

Results for the six months ended 30 September 2022

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Eco Animal Health Group PLC
23 November 2022

ECO Animal Health Group plc

("ECO" or the "Group") (AIM: EAH)

Results for the six months ended 30 September 2022

"In line with full year expectations"

HIGHLIGHTS

Financials

- Group Sales at £34.9 million (H1 2021: £38.5 million)
 - China and Japan sales declined to £8.5 million (H1 2021: £15.7 million)
 - Excluding China and Japan, revenues in aggregate increased by 16% to £26.4 million (H1 2021: £22.8 million)
- Gross margins at 45% remained consistent with the prior year period
- Adjusted EBITDA at £1.7 million (H1 2021 restated*: £3.4 million)
- Profit before taxation of £3.0 million including a £2.6 million foreign exchange gain (H1 2021 restated profit*: £0.5 million, including £0.3 million gain)
- Earnings per share of 1.96p (H1 2021: restated loss per share*: (0.92)p)
- Cash generated by operations of £3.0m (H1 2021 restated*: £6.1m)
 - * Prior period figures have been restated to reflect adjustments arising from the March 2022 audit

Operations

- Sales in Latin America increased by 25% to £7.9 million (H1 2021: £6.3 million)
- Sales in South and Southeast Asia increased by 23% to £7.4 million (H1 2021: £6.0 million)
- China revenue represented 24% of total Group revenues (H1 2021: 41%) which declined significantly as a result of reduced sales from the Group's largest customers in the region and continued impact of COVID restrictions
- New R&D collaborations with Imperial College for saRNA technology and Moredun Research Institute for the development of a poultry red mite vaccine
- Two Mycoplasma vaccines for poultry expected to be submitted for regulatory approval in late 2023 and early 2024

Dr Andrew Jones, Non-Executive Chairman of ECO Animal Health Group plc, commented:

"We are delighted with the continuing growth in all markets outside of China and the increasing market penetration experienced by Aivlosin® in its multiple formulations. The China swine industry has been slow during the first half of this year; the socio-economic reasons for this are well publicised and understood. Nevertheless, we are pleased to retain our strong market position and we expect a return to healthy markets in China during the course of this next year.

We are excited by the progress in our new product developments and it is particularly pleasing that some ground breaking technologies are being explored in new collaborations announced in the last few months. We are on track for submission of our new Mycoplasma poultry vaccines at the end of 2023 and we expect marketing approval to be received shortly afterwards. The rest of the portfolio is demonstrating good progression.

Our recent annual strategy review endorsed the vision, objectives and direction for the Group and we look forward with cautious optimism to reporting the full year numbers in line with market expectations."

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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"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

About ECO Animal Health

ECO Animal Health Group plc researches, develops and commercialises products for livestock. Our business strategy is to generate shareholder value by achieving the maximum sales potential from the existing product portfolio whilst investing in research and development ("R&D") for new products, particularly vaccines, and seeking to in-license new products.

Chairman's statement

I am pleased to present the results for the Group for the six months ended 30 September 2022 ("H1 2022"). During the first half of our financial year, we experienced positive sales momentum in all our major markets outside of China. Furthermore, our very promising new product development pipeline is progressing well towards product registration.

Financial Performance

Group revenue was 9% lower in H1 2022 at £34.9 million (H1 2021: £38.5 million), as a result of a decline in revenues from China. China and Japan revenue of £8.5 million represented 24% of Group revenue (H1 2021: 41%). Excluding China and Japan, revenue from other markets grew by 16%, in aggregate, to £26.4 million (H1 2021: £22.8 million).

The gross margin in H1 2022 was 45% (H1 2021: 45%). Despite the significant reduction in higher margin China revenues, gross margins were maintained as a result of favourable exchange rates and cost control within the Group.

Administrative expenses at £11.9 million were 9% higher than the comparative period last year (H1 2021: £10.9 million). This arose from further investment in sales and marketing, a return to travel after the easing of COVID restrictions and a reclassification of technical support costs previously included as an R&D expense (in the H1 2021 results) but now shown as administrative expenses.

Research and development ("R&D") expenses shown in the income statement together with the amounts capitalised were in aggregate a cash investment of £4.2 million (H1 2021: £4.0 million); for comparative purposes this represented 12.0% of revenue generated in the period (H1 2021: 10.4%).

Earnings before interest, tax, depreciation, amortisation and impairment, share based payments and foreign exchange movements ("Adjusted EBITDA") were £1.7 million (H1 2021 restated: £3.4 million). This reduction was due to the fall in revenues in China.

Cash generated from operations was £3.0 million (H1 2021 restated: £6.1 million). Improved receivables and management of payables partly offset the reduced profitability in the period.

This cash generation after allowing for tax payments of £1.0 million, resulted in cash balances at the period end of £12.9 million (31 March 2022: £14.3 million), of which £4.0 million (31 March 2022: £6.1 million) was held in the Group's 51% owned subsidiary in China. The Group repatriates cash from China by dividend declaration, accordingly only 51% is received by the Group and is subject to withholding taxes. Additionally, the Group has a wholly owned subsidiary in China, the cash in this company is repatriated annually by dividend. On a day-to-day basis, the Board considers the cash held in the Group's joint venture subsidiary in China to be unavailable to the Group outside of China; accordingly, cash management and funds available for investment in R&D is based upon the cash balances outside of the China JV, which at 30 September 2022 was £8.9 million (31 March 2022: £8.2 million).

Subsequent to the period end, two dividends totalling £5.7 million were received from China.

The Group's committed banking facilities remain at £15.0 million, being a £5.0 million overdraft facility and a £10 million revolving credit facility. These facilities expire on 30 June 2026 and were undrawn as at 30 September 2022.

Basic EPS in the six months ended 30 September 2022 was 1.96p (H1 2021 restated: loss per share 0.92p). EPS benefited from the exchange rate gain reported in the period of £2.6 million (H1 2021: £0.3 million) and the prior period loss per share was adversely affected by the impairment of intangible assets recorded in the six months ended 30 September 2021. The dilutive effect of unexercised share options has reduced earnings per share to 1.95p in the six months ended 30 September 2022 (H1 2021 restated: no change).

Business Performance

The geographical analysis of the Group's revenue in the six months ended 30 September 2022 compared to the prior period in 2021 and the full year ended 31 March 2022 was as follows:

Revenue Summary	6 months ended 30 September		H1 2022 vs	Year ended
	2022	2021	H1 2021	31 March
	(£'m)	(£'m)	% Change	2022
China and Japan	8.5	15.7	(46%)	28.4
North America (USA and Canada)	6.5	6.0	8%	16.4
South and Southeast Asia	7.4	6.0	23%	11.8
Latin America	7.9	6.3	25%	15.8
Europe	2.9	2.9	-	6.4
Rest of World and UK	1.7	1.6	6%	3.4
Total Group	34.9	38.5	(9%)	82.2

Group revenue reduced by 9% to £34.9 million (H1 2021: £38.5 million). The overall reduction in Group revenue in the six months ended 30 September 2022 was caused by a 46% reduction in revenue from China and Japan; excluding China and Japan revenues in aggregate increased by 16% to £26.4 million (H1 2021: £22.8 million). Travel restrictions during H1 2022 were largely lifted in most of the Group's markets, with the exception of China, enabling sales and marketing efforts to return to the in-person support that has historically characterised the Group's approach to its customers and market place.

As previously indicated, trading in China was subdued during the first quarter of the current financial year and therefore the Board's outlook for the Chinese market in 2022 was cautious. Many of the Group's larger customers needed to repair their respective balance sheets which had been damaged by extended periods of trading at a loss and reduced their purchases of Aivlosin® in the period. However, the Group enjoyed good trading with its mid-tier customers in China who, in the main, were less expansive during the re-stocking phase in 2020/2021. We also noted in our Annual Report and Accounts for the year ended 31 March 2022 that the pork to grain price ratio had for the first time in over a year risen above 5 in August; the China National Reform and Development Commission reported that the ratio on 16 November 2022

was 8.78. This provides the Board with some optimism for improved trading conditions in China.

Revenue in North America, in particular the USA, has been broadly consistent; farm hog prices in the USA and Canada have been generally stable throughout 2022 and this has resulted in continuing strong market conditions. Aivlosin® continues to gain market share.

The growth seen in Southeast Asia during the last three or four years has continued during 2022. The poor poultry market in India in recent years has recovered with revenue increasing to £2.2 million (H1 2021: £0.4 million). Thailand remained the largest single market for the Group's products in this region with revenue increasing to £3.5 million (H1 2021: £4.0 million), supported with good sales into Pakistan, Malaysia and Vietnam of £1.6 million (H1 2021: £1.6 million).

Revenue in Latin America grew 25% to £7.9 million (H1 2021: £6.3 million), with Brazil representing the largest market at £4.2 million (H1 2021: £3.0 million). Brazil's exports of pork to China continued strongly during the period providing strong demand for Aivlosin®. Mexico revenue in H1 2022 was £0.5 million higher than the equivalent period last year and the remaining countries in Latin America were broadly consistent year on year.

Revenue derived from Europe was consistent at £2.9 million. Within the continent, Spain remained the largest single market with revenues of £1.0 million in the six months ended 30 September 2022 (H1 2021: £1.1 million).

Research and development

Work on the Group's promising pipeline of new products has continued at pace during the first half of this financial year with £4.2 million (H1 2021: £4.0 million) spent during the period. This is in line with plan and the first two Mycoplasma vaccines for poultry are expected to be submitted for regulatory approval in late 2023 and early 2024, with marketing authorisation expected to be gained shortly thereafter.

In June 2022 we announced a very exciting collaboration with Imperial College to assess the veterinary application of self-amplifying RNA technology. This technology represents the next generation of RNA delivered medicines and is particularly interesting for veterinary medication because it implies fewer doses, lower dose rates, a broader range of applications and cost savings for the producer compared with conventional mRNA approaches. Work is underway on key proof of concept studies.

In July 2022 the Group signed a partnership agreement with the Moredun Research Institute to research and develop an effective first in class vaccine solution for the sustainable control of poultry red mite ("PRM"). Red mite infestation in poultry is one of the emerging and important causes of production losses in laying hens and has a major impact on animal welfare. Poultry red mites also serve as vectors for several disease-causing bacteria and viruses in poultry. Their ubiquitous presence threatens the poultry industry globally, as there are no effective non-chemical solutions available for the prevention of PRM infestation in poultry. If this programme is successful, ECO may take the option of developing, registering and commercialising the vaccine under a worldwide exclusive license from the Moredun Research Institute.

Management plans to hold another Capital Markets Day during the first quarter of 2023 during which an update will be provided on the new product development portfolio.

Strategy

During the Autumn, the leadership team and the Board undertook a refresh of the Group's strategy. This involved an analysis of the vision for the Group, and assessment of the key internal and external elements available to the Group to achieve this vision, as well as an appraisal of the risks and threats to the success of the strategy. The exercise endorsed the Group's direction: to maximise the commercial opportunity in the Group's existing products, to bring forward the exciting array of new vaccine and biologicals products programmes, continuing to focus on swine and poultry. The Group is open to and will pursue further collaboration including technical partnering, licensing and M&A activity.

Dividend

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. It has however decided that the best use of the Group's cash is in the new product development initiatives and accordingly no dividend is recommended at the current time.

Auditors

The Company announced on 14 November 2022 that BDO resigned as auditors to the Group and we are delighted to have appointed Haysmacintyre LLP to be the Group's auditors. Transitional arrangements are underway, and we look forward to their first audit for the year ending 31 March 2023.

Change of advisers

The Group also announces that from 23 November 2022, Singer Capital Markets and Investec, will be retained and will act as the Group's nominated adviser and joint broker, and joint broker, respectively.

Outlook

The China pork price has improved from less than CNY13/kg in March 2022 to in excess of CNY27/kg by the end of October 2022. This increase in pork price prompted the Ministry of Agriculture to release frozen pork onto the market ahead of the National Day on 1 October - the first time it has done so during 2022. The Group has experienced improving trading conditions in China with October's revenue greater than any other month recorded during this financial year. Whilst this is a promising start to the second half, we remain cautious on China's revenue recovery until January 2023 and the period of strong pork demand associated with Chinese New Year and national holidays. The containment policy in relation to COVID also provides short term reason to be cautious regarding pork demand.

We expect continuing growth in our markets outside of China. Seasonally occurring disease is anticipated to drive demand in the second half of the financial year. This seasonal effect, together with expected stronger trading in China in our fourth quarter is expected to result in the customary second half weighting to our revenue. In the event Sterling weakness continues, this would provide further upside in revenue opportunity. Cost control in relation to manufacturing costs has served us well during 2022 and we are cautiously optimistic in relation to the 2023 contractual price negotiations.

The Board is excited about the continuing results from our new product development programme and we look forward to providing an update at a Capital Markets Day in the first quarter next year.

We look forward with cautious optimism to reporting the full year numbers in line with market expectations.

Dr Andrew Jones

Non-Executive Chairman

23 November 2022

CONSOLIDATED INCOME STATEMENT

	Notes	Six months to 30.09.22 (unaudited) £000's	Six months to 30.09.21 (unaudited) £000's Restated*	Year ended 31.03.22 (audited) £000's
Revenue	4	34,859	38,474	82,195
Cost of sales		(19,063)	(21,335)	(47,059)
Gross Profit		15,796	17,139	35,136
Other income		242	16	65
Administrative expenses		(11,884)	(10,852)	(22,421)
Research and development expenses		(2,923)	(3,309)	(8,762)
Foreign exchange gains		2,573	274	989
Amortisation of intangible assets		(546)	(586)	(1,140)
Share based payments		(175)	(83)	(342)
Impairment of intangible assets	8	-	(2,085)	(2,085)
Profit from operating activities:		3,083	514	1,440
Net finance cost		(95)	(89)	(94)
Share of profit of associate		51	47	43
Profit before income tax		3,039	472	1,389
Income tax charge	7	(929)	(828)	(2,094)
Profit/(loss) for the period		2,110	(356)	(705)
Attributable to:				
Owners of the parent company		1,325	(621)	(686)
Non-controlling interest		785	265	(19)
		2,110	(356)	(705)
Basic earnings per share (pence)	6	1.96	(0.92)	(1.01)
Diluted earnings per share (pence)	6	1.95	(0.92)	(1.01)
Earnings before interest, taxation, depreciation, amortisation and share based payments (EBITDA)		4,243	1,593	6,395
Exclude foreign exchange differences and impairment		(2,573)	1,811	(989)
Adjusted EBITDA		1,670	3,404	5,406

*Details of the restatement, which is unaudited, are presented in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months to 30.09.22 (unaudited) £000's	Six months to 30.09.21 (unaudited) £000's Restated*	Year ended 31.03.22 (audited) £000's
Profit/(loss) for the period	2,110	(356)	(705)
Other Comprehensive income/(loss) (net of related tax effects):			
Items that will or may be reclassified to profit/(loss):			
Foreign currency translation differences	276	136	2,195
Items that will not be reclassified:			
Deferred tax on property revaluations	-	2	1
Defined benefit plan - actuarial losses	-	-	24
Other comprehensive income/(loss) for the period	276	138	2,220
Total comprehensive income for the period	2,386	(218)	1,515
Attributable to:			
Owners of the parent Company	1,506	(560)	435
Non-controlling interest	880	342	1,080

*Details of the restatement, which is unaudited, are presented in note 3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital Account £000's	Share Premium Account £000's	Revaluation Reserves £000's	Other Reserves £000's	Foreign Exchange Reserve £000's	Retained Earnings £000's	Total £000's	Minority Interest £000's	Total Equity £000's
FOR THE YEAR ENDED 31 MARCH 2022									
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/(loss) for the year	-	-	1	-	1,096	(662)	435	1,080	1,515
Transactions with owners recorded directly in equity:									
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
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022									
Profit for the period	-	-	-	-	-	1,325	1,325	785	2,110
Other comprehensive income:									
Foreign currency differences	-	-	-	-	181	-	181	95	276
Total comprehensive income for the period	-	-	-	-	181	1,325	1,506	880	2,386
Transactions with owners recorded directly in equity:									
Issue of shares in the period	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	175	175	-	175
Dividends	-	-	-	-	-	-	-	(1,810)	(1,810)
Total transactions with owners	-	-	-	-	-	175	175	(1,810)	(1,635)
Balance as at 30 September 2022	3,381	63,319	657	106	2,369	13,913	83,745	11,354	95,099

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital Account	Share Premium Account	Revaluation Reserves	Other Reserves	Foreign Exchange Reserve	Retained Earnings	Total	Minority Interest	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
FOR THE YEAR ENDED 31 MARCH 2021									
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 (restated)	-	-	-	-	292	-	292	(281)	11
Deferred tax on property revaluations	-	-	84	-	-	-	84	-	84
Actuarial losses 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 recorded directly in equity:									
Issue of shares in the year	2	376	-	-	-	-	378	-	378
Share-based payments	-	-	-	-	-	123	123	-	123
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-
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
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021									
(Loss)/profit for the period - *restated	-	-	-	-	-	(621)	(621)	265	(356)
Other comprehensive income:									
Foreign currency differences (restated)	-	-	-	-	59	-	59	77	136
Deferred tax on property revaluations	-	-	1	-	-	-	1	-	1
Total comprehensive income for the period	-	-	1	-	59	(621)	(561)	342	(219)
Transactions with owners recorded directly in equity:									
Issue of shares in the period	2	61	-	-	-	-	63	-	63
Share-based payments	-	-	-	-	-	83	83	-	83
Total transactions with owners	2	61	-	-	-	83	146	-	146
Balance as at 30 September 2021 - restated*	3,381	63,319	657	106	1,151	12,872	81,486	13,756	95,242

*Details of the restatement, which is unaudited, are presented in note 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30.09.22 (unaudited) £000's	As at 30.09.21 (unaudited) £000's Restated*	As at 31.03.22 (audited) £000's
Non-current assets				
Intangible assets	8	35,058	34,126	34,304
Property, plant and equipment		4,835	2,220	3,465
Investment property		227	305	227
Right-of-use assets		1,635	1,275	1,773
Investments		264	229	212
Deferred tax assets		523	352	523
Total non-current assets		42,542	38,507	40,504
Current assets				
Inventories		32,853	26,492	30,142
Trade and other receivables		24,832	27,252	25,969
Income tax recoverable		1,598	3,358	1,596
Other taxes and social security		801	748	1,075
Cash and cash equivalents		12,883	22,892	14,314
Total current assets		72,967	80,742	73,096
Total assets		115,509	119,249	113,600
Current liabilities				
Trade and other payables		(13,242)	(18,466)	(12,954)
Provisions		(4,512)	(2,333)	(3,875)
Income tax		(351)	(1,683)	(224)
Other taxes and social security		(481)	(47)	(239)
Amounts due under leases		(97)	(874)	(397)
Dividends		(50)	(50)	(50)
Total current liabilities		(18,733)	(23,453)	(17,739)
Net current assets		54,234	57,289	55,357
Total assets less current liabilities		96,776	95,796	95,861
Non-current liabilities				
Amounts due under leases		(1,677)	(554)	(1,513)
Total assets less total liabilities		95,099	95,242	94,348
Equity				
Capital and reserves				
Issued share capital		3,381	3,381	3,381
Share premium account		63,319	63,319	63,319
Revaluation reserve		657	657	657
Other reserves		106	106	106
Foreign exchange reserve		2,369	1,151	2,188
Retained earnings		13,913	12,872	12,413
Shareholders' funds		83,745	81,486	82,064
Non-controlling interests		11,354	13,756	12,284
Total equity		95,099	95,242	94,348

*Details of the restatement, which is unaudited, are presented in note 3.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months		Year ended
	to 30.09.22	to 30.09.21	31.03.22
	(unaudited)	(unaudited)	(audited)
	£000's	£000's	£000's
		Restated*	
Cash flows from operating activities			
Profit/(loss) before income tax	3,039	472	1,389
Adjustment for:	-	-	-
Finance income	(42)	(83)	(190)
Finance cost	137	172	284
Foreign exchange (gain)/loss	(2,573)	(654)	(989)
Depreciation	162	215	455
Amortisation of right-of-use assets	196	198	398
Revaluation of investment property	-	-	78
Amortisation of intangible assets	546	586	1,140
Impairment of intangible assets	-	2,085	2,085
Share of associate's results	(51)	(47)	(43)
Share based payment charge	175	83	342
Operating cash flows before movements in working capital	1,589	3,027	4,949
Change in inventories	(1,671)	(5,660)	(8,585)
Change in receivables	4,153	5,217	7,630
Change in payables	(1,593)	3,091	(2,868)
Change in provisions	502	376	1,392
Cash generated from operations	2,980	6,051	2,518
Finance costs	(71)	(68)	(106)
Income tax	(1,039)	(2,288)	(2,960)
Net cash from/(used in) operating activities	1,870	3,695	(548)
Cash flows from investing activities			
Acquisition of property, plant and equipment	(1,255)	(223)	(1,624)
Disposal of property, plant and equipment	-	1	3
Purchase of intangibles	(1,300)	(689)	(1,263)
Finance income	40	83	190
Net cash (used in)/from investing activities	(2,515)	(828)	(2,694)
Cash flows from financing activities			
Proceeds from issue of share capital	-	62	63
Interest paid on lease liabilities	(67)	(67)	(111)
Principal paid on lease liabilities	(202)	(195)	(371)
Dividends paid	(1,810)	-	(2,886)
Net cash (used in)/from financing activities	(2,079)	(200)	(3,305)
Net increase/(decrease) in cash and cash equivalents	(2,724)	2,667	(6,547)
Foreign exchange movements	1,293	702	1,338
Balance at the beginning of the period	14,314	19,523	19,523
Balance at the end of the period	12,883	22,892	14,314

*Details of the restatement, which is unaudited, are presented in note 3.

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2022

1. Basis of preparation

The financial information for the period to 30 September 2022 does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006. It has been prepared in accordance with the accounting policies set out in, and is consistent with, the audited financial statements for year ended 31 March 2022.

The Group applies revised IAS 1 "Presentation of Financial Statements (2007)". As a result, the Group presents all non-owner changes in equity in consolidated statements of comprehensive income and all owner changes in equity in consolidated statements of changes in equity.

This Interim Statement has not been audited or reviewed by the Group's auditors.

2. Statement of compliance

This Interim Statement is prepared in accordance with IAS 34 "Interim Financial Reporting". Accordingly, whilst the Interim Statement has been prepared in accordance with IFRS, and the primary statements follow the format of the annual financial statements, only selected notes are included - those that provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual reporting date. IAS 34 states a presumption that anyone who reads the Group's Interim Statement will also have access to its most recent annual report. Accordingly, annual disclosures are not repeated in this Interim Statement.

3. Changes to significant accounting policies and other restatements

The principal accounting policies which are adopted by the Group in the preparation of its financial statements are set out in the consolidated financial statements of the Group for the year ended 31 March 2022. These policies have been consistently applied to all prior years. Where necessary, and as detailed in the consolidated financial statements of the Group for the year ended 31 March 2022, any corrections to the application of the Group's accounting policies to comply with International Financial Reporting Standards have been made as restatements of prior period financial statements for the correction of errors in accordance with IAS8. The Group's accounting policies have been consistently applied in accordance with IFRS continued into the six months ended 30 September 2022.

For the March 2022 Annual Report and Accounts, the Group became 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 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 seven 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.

Full details are given in the Annual Report and Accounts for the year ended 31 March 2022, but the financial effect on the interim consolidated financial statements is summarised below.

Impact on the Balance Sheet and Income Statement

Balance sheet	As reported as at 30.09.21	Adjustment to reserves	Adjustment through Income Statement	As restated as at 30.09.21
Net assets:	£000's	£000's	£000's	£000's
Deferred tax assets	134	287	(69)	352
Provisions	-	(1,921)	(412)	(2,333)
Reserves:				
Foreign exchange reserve	726	425	-	1,151
Retained earnings	15,412	(2,059)	(481)	12,872

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2022 (Continued)

3. Changes to significant accounting policies and other restatements (continued)

Income Statement	As reported for 6 months ended 30.09.21	Adjustment	As restated for 6 months ended 30.09.21
	£000's	£000's	£000's
Cost of sales	(20,959)	(376)	(21,335)
Net finance cost	(53)	(36)	(89)

Income tax	(759)	(69)	(828)
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4. **Revenue** is derived from the Group's animal pharmaceutical businesses.

5. Principal risks and uncertainties

The principal risks and uncertainties relating to the Group were set out on pages 20-22 of the Group's Annual Report and Accounts for the year ended 31 March 2022. The key exposures are to foreign currency exchange rates, potential delays in obtaining marketing authorisations, single sources of supply for some raw materials, disease impact on growth, and trade debtor recovery and have remained unchanged since the year end.

6. Earnings per share

	Six months to 30.09.22 (unaudited)	Six months to 30.09.21 (unaudited) Restated	Year ended 31.03.22 (audited)
Weighted average number of shares in issue (000's)	67,722	67,712	67,717
Fully diluted weighted average number of shares in issue (000's)	68,071	67,712	67,717
Profit/(loss) attributable to equity holders of the company (£000's)	1,325	(621)	(686)
Basic earnings/(loss) per share (pence)	1.96	(0.92)	(1.01)
Diluted earnings/(loss) per share (pence)	1.95	(0.92)	(1.01)

Diluted earnings per share takes into account the dilutive effect of share options. As the Group's result for the six months ended 30 September 2021 and the year ended 31 March 2022 were losses, there was no dilutive effect on the earnings per share in those periods.

7. Taxation

The effective rate of the tax charge in the six months to 30 September 2022 is 31%, which is lower than the effective rate in the six months to 30 September 2021 of 175%. This reflects non-deductible tax expenses during the prior period, of which the impairment of intangibles was the most significant.

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2022 (Continued)

8. Intangible non-current assets

Group	Goodwill	Distribution rights	Drug registrations, patents and licence costs	Total
	£000's	£000's	£000's	£000's
Cost				
At 1 April 2021	17,930	407	23,963	42,300
Additions	-	-	689	689
Impairment	-	-	(2,092)	(2,092)
At 30 September 2021	17,930	407	22,560	40,897
Additions	-	-	732	732
At 31 March 2022	17,930	407	23,292	41,629
Additions	-	-	1,300	1,300
At 30 September 2022	17,930	407	24,592	42,929
Amortisation				
At 1 April 2021	-	139	6,053	6,192
Charge for the period	-	9	577	586
Written back on impairment	-	-	(7)	(7)
At 30 September 2021	-	148	6,623	6,771
Charge for the period	-	10	544	554
At 31 March 2022	-	158	7,167	7,325
Charge for the period	-	10	536	546
At 30 September 2022	-	168	7,703	7,871
Net Book Value				
At 30 September 2022	17,930	239	16,889	35,058
At 31 March 2022	17,930	249	16,125	34,304
At 30 September 2021	17,930	259	15,937	34,126
At 1 April 2021	17,930	268	17,910	36,108

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 period to September 2021 there were indications that certain development projects for which costs have previously been capitalised were unlikely to achieve technical success or commercial viability. The capitalised costs in respect of these projects were impaired through the income statement during the period to 30 September 2021.

NOTES TO THE PRELIMINARY RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2022 (Continued)

This financial information was approved by the board on 23 November 2022.

This interim statement is available on the Group's website.

DIRECTORS AND OFFICERS	Andrew Jones	(Non-Executive Chairman)
	David Hallas	(Chief Executive)
	Chris Wilks	(Chief Financial Officer)
	Tracey James	(Non-Executive Director)
	Frank Armstrong	(Non-Executive Director)

REGISTERED OFFICE	78 Coombe Road, New Malden, Surrey, KT3 4QS Tel: 020 8447 8899
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COMPANY NUMBER	01818170
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INFORMATION AT	www.ecoanimalhealthgroupplc.com
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