The equity and results of Shanghai ECO Biok Veterinary Drug Sale Company Ltd are included within those disclosed for Zhejiang ECO Biok Animal Health Products Limited.

All of the subsidiaries listed above were included in the consolidation for the year.

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 2022.

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.

	2022	2021
Summarised statement of comprehensive income For the year ended 31 March	**£000's**	**£000's**
Revenue	26,803	56,179
Cost of sales	(17,192)	(25,527)
Gross Profit	9,611	30,652
Administrative expenses	(8,875)	(7,619)
Operating (loss)/profit	736	23,033
Other income	34	6
Finance income	84	31
(Loss)/profit before tax	854	23,070
Tax expense	(891)	(5,730)
(Loss)/profit after tax	(37)	17,340
(Loss)/profit allocated to NCI	(19)	8,491
Other comprehensive income/(loss) allocated to NCI	1,099	(281)

Summarised balance sheet As at 31 March	**2022 £000's**	**2021 £000's**
Assets:		
Property, plant and equipment	1,960	626
Right-of-use assets	1,080	755
Deferred tax assets	3	-
Inventories	14,081	4,967
Trade and other receivables	6,300	18,161
Cash and cash equivalents	6,148	13,651
	29,572	38,160
Liabilities:		
Trade and other payables	4,489	7,785
Contract liabilities	11	2,155
Lease liabilities - short term	144	82
Lease liabilities - long term	1,040	753
	5,684	10,775

Summarised cash flows For the year ended 31 March	**2022 £000's**	**2021 £000's**
Cash flows from operating activities	(2,818)	10,359
Cash flows from investing activities	(810)	20
Cash flows from financing activities	(4,565)	(1,310)
Foreign exchange movements	690	(757)
Net (decrease)/increase in cash and cash equivalents	(7,503)	8,312

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	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Non-current assets	11	18	-	-
Current assets	1,871	1,055	631	545
Current liabilities	(1,855)	(1,047)	(630)	(544)
Sales	12,640	10,745	3,756	3,300
Profit after tax	-	-	-	-

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.

	2022	2021
Investments (share of net assets)	£000's	£000's
At 1 April	171	157
Share of results for the year	43	38
Foreign exchange movement	(10)	(24)
At 31 March	204	171

	2022	2021
Summarised financial information	£000's	£000's
At 31 March		
Current assets	744	938
Non-current assets	27	44
Current liabilities	(222)	(208)
Non-current liabilities	(120)	(415)
Net assets (100%)	429	359
Group share of net assets (47.62%)	204	171
Year ended 31 March		
Revenue	1,897	1,704
Net profit	90	80

17. Inventories

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Raw materials and consumables	9,772	11,488	-	-
Finished goods and goods for resale	13,277	5,433	-	-
Work in progress	7,093	3,583	-	-
	30,142	20,504	-	-

The cost of inventories recognised as an expense and included in cost of sales in the financial year amounted to £46,782,000 (2021: £51,864,000).

18. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
Non-current:	£000's	£000's	£000's	£000's
Amounts owed by group undertakings	-	-	53,940	55,909

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	
	2022	2021	2022	2021
Current:	£000's	£000's	£000's	£000's
Trade receivables	23,388	29,838	-	-
Other receivables	660	1,688	80	69
Amounts owed by group undertakings	-	-	48	-
Prepayments and accrued income	1,921	926	210	212
	25,969	32,452	338	281

As at 31 March 2022, trade receivables of £2,733,000 (2021: £3,170,000) due to the Group and £nil (2021: £nil) due to the Company were past due but not impaired. These relate to long standing distributors with whom we have agreed settlement terms and with whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Up to 3 months past due	1,772	2,098	-	-
3 to 6 months past due	346	468	-	-
Over 6 months past due	615	604	-	-
	2,733	3,170	-	-

As at 31 March 2022, impairment provisions of £194,000 on gross receivables of £889,000 (2021: £351,000 on gross receivables of £729,000) were recognised. The impaired receivables mainly relate to debt for which recovery is still being sought. The Group mitigates its exposure to credit risk by extensive use of commercial credit reference agencies, close management of its customers' trading against terms offered and use of retention of title clauses wherever possible.

The Group has experienced minimal bad debt history and considered this in arriving at the impairment provision recognised. This consideration includes the potential risks arising from COVID-19 on its customers. Its experience with customers since 31 March 2022, is consistent with those considerations that credit risk has not increased. No collateral is held against customer receivable balances.

The ageing analysis of the impaired balances is as follows:

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Current debt	-	6	-	-
Up to 3 months past due	21	97	-	-
3 to 6 months past due	-	1	-	-
Over 6 months past due	173	247	-	-
	194	351	-	-

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

Group	2022	2021
	£000's	£000's
Balance at 1 April	351	419
Additional provision made	13	71
Recovered in the year	(59)	(136)
Written off during year	(121)	-
Foreign exchange movements	10	(3)
Balance at 31 March	194	351

The carrying amounts of trade and other receivables are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
British Pounds Sterling	1,776	1,192	288	281
U S Dollars	9,743	8,067	-	-
Euros	2,072	1,749	-	-
Chinese RMB	6,300	18,161	-	-
Japanese Yen	622	175	-	-
Brazilian Real	1,970	363	-	-
Canadian dollars	630	545	-	-
Mexican Pesos	2,701	1,997	-	-
Other currencies	155	203	-	-
	25,969	32,452	288	281

The carrying amounts of trade and other receivables are not significantly different to their fair values.

19. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Net	
	2022	2021
	£000's	£000's
Trade related temporary differences	(2,586)	(2,294)
Overseas trade related temporary differences	3	3
Freehold property	9	8
Investment property	18	(1)
Plant and equipment	(109)	(12)
Deferred tax on share options	43	120
Tax losses carried forward	3,145	2,259
Amount receivable/(payable) after more than one year	523	83

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

	Trade-related temporary differences	Tax losses carried forward	Freehold property	Investment property	Plant and machinery	Share options	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 31 March 2021 – as restated	(2,291)	2,259	8	(1)	(12)	120	83
(Charge) for the year through income statement	(292)	-	-	-	(97)	(77)	(466)
Credit for the year through income statement	-	886	-	19	-	-	905
Credit for the year through reserves	-	-	1	-	-	-	1
At 31 March 2022	(2,583)	3,145	9	18	(109)	43	523

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	Investment property	Share options	Total
	£000's	£000's	£000's	£000's
At 31 March 2020	(76)	(19)	-	(95)
Credit for the year through income statement	-	17	-	17
Credit for the year through reserves	84	-	-	84
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

At the year ended 31 March 2022 the Group has an unrecognised deferred tax asset in relation to unused overseas tax losses amounting to £1,003,000 (2021: £nil), and unused UK tax losses amounting to £2,725,000 (2021: £1,082,000). 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	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Cash and cash equivalents	14,314	19,523	279	819
Cash and cash equivalents presented in the statement of cash flows	14,314	19,523	279	819

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. As at 31 March 2022, none of the Group's facilities were drawn.

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

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Acquisition of property, plant and equipment by means of leases or not yet paid at year end	688	187	38	40
Acquisition of intangible assets not yet paid at year end	158	125	-	-

21. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Trade payables	9,415	7,918	50	58
Contract liabilities	203	2,155	-	-
Other payables	926	683	70	147
Accruals and deferred income	2,410	3,765	206	319
	12,954	14,521	326	524

22. Borrowings

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Cash and cash equivalents	14,314	19,523	279	819
Lease liabilities	(1,910)	(1,522)	(62)	(39)
Net Cash	**12,404**	**18,001**	**217**	**780**

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

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 2022, the undrawn facility was £5,000,000 (2021: £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. This has been disclosed in Note 33, Post Balance Sheet Events.

Reconciliation of Lease Liabilities

	Group		Company	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Opening lease liabilities	**(1,522)**	**(1,766)**	**(39)**	**(29)**
New lease liabilities	(672)	(188)	(37)	(43)
Repayment	482	500	25	35
Lease liabilities interest	(111)	(122)	(11)	(11)
Disposal	-	18	-	6
Foreign exchange	(87)	36	-	3
Closing lease Liabilities	**(1,910)**	**(1,522)**	**(62)**	**(39)**
Current lease liabilities	**(397)**	**(311)**	**(13)**	**(7)**
Non-current lease liabilities	**(1,513)**	**(1,211)**	**(49)**	**(32)**

The Group leases a number of properties and motor vehicles in the jurisdictions it operates in. At 31 March 2022 there were no termination or extension options on leases.

The Group expensed £64,000 for the year ended 31 March 2022 (2021: £55,000) for short term leases.

Group Leases Maturity

At 31 March 2022 the Group held the following number of leases in each of the maturity categories below.

At 31 March 2022	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	1	3	-	4
Between 1 - 5 years	9	2	1	12
Over 5 years	2	-	-	2
Total number of leases	12	5	1	18
Average remaining lease term (in years)	**6.5**	**1.6**	**4.7**	**4.9**

At 31 March 2021	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	5	5	3	13
Between 1 - 5 years	2	5	-	7
Over 5 years	2	-	-	2
Total number of leases	9	10	3	22
Average remaining lease term (in years)	**7.1**	**1.3**	**0.7**	**3.6**

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position was 7.49% at 31 March 2022 (2021: 7.20%).

Weighted average incremental borrowing rate:

Group	2022	2021
Property	**6.25%**	**5.9%**
Vehicle	**29.0%**	**29.0%**
Other	**4.0%**	**4.0%**
Weighted average	**7.49%**	**7.2%**

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	2022 £000's	2021 £000's
Up to 1 year	**523**	**415**
Between 1 - 5 years	**1,104**	**768**
Over 5 years	**1,391**	**768**
Total	**3,018**	**1,951**

23. Provisions

Group	Personnel related litigation matters	Overseas tax liabilities	Total
	£000's	£000's	£000's
At 31 March 2020	-	1,128	1,128
Charge for the year through income statement	-	970	970
Foreign exchange	-	(316)	(316)
At 31 March 2021	-	1,782	1,782
Charge for the year through income statement	456	1,003	1,459
Foreign exchange	-	634	634
At 31 March 2022	**456**	**3,419**	**3,875**

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 £3,419,000 in respect of overseas tax liabilities. The Group has estimated the total liabilities that may be due. As the Group has only recently become aware of the liability, it has yet to confirm the exact amounts that may be payable and it is not clear when a settlement of these obligations will occur, however precedent suggests that this may be up to 7 years.

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 £96,850 (2021: £105,000).

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 2021 and updated to 31 March 2022 for IAS 19 purposes by a qualified independent actuary. The major assumptions used by the actuary were:

	31-Mar 2022	31-Mar 2021
Discount rate	2.75%	1.90%
Pension revaluation	3.95%	3.40%
Inflation assumption with a maximum of 5% p.a.	3.95%	3.40%

Mortality rates

No pre-retirement mortality is assumed (2021: 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 (2021: 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 (2021: 22.1 years) and 24.3 years for females (2021: 24.2 years). For members retiring in 20 years' time, the expectation of life would be 23.5 years for males (2021: 23.4 years) and 25.8 years for females (2021: 25.7 years).

The weighted average term of the liabilities is 10 years (2021: 11 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.

	2022	2021
	£000's	£000's
Assets at start of year	1,795	1,787
Defined benefit obligation at start of year	(1,799)	(1,814)
Net (liability) at 1 April	(4)	(27)
Return on assets	33	42
Interest cost	(33)	(42)
Past service cost	-	(4)
	-	(4)
Gain/(loss) on asset return	(5)	(4)
(Loss)/gain on changes in assumptions	29	(28)
Statement of other comprehensive income	24	(32)
Employer contributions (gross)	59	59
Net asset/(liability) at 31 March	79	(4)
Actual assets at end of year	1,648	1,795
Actual defined benefit obligation at end of year	(1,569)	(1,799)

Gain/(loss) on changes in assumptions was nil (2021: £3,000 gain) relating to changes in demographic assumptions and a gain of £29,000 (2021: £31,000 loss) 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.

Reconciliation of changes in the asset value during the year	**2022**	**2021**
	£000's	**£000's**
Fair value of assets at 1 April	1,795	1,787
Return on assets	33	42
Gain/(loss) on asset return	(5)	(4)
Employer contributions (gross)	59	59
(Decrease)/increase in secured pensioners' value due to scheme experience	(234)	(89)
Benefits paid	-	-
Fair value of assets at 31 March	1,648	1,795
Reconciliation of changes in the liability value during the year		
Defined benefit obligation at 1 April	1,799	1,814
Interest cost	33	42
Past service cost	-	4
(Gain)/loss on changes in assumptions	(29)	28
(Decrease)/increase in secured pensioners' value due to scheme experience	(234)	(89)
Benefits paid	-	-
Defined benefit obligation at 31 March	1,569	1,799

The amount of annual contribution to be paid by the employer of £59,000 (2021: £59,000) is expected to continue until December 2022.

Year ended 31 March	**2022**	**2021**	**2020**	**2019**	**2018**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Fair value of plan assets	1,648	1,795	1,787	1,802	2,503
Present value of defined benefit obligation	1,569	1,799	1,814	1,899	2,603
(Deficit)/Surplus in plan	79	(4)	(27)	(97)	(100)
Experience (losses)/gains on plan liabilities	-	-	(2)	(38)	(7)

Plan Assets

	2022	**2021**
	£000's	**£000's**
Assets under management	259	205
Annuities	1,389	1,590
Total	1,648	1,795

Assets under management composition

	2022	2021
Corporate Bonds	42.6%	43.4%
Overseas Equities	27.7%	28.4%
UK Equities	17.8%	17.8%
Property	10.5%	8.9%
Cash	1.4%	1.2%
Derivatives	-	0.3%
Gilts	-	-
	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			
		2022		2021	
		£000's	£000's	£000's	£000's
Discount rate	+/- 0.1%	(15)	15	(20)	20
Members' life expectancy	+/- 1 year	(81)	84	(100)	100

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	
	2022	**2021**	**2022**	**2021**
	£000's	**£000's**	**£000's**	**£000's**
Total expense arising from equity settled share-based payments transactions	342	123	120	8

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	
	2022	**2022**	**2021**	**2021**
	000's	**WAEP**	**000's**	**WAEP**
		(£)		**(£)**
Outstanding at 1 April	3,370	3.73	3,519	3.68
Granted during the year - Employee scheme	327	3.50	-	-
Granted during the year - LTIPs	279	0.05	-	-
Granted during the year - Deferred bonus	38	0.05	-	-
Cancelled during the period	(122)	2.01	-	-
Exercised during the period	(26)	2.42	(149)	2.54
Outstanding at 31 March	3,866	3.47	3,370	3.73

3,223,400 options were exercisable at 31 March 2022 (2021: 3,004,500). The WAEP of exercisable options at 31 March 2022 was 381.0p (2021: 372.0p).

The average share price during the year was 272.4p (2021: 253.1p).

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 2022 had a weighted average exercise price of £3.47 (2021: £3.73) and a weighted average remaining contractual life of 2.8 years (2021: 2.6 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 Company.

326,679 share options have been granted in the year under this scheme (2021: none). In addition 278,500 options have been issued under the group's Long Term Incentive Plan (2021: none) and 37,755 under the group's deferred bonus arrangements (2021: none).

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.

An analysis of the expiry dates of the outstanding options at 31 March 2022 is given below:

Date of grant	Unapproved	Approved	Exercise price	Expiry date
09 October 2013		11,100	£ 1.960	09 October 2023
21 August 2014		14,400	£ 1.615	21 August 2024
13 February 2015		34,500	£ 2.005	13 February 2025
26 August 2015		24,850	£ 2.650	26 August 2025
26 August 2015	511,650		£ 2.650	26 August 2022
18 December 2015	600,000		£ 3.125	18 December 2022
19 January 2016		10,200	£ 3.150	19 January 2026
19 January 2016	240,800		£ 3.150	19 January 2023
17 February 2016		19,600	£ 3.125	17 February 2026
17 February 2016	400		£ 3.125	17 February 2023
01 March 2016		9,600	£ 3.125	01 March 2026
01 March 2016	40,400		£ 3.125	01 March 2023
12 September 2016		25,100	£ 4.325	12 September 2026
12 September 2016	423,900		£ 4.325	12 September 2023
15 September 2016		5,900	£ 4.350	15 September 2026
15 September 2016	544,100		£ 4.350	15 September 2023
21 September 2017		53,475	£ 6.200	21 September 2027
21 September 2017	287,525		£ 6.200	21 September 2024
12 April 2018		3,900	£ 5.450	12 April 2028
23 October 2018		75,200	£ 3.800	23 October 2028
23 October 2018	276,800		£ 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 2031
28 April 2021		154,149	£ 3.495	28 April 2031
28 April 2021	124,351		£ 3.495	28 April 2028
24 September 2021	37,755		£ 0.050	24 September 2031
	3,416,560	449,774		

The market price of the shares at 31 March 2022 was 165.0p (2021: 322.5p) with a range in the year of 127.5p to 395.0p (2021: 198.0p to 371.0p).

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.

	2022	2021	2020	2019	2018
Vesting period (years)	3 - 4	n/a	n/a	3	3
Option expiry (years)	7 - 10			7 - 10	7 - 10
Dividends expected on the shares	1.00%			1.90%	1.10%
Risk free rate (average)	0.18%			1.00%	1.00%
Volatility of share price	40%			20.00%	20.00%
Weighted average fair value (pence)	101.0 - 316.0			51.0	98.6

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 2021 to 31 March 2024. 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 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.

A Monte Carlo simulation model has been used to value these share options.

26. Share capital

	2022	2021
	£000's	£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 (2021: 67,696,416) ordinary shares of 5p each	3,381	3,379

During the year 25,500 shares were issued at a premium of £61,000 as a result of the exercise of options by employees. (2021: 148,790 shares at a premium of £367,000).

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

	Group	
	2022	2021
	£000's	£000's
Balance as at 1 April	13,414	5,766
Share of subsidiary's (loss)/profit for the year	(19)	8,491
Share of foreign exchange gain/(loss) on net investment	1,099	(281)
	1,080	8,210
Share of dividend paid by subsidiary	(2,210)	(562)
Balance as at 31 March	12,284	13,414

28. Other reserves

The Group and Company held a Capital redemption reserve of £106,000 as at 31 March 2022 (2021: £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 2021 (Restated)	Movement in the year	At 31 March 2022
	£000's	£000's	£000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	635	750	1,385
Zhejiang ECO Animal Health Limited	-	186	186
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	131	180	311
ECO Animal Health Japan Inc.	4	10	14
ECO Animal Health USA Corp.	88	(37)	51
ECO Animal Health de Mexico, S. de R. L. de C. V.	226	11	237
Pharmgate LLC	8	(4)	4
Foreign exchange reserve movements charged to Consolidated Statement of Comprehensive Income	1,092	1,096	2,188

29. Directors' emoluments

	2022	2021
	£000's	£000's
Emoluments for qualifying services	793	1,086
Company pension contributions to money purchase schemes	32	34
Share-based payments	112	1
Benefits in kind	4	5
	941	1,126

During the year no directors exercised share options (2021: none) realising a gain of £nil (2021: £nil).

The highest paid director received £430,000 (2021: £541,000) including £65,000 (2021: £1,000) of share-based payments and £9,000 (2021: £10,000) of pension contributions.

30. Employees

Number of employees

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

	2022	2021
	Number	Number
Directors	5	5
Production and development	72	66
Administration	49	48
Sales	95	88
	221	207

Employment costs (including amounts capitalised)

	2022	2021
	£000's	£000's
Wages and salaries	12,251	13,776
Share-based payments	341	123
Social security costs	1,185	863
Other pension costs	277	105
	14,054	14,867

31. Related party transactions

In the year ended 31 March 2021, former director Julia Trouse repaid £322,109 to the group following an internal audit investigation on unauthorised cash withdraws. This was recognised as other income in the group's consolidated income statement of the same period.

During the year Mr P Lawrence (a significant shareholder) and his family received dividends to the value of £2,926 (2021: £nil).

The other Directors and their families received dividends to the value of £nil (2021: £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 £687,267 (2021: £775,000) and charged interest of £832,000 (2021: £875,000) 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 Biok Animal Health Products Limited paid dividends of £176,717 (RMB 1,489,600) to ECO Animal Health Group plc (2021: £45,000) and £2,122,406 (RMB 17,890,400) to ECO Animal Health Limited (2021: £540,000).

Key management compensation

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

	2022 £000's	2021 £000's
Salaries and short-term benefits	797	1,091
Retirement benefits	32	34
Share-based payments	112	1
	941	1,126

The number of Directors for which retirement benefits were accruing was 2 (2021: 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 2022, the Group was contractually obliged to make repayments as detailed below:

	2022	2021
Within one year or on demand	**£000's**	**£000's**
Trade payables	9,415	7,918
Other payables	926	683
Accruals	2,410	3,765
	12,751	12,366

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

2022	US Dollar	Euros	Chinese RMB	Japanese Yen	Brazilian Real	Canadian Dollar	Mexican Peso	Other
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
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**

2021	US Dollar	Euros	Chinese RMB	Japanese Yen	Brazilian Real	Canadian Dollar	Mexican Peso	Other
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Trade and other receivables	8,063	1,749	17,783	160	359	533	1,849	175
Trade and other payables	(3,773)	(757)	(5,273)	(64)	(74)	(498)	(87)	(134)
Cash and cash equivalents	2,331	248	14,140	271	1,165	305	217	58
Total	**6,621**	**1,240**	**26,650**	**367**	**1,450**	**340**	**1,979**	**99**

At 31 March 2022 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 2022.

	2022	2021
	£000's	£000's
U S Dollar	1,096	736
Euro	223	138
Chinese RMB	1,150	2,961
Japanese Yen	9	41
Brazilian Real	224	161
Canadian Dollar	65	38
Mexican Peso	290	220

Analysis of financial instruments by category

Group	**Financial assets**	**Financial liabilities**	**Total**
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)
2021	**£000's**	**£000's**	**£000's**
Trade and other receivables	31,526	-	31,526
Cash and cash equivalents	19,523	-	19,523
Trade and other payables	-	(12,416)	(12,416)
Amounts due under leases	-	(1,522)	(1,522)

Company	**Financial assets**	**Financial liabilities**	**Total**
2022	**£000's**	**£000's**	**£000's**
Trade and other receivables	128	-	128
Cash and cash equivalents	279	-	279
Trade and other payables	-	(376)	(377)
Amounts due under leases	-	(62)	(62)
Amounts due from group undertakings	53,940	-	53,940
2021	**£000's**	**£000's**	**£000's**
Trade and other receivables	69	-	69
Cash and cash equivalents	819	-	819
Trade and other payables	-	(574)	(574)
Amounts due under leases	-	(39)	(39)
Amounts due from group undertakings	55,909	-	55,909

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

Valuation of investment property in Mitcham

The Group agreed in principle to sell the investment property located at Western Road, Mitcham for around £227,000. As at 31 March 2022 the carrying value of the property has been reduced from £305,000 to £227,000 with a corresponding expense in the Group's income statement.

Retirement of the Chief Executive Officer and appointment of a new Chief Executive Officer

Marc Loomes, who joined ECO Animal Health Group plc in 2004, became Managing Director in 2005 and CEO in 2010, stepped down on 1 April 2022. David Hallas joined ECO Animal Health Group plc as CEO on 1 April 2022.

Establishment of Revolving Credit Facility

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.

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