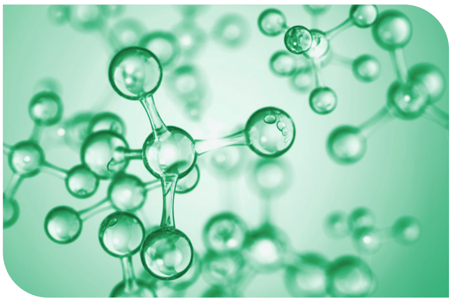


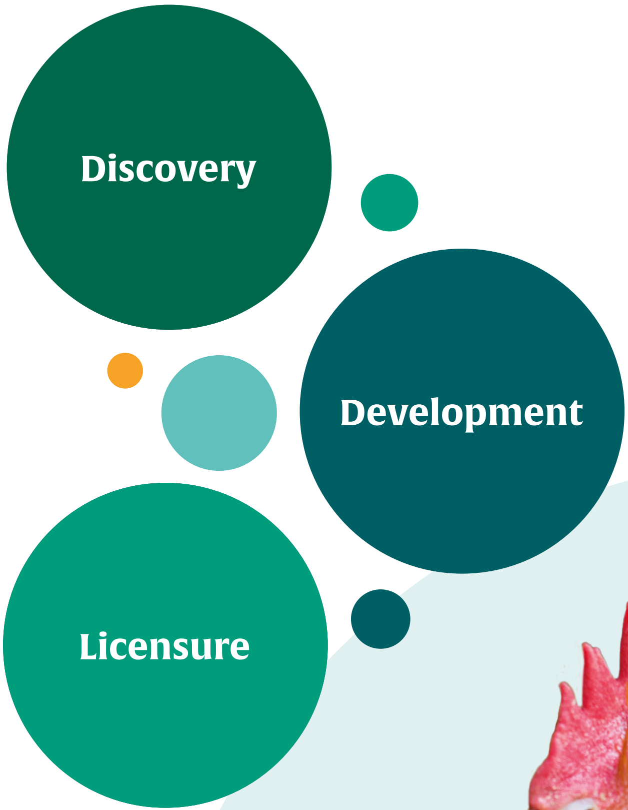
Improving Animal Health
for a Sustainable Future

ECO Animal Health Group plc
Annual Report 2024

OUR PURPOSE

Driving animal health innovation for a sustainable future

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



Our Mission

ECO Animal Health strives to provide best in class, scientifically proven, ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry.

Our Vision

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 Values

Our Values fall under the ‘3 C’s’ of:

- **Collaboration**: we recognise and are respectful of everyone’s contributions and skill sets. We invest in relationships and build trust.
- **Commitment**: we’re committed and accountable to building long lasting and productive relationships with our internal and external clients. We set a high professional standard and deliver on our promises and goals.
- **Curiosity**: we constantly review and improve. We are innovative and continuously learning.

Read more about our Innovation on page 08

Financial highlights

Adjusted EBITDA
£8.0m

2024	£8.0m
2023	£7.2m

Adjusted EBITDA margin
9.0%

2024	9.0%
2023	8.5%

Earnings per share
1.55p

2024	1.55p
2023	1.49p

Net cash
£22.4m

2024	£22.4m
2023	£21.7m

- Revenue in-line and adjusted EBITDA ahead of market expectations
- Group sales increased by 5% to £89.4m
  - North America growth 22%
  - Latin America growth 10%
- Constant currency revenue increased by 11% to £94.5m
- North America, Latin America contributing a growing share of Group revenues
- Gross margin declined to 42% (2023: 45%) due to currency volatility
- Research and development expenditure £8.3m (2023: £8.3m), as planned
- Net cash at the end of the period £22.4m (2023: £21.7m), reinforcing the Group's strong balance sheet with 36% of cash held outside China (2023: 19%)
- RCF facility (£10m) and overdraft (£5m) available and undrawn

Operational highlights

- Aivlosin® demand continues to be robust in key markets, with particular strength in the Americas
- The Group has continued to streamline its operating structure and pipeline focus with the disposal of Ecomectin® Horsepaste to ACME Drugs S.r.l in Italy for €1.3m
- Continuing positive progress towards regulatory filing for poultry mycoplasma vaccine ECOVAXXIN®, on track for first launch in 2025
- Broader progress across R&D pipeline, with 9 products expected to reach US and EU approval in the next 5 – 6 years

Post year end highlights

- Targeted recruitment underway to support commercial growth
- Appointment of two distribution partners in South East Asia to support commercial operation
- Continued progress in building regulatory approval/label extension for Aivlosin®

Visit our website

In this report

Strategic Report

Governance

Financial Statements

AT A GLANCE

Shaping the future of swine & poultry prevention with robust portfolio and pipeline

Who we are

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

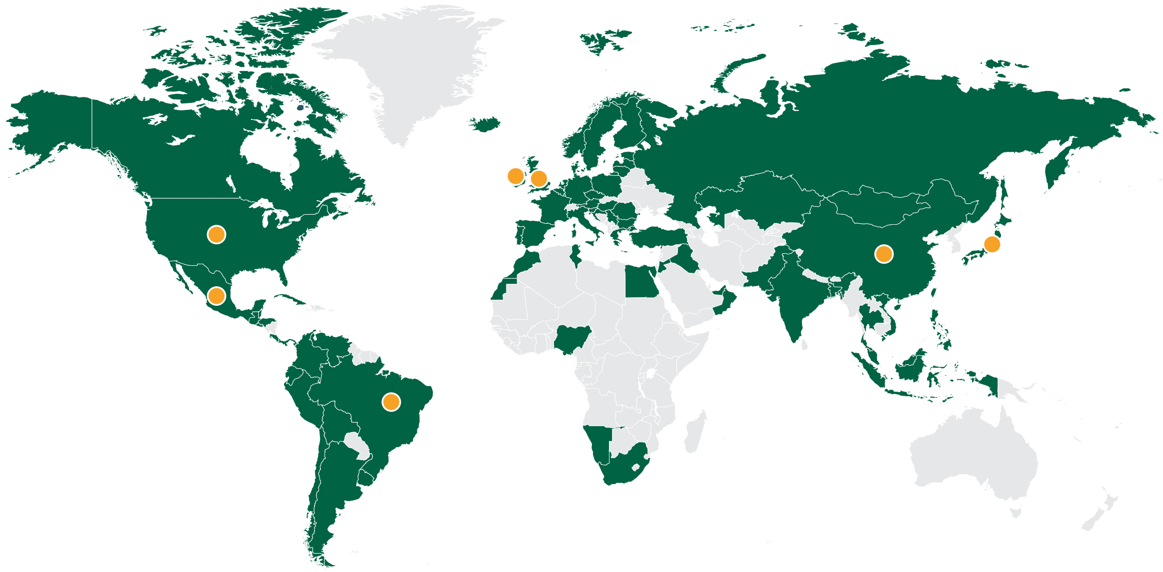
What we do

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

How we operate

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

Our global presence



ECO Animal Health offices

BRAZIL
ECO Animal Health Do Brasil Comércio de Productos Veterinarios Ltda.

UK
ECO Animal Health

MEXICO
ECO Animal Health de Mexico.

CHINA
Zhejiang ECO Biok Animal Health Products Limited

JAPAN
ECO Animal Health Japan Inc.

USA
ECO Animal Health USA Corp

IRELAND
ECO Animal Health Europe Limited

Key: Licences for Aivlosin®/Valosin® | Offices

Licences
224

Employees
227

Countries
75

Customers
174

Our future aims

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

Road to success

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

Become less dependent on Aivlosin® (which generates over 80% of our revenues).

Develop new products and markets to drive future growth.

Enter the poultry space in the US and other major poultry markets.

Secure the manufacturing of existing and future products.

Mature as a team and organisation, understanding the ambitions of the employees and aligning them with the ambitions of the Company.

ECO facts

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

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

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

ECONOMICS

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

ECOSYSTEM

We are a community, interacting harmoniously and effectively together.

RECOGNITION

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

RECOMMENDATION

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

RECONSTRUCT

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

RECONCILE & RECOVER

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

BECOME

We aim high and will continue to achieve and aspire.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S COMBINED STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

Andrew Jones
Chairman

David Hallas
Chief Executive Officer

ECO Animal Health Group plc strives to provide best in class, scientifically validated, ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry.

Operational Review Overview

We are pleased to report on another positive year for the Group, with growing revenues and profitability driven by sustained demand for our products in key territories. This has been achieved despite currency headwinds and volatility that have impacted our sector globally throughout the period, influenced by several factors including fluctuations in pork prices in Asia and inflationary pressure. We are especially pleased to have maintained financial momentum and growth while continuing to invest heavily in our promising R&D pipeline, which we believe has significant potential to drive future growth and value for shareholders.

Strong product sales and robust profitability

Total revenues for the period increased to £89.4m (2023: £85.3m), benefiting from strong performance in the second half of the year. This was driven primarily by the growth of sales of Aivlosin®, the Group's patented antimicrobial used under veterinary prescription for the treatment of economically important respiratory and gastrointestinal diseases in pigs and poultry. Aivlosin® saw sales of £82.4m, an increase of 9% compared to last year (2023: £75.9m). Sales of our parasite solution range, Ecomectin® were £3.3m (2023: £3.6m) with sales of all other products of £3.7m (2023: £5.8m).

ECO generated particularly strong growth in North America +22% with the USA performing robustly, Latin America +10% where Brazil and Mexico grew +13% and +11% respectively. South and South East Asia delivered +4% growth. The presence of ECO in all major swine and poultry producing countries globally helps to mitigate the impact from individual market conditions.

Gross margin was at 42.1% (2023: 45.0%), impacted by currency movements. EBITDA increased to £8.0m (2023: £7.2m).

Research and development pipeline and regulatory progress

The Board has dedicated significant efforts to the progression of the Group's R&D pipeline, which we believe will be a critical driver of future growth. We are pleased with the progress made across the portfolio, having committed substantial investment into R&D throughout the year, with £8.3m spent this year (2023: £8.3m), the increased spend reflecting the clinical and regulatory costs of our maturing late-stage projects.

"I am delighted that the Group has performed robustly, with encouraging growth in revenues and profitability whilst also significantly improving our cash position.

David Hallas
Chief Executive Officer

As part of our strategy of advancing our R&D pipeline, we received trademark approval for the ECOVAXXIN® family in the EU, offering extensive protection in key markets for animal health products including the first two planned products, ECOVAXXIN® MS, a vaccine against *Mycoplasma synoviae*, and ECOVAXXIN® MG, a vaccine against *Mycoplasma gallisepticum*. This supports ECO's plan for multiple product launches and sales growth in key territories, expected to commence in 2025 and continue over the next decade.

Over the period the Group reported key regulatory progress. We received notification from the U.S. Department of Agriculture that we had successfully completed key safety studies for our future ECOVAXXIN® MS poultry product. We also received additional label claims for Aivlosin® in the key US and Canadian markets, having received a new 'sow safety' indication from the US Food & Drug Administration (FDA) with female swine intended for breeding, opening another market segment.

In addition, having engaged and worked alongside an experienced Contract Manufacturing Organisation (CMO) we have further advanced our new biological products including ECOVAXXIN® MS and MG.

Collaborations and partnerships

With strong partnerships and collaborations with prestigious institutions, the Group is well poised to further enhance its R&D programme and we look forward to updating the market with our progress.

Disposal of non-core assets

During the period we disposed of freehold properties including our former registered office in New Malden and another freehold property in Mitcham. This has freed resources and given us additional capital to further advance the Group's growth aspirations, including a share buyback programme, to cover possible future vesting of employee share-based incentives.

Post period we successfully disposed of our non-core product line Ecomectin® Horsepaste to ACME Drugs S.r.l. in Italy for a total consideration of €1.3m (£1.1m). In addition, ACME Drugs S.r.l. has purchased the stock on hand at cost and taken over fulfilment of the current order book. This will allow ECO to continue to focus on its core product range of treatment and prevention of disease in pigs and poultry, and further advance the Group's R&D pipeline.

People

On behalf of the Board we would like to thank our team across the globe for their hard work and commitment over the year. Our staff have shown great professionalism and ingenuity in supporting our customers, partners and other stakeholders during what has been another successful year.

The wellbeing of our staff is our highest priority. Our inaugural Group-wide engagement survey undertaken last year was a great success and the feedback received has enabled us to implement a number of initiatives to benefit our staff, the working environment at ECO and the business as a whole. We are pleased that the second survey, undertaken this year, has shown a improvement in the overall satisfaction of our employees. We look forward to building on this momentum over the coming years. We were also pleased to achieve the highest possible ESG rating score with Integrum ESG.

In line with its ongoing strategy, the Group has continued to strengthen the research and development and Commercial teams through strategic new hires including strengthening our scientific, development and laboratory capabilities and our geographic commercial reach.

Dividend

ECO's current investment strategy is to reinvest to support its exciting R&D pipeline, which the Board believes will become the core driver of revenue growth in the medium to long term and will create significant shareholder value. As such, no dividend will be recommended in respect of the year ended 31 March 2024. The Board keeps this under review as it recognises the value of dividends to shareholders.

Outlook

Aivlosin® continues to perform robustly and to take market share in key territories particularly North America, Latin America and India, which are ahead of expectations and where we expect to continue to increase our market share in the coming months. These fast-growing regions are contributing a growing share of Group revenue. Meanwhile, there is evidence of an improvement in the pork price in China. We maintain tight control on costs.

In line with our usual seasonal trading pattern, we currently expect financial year 2025 to be second half weighted.

The Group continues to build a strong R&D pipeline from which we see the potential to deliver medium and long-term growth. We expect the ECOVAXXIN® pipeline to generate multiple product launches from 2025 and look forward to updating the market as we advance towards launch.

Dr Andrew Jones
Non-Executive Chairman

David Hallas
Chief Executive Officer

12 July 2024

SOLUTIONS

Pioneering products that enhance the lives of farm livestock

Our products

Our company holds marketing authorisations in over 70 countries with plans for further growth. Our products reach producers and animal owners through a mixture of third-party distribution, ECO subsidiaries and joint ventures in key food producing markets and direct to major integrators via a key account management approach.

Aivlosin®/Valosin® Solutions

Aivlosin® is a proprietary, patented medication which is effective against both respiratory and enteric diseases in pigs and poultry. As a next generation antibiotic, it meets current guidelines for responsible use of antimicrobials and the needs of the more demanding consumer while being economically beneficial to the producer. Aivlosin® is available only through veterinary prescription.

Learn more at ecoanimalhealth.com/solutions/the-aivlosin-solution/

Parasite Solutions

Internal and external parasites can cause a variety of health problems in all animals. ECO Animal Health offers a range of products to treat parasites in cattle, sheep and pigs under the brand name Ecomectin®.

Learn more at ecoanimalhealth.com/solutions/parasite-solutions/

ECO R&D at a glance

Innovation

Discovery

Development

Licensure

Investing for success

2023 budget

£9.7m

+ £829k on R&D Lab

Active globally

Learn more on page 02

Process supporting people

Learn more on page 17

New products

ECO Animal Health is proactively researching and developing innovative new solutions to enhance the lives of pigs and poultry.

These new products are being developed in collaboration with our research partners and focus specifically on respiratory and enteric diseases in pigs and poultry to improve their health, welfare and subsequently profitability on-farm.

Upcoming products

- Ecovaxxin® MG
- Ecovaxxin® PCV2/MHP
- Novel Antimicrobial
- PRRSV Vaccine

R&D Pipeline

Early Stage Assets

Clinical Stage Assets

Late Stage Assets

INNOVATION

Innovative New Products

ECO Animal Health is proactively researching and developing innovative new solutions to enhance the lives of pigs and poultry.

New Products

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Learn more at https://ecoanimalhealth.com/solutions/new-products/

CASE STUDY

A rationale for preventing poultry mycoplasmosis for health, welfare and profit

Mycoplasma infections affect poultry around the world. The main bacteria responsible are *Mycoplasma gallisepticum* (MG) and *Mycoplasma synoviae* (MS).

Mycoplasmosis remains one of the most economically important diseases, reducing the health and welfare of affected birds and negatively impacting production and profitability in broiler, layer, and breeder flocks.

MG can cause chronic respiratory disease (CRD), which is commonly complicated further in the presence of other bacteria and viruses, and mortality. Along with reduced feed efficiency, poor uniformity, delayed and reduced egg production and decreased egg hatchability, MG results in estimated, avoidable losses to the global poultry industry of at least USD 780m annually[1].

MS causes synovitis and air sacculitis in birds. The reduction of saleable eggs is caused directly and indirectly by reduced layer flock uniformity, delayed egg production, Eggshell Apex Abnormality and diminished overall egg quality. In addition, MS can lead to reduced feed efficiency and increased mortality. MS infection has been reported to cause a 5-10% egg reduction and hatchability reduction of 5-7% in MS-infected breeder flocks[2].

If birds become infected and sick, they require antibiotic treatment. These precious resources are threatened by the global risk of Antimicrobial Resistance (AMR) and responsible antibiotic stewardship dictates they should be used as little as possible but as much as necessary.

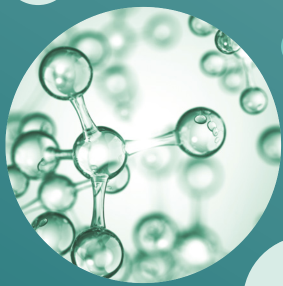
By the time clinical signs are visible, mycoplasma infection may have spread to in-contact birds, damage has likely already occurred and feed certainly consumed and wasted. Medication costs combine with reduced feed efficiency and performance losses to negatively impact profit.

For health, welfare and profit, mycoplasma prevention has benefits over treatment alone.

Common mycoplasma prevention and control options include elimination programmes, tactical antibiotic courses and optimised management, including good biosecurity, the best genetics, ideal nutrition and good stockmanship.

A vital prevention option is vaccination and, while not possible for all diseases, vaccines are effective for MG and MS. The investment in cost and labour when vaccinating flocks is paid back with increased performance, whether in meat-producing or egg-laying birds, and cost savings on medication for sick birds and feed not used efficiently due to illness.

For flock health and welfare and producer profitability, the proactive investment in mycoplasma management and vaccination programmes pays back in dividends over waiting to treat disease when it occurs.



> **"For health, welfare and profit, mycoplasma prevention has benefits over treatment alone.**

References:

1. Hennigan, S.L. et al. 2011. Detection and Differentiation of Avian Mycoplasmas by Surface-Enhanced Raman Spectroscopy Based on a Silver Nanorod Array. Applied and Environmental Microbiology.
2. L Stipkovits, L. and Kempf, I. 1996. Mycoplasmoses in Poultry. Rev Sci Tech.

INVESTMENT CASE

Investing for success

Why ECO

ECO Animal Health is a British company with a global presence, focused on providing solutions to economically important respiratory and enteric diseases in pigs and poultry.

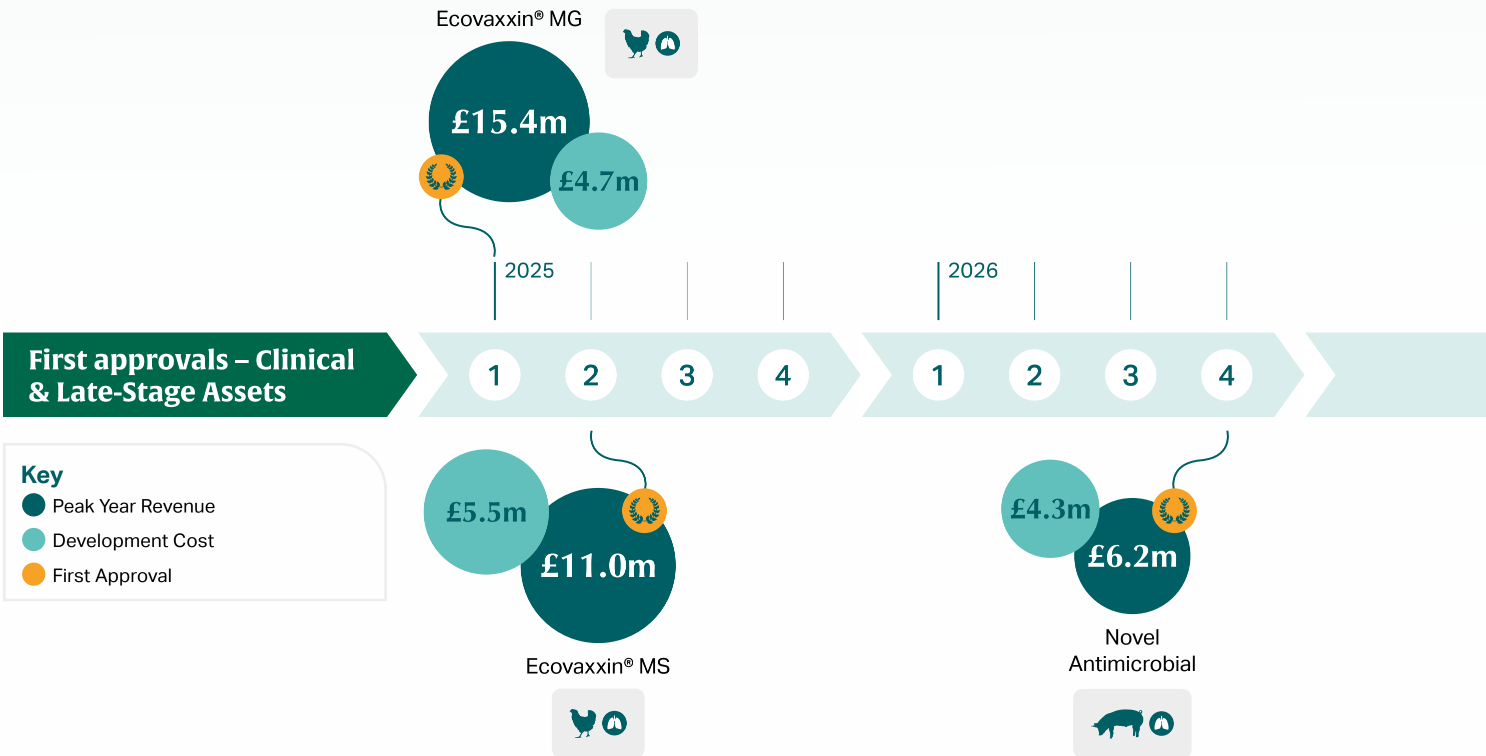
Our products and knowledge improve the health and welfare of pigs and poultry. Our commitment to our customers is to provide them with products of a consistently high quality supported by customer-focused teams.

As an integrated solution provider, ECO Animal Health is pursuing biologicals for pigs and poultry to complement its therapeutic offering against important pathogens.

Increase of
1116%
in ECO Innovation fund between 2017 & 2023

Sales spent on R&D
~10%

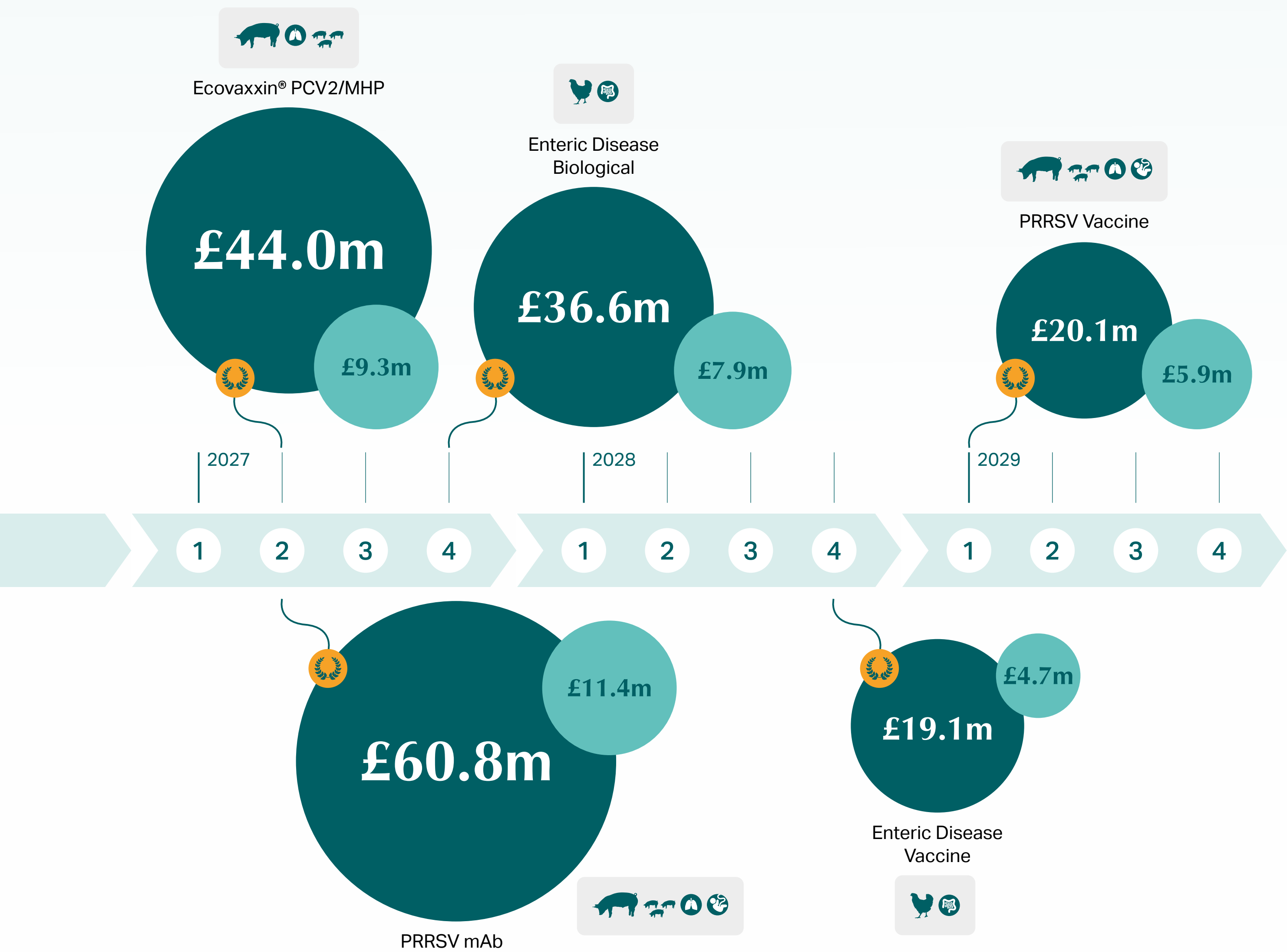
Increased R&D expenditure commensurate with maturing pipeline



Reasons to invest

1. Aivlosin® - Blockbuster drug gaining market share delivers earnings growth and cashflow
2. Aivlosin® Water Soluble formulation drives growth as producers move away from prophylactic treatments
3. Uniquely focussed on Swine and Poultry – two of the fastest growing production animal segments
4. New vaccines and biologicals in development add further growth starting in 2 years
5. R&D programme fully funded from cashflow; undrawn banking facilities, strong balance sheet
6. M&A likely

Find out more about our operations on pages 04 and 05



ESG

Our commitment to sustainability is an integral part of ECO

ECO is committed to embedding sustainability into its business dealings at the highest standards. ECO recognises the value of incorporating the principles of Environment, Social and Governance (ESG) into everything we do and significant progress was made in the area in 2023-2024.

A key undertaking this year was a Materiality Analysis, in consultation with the Sustainability Accounting Standards Board (SASB) topics. This large project elaborated the internal and external views of global ECO stakeholders through comprehensive investor, distributor, customer and ECO leadership and staff interviews to inform the ongoing development of ECO's ESG strategy.

The analysis identified the top 5 material topics as product quality and safety, regulatory compliance, transparency and disclosure, community engagement and innovation.

Other material risks included environmental impact, sustainable product development, supply chain responsibility, risk management, animal welfare, diversity and inclusion, resource management and training and development. Both ethical leadership and an integrity-based organisational culture featured strongly in all interviews within the study.

The materiality matrix is shown on the next page.

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

SUSTAINABLE DEVELOPMENT GOALS

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

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

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

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

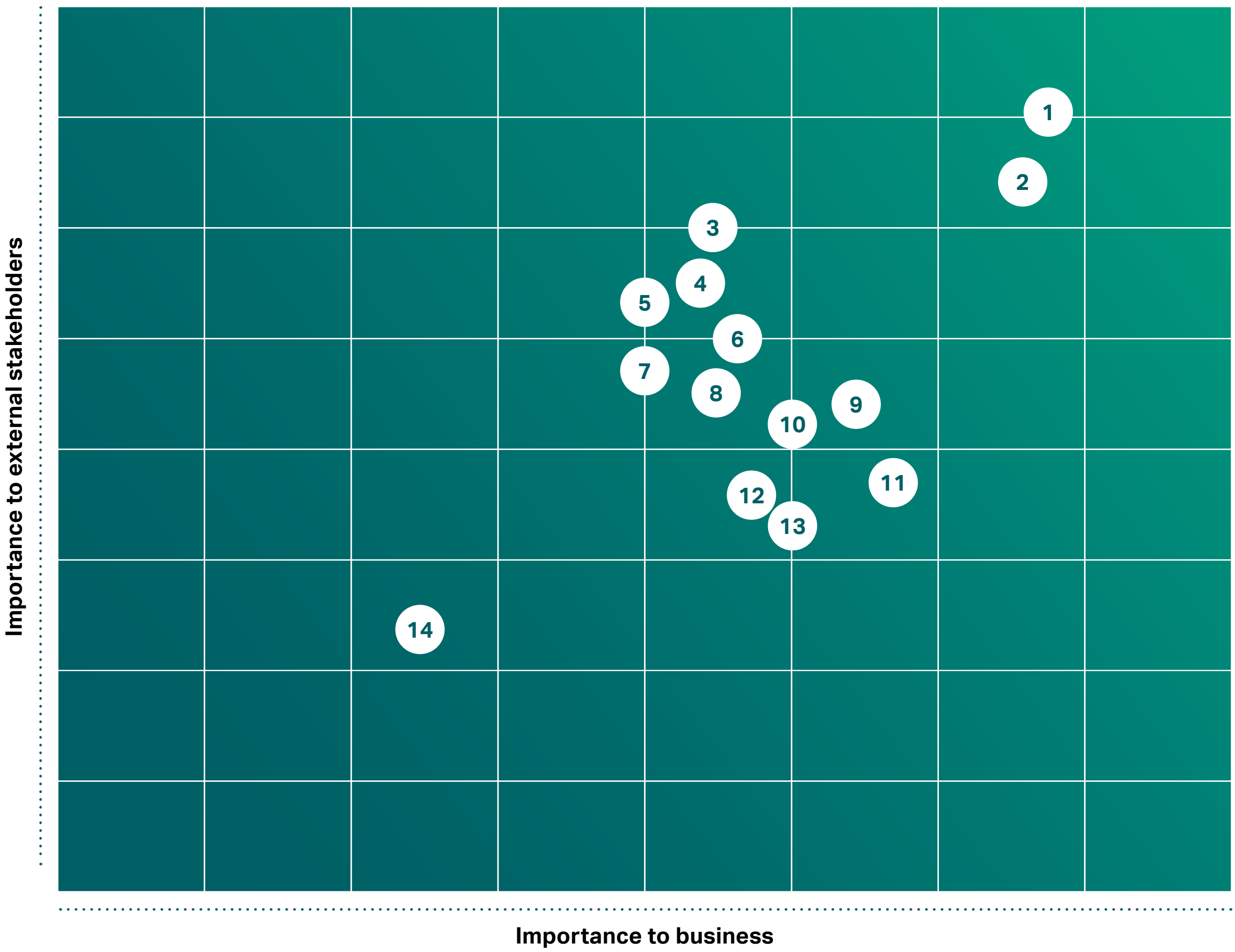
Decent Work and Economic Growth.
ECO staff experience work and development opportunities, customers are supported with training and knowledge to better their businesses and we develop upstream and downstream partnerships and employment to suppliers and distributors.

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

ECO intends to continue our focus on the Environment and DEI:

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

Materiality map



1. Product quality & safety
2. Regulatory compliance
3. Transparency & disclosure
4. Community engagement
5. Animal welfare
6. Ethical business conduct & leadership
7. Research & development
8. Risk management
9. Sustainable product development
10. Resource management
11. Supply chain responsibility
12. Environmental impact
13. Training & development
14. Diversity & inclusion

ESG CONTINUED

Our commitment to the environment

Environment

We are committed to making a fair contribution to reducing the potential of our business operations on the environment and have made continued progress in 2023-2024.

Energy Used for Offices and Business Miles: Southgate, UK:

The three key projects for reducing energy use in the UK offices were completed as planned in 2023-2024. The New Malden Office, which consumed electricity and natural gas while empty, was sold in January 2024. The switch to a green energy supplier, Engie, in the Southgate office took place in May 2024; they provide 100% UK-sourced and certified Green Gas supply and proof through the Green Gas Certification Scheme. Last year's energy audit indicated that lowering the temperature in the on-site server room would increase energy efficiency and this was actioned in February 2024 by altering the air conditioning to 23°C. Installation of a smart meter will enable monitoring of real-time electricity use and may identify opportunities for reduction. The Group's Head Office (Southgate, London, UK), made major improvements to the availability of recycling facilities, use of recycled consumables and avoidance of single-use plastics last year and these continue in 2023-2024. Confidential paper continues to be collected, shredded and recycled. Batteries, including laptop batteries, are recycled. No ECO IT equipment was collected for refurbishment or recycling in 2023-2024.

Cars:

The Group intention from 2023-2024 is that every UK and European car renewal is carbon neutral or the employee is moved to a salary swap scheme. While this wasn't achieved during the 2023-2024 reporting period, we plan to secure new fleet partners that offer sustainable company car options in the next financial year.

Table 1: Office energy use

Year ended 31 March

	2023-2024 (kWh)	2022-2023 (kWh)	% change
Southgate office	**28,968**	30,032	-4%
New Malden office	**11,451**	28,278	-60%
Japan	**8,779**	9.049	-3%
China	**4,582**	3,687	24%
Brazil	**2,430**	2,758	-12%
US	**72,945**	–	–

Table 2: Business miles driven (company and private cars)

	2023-2024 (tCO_2e)	#cars driving business mileage	tCO_2e/car
UK	**26.4**	17	1.55
Japan	**0.1**	3	0.03
Brazil	**23.1**	4	5.78
Mexico	**7.2**	7	1.03
Europe	**10.4**	13	0.80
LATAM	**0.69**	1	0.69
SE ASIA	**9.9**	7	1.41
USA	**4.6**	7	0.66

Energy use:

Further progress has been achieved in the collection of data for energy consumed and tonnes of CO2 emitted at offices and business mileage in the UK and Rest of the World as shown below.

Graph 1: kWh consumed ('000s)

Combined Scope 1 & Scope 2 kWh ('000s) per employee

Total Scopes 1 & 2 ('000s)

131.4

2023: 93.9

 # Employees

101

2023: 101

kWh ('000s) per employee

1.3

2023: 0.9

Graph 2: Total tCO_2e emitted

Combined Scope 1and Scope 2 tCO_2e emissions per employee

Total Scopes 1 & 2 ('000s)

32.0

2023: 21.7

 # Employees

101

2023: 101

tCO_2e per employee

0.3

2023: 0.2

ESG CONTINUED

Environment continued

Manufacturing and suppliers:

ECO works with many manufacturing and supplier business partners and has prioritised the largest in each group to begin to measure upstream and downstream energy use and emissions. There is a plan in place to expand our collaboration with additional manufacturers and suppliers during the next financial year to better understand their energy use and emissions. Having completed the first full year of finished goods manufacture in the new production plant, for the Chinese market, ECO's Chinese joint venture ECO-Biok has collected baseline data for the following key environmental parameters which revealed:

- 1.14 GWH of electricity was consumed.
- Water intake was 14,725m³. No water discharge is created during the manufacturing process but 1,732m³ of wastewater resulted from the washing of manufacturing equipment. This wastewater is treated by an external company according to the law and regulations.
- 6.8 tons of non-hazardous waste was collected for treatment and 2.5 tons of hazardous solid waste was collected and incinerated by a qualified company.

ECO's largest supplier is the manufacturer of tylvalosin, the active pharmaceutical ingredient (API) in Aivlosin®. During the period 2020-2023, total energy consumption was reduced by 31,273 tons of standard coal. We had a metric to reduce energy consumption/turnover by 3% but as a result of price volatility this was not possible in 2023-2024; however, the total energy consumption reduction is in line with our intention to reduce the Group's environmental impact. Further progress was made in energy conservation and emission reduction measures, including the completion of the Photovoltaic Power Generation Project expected to generate 10 million kWh of electricity, saving 1,500 tons of standard coal annually, and the installation of a second energy-saving air compressor expected to save 3,000 tons of standard coal.

Two ongoing projects, installation of photovoltaic power generation equipment above the sewage pool expected to generate electricity of about 7 million kWh/year and installation of magnetic energy-saving motors in the fermentation workshop, are scheduled for completion in 2024. The overall outcome of these initiatives is to achieve a reduction in emissions in line with our overarching business objectives.

Operations:

The Group made good progress on the three focus areas in the operations function. Shipping routes for 2023-2024 were similar to those for last year's baseline and indicated that over 90% of pallets shipped from the Group's global contract facilities were via land/road or sea routes rather than by air. A system for determining the extent to which recyclable/recycled secondary packaging is used was put in place for the 2023 calendar year and will be further developed and acted on in the upcoming financial year. 30,347 kg of secondary packaging materials were used; of these, 23,372 kg (77%) were deemed recycled and/or recyclable. During the 1st transition year from HDPE to PET containers for Ivermectin Injectable formulations, 37% of the total volume sold was in PET containers. This reduced the less recyclable HPDE plastic containers from 100% to 66% of Kg of HDPE used/total litres of Ivermectin Injection sold (Kg/L).

ESG CONTINUED

Our focus is on gender parity, ethnic diversity and employee engagement

Social

ECO recognises the value of gender diversity in business.

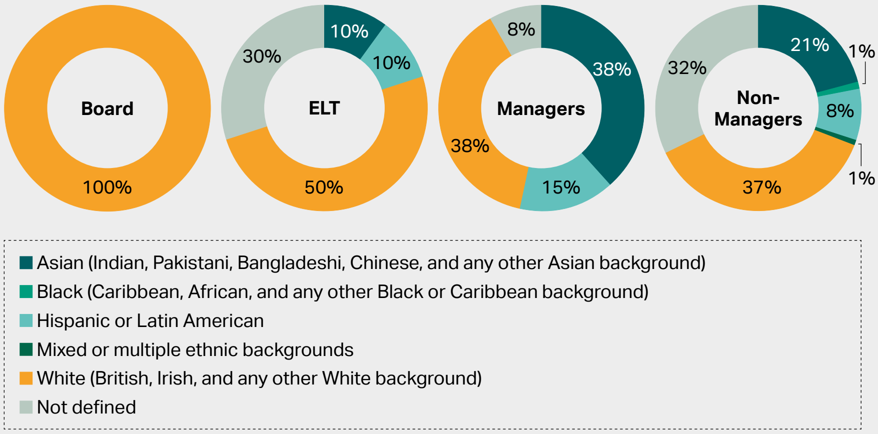
In 2023-2024, the gender ratio at Board and ELT levels remained skewed towards men, at 17:83% and 20:80%, respectively. For managers, the gender ratio is also skewed towards men while for non-managers the gender ratio has shifted from a slight skew towards women to one towards men. ECO has a small workforce of 101 (this figure does not include all subsidiaries' employees), so changes in small numbers of individuals can lead to large percentage changes.

ECO honoured its commitment to support an ECO Women's Employee Resource Group which was established in early 2024 to create a supportive and empowering space for women to collaborate, advocate and drive initiatives that promote inclusivity and equality. To date, the group has proposed the new Menopause policy which has been adopted and implemented to support menopausal age women. ECO commits to improving gender diversity across all regions, levels and functions of the Group through a combination of recruitment, retention and training programmes.

In 2023-2024, ethnicity data was retrieved from the HR Software programme and is summarised on the right.

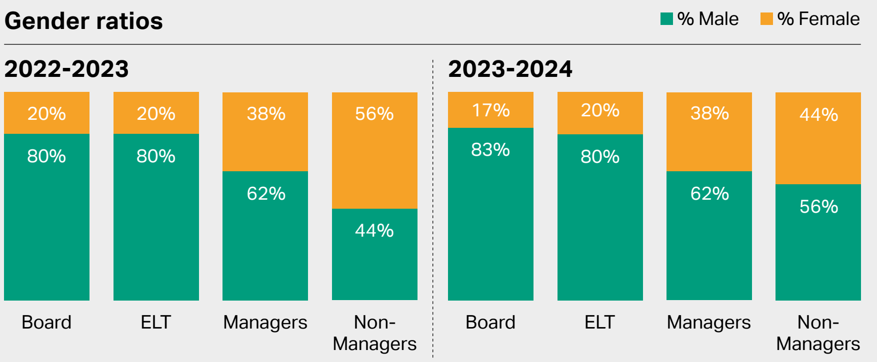
ECO will continue to monitor to ensure that ethnic diversity reflects the needs of the business.

Ethnicity data 2023-2024*



* Data extracted from HR software Feb '24 based on voluntary data input.

Gender ratios



ESG CONTINUED

The Group is committed to fostering a diverse and inclusive environment, and ongoing efforts will be made to achieve greater gender diversity and parity across all levels of the organisation. Feedback from the second ECO Employee Engagement Survey in 2023-2024 show positive trends in the area, with 94% of employees (up 3% from 91%) agreeing or strongly agreeing that 'the work I do is important and has purpose' and 86% (up 8% from 78%) that 'my line manager and I have a good working relationship'.

Since the last ECO Employee Engagement Survey18 months ago, the percentage of respondents agreeing or strongly agreeing that ECO is a good place to work increased to 93% from 78%, exceeding the 80% objective set by the Group. This significant increase was driven by many people's efforts and dedication, guided by employee workshops that provided input into an engagement action plan that was delivered over the year.

Engagement workshops will be conducted in 2024-2025 to propose actions to improve the four lowest-performing areas by 5%.

In 2023-2024, Employee Turnover (12%) and Retention Rate (88%) further improved relative to the previous year (14% and 86%, respectively).

ECO continued to support two charities, SHIVIA and Signpost, encouraging staff to donate to them with the Group matching individual donations. In 2023-2024, £8,000 was donated by the Group. Individuals were also supported with fundraising for events and additional charities are under consideration for next year.

ESG CONTINUED

Ongoing commitment to very high standards

Governance

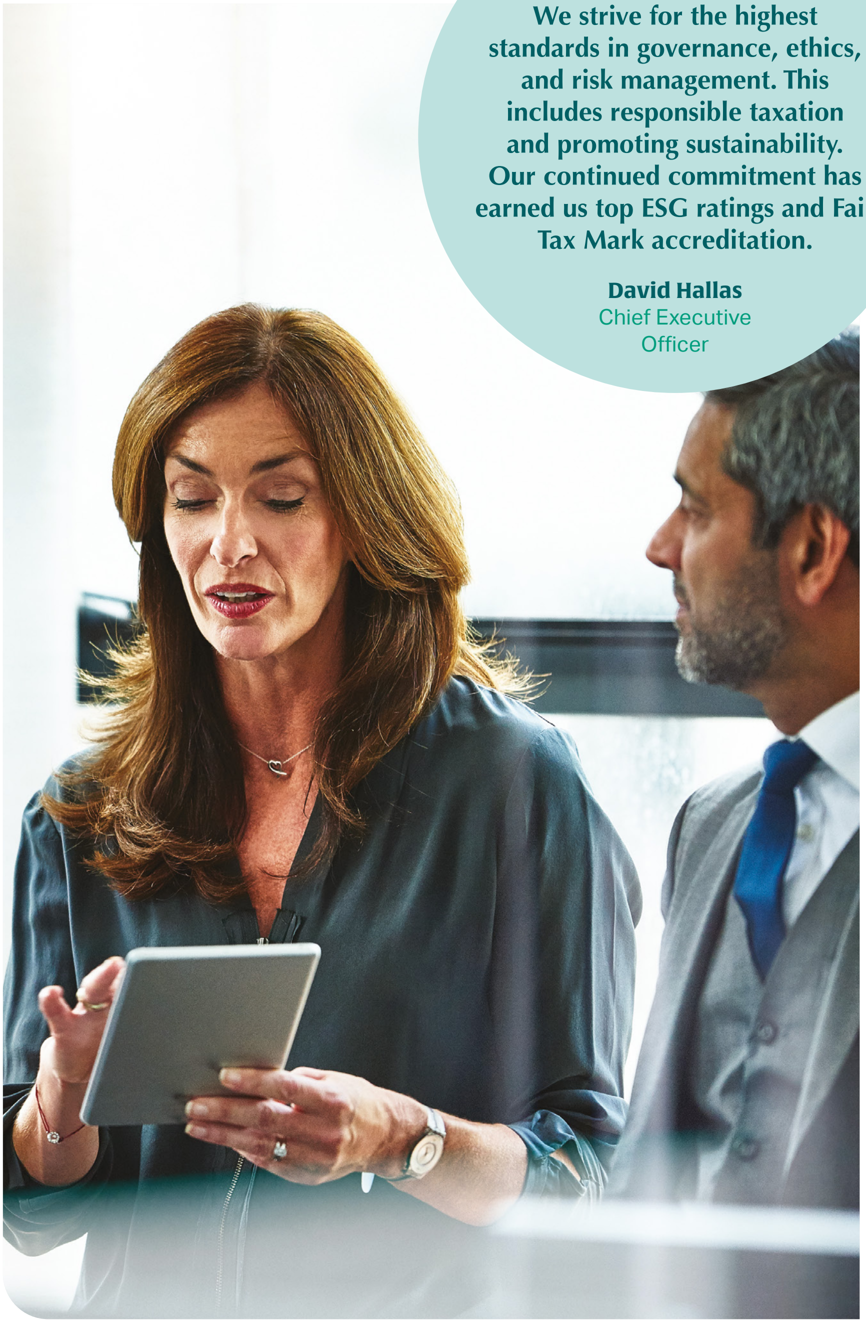
We are committed to meeting high standards of business governance, ethics and risk management practices.

This applies both to our own operations and our business partners. We have developed, and continue to update, strategies and procedures specific to our business for managing the main risk categories identified by our Board of Directors. The Board is and has been tirelessly focused and committed to improving Business Governance for some time. ECO's commitment extends to responsible taxation in the jurisdictions where it operates. The Group conducts its business fairly and ethically to ensure the proper payment of taxes, encompassing corporate, social, and personnel-related taxes. This approach aligns with the Fair Tax Mark accreditation awarded to the Group again, this time for the year ended 31st March 2023.

The ESG Working Group was established in 2023-2024 and has a direct line to the CEO and Board. The group intends to add additional ideas for increasing sustainability, especially in the environmental area, and to promote the ESG ideals across the business.

"We strive for the highest standards in governance, ethics, and risk management. This includes responsible taxation and promoting sustainability. Our continued commitment has earned us top ESG ratings and Fair Tax Mark accreditation.

David Hallas
Chief Executive Officer



REPORT OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 31 MARCH 2024

I am pleased to report a further strong year of financial performance. Operationally the business continues to deliver from a sound base of increasing market share in robust markets, converting this operational performance into strong cash flow, providing the required investment capital to progress the research and development programme at pace and ushering in the next phase of revenue and profit growth from new products.

I am proud of the support the finance team provided to the business; this is very much an enabler of growth at the same time as undertaking the fundamental custodianship which is inherent in the function.

Christopher Wilks
Chief Financial Officer

Trading

Previous years have seen a pattern of stronger trading in the second half of the year. This is associated with disease prevalence in pigs during the northern hemisphere winter. This pattern of trading has continued in the year ended 31 March 2024 with the second half accounting for 57% (2023: 59%) of the annual revenue.

The main contributors to the second half weight this year were China/Japan with a 61% H2 weight and Latin America also with a 61% H2 weight.

All markets showed revenue growth year on year except for the China/Japan segment and Rest of World. As noted in our interim report, the exchange rates in the first half proved to be a headwind; in the second half of our financial year the exchange rates were more consistent with the prior year.

The geographical analysis of revenue corresponding to the Group's operating segments is as follows:

Revenue summary – actual exchange rates

	Year ended 31 March		
	2024 (£'m)	**2023 (£'m)**	**% change**
China and Japan	**24.7**	26.4	(6%)
North America (USA and Canada)	**18.5**	15.2	22%
South and Southeast Asia	**17.4**	16.8	4%
Latin America	**19.9**	18.1	10%
Europe	**6.5**	6.1	7%
Rest of World and UK	**2.4**	2.7	(11%)
	89.4	85.3	5%

The geographical analysis of revenue on a constant currency basis is as follows:

Revenue summary – constant currency

	Year ended 31 March		
	2024 (£'m)	**2023 (£'m)**	**% change**
China and Japan	**26.8**	26.4	2%
North America (USA and Canada)	**19.4**	15.2	28%
South and Southeast Asia	**18.2**	16.8	8%
Latin America	**20.9**	18.1	15%
Europe	**6.7**	6.1	10%
Rest of World and UK	**2.5**	2.7	(7%)
	94.5	85.3	11%

"The business continues to deliver from a sound base of increasing market share in robust markets.

Christopher Wilks
Chief Financial Officer

China revenue on a constant currency basis declined by 3% (£0.7m) but this decline was compensated by very strong trading in Japan (an increase of £1.2m year on year). The China revenue performance was reasonable when set against the backdrop of continued poor commodity prices – pork prices below cost of production for 10 out of 12 months of the year. The strength in the Japanese market arose from increased usage of Aivlosin® by the primary customer complemented by business with other, new, customers.

At £18.5m (constant currency £19.4m), North America recorded its greatest revenue in a single financial year. The previous highest revenue was £16.4m in the year ended 31 March 2022. The strength in this market arose from market share gains and was achieved despite depressed pork prices and producer margins.

South and South East Asia revenue growth was 4% (15% on a constant currency basis) was muted compared with the average growth rate of 36% since March 2021. The demand in India for Aivlosin® to support the poultry industry continues to buoy this market, Thailand and Vietnam are demonstrating sustained strength and Philippines and Indonesia remain as untapped opportunity.

Latin America, comprises Brazil and Mexico (where the Group operates through wholly owned subsidiaries) and a group of other countries in South America where trade is conducted through exclusive distribution arrangements. Brazil has seen particularly strong trading in the year ended 31 March 2024 – 13% and Mexico grew by 11% in the year. Argentina and Columbia made up the majority of the balance of Latin America where the growth was a more modest 5%.

The European market segment is dominated by sales into Spain – £1.8m (2023: £1.2m) and Poland – £1.3m (2023: £1.0m). Spain accepted the resumption of sales of Aivlosin® Pre-Mix formulation in the period, reversing a hiatus in sales of this product in the year ended 31 March 2023.

Sales into the UK at £1m (2023: £1.3m) declined due to the termination in sales of Ecomectin® pour-on formulation. An increase in manufacturing costs made this product no longer viable in the UK and Ireland markets.

Gross margins were 42.1% in the year ended 31 March 2024 (2023: 45.0%). This decline in gross margins arose in the main from the foreign exchange impact of Sterling compared with the US Dollar and the Chinese Yuan. As noted above, on a constant currency basis the revenues for the year are £94.5m; recalculating the gross margin based on constant currency revenue would provide a gross margin of 45.3%. The foreign exchange effect on cost of sales (a corresponding benefit) was offset by geographical mix effects and depreciation of the Chinese manufacturing plant (now included within cost of sales – prior year was part of administrative expenses). As anticipated in our interim report for the six months ended 30 September 2023, there was a partial recovery in the gross margins in the second half of the financial year from 40.8% to 42.1% for the full year.

During the financial year a programme of foreign exchange hedging was implemented. This comprised a layering of four forward contracts covering the four successive financial quarters and a portion of the anticipated US Dollar generation. On a quarterly basis these forward contracts are supplemented by additional layers, thus providing an averaging effect to the US Dollar- Sterling exchange rate. The hedging policy provides protection to net profit, earnings per share and cash but has no effect on gross profit or gross margin because the gains and losses are accounted for in finance costs.

Administrative expenses, at £29.4m (2023: £27.9m), showing a 5% overall increase, were controlled through the course of the year. Increases of 8% in personnel costs and 17% in marketing were offset by savings in legal, audit and professional costs.

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

The two mycoplasma projects for vaccination of poultry continued to be capitalised; all incurred costs continuing to meet the tests for capital treatment in the accounts.

Total cash expenditure on R&D (inclusive of that amount capitalised) in the year was £8.3m (2023: £8.3m). The total expenditure on R&D can be analysed as follows:

	Year ended 31 March	
	2024 £000's	**2023 £000's**
Research and development expenses – expensed in period	**4,169**	5,920
Development expenditure – capitalised in intangible assets	**4,169**	2,419
Total expenditure	**8,291**	8,339

Whilst the overall R&D expenditure in the year was comparable to the prior year the portion capitalised was 50% compared with 29% in the prior year. This was due to the late-stage phase of development of the poultry mycoplasma projects, the commencement of the capitalisation of the costs incurred on the EcoFlor project (now in the final development phase) and the costs of running the late-stage trials. Nevertheless, the Group continued to deploy 50% of its R&D budget in the year on research and earlier stage discovery programmes where there is considerable opportunity for groundbreaking new approaches to the prevention of disease in pigs and poultry.

EBITDA has historically represented a key performance measure for the Group; the removal of amortisation (which is a significant annual non-cash charge to profits), depreciation and other non-cash charges to profit provides a good indication of the underlying cash trading performance of the business. The charge for amortisation of intangible assets in the year was £1.2m (2023: £1.1m). The adjusted EBITDA (Operating profit excluding exceptional items, share based payments, depreciation, amortisation and foreign exchange gains and losses) at £8.0m (2023: £7.2m) reflected a strong revenue performance offset by lower gross margins (arising in the main from foreign exchange headwinds) and good overhead cost control, together with the evolution of the R&D programme into later stage resulting in greater capitalisation of expenditure.

REPORT OF THE CHIEF FINANCIAL OFFICER CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

Furthermore, the adjusted EBITDA margin (excluding foreign exchange movements and expressed as a percentage of revenue in the period) was 9.0% in the year ended 31 March 2024 compared with 8.5% in the year ended 31 March 2023.

Profit before income tax was lower in the year ended 31 March 2024 at £3.0m (2023: £4.4m). This reduction (compared to an increase in adjusted EBITDA described above) arose because the Group recorded an exceptional item of £0.7m in the year (2023: £nil) and also recorded an exchange rate loss of £0.6m compared with a profit of £0.5m in the year ended 31 March 2023.

The exceptional item of £0.7m (2023: £nil) related to a loss incurred on the cessation of the distribution of a third party product (the impairment of associated intangible asset, stock write off and customer goodwill payments) offset by the gains made on the sale of two unoccupied freehold properties in the year.

The Group's effective tax rate was 32% for the year ended 31 March 2024 (2023: 30%). Factors causing the effective tax rate to be greater than the headline UK rate of 25% are non-deductible expenses, timing differences on the recognition of intangible assets, partly offset by R&D allowances and reduced income tax rates under patent box. The 2% increase in rate to 32% (2023: 30%) is due to lower chargeable R&D credits under the new UK R&D regime, timing differences on recognition of intangible assets, partly offset by the reduced impact of different tax rates in foreign subsidiaries on the group rate and an increased level of profit attracting a lower tax rate under patent box.

Earnings per share (EPS) has improved from 1.49 pence in the year ended 31 March 2023 to 1.55 pence per share in the year ended 31 March 2024 and diluted EPS has improved from 1.47 pence in the year ended 31 March 2023 to 1.52 pence per share in the year ended 31 March 2024, due to improved profitability attributable to the owners of the parent Company and a reduction in the profit attributable to the minority interest in the Chinese subsidiary.

Operating cash inflow before movements in working capital was £7.7m (2023: £7.2m). Continuing close management of working capital – in particular inventories and receivables – has resulted in operating cash flow of £10.5m (2023: £18.4m). Cash balances at 31 March 2024 can be analysed as follows:

	At 31 March	
	2024 (£'m)	**2023 (£'m)**
Held in UK	**6.2**	2.9
Held in non-China subsidiaries	**1.9**	1.2
Held in China 100% owned subsidiary	**2.4**	2.7
Held in China 51% owned subsidiary	**11.9**	14.9
	22.4	21.7

The Group repatriates cash from China by annual dividend declaration; this is subject to withholding taxes of 5% and is paid according to the relevant shareholdings. 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 are based upon the cash balances outside of China.

During June 2024, two dividends totalling £2.8m (post withholding tax) were received from China.

The Group's committed banking facilities remain at £15.0m, being a £5.0m overdraft facility and a £10m revolving credit facility. These facilities expire on 30 June 2026 and were undrawn as at 31 March 2024.

The Group's inventory balance reduced to £17.0m on 31 March 2024 from £22.4m on 31 March 2023. This reduction was in finished goods and work in progress – the proportion of which reduced from 59% to 47% of the total – and reflected the phasing of revenue towards the end of the financial year. Overall inventory days expressed as an average of the annual cost of sales reduced from 174 days to 120 days.

Trade receivables increased from £26.9m at 31 March 2023 to £32.2m on 31 March 2024. As noted above, the timing of revenue recorded during the fourth quarter caused a temporary increase in the level of receivables at the year end and an increase in the average debtor days (expressed as an average of the annual revenue) from 115 days to 132 days.

Post balance sheet event

As separately announced, the Group disposed of its non-core business manufacturing and selling horsepaste for the treatment of equine parasites. This transaction was completed on 3 April 2024 for a total consideration of €1.3m. The consideration is payable in three tranches (€0.5m on completion, €0.4m 18 months later and €0.4m 36 months after completion of the transaction). In addition, the buyer has purchased the stock on hand at cost and taken over fulfilment of the current order book. The revenue derived from this product was £0.8m in the year ended 31 March 2024 (2023: £1.0m). The horsepaste product was never treated as a separate segment and together with the relative immateriality of the revenue has resulted in not treating this as a discontinued operation.

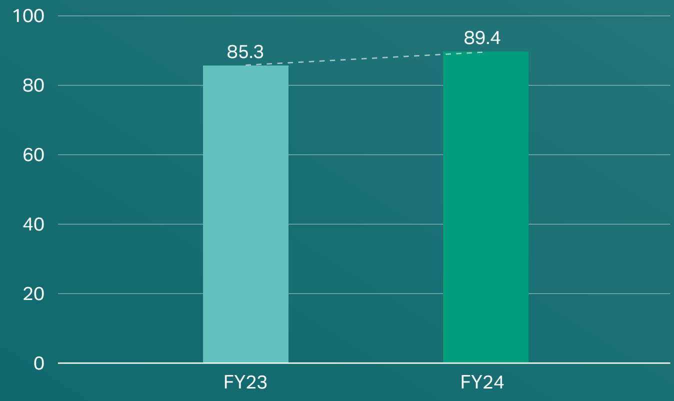
Christopher Wilks
Chief Financial Officer

12 July 2024

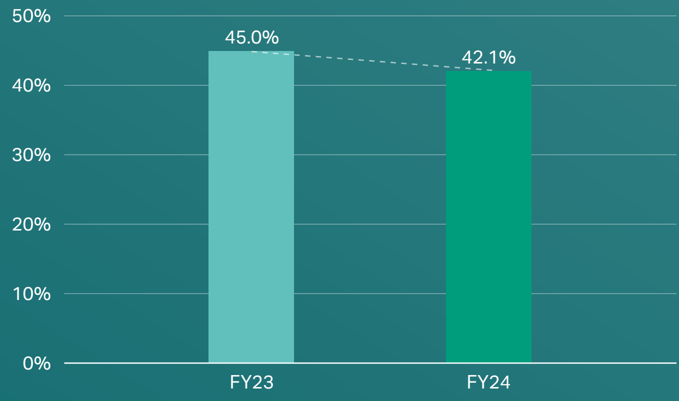
KPIs

A summary of the KPIs is as follows. Adjusted EBITDA is defined in the paragraphs above and analysed in tabular format in note 5 to these accounts:

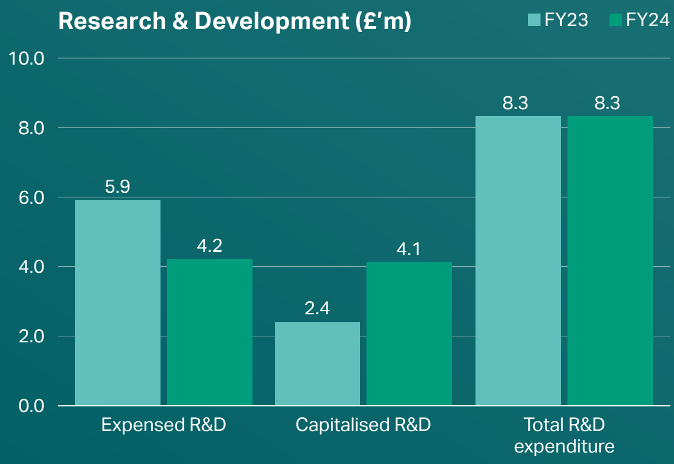
Revenues (£'m)



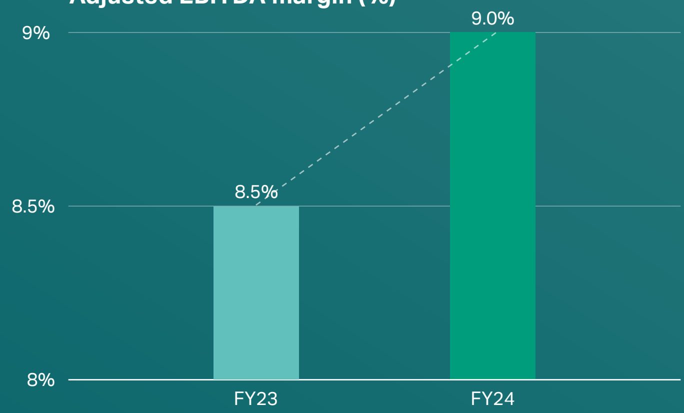
Gross margin (%)



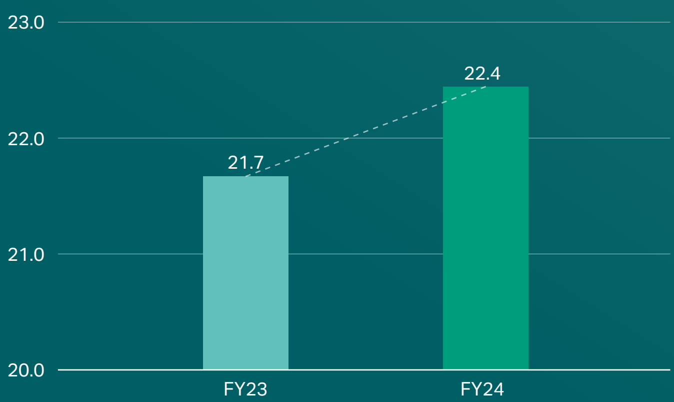
Research & Development (£'m)



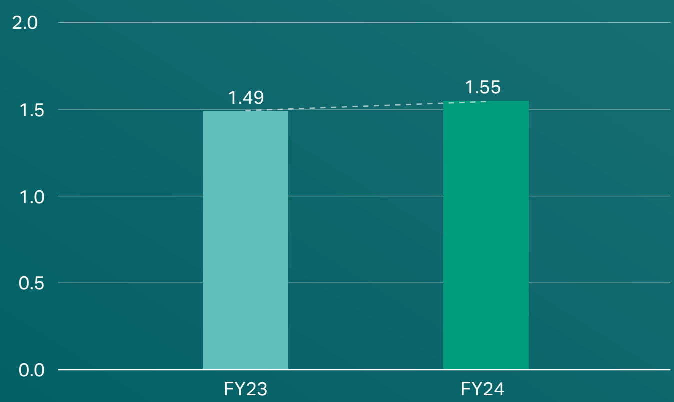
Adjusted EBITDA margin (%)



Cash balances (£'m)



EPS (Pence)



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 Group has moved towards the implementation of a new Enterprise Resource Planning system. This has served to provide focus on the control framework and upon implementation will improve many of the operational and financial processes. The system was implemented on 1 July 2024.

During the year the Enterprise Risk Management framework continued to be assessed by the Group's leadership team, seeking areas for improvements in how we identify and manage our risks.

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

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

The principal risks are listed on the following pages by category. We have made this assessment by reference to the likelihood of each risk occurring and assessing the potential severity of impact it would have on the business from high to low. These ratings are tied directly to agreed and documented metrics within the Enterprise Risk Management framework.
The impact and likelihood ratings are assessed as the residual level taking into account the Group's controls and mitigating actions. We have noted the change in the overall risk since the last presentation or assessment of the risk. As there are a range of impacts in all areas which are mitigated to a high degree, the mitigations in the form of control structures are shown next to each identified risk.

Key

Liklihood/impact	Direction of change
High	Increase
Medium	No change
Low	Decrease
	New Risk

Risk	Likelihood	Controls	Impact	Change in year
Strategic risks				
High reliance on one supplier for key products.	Medium	Business interruption insurance with a target of six months' strategic safety stock in place. Product diversification initiatives. Search for second source.	Medium	No change
Reliance placed on key Directors, senior managers and staff members.	Low	NomCom – succession planning embedded. New RemCom policies implemented: • Performance management, structured bonus and LTIP for staff and Executive Directors. • Salary benchmarking and staff development. Board makeup has strengthened to increase its capability.	Medium	No change
High dependency on a single product.	Low	Innovation fund and development pipeline of new products: • Vaccines and other products. • Generic defence plans. New product pipeline is maturing and several new product initiatives are late stage developments.	High	No change
Potential threat from generic producers.	High	Generic defence strategy – combining strong brand management, regulatory and legal stance in country with patent and trademark infringement enforcement. Aivlosin® technical superiority supported by market leading technical knowledge and strain characterisation. Ensure adequate supply and stock pressure in markets. Product diversification initiatives.	High	No change
Disease impact on growth (African Swine Fever, Avian influenza, Human pandemics).	Medium	Global organisation driving strategy in other geographical territories. Strategy to increase focus on poultry to reduce swine exposure. Remote working capabilities established and proven.	Medium	No change
Multiple new product launches in a single year and quality risk regarding new biologicals manufacturing.	High	Recruitment underway for additional resource. Planning and preparation being rehearsed, working with experienced external partners.	Medium	No change
Political risk (e.g. Russia/Ukraine conflict) impacts markets through sanctions or trade difficulties.	Medium	Current conflict does not impact any major markets for the Group's products.	Low	No change
Political risk – conflict or sanctions reduces supply of pig feed onto world markets which reduces customer margins and demand for the Group's products.	Low	Monitoring of customer profitability, market demands. The Group's products represent a small component of the overall costs of animal production.	Medium	Decrease

PRINCIPAL RISKS AND RISK MANAGEMENT CONTINUED

Risk	Likelihood	Controls	Impact	Change in year
Operational risks				
Operational activities result in environmental pollution.	Low	Virtual supply chain – use of third parties limits our own exposure. Internal and external audits of third party facilities. Staff training.	Medium	−
Failure to achieve/maintain Good Manufacturing Practice and quality standards leading to supply interruption. **Linked risk of failure to acquire/ engage vaccine or biological manufacturing capability.**	Low	Regular competent authority inspections. Independent and internal QA function. Audits of third party facilities. Track record of successful audits. Functions now embedded and well established. Multidisciplinary team to integrate marketing authorisations with change control processes and artwork for labels. Expert experienced practitioners employed.	Medium	−
Risk of trial failure impeding registration and approval of pipeline products.	Low	High calibre staff recruited. Use of only reputable and well established laboratories and subcontractors. Regular replenishment of R&D pipeline to counteract effect of attrition.	Medium	−
Risk that new products are not as commercially successful as predicted upon release to the market.	Low	Commercially trained staff. Ensure trials accurately predict the performance of the product in the marketplace, and retrospective reviews of business cases to identify incorrect assumptions. Marketing department constantly monitors market developments. Independent market analysis.	Medium	−
Continuity of IT services.	Medium	Retained IT consultancy monitor, investigate and improve the IT infrastructure. Servers hosted on Azure cloud based system with multiple daily back-ups to a second remote server. Active monitoring and correction of system issues. Roll out of laptop encryption. Constant aim to implement best in class security. New Coud based ERP system implementation.	Low	−
Risk of tech transfer from R&D to manufacture fails or is delayed.	Medium	Choice of expert, experienced collaborators. Internal scientists dedicated to the task. Embedded ECO employee in collaborator's premises.	Medium	+
Risk of corporate manslaughter.	Low	Maintain adequate health and safety procedures and insurances. Only responsible for one manufacturing plant, all other facilities are third party contracted services.	Medium	−

Key

Liklihood/impact	Direction of change
High	Increase
Medium	No change
Low	Decrease
	New Risk

Risk	Likelihood	Controls	Impact	Change in year
Financial risks				
Risk of fraud and depletion of Group funds.	Low	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.	Low	No change
Risk of Cyber attack	Low	Strong firewalls in place. Regular back up of data on duplicate servers. Continual review and strengthening of controls and security. Cyber security assessments/audits and mandatory cyber security awareness and training for staff is in place.	Medium	No change
Insufficient funding for business growth.	Low	Cash flow and working capital management. Close monthly monitoring of budget to actual results. RCF facility in place – undrawn to date.	Medium	No change
Risk of foreign currency exchange rate movements.	Medium	Monitoring of exchange rates. Operationally transact in multiple currencies which are held and switched when appropriate. Natural hedges in the business (revenue in USD, principal component of cost of goods in USD). Forward contract hedging programme in place smooths FX impact on net profit. SWAPS are used to manage currencies and interest rates.	Medium	No change
International bank sanctions leading to cross-border banking transaction failure.	Low	Monitoring of international sanctions. Use of stable and internationally recognised banks for banking transactions. Tight credit control over customers in sensitive countries.	Medium	No change

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

I am pleased to introduce this section on governance, which describes the activities of the Board and its Committees during FY2023-24 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.

The appointment of Dr Joachim Hasenmaier as a Non-Executive Director on 12 February 2024 will strengthen the Board. Dr Joachim Hasenmaier is a highly experienced commercial leader with more than two decades in the international animal health industry and a strong track record of delivering sales growth and driving performance which will be hugely beneficial to the growth of the Group.

Andrew Jones
Chairman

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

This year we undertook a Materiality Analysis, in consultation with Sustainability Accounting Standards Board (SASB) industry-specific material topics. This project elaborated the internal and external views of global ECO stakeholders to inform the ongoing development of ECO's ESG strategy. We invite you to read our section on ESG in this Annual Report and to visit our website for further information www.ecoanimalhealth.com We recognise the importance of this area and will continue to develop our future activities and reporting.

Our governance model continues to evolve and support the business and as an AIM quoted company, it 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 and to ensure our systems and processes continue to provide resilient in supporting the Board. A key focus for the Board and the Committees this year has been on ensuring the Group has appropriate governance policies and procedures to ensure it operates efficiently and effectively. The Board continues to focus on ensuring its size and composition allows the business to move forward with our strategic objectives.

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

- During the last year the performance of the Board was considered to be at a good standard.
- A number of improvements identified at the prior year review have been implemented.
- Board conversation has elevated and encourages candid discussion and critical thinking and there was a much-improved focus on high level and strategic topics.
- The composition of the Board is well balanced and works well and is balanced with succession planned for.
- The Board plans to spend more time horizon scanning and focusing on value creation as the R&D pipeline becomes closer to commercialisation.
- More meeting time could be allocated to strategic matters such as Launch preparations, growth drivers, Group strategy, R&D project progress and M&A opportunities.
- The annual strategy session was effective and there was an improvement in discussing strategic context and consequences in every meeting.
- Increase the frequency of reviews of risk management.

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

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

We intend to adopt the provisions of the new QCA Corporate Governance Code in respect of our accounting period commencing 1 April 2024.

Dr Andrew Jones
Chairman

12 July 2024

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Director's attendance during the year ended 31 March 2024 are below. 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.

Board

Number of formal meetings held: **7**

Andrew Jones: **7**
David Hallas: **7**
Chris Wilks: **7**
Frank Armstrong: **7**
Tracey James: **7**
Joachim Hasenmaier: **1****

Audit Committee

Tracey James
Committee Chair

Number of formal meetings held: **5**

Andrew Jones: **5**
David Hallas: **5***
Chris Wilks: **5***
Frank Armstrong: **5**
Tracey James: **5**
Joachim Hasenmaier: **1****

Learn more on page 38

Remuneration Committee

Dr Frank M Armstrong
Committee Chair

Number of formal meetings held: **5**

Andrew Jones: **5**
David Hallas: **5**
Chris Wilks: **2***
Frank Armstrong: **5**
Tracey James: **5**
Joachim Hasenmaier: **1****

Learn more on page 42

Nomination Committee

Dr Andrew Jones
Committee Chair

Number of formal meetings held: **5**

Andrew Jones: **5**
David Hallas: **3***
Chris Wilks: **2***
Frank Armstrong: **5**
Tracey James: **5**
Joachim Hasenmaier: **0****

Learn more on page 48

* Attended by invitation.
** Appointed 12 February 2024

BOARD OF DIRECTORS

Guiding vision with our experienced leadership

Andrew Jones

Chairman A N R

Appointed: 1 December 2017
Year of Birth: 1960

Andrew has over 35 years commercial experience in the life science sector and has held a range of senior positions, including CEO Europe for Arysta Lifescience, CEO Phoqus Pharmaceuticals plc, Principal at Cap Gemini Ernst and Young. He started his career in ICI Agrochemicals (now Syngenta AG). He is also Non-Executive Chairman at Fargroup Limited a specialist horticultural distribution business supplying the UK market. He currently runs his own consulting company, Trioza Limited, which provides strategic advice to the animal health, crop protection and seeds sectors. Andrew has a BSc degree and PhD in agricultural biology. Andrew brings substantial strategic marketing and business development experience and skills to the business.

David Hallas

Chief Executive Officer

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

Chief Financial Officer

Appointed: 3 September 2019
Year of Birth: 1964

Chris has considerable experience in the fields of both finance and science. Chris began his career after graduating from the University of Durham with a BSc in Applied Physics and Electronics. Initially he joined Marconi Space Systems, applying his degree skills to the design of power systems for spacecraft. He then trained as a Chartered Accountant at Arthur Young (now EY), and after qualifying as a Chartered Accountant in audit, he became a manager in its Corporate Finance team. Chris is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also currently a Non-Executive Director (and Chair of the Audit Committee) of Kromek Group plc, an AIM listed worldwide supplier of radiation detection technology and was previously Chief Financial Officer of Signum Technology Limited, a leading group of specialised engineering businesses operating in the safety and critical service flow control sector, which he co-founded. Prior to Signum Technology, Chris was Chief Financial Officer at Sondex plc, a specialist developer of technical instruments for the oil and gas industry.

Key

A Audit	Chair
N Nomination	Member
R Remuneration	

Dr Frank Armstrong

Independent Non-Executive Director A N R

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 BioCaptiva Limited, Non-Executive Chair of Bloomsbury Genetic Therapies Limited (BGT), Non-Executive Chair of Newcells Biotech Ltd, a Member of the Court of the University of Edinburgh, a Member of the Council and Trustee of the Royal College of Physicians and a Member of the Council and Trustee of the Faculty of Pharmaceutical Medicine. He has previously held Non-Executive roles in listed companies with Faron Pharmaceutical Oy (AIM), 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

Independent Non-Executive Director A R N

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 and Risk, and Pensions Committees. She was also previously Chief Financial Officer 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.

Joachim Hasenmaier

Independent Non-Executive Director A R

Appointed: 12 February 2024
Year of Birth: 1960

Joachim Hasenmaier is a highly experienced commercial leader with more than two decades in the international animal health industry. From 2001 to 2019, he held a variety of senior roles within the animal health division at Boehringer Ingelheim, concluding as member of the Board of Managing Directors responsible for the entire animal health division. During this time he led successful transformation initiatives including the integration of the former Sanofi animal health business Merial, spearheaded key product launches and supported rapid global growth and expansion. Dr. Hasenmaier has also served as Chairman of the Board at IMV Technologies since 2022 and as a Member of the Supervisory Boards of Invetx. He served on the Board of NASDAQ-listed Heska prior to its acquisition by Mars Petcare and also held senior positions at Hoechst Roussel Vet and McKinsey & Company. Dr. Hasenmaier is a Doctor of Veterinary Medicine and holds a PhD in Immunology from Ludwig-Maximillians University in Munich and an MBA from Northwestern University, USA.

COMPLIANCE WITH THE PRINCIPLES OF THE QCA CODE

The Company's shares are traded on the AIM market of the London Stock Exchange and as such, the Company is subject to the continuing requirements of the AIM Rules for Companies.

As stated in the Chairman's introduction, the Board has adopted, and considers itself to be fully compliant with, the QCA's Corporate Governance Code. The following table summarises how we apply the ten principles of the QCA Code. The long form assessment of our compliance can be found on the Group's website at www.ecoanimalhealth.com

QCA Principle		Compliance	Explanation	Further reading
1	Establish a strategy and business model which promote long-term value for shareholders	✓	The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Executive Leadership Team on an ongoing basis with 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.	Strategic Report
2	Seek to understand and meet shareholder needs and expectations	✓	The Board communicates regularly with its shareholders via investor roadshows, one-to-one meetings and regular reporting as well as at the AGM where active participation from shareholders is encouraged. The Group's website contains information and disclosures required under the AIM Rules and QCA code. Formal feedback from roadshows is reviewed as an item on the Board agenda.	Group's website and Audit Committee Report
3	Take into account wider stakeholder and social responsibilities and their implications for long-term success	✓	The Board values the opinions of key stakeholders in the business and regularly seeks to ensure that the views of its people, suppliers, customers and partners are known and, where relevant to the success of our business, they are acted upon. The Board seeks to maintain and improve its relationships with these groups and regularly obtains, and acts on, feedback as to how best it can maintain and improve its interactions.	The Introduction to ECO s.172 statement
4	Embed effective risk management, considering both opportunities and threats, throughout the organisation	✓	The Board is responsible for overseeing management's activities in identifying, evaluating and managing the risks facing the Group and records them on the Group risk register. The system is designed to manage the risk of failure to achieve the execution of the Group's strategic objectives and business model.	Strategic Report – risk review and management
5	Maintain the Board as a well-functioning, balanced team led by the Chair	✓	The Board keeps under review its current balance and composition and is supported by Audit, Remuneration and Nomination Committees each with delegated duties and responsibilities. There is a formal schedule of matters specifically reserved for the Board. The Group has three non-executive Directors each considered to be independent. The Board meets on a minimum of 6 occasions spread across each year	Corporate Governance Report
6	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. Update training is undertaken periodically. The skills and experience of the Board are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Group. The Company Secretary is assisted by an external company secretarial services provider.	The Directors' Biographies Nomination Committee Report
7	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. Succession planning is recognised as a material topic for the Group and is the responsibility of the Nomination Committee that makes recommendations to the Board concerning Board appointments.	The Nomination Committee Report
8	Promote a culture that is based on ethical values and behaviours	✓	The Board aims to lead by example and makes decisions that are in the best interests of the Group and its stakeholders. Culture and ethics are underpinned by a clear set of values guiding decision making at all levels in the business.	The Introduction to ECO
9	Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	✓	The Board's governance framework sets out leadership and embedded delegated responsibilities. The Group 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 Officer. QCA Code compliance and governance are continuously reviewed by the Board and in the annual Board Effectiveness review process.	Corporate Governance Report and Audit Committee Report
10	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 and making sure that the business as a whole upholds its values and monitors behaviour for acceptability. The Group actively engages with shareholders through meetings, presentations and roadshows and at the AGM. The Annual and Interim Reports play an important role in presenting the Group's position and prospects. All RNS press releases are published on the Group website.	Corporate Governance Report

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 Group. 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 Group'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 CFO 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 Group website. Membership of each Committee is determined by the Board on the recommendation of the Nomination Committee. Each Committee Chair reports to the Board on the activities considered and determined by the relevant Committee. A summary of the Committees' responsibilities and their work during the year can be found in the reports from the Committees appearing later in this section. The Committees are entitled to engage specific advisors as required to discharge their duties.

Board Activities

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

Board support, meeting management and attendance

The Board and its Committees meet regularly on scheduled dates. In leading and controlling the Group, the Directors are expected to attend all meetings and their attendance for the financial year 2023-24 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 Group'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 year led by the Chairman where performance improvements were identified. In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process. The Board appointed Joachim Hasenmaier as an independent Non-Executive Director with effect from 12 February 2024. 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 Group's 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.

LEADERSHIP AND THE BOARD CONTINUED

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 Group 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 Thursday 26th September 2024 at 9.00a.m 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 2023 Annual General Meeting on 7 September 2023 following the financial year ended 31 March 2023. All resolutions proposed to the meetings were duly passed. There were no significant objections.

Internal controls

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

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

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

The Group has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Group. These include an overall code of conduct, and policies on anti-bribery and corruption, fraud, modern slavery, share dealing in ECO securities, the use of social media and business travel arrangements. These policies are communicated directly to all personnel by email, are re-enforced through periodic training and are available on the Group's intranet site.

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

The Group has adopted an approach whereby specialist internal audit work is undertaken by external organisations, the scope and extent of which is focused on both financial and non-financial processes and controls within the Group. Internal Audit work is determined by a risk-based approach and the Committee is responsible for overseeing the work and the implementation of any recommendations.

Section 172 Statement

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

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

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

As set out in the Corporate Governance report, the Directors have met on several occasions during the year ended 31 March 2024. Discussion topics at each meeting included 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 Group have been described further in the various reports from the Chairman, Chief Executive Officer, 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 68% 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 227 people during the financial year ended 31 March 2024 (2023: 234). All company announcements were simultaneously circulated to all personnel. Communications of note during the year included key new product announcements, new colleagues and retirements, new procedures and governance processes. In addition, all members of staff were invited to technical webinars, Town Hall meetings, product launch discussions and presentations.

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

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

Going concern

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

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

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

Dr Andrew Jones
Non-Executive Chairman

12 July 2024

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee's ("the Committee") annual report on its activities for the period up to the review of our 2024 Annual Report and Accounts.

Tracey James
Audit Committee Chair

This report is intended to explain how the Committee has met its responsibilities and report on the activities of the Committee during the year. As Chair of the Committee I would welcome questions from shareholders on any of the Committee's activities at our AGM to be held on 26 September 2024.

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 CFO and the finance team to ensure papers for meetings are comprehensive and relevant. When appropriate to do so, the Committee seeks the support of external advisers and consultants.

Membership of the Committee

During the year to 31 March 2024, the Committee comprised Tracey James (Chair), Dr Frank Armstrong, Dr Andrew Jones and Dr Joachim Hasenmaier (appointed 19 March 2024).

Appointments to the Committee are made by the Board following recommendations from the Nomination Committee. Only members of the Committee have the right to attend meetings. The Committee members have a mix of knowledge and skills gained through their experience of business, management practices including risk, the industry sector and the committee as a whole has recent and relevant financial experience. The Executive Directors are invited to attend meetings, and other senior people will attend as appropriate. The external auditor also attends the meetings to discuss the planning and conclusions of their work and meet with the members of the Committee without any members of the executive team present. The Committee Chair also meets privately with the senior statutory auditor, Christopher Cork, outside of the Committee meetings.

Operation of the Committee

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

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

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

- Reviewing the management and reporting of financial matters including key accounting policies.
- Reviewing the Annual Report and Accounts and advising the Board on whether, when taken as a whole, it is fair, balanced, and understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy.
- Considering the appropriateness of, and the appointment of, independent external accountants to undertake specific internal audit engagements
- Overseeing the relationship with, and the independence and objectivity of, the external auditors.
- Setting policy in relation to the use of the external auditors for non-audit services.
- Advising the Board on the Group's appetite for and tolerance of risk and the strategy in relation to risk management and reviewing any non-conformances with these.
- Reviewing the Group's risk management and internal control systems and their effectiveness, including reviewing the Delegated Authority framework.
- Reviewing the Group's procedures for detecting fraud, bribery and corruption and ensuring the Group's whistle-blowing procedures are adequate for employees to raise concerns.
- Reviewing the findings of external audit reviews, ensuring that they are analysed and improvement plans are implemented.
- Reviewing global compliance matters throughout the year.

Internal Audit

Internal audit work is undertaken by external organisations, the scope and extent of which is focused on both financial and non-financial processes and controls within the Group. Internal Audit work is planned and determined by a risk-based approach. In addition, a regular programme of quality and regulatory compliance auditing is undertaken by the Group's internal team. The head of this team presents a summary of work done and findings to the Committee and Board.

During the year an external firm carried out and completed a review of the processes and controls in the Group's Mexico based subsidiary. The Committee reviewed the findings of the review, ensuring remediation plans are in place.

Risk management and Internal Controls

The Committee reviewed the Group's risk assurance framework in the year. The responsibilities surrounding risk management and internal control systems are designed to meet the needs of the size and complexity of the business. It takes into account the applicable requirements of regulators in the various markets in which the business operates as well as the legal requirements of being a UK company whose shares are admitted to trading on 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.
- All employee communication sessions and employee engagement surveys
- Developing business and financial plans that support the strategy
- Reviewing policies and procedures to ensure these remain fit for purpose
- Continuous monitoring of controls and internal processes to identify opportunities for strengthening and improvement
- Regular reporting of actual performance relative to business plans, budgets and forecasts.
- Ensuring there is a structure of accountability
- Training and monitoring
- Board-approved remediation activities in response to internal control review findings.

Whistleblowing

The Group has a Whistleblowing Policy and has developed 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 2024.

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.

AUDIT COMMITTEE REPORT CONTINUED

Significant accounting issues

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

Issue	How the committee addresses
Revenue Recognition and accounting for discounts	The Group has well-developed accounting policies for revenue recognition in compliance with IFRS15 as shown in Note 2 and Note 3 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.
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 11. In practice, work that is undertaken to build towards regulatory approval for a new treatment claim using Aivlosin®, the Group's longstanding product, or work that is undertaken on new products that have passed through the internally assessed gateway into full development is capitalised as the projects are likely to meet the capitalisation criteria whereas costs in relation to some of the Group's earlier stage projects, on advanced preventative treatments, for example, are expensed. Capitalisation of any costs are subject to careful consideration of residual technical and economic feasibility and commercial risk. These risks are monitored and reviewed throughout the project life, notwithstanding any previous decision to pass through the full development gateway. 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. The Committee also considered and agreed the appropriateness of the sensitivity analysis disclosures.
Accounting for and disclosure of non-underlying items excluded from Adjusted EBITDA	The Committee considered the accounting for and disclosure of non-underlying items (see note 5 to the Financial Statements) which are excluded from the calculation of Adjusted EBITDA. 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 64. Management produces working capital and cash flow forecasts on a regular basis. The Board reviews those forecasts, particularly ahead of the publication of Interim and Annual results. The Board continues to scrutinise the Group's detailed economic forecasts to ensure that all relevant events and conditions are being incorporated that might affect both short, medium and long-term performance. Having reviewed the forecasts as at the date of this Report, the Committee concluded that it was appropriate for the Group to continue to prepare its Financial Statements on a going concern basis.

Shareholders' attention is drawn to the section titled 'Auditor's responsibilities for the audit of the financial statements' in the Report from the independent auditor on page 57, about specific areas as reported by the independent auditor to provide its opinion on the Financial Statements as a whole.

Independent auditor

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

Following the first year as auditor for the year ended 31 March 2023, Christopher Cork of Haysmacintyre LLP, continues as statutory Auditor to the Group.

The assessment of the effectiveness of external auditors is an ongoing process involving regular discussion with key stakeholders within the Group, engagement with and feedback from the external auditors themselves, and consideration by the committee of the performance of the external auditors. Having considered the effectiveness and performance of the independent auditor for the financial year ended 31 March 2024, the Committee recommended to the Board the reappointment of Haysmacintyre LLP as independent auditor of the Group for the next financial year, which will be subject to approval by the shareholders at the AGM to be held on 26 September 2024.

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, summary of work undertaken and findings, 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, highlighting to management any areas of weakness or concern identified 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 5 to the Financial Statements. Non-audit fees were £nil in 2024 (2023: £nil).

The Committee regulates the appointment of former colleagues of the independent auditor to positions in the Group. During the year ended 31 March 2024, no such appointments took place. 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. As identified above, the year ended 31 March 2024 was the second audit year undertaken by Christopher Cork; accordingly no rotation is yet due.

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

Tracey D James

Tracey James
Audit Committee Chair

12 July 2024

REMUNERATION COMMITTEE REPORT

On behalf of the Remuneration Committee, I am pleased to introduce the Remuneration Committee Report.

Dr Frank M Armstrong
Remuneration Committee Chairman

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. In line with good practice, we will voluntarily be putting an advisory resolution to approve this report to our 2024 AGM.

Membership of the Committee

The Remuneration Committee comprises Dr Frank Armstrong (Chairman), and Tracey James and Joachim Hasenmaier who was appointed to the board on 12 February 2024 and joined the Committee on 19 March 2024.

Role of the Remuneration Committee

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

The terms of reference of the Committee are set out on the Group website.

Remuneration Committee actions in the year

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

- Approving annual bonus structure and targets for the year to March 2024
- Determining the executive annual bonus outcome for the year to March 2023
- Review of the 2023 Remuneration Committee Report
- Considering changes to Executive salaries at mid year in line with our normal cycle
- Approval of performance criteria for the LTIP for Executive Directors and ELT of the Group for FY 24
- Approval of grant of LTIP awards for the Executive Directors and ELT in March 2024
- Approval of the grant of CSOP awards across the Group

Post year end, the committee has:

- Approving annual bonus structure and targets for the year to March 2025
- Determining the executive annual bonus outcome for the year to March 2024
- Review of the Remuneration Committee Report in the Annual Report and Accounts 2024

Company performance during the year

The Group's financial performance in the year ended 31 March 2024 delivered revenue and EBITDA ahead of market expectations and marginally exceeded internal budgets. Cash and working capital performance was strong and exceeded market expectations.

2023 AGM

At our AGM on 7th September 2023, 92.53% of votes were cast in favour of the resolution to approve our remuneration report with 7.46% votes cast against. The Remuneration Committee believes this adverse voting was associated with one shareholder whose policy is to vote against remuneration reports were LTIP periods (including vesting and holding periods) are less than 5 years. LTIP awards made by the company have performance and vesting periods of three years which is in line with normal and best practice for AIM companies.

Remuneration Policy

The Group's remuneration structure has been designed to bring the Company into line with best remuneration practice and to improve the alignment of senior leadership with shareholder interests, thereby supporting future value creation. The Committee's aim, as in previous years, is that the rewards that can be earned provide a competitive level of incentive and are appropriate for a Group 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 Group's short and long term objectives and ensure alignment with stakeholder interests.

Policy table

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Base Salary	To help recruit and retain high performing Executive Directors. Reflects the individual's experience, role and importance to the business.	Base salary is reviewed annually with any changes effective 1 October with reference to each Executive Director's performance and contribution, Group performance, the scope of the Executive Directors' responsibilities and consideration of competitive pressures.	The Committee is guided by the general increase for the broader employee population but has discretion to decide on a lower or a higher increase.	The Committee considers individual and Group performance when setting base salary.
Benefits	To help recruit and retain high performing Executive Directors. To provide market competitive benefits.	Executive directors benefit from private medical, permanent health insurance and life assurance cover.	Maximum benefit applies according to the underlying insurance policy and is four times base salary in the case of life assurance.	N/a
Pension	To help recruit and retain high performing Executive Directors. To provide market competitive pensions.	Employer's pension contribution.	The Company may contribute up to 10% of base salary in the case of CFO.	None
Annual Bonus Plan	To incentivise and reward performance. To align the interests of the Executives and shareholders in the short and medium term.	The Annual Bonus is earned by the achievement of one-year performance targets set by the Remuneration Committee. The parameters, performance criteria, weightings and targets are ordinarily set at the start of each financial year. 33% of awards to Executives under the Annual Bonus plan are deferred into shares vesting after 3years under the deferred bonus plan. Awards are subject to malus and clawback provisions.	The maximum bonus opportunity for the CEO and CFO is 100% of base salary with target set at 60%.	Performance measures may include financial, non-financial, personal and strategic objectives. Performance criteria and weightings may be changed from year to year. At present, the performance targets are based on EBITDA, revenue and personal targets.

REMUNERATION COMMITTEE REPORT CONTINUED

Element	Link to remuneration policy/strategy	Operation	Maximum opportunity	Performance metric
Long Term Incentive Plan (LTIP)	To incentivise and reward long-term performance and value creation. To align the interests of Executive Directors and shareholders in the long-term.	Executive Directors are eligible to receive awards under the LTIP at the discretion of the Committee. Awards are granted as nil-cost options or conditional awards which vest after three years subject to the meeting of objective performance conditions specified at award. Awards are subject to malus and clawback provisions.	In accordance with the scheme rules the maximum award in any financial year is 100% of base salary. Awards in FY24 were set at 25% of base salary.	Performance criteria and weightings may be changed from year to year. For awards made in FY24 75% of the award was subject to an absolute TSR target and 25% subject to R&D based targets.
All employee share plan	To encourage all employees to make a long-term investment in the Company's shares in a tax efficient way	The Executive Directors may participate in the CSOP on the same terms as other eligible employees.	The maximum participation level will be aligned to HMRC limits. To date, Executive Directors have not received CSOP awards.	None
Shareholding requirement	Encourages Executive Directors to achieve the Group's long-term strategy and create sustainable stakeholder value. Aligns with shareholder interests.	125% for the CEO and 100% for the CFO. This percentage is 36% and 123% respectively at 30 June 2024 based on cost of shares purchased and value of bonus deferred into shares.	n/a	n/a
Non-executive Director remuneration	To provide fees appropriate to time commitments and responsibilities of each role.	Non-executive Directors are paid a base fee in cash. Fees are reviewed periodically. In addition, reasonable business expenses may be reimbursed.	The Group Board is guided by the general increase for the broader employee population and takes into account relevant market movements.	n/a

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

Other Information

Remuneration of the Non-Executive Directors is determined by the Chairman and the CEO. They may be paid additional fees in the event that their workloads are significantly in excess of their contractual obligations. The Chairman's remuneration is determined by Remuneration Committee in conjunction with the CEO. However, the Chairman is not entitled to vote on the matter.

The Executive Directors are employed under rolling service contracts which may be terminated by the Company or the individual giving 12 months' notice. Non-Executive Directors are retained under Letters of Appointment which may be terminated by either the Company or the individual giving 3 months' notice, or immediately in the event that the director is not re-elected by shareholders at an AGM.

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

Remuneration during the year ended 31 March 2024

Directors' remuneration

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

	Salary		Other		Pension		Bonus		Total	
	2024 £000's	**2023 £000's**	**2024 £000's**	**2023 £000's**	**2024 £000's**	**2023 £000's**	**2024 £000's**	**2023 £000's**	**2024 £000's**	**2023 £000's**
D. Hallas	**343**	324	**1**	1			**242**	166[1]	**586**	497
C. Wilks	**254**	240	**12**	12	**25**	25	**179**	55	**470**	396
A. Jones	**85**	81							**85**	81
A. Rawlinson	**–**	25							**–**	25
F. Armstrong	**51**	49							**51**	49
J.Hasenmaier	**6**								**6**	
T. James	**51**	59[2]							**51**	59

1. This includes an amount of £85,000 in respect of a joining bonus.
2. This includes an amount of £10,000 in respect of additional work undertaken to support the audit for the year ended 31 March 2022.

Salaries

As at 1 April 2023, the salary of the Chief Executive Officer was £335,711 and the salary of the Chief Financial Officer was £248,475. These were increased in line with the UK based staff increase of 4.5% effective 1 October 2023 to £350,818 and £259,656, respectively.

Annual bonus

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

In the financial year the Group marginally exceeded its revenue and EBITDA performance targets (set according to the Group budget for the financial year). Accordingly, the financial performance portion of the Executive Director bonuses marginally exceeded the on target performance measure (60% of the 70% element).

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

REMUNERATION COMMITTEE REPORT CONTINUED

Long term incentives

The Company made awards under its LTIP to Executive Directors and ELT members on 22 March 2024 subject to three year performance targets for absolute Total Shareholder Return ("TSR") and research and development ("R&D"). 75% of the award vests based on achievement of the TSR objectives and 25% of the award vests based upon achievement of the R&D targets.

Details of awards held by Executive Directors under the LTIP and awards under the Deferred Bonus Plan at 31 March 2023 and 31 March 2024 are set out below:

	Date of grant	No of awards as at 31 March 2023	Number of awards granted in year	Share price at date of grant (£)	Normal vesting date	No of awards held as at 31 March 2024
LTIP						
David Hallas	24-Feb-23	117,313		1.275	24-Feb-26	
	22-Mar-24		101,403	0.86	22-Mar-27	218,716
Christopher Wilks	28-Apr-21	64,824[1]		3.625	28-Apr-24[1]	
	24-Feb-23	90,375		1.275	24-Feb-26	
	22-Mar-24		75,249	0.86	22-Mar-27	230,448
Deferred bonus						
Davd Hallas	21-Dec-23		26,985	1.105	21-Dec-26	26,985
Christopher Wilks	24-Sep-21	14,782		3.22	24-Sep-24	
	12-Dec-22	4,309		1.165	12-Dec-25	
	21-Dec-23		17,577	1.105	21-Dec-26	36,668

1. These awards have not vested and have now expired because the performance conditions have not been satisfied on the vesting date of 28 April 2024.

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

Directors' interests

Directors' Shareholdings as at 31 March 2024 were as follows:

	Number of shares	% of issued shares
David Hallas	91,153	0.14%
Christopher Wilks	159,095	0.23%
Andrew Jones	16,449	0.02%
Frank Armstrong	3,000	0.00%
Tracey James	5,000	0.01%

Remuneration for Year ending 31 March 2025

Executive remuneration will be operated under the policy detailed above.

Salaries

Executive salaries and Non-Executive Director salaries will be reviewed during the year with any changes effective 1 October 2024.

Annual bonus plan

The Annual Bonus Plan applies to both executive directors and the ELT. Performance targets for 2024/25 are split as to 70% linked to Revenue and EBITDA performance, 30% linked to achievement of personal targets set by the Remuneration committee. On target revenue and EBITDA performance for the executive directors is set at meeting the Group's budget for the year and results in payment of 60% of the maximum opportunity. The proposed personal objectives for the CEO and CFO for 2024/25 are focused around business performance and projects, growth and corporate governance.

Long term incentives

The Committee intends to make LTIP awards to its Executive Directors and ELT members during FY24. These will operate in line with the company's policy.

Annual General Meeting

Following consideration of governance good practice, the Committee will voluntarily put a separate advisory resolution on its remuneration report to its 2024 AGM.

Dr Frank M Armstrong
Remuneration Committee Chairman

12 July 2024

NOMINATION COMMITTEE REPORT

On behalf of the Nomination Committee, I am pleased to present the Nomination Committee Report.

Dr Andrew Jones
Nomination Committee Chairman

Membership of the Committee

The Nomination Committee comprises Dr Andrew Jones (Chairman), Dr Frank Armstrong, Tracey James, Joachim Hasenmaier (appointed 12 February 2024) and David Hallas.

Main Responsibilities

The terms of reference of the Committee are set out on the Group 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 five times during the year.

The Board of Directors identified it would benefit from an additional Non-Executive Director with experience in the commercialisation of vaccines and other biological products in the animal health market. The Committee ran a search process with a leading international search firm which resulted in the appointment of Dr Joachim Hasenmaier in February 2024.

The Committee also reviewed the development and succession plans for personnel in key roles in the leadership team and the future succession of Non-Executive Directors.

The Committee decided that Diversity and Gender Pay would be monitored and managed by the Remuneration Committee.

Dr Andrew Jones
Nomination Committee Chairman

12 July 2024

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 March 2024.

Directors

The following Directors have held office since 1 April 2023:

Andrew Jones	Non-Executive Chairman
Frank Armstrong	Non-Executive Director
Tracey James	Non-Executive Director
Joachim Hasenmaier (appointed 12 February 2024)	Non-Executive Director
David Hallas	Chief Executive Officer
Christopher Wilks	Chief Financial Officer

Principal activities

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

Results and dividends

The consolidated income statement for the year is set out on page 58.

The profit for the year after tax was £2.0m (2023: £3.1m). The Company does not propose to pay a dividend for the year ended 31 March 2024 (year ended 31 March 2023: £nil).

Future developments

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

Financial risk management

Information on the use of financial instruments by the Group and its management of financial risk is disclosed in note 31 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 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 the Group in the UK now comprise just one office, following the sale of the New Malden premises during the financial year. Consequently, the emissions from the Group premises in the UK are disclosed in the ESG report.

Post balance sheet events

Post balance sheet events are detailed in note 32 to these financial statements.

DIRECTORS' REPORT CONTINUED

Substantial shareholdings

At 31 May 2024 the Company had been notified of the following holdings of 3% of more of its issued share capital:

Shareholder	Shares	% of issued capital
Schroders Investment Mgt	10,422,316	15.38
Soros Fund Mgt	7,715,642	11.39
Mr Peter A Lawrence	6,501,146	9.60
FIL Investment Management	4,378,633	6.46
AXA Investment Mgrs	3,790,502	5.60
Lombard Odier Asset Management	3,596,899	5.31
Chelverton Asset Management	3,125,000	4.61
UBS Securities	2,626,949	3.88

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 Group maintains Directors' and Officers' liability insurance for the benefit of its Directors which remained in place at 31 March 2024 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 and 31 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. Investec Bank Plc are joint brokers. The closing share price on 31 March 2024 was 85.5p per share (2023: 96.5p). During the year the average share price was 106.90pp (2023: 111.24p).

Auditors

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

Statement of Directors' responsibilities

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group'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 Group 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 Group 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 2024.

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 Officer's Review and the CFO'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

12 July 2024

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

Opinion

We have audited the financial statements of ECO Animal Health Group plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 March 2024 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Statements of Financial Position, Statements of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Parent Company's and Group's affairs as at 31 March 2024 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

Our audit scope covered all the Group's components with varying levels of testing based on the significance of each component. We performed a scoping assessment of the Group at the planning stage of the audit and subsequently updated this assessment for the year-end figures. We assessed the risk of material misstatement for each of these components and determined their significance based on the overall impact to the Group financial statements. Our assessment incorporated a consideration of the significance of revenue, expenditure, and balances in the context of the group financial statements group materiality. We also assessed each entity in relation to the risk of management override of controls.

At March 2024, the Parent Company, ECO Animal Health Ltd, and the sub-group in China were considered by us to constitute significant components of the Group. The Group's subsidiaries incorporated in Brazil, Mexico, U.S.A., Japan, and Canada were considered to be material components and therefore subject to specific procedures as a result of our scoping assessment. The audits of all entities other than the sub-Group in China were carried out by the Group audit team for the purposes of this opinion. The audits of the sub-Group in China which represents Zhejiang ECO Biok Animal Health Products Ltd., Shanghai ECO Biok Animal Health Products Limited and Zhejiang ECO Animal Health Company Ltd have all been audited to component materiality by Acclime Group under instruction from and supervision by Haysmacintyre LLP as the Group auditor.

Those entities not deemed significant to the Group based on the above metrics, were subject to analytical review, specific cut-off testing, attendance of stock count at year-end as well as verification of bank balances to third-party confirmation, where considered appropriate. This work has been performed by the Group audit team.

Our group audit scoping ensures we have attained coverage through full-scope and specified audit procedures of 100% of group revenues, 100% of group profit before tax and 96.64% of group total assets. The remaining balances were tested analytically using group materiality. The work performed was to the materiality levels set out below, with component materiality levels adopted for the relevant subsidiary entities depending on the level of work to be performed as a result of our scoping assessment.

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

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

Our involvement with the component auditor

Where work has been performed by the component auditor, we have been involved at all stages of the component audit to ensure in our role as Group auditor the work completed was sufficient to provide us with sufficient and appropriate audit evidence to allow us to form our basis for our opinion on the Group financial statements as a whole. Our involvement with the component auditor consisted of, but was not limited to the following procedures:

- A scoping meeting to document our pre-planning assessments.
- An audit planning meeting with ourselves and the component auditors.
- An assessment of the internal policies and procedures of the component auditor to ensure that the audit methodology was appropriate and of consistent quality with our own.

Our involvement with the component auditor continued

- We provided planning communications outlining the key audit risks with the component auditor to ensure that their focus was applied to the key risk areas outlined by ourselves as Group auditor.
- We completed a remote review of the audit files prepared by the component auditors and a review of the appendices and internal reporting memos provided to us by the component auditors.
- We considered the work performed by the component auditor in the context of our own internal policies and procedures and requested additional procedures to be performed where applicable.
- We scheduled a finalisation meeting to discuss outcomes of the audits to supplement our overall audit of the group.

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

Conclusions relating to going concern

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

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

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

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern;
- Evaluating the methodology used by the directors to assess the Group and the Company's ability to continue as a going concern including assessment and evaluation of the key assumptions used and judgements applied;
- Considering the sufficiency of financing facilities available to the Group over the period covered by Management's going concern assessment;
- Reviewing the liquidity headroom and applying a number of sensitivities to the base forecast assessment of the directors to ensure there was sufficient headroom to adopt the going concern basis of accounting; and
- Reviewing the appropriateness of the directors' disclosures regarding going concern in the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

Key audit matters

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

Key Audit Matter	How our scope addressed this matter
Revenue recognition	
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 recognises revenue in respect of the sale of Aivlosin® and Vaccine products in the UK, European and Global markets. The Group recognises revenue in line with the relevant INCOTERMS applicable to sales to customers and therefore recognises revenue at the point in which the Group's performance obligation is satisfied in transferring control of the product to its customer. As a result of revenue relating to product sales only, there is a risk that revenue has been materially misstated as a result of fraud or error through the incorrect recognition of revenue related to sales that occurred around reporting date and the incorrect application of delivery terms in relation to the revenue being recognised.	In response to this risk our work consisted of but was not limited to the following audit procedures: • Assessed the Group's accounting policy for each material revenue stream and performed walkthrough procedures to assess the design and implementation of controls. • Evaluated management's review controls in respect of revenue recognition. • Performed substantive testing in year on sales at a lower risk rating as documented in our audit planning report. We documented the business processes in place for the recording of a sale in the ledger for both the UK and significant overseas operations. • Our substantive testing was supported by the use of data analytics to identify any unexpected trends in revenue recognition, with focus placed on transactions around the reporting date. • Our review also included an assessment of the appropriateness of the recognition of trade receivables, accrued income and deferred income. • We obtained details of relevant delivery terms applicable to the Group and performed walkthrough tests of each determining whether these had been appropriately applied in recognising revenue in the financial statements. • We performed specific targeted testing around reporting date, with March 2024 and April 2024 sales listings reviewed and delivery terms obtained for a selection of significant sales. We agreed sales to supporting documentation and recorded the delivery terms for each item. The application of delivery terms was then reviewed to ensure revenue was being recognised as expected.
Recoverability of capitalised development costs and application of IAS38	
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 have a specific policy in relation to research and development which has been prepared in accordance with IAS 38 requirements.	In response to this risk our work consisted of but was not limited to the following audit procedures: • We obtained and reviewed the Group research and development policy and critically assessed the application of the policy in line with the IAS38 requirements. • We obtained the intangibles fixed asset register and verified the brought forward figures to the prior year signed financial statements. • For previously capitalised intangibles, we obtained an update from management and the internal technical and quality team on the approvals already in place for any evidence of changes, as well as to document the processes in place to monitor older products. We also ensured that sales related to these historically capitalised projects were taking place evidencing that they remained viable in the market.

Key Audit Matter	How our scope addressed this matter
Recoverability of capitalised development costs and application of IAS38 continued	
The net book value of capitalised development costs is £20.2m at 31 March 2024 which is a material balance within the Group financial statements. This carrying value has increased due to further capitalisation of costs during the period for projects being considered in the full development phase in the year. Additions for projects in development totalled £4,121k in the year ended 31 March 2024, with total net book value for this still in development at year-end, £7,001k. These are subject to an impairment review on a mandatory basis due to not being amortised. There is a risk that these intangible assets are materially overstated, or that insufficient impairment or amortisation has been charged. Furthermore, there is a risk that additions in the year are capitalised incorrectly on the basis that managements judgement that the criteria of IAS 38 have been met is inappropriate. Management impairment reviews are areas that carry risks of error or fraud due to the degree of estimation uncertainty included in forecasting and discounting future cash flows, due to the assumptions made in relation to future market demand, applicable discount rates and various other macroeconomic inputs included in the impairment model. The impact of this is that the recoverable amount of capitalised development costs carries a high degree of estimation uncertainty and a potential range of reasonable outcomes greater than materiality for the financial statements.	• For the development projects ongoing in the year, we obtained management's assessment and obtained supporting evidence to ensure that the treatment of these costs as development costs were appropriate and in line with IAS 38 criteria. • We critically assessed the project that moved from exploratory development to full development in the year, and management's judgement in their application of the IAS 38 criteria to ensure this was reasonable. • We tested a sample of capitalised expenditure transactions to supporting documentation and to the specific study that this related to in order to assess whether it satisfied the development costs criteria. • We discussed the relevant capitalised projects with the Group's internal research and development team as well as an external expert that we engaged who specifically assessed the studies included in the additions sample, as well as the work performed on the newly capitalised project in the year. We considered the findings of the expert and also assessed their independence and competence. • We obtained management's impairment assessment and critically analysed the inputs in the model and the forecasts for future revenues of the projects under development. We gained an understanding of the processes to prepare an assessment of the viability of projects to ensure appeared reasonable. • We challenged assumptions made by management in relation to the forecasts, such as expected market share. This included comparing historic forecasts against actual results to determine the accuracy of forecasts as well as performing stress tests on future forecasts to determine the impact. We also considered contradictory evidence and assessed rebuttals provided by management for reasonableness. • We ensured the appropriate cash flows were included in the IAS 36 impairment assessment made by management for all intangible assets. • We reviewed the disclosures made with respect to judgements and estimates to ensure these were reasonable and provided sufficient detail in accordance with IAS 1 and our understanding of the judgements and estimates made.
Recoverability of goodwill	
The Group's accounting policy for goodwill is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12. The total goodwill balance as at 31 March 2024 is £17,930k. The majority of the total goodwill is attributable to ECO Animal Health Ltd (£17,400k), which has recognised losses before tax in both the current year and prior periods. These losses are indicators that the goodwill attributable to the loss-making CGU may be impaired. There is a risk that goodwill attributable to the historic acquisition of subsidiaries (determined to be the appropriate CGU's for goodwill allocation) is impaired.	In response to this risk our work consisted of but was not limited to the following audit procedures: • We obtained management's assessment of the cash generating unit's ("CGUs") to which goodwill has been allocated to ensure this was appropriate. • We obtained management's impairment assessment of goodwill and assessed the cash flows included in the impairment review to ensure these were in line with the guidance provided by IAS 36. • We reviewed and scrutinised the estimates and judgements made by management in preparing the cash flow forecasts to ensure that these were reasonable. • In determining whether evidence of impairment exists, we performed sensitivity analysis on the base case forecast prepared by management to determine the changes required in the key estimates for headroom to be significantly impacted. • We ensured that the financial statements contained appropriate levels of disclosure to draw attention to the key estimation uncertainty arising on the impairment review prepared for the purposes of IAS 36.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed, or influenced. We determined overall materiality for the Group financial statements as a whole to be £768,000 being 9.5% of adjusted EBITDA for the year. We considered it appropriate to determine our materiality based on adjusted EBITDA as this is considered to be a key performance indicator for the Group. For each of the significant components as documented above, we applied a specific materiality for the review based on revenue metrics. Our materiality for the parent company was determined to be 60% of group materiality which totalled £461,000. For those components that were considered non-significant, we performed analytical reviews and specific testing to Group materiality.

We determined performance materiality to be 70% for the Group and all significant components with 70% being appropriate on the basis that there are no significant control weaknesses, however the entity is at a higher level or risk. We evidenced effective controls in place which mitigate the risk of misstatement and have obtained evidence to support their effectiveness through our assessment of controls and walkthrough procedures.

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

Other information

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on pages 50 and 51, 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.

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

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

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

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

Audit procedures performed by the engagement team included:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the AIM Rules, Companies Act 2006, pharmaceuticals regulations, corporation tax, payroll tax and sales tax;
- We obtained an understanding of how the Group complies with these frameworks through discussions with the Directors and management;
- We inspected relevant tax filings and considered these and other relevant correspondence for indications of non-compliance;
- We assessed the susceptibility of the Parent Company's and Group's financial statements to material misstatement including how fraud might occur by considering the key risks impacting the financial statements;
- We carried out a review of manual entries recorded in management's accounting records and assessed the appropriateness of such entries;
- We challenged assumptions and judgements made by management and their critical accounting estimates;
- We assessed whether the Group's control environment is adequate for the size and operating model of such a Group.

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

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

Use of our report

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

Christopher Cork
(Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

12 July 2024

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £000's	2023 £000's
Revenue	3	**89,422**	85,311
Cost of sales		**(51,739)**	(46,935)
Gross profit		**37,683**	38,376
		42.1%	45.0%
Administrative expenses		**(29,394)**	(27,866)
Research and development expenses		**(4,169)**	(5,920)
Other income	4	**66**	357
Exceptional items	5	**(651)**	–
Operating profit		**3,535**	4,947
Share of profit of associate	15	**53**	45
Finance income	6	**150**	104
Profit before financing and income tax		**3,738**	5,096
Finance costs	6	**(764)**	(656)
Profit before income tax		**2,974**	4,440
Income tax charge	8	**(966)**	(1,349)
Profit for the year		**2,008**	3,091
Profit attributable to:			
Owners of the parent Company		**1,048**	1,008
Non-controlling interest	26	**960**	2,083
Profit for the year		**2,008**	3,091
Earnings per share (pence)	7	**1.55**	1.49
Diluted earnings per share (pence)	7	**1.52**	1.47
Adjusted EBITDA (Non-GAAP measure)	5	**8,046**	7,235

The notes on pages 64 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	2024 £000's	2023 £000's
Profit for the year		**2,008**	3,091
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences		**(1,828)**	(586)
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	23	**43**	100
Other comprehensive loss for the year		**(1,785)**	(486)
Total comprehensive income for the year		**223**	2,605
Attributable to:			
Owners of the parent Company		**1**	798
Non-controlling interest	26	**222**	1,807
		223	2,605

The notes on page 64 to 106 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Share Capital £000's	Share Premium £000's	Revaluation Reserve £000's	Other Reserves £000's	Foreign Exchange Reserve £000's	Retained Earnings £000's	Total £000's	Non-controlling Interest £000's	Total Equity £000's
Balance at 31 March 2022	**3,381**	**63,319**	**657**	**106**	**2,188**	**12,413**	**82,064**	**12,284**	**94,348**
Profit for the year	–	–	–	–	–	1,008	1,008	2,083	3,091
Other comprehensive income:									
Foreign currency differences	–	–	–	–	(310)	–	(310)	(276)	(586)
Actuarial gains on pension scheme assets	–	–	–	–	–	100	100	–	100
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(310)**	**1,108**	**798**	**1,807**	**2,605**
Transactions with owners:									
Share-based payments	–	–	–	–	–	408	408	–	408
Dividends	–	–	–	–	–	–	–	(1,810)	(1,810)
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**408**	**408**	**(1,810)**	**(1,402)**
Balance at 31 March 2023	**3,381**	**63,319**	**657**	**106**	**1,878**	**13,929**	**83,270**	**12,281**	**95,551**
Profit for the year	–	–	–	–	–	1,048	1,048	960	2,008
Other comprehensive income:									
Foreign currency differences	–	–	–	–	(1,090)	–	(1,090)	(738)	(1,828)
Deferred tax on revaluation of freehold property	–	–	–	–	–	–	–	–	–
Actuarial gains on pension scheme assets	–	–	–	–	–	43	43	–	43
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(1,090)**	**1,091**	**1**	**222**	**223**
Transactions with owners:									
Issue of shares in the year	6	–	–	–	–	–	6	–	6
Revaluation reserve	–	–	(386)	–	–	386	–	–	–
Share-based payments	–	–	–	–	–	413	413	–	413
Dividends	–	–	–	–	–	–	–	(2,813)	(2,813)
Transactions with owners	**6**	**–**	**(386)**	**–**	**–**	**799**	**419**	**(2,813)**	**(2,394)**
Balance at 31 March 2024	**3,387**	**63,319**	**271**	**106**	**788**	**15,819**	**83,690**	**9,690**	**93,380**

The notes on pages 64 to 106 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

Company

	Share Capital £000's	Share Premium £000's	Revaluation Reserve £000's	Other Reserves £000's	Retained Earnings £000's	Total £000's
Balance at 31 March 2022	**3,381**	**63,319**	**386**	**106**	**8,429**	**75,621**
Loss for the year	–	–	–	–	(1,701)	(1,701)
Other comprehensive income:						
Actuarial gains on pension scheme assets	–	–	–	–	100	100
Total comprehensive income for the year	–	–	–	–	(1,601)	(1,601)
Transactions with owners:						
Share-based payments	–	–	–	–	408	408
Transactions with owners	**–**	**–**	**–**	**–**	**408**	**408**
Balance at 31 March 2023	**3,381**	**63,319**	**386**	**106**	**7,236**	**74,428**
Loss for the year	–	–	–	–	(1,158)	(1,158)
Other comprehensive income:						
Actuarial gains on pension scheme assets	–	–	–	–	43	43
Total comprehensive income for the year	–	–	–	–	(1,115)	(1,115)
Transactions with owners:						
Issue of shares in the year	6	–	–	–	–	6
Revaluation reserve	–	–	(386)	–	386	–
Share-based payments	–	–	–	–	413	413
Transactions with owners	**6**	**–**	**(386)**	**–**	**799**	**419**
Balance at 31 March 2024	**3,387**	**63,319**	**–**	**106**	**6,920**	**73,732**

The notes on pages 64 to 106 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170)
AS AT 31 MARCH 2024

		Group		Company	
	Notes	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Non-current assets					
Intangible assets	11	**38,351**	35,636	**–**	–
Property, plant and equipment	12	**4,802**	6,097	**–**	565
Right-of-use assets	14	**3,672**	4,282	**59**	71
Investments	15	**268**	252	**21,451**	21,165
Amounts due from subsidiary company	17	**–**	–	**51,078**	51,526
Deferred tax assets	18	**1,437**	559	**–**	12
Total non-current assets		**48,530**	46,826	**72,588**	73,339
Current assets					
Inventories	16	**16,955**	22,409	**–**	–
Trade and other receivables	17	**32,175**	26,850	**1,698**	1,073
Income tax recoverable	13	**2,687**	2,947	**–**	–
Other taxes and social security		**525**	395	**–**	43
Cash and cash equivalents	19	**22,374**	21,658	**363**	388
Assets held for sale		**18**	230	**–**	230
Total current assets		**74,735**	74,489	**2,061**	1,734
Total assets		**123,265**	121,315	**74,649**	75,073
Current Liabilities					
Trade and other payables	20	**(17,353)**	(14,523)	**(804)**	(520)
Provisions	22	**(5,859)**	(5,178)	**–**	–
Income tax payable	13	**(687)**	(1,017)	**–**	–
Other taxes and social security payable		**(632)**	(516)	**–**	–
Lease liabilities	21	**(646)**	(884)	**(50)**	(41)
Dividends		**(50)**	(50)	**(50)**	(50)
Total current liabilities		**(25,227)**	(22,168)	**(904)**	(611)
Net current assets		**49,508**	52,321	**1,157**	1,123
Total assets less current liabilities		**98,038**	99,147	**73,745**	74,462
Non-current liabilities					
Deferred tax liabilities	18	**(1,279)**	–	**–**	–
Lease liabilities	21	**(3,379)**	(3,596)	**(13)**	(34)
Total assets less total liabilities		**93,380**	95,551	**73,732**	74,428
Equity					
Issued share capital	25	**3,387**	3,381	**3,387**	3,381
Share premium account		**63,319**	63,319	**63,319**	63,319
Revaluation reserve	27	**271**	657	**–**	386
Other reserves	27	**106**	106	**106**	106
Foreign exchange reserve	27	**788**	1,878	**–**	–
Retained earnings		**15,819**	13,929	**6,920**	7,236
Shareholders' funds		**83,690**	83,270	**73,732**	74,428
Non-controlling interests	26	**9,690**	12,281	**–**	–
Total equity		**93,380**	95,551	**73,732**	74,428

The notes on pages 64 to 106 form part of these financial statements. Approved by the Board and authorised for issue on 12 July 2024.

Dr Andrew Jones
Chairman

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

		Group		Company	
	Notes	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Cash flows from operating activities					
Profit/(loss) before income tax		**2,974**	4,440	**(1,349)**	(1,793)
Adjustment for:					
Finance income	6	**(150)**	(104)	**(1,708)**	(1,225)
Finance cost	6	**764**	656	**62**	151
Foreign exchange loss/(gain)	5	**572**	(468)	**204**	5
Depreciation	12	**958**	812	**19**	183
Amortisation of right-of-use assets	14	**683**	452	**33**	22
Revaluation of investment property		**–**	(3)	**–**	(3)
Amortisation of intangible assets	11	**1,154**	1,087	**–**	–
Impairment of right-of-use assets	5	**80**	–	**–**	–
Share of associate's results	15	**(53)**	(45)	**–**	–
Share based payment charge	24	**413**	408	**127**	179
Exceptional items	5	**306**	–	**(282)**	–
Operating cash flows before movements in working capital		**7,701**	7,235	**(2,894)**	(2,481)
Decrease in inventories		**4,741**	7,776	**–**	–
(Increase)/decrease in receivables		**(4,961)**	(1,843)	**(133)**	1,109
Increase in payables		**2,456**	3,802	**284**	202
Increase in provisions and pensions		**554**	1,439	**43**	100
Cash generated from/(used in) operations		**10,491**	18,409	**(2,700)**	(1,070)
Finance costs	6	**(473)**	(451)	**(51)**	(139)
Income tax		**(601)**	(2,052)	**(23)**	(14)
Net cash from/(used in) operating activities		**9,417**	15,906	**(2,774)**	(1,223)
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	**(502)**	(3,562)	**–**	–
Proceeds from sale of property, plant and equipment		**1,058**	–	**1,058**	–
Purchase of intangibles	11	**(4,122)**	(2,419)	**–**	–
Finance income	6	**150**	104	**1,708**	1,225
Dividends received		**–**	–	**225**	144
Net cash (used in)/from investing activities		**(3,416)**	(5,877)	**2,991**	1,369
Cash flows from financing activities					
Proceeds from issue of share capital		**6**	–	**6**	–
Interest paid on lease liabilities	21	**(291)**	(205)	**(11)**	(12)
Principal paid on lease liabilities	21	**(593)**	(387)	**(34)**	(21)
Dividends paid		**(2,813)**	(1,810)	**–**	–
Net cash used in financing activities		**(3,691)**	(2,402)	**(39)**	(33)
Net increase in cash and cash equivalents		**2,310**	7,627	**178**	113
Foreign exchange movements		**(1,594)**	(283)	**(203)**	(4)
Balance at the beginning of the period		**21,658**	14,314	**388**	279
Balance at the end of the period	19	**22,374**	21,658	**363**	388

The notes on pages 64 to 106 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. General information

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

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

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

2.1 Basis of preparation

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Further details of estimates and judgements are provided in note 2.30 and 2.31.

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 Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

2.2 Adoption of new and revised standards

No new standards or amendments that became effective in the financial year had a material impact in preparing these financial statements. There are a number of standards and amendments to standards which have been issued by the IASB that are effective in future accounting periods that have not been adopted early.

The following standard is effective for annual reporting periods beginning on or after 1 January 2024:

- IFRS 17 – Insurance Contracts.

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

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Classification of Financial Instruments (Amendments to IFRS 9);
- Non-current liabilities with covenants (Amendments to IAS 1); and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

The following amendments are effective for annual reporting periods beginning on or after 1 January 2025:

- Guidance on the exchange rate to use when a currency is not exchangeable (Amendments to IAS 21);
- Accounting treatment for the sale or contribution of assets (Amendments to IFRS 10 and IAS 28).

The following standards are effective for annual reporting periods beginning on or after 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

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

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2024.

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.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The Group initially recognises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

2.6 Financial instruments

Financial assets

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

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

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12-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.

The group uses forward foreign exchange contracts to manage its currency exposure. Certain foreign currency inflows that would typically be translated to sterling at spot to meet liabilities are sold forward to reduce the Group's exposure to fluctuations in exchange rates. The group has not opted to use hedge accounting for these instruments, and any changes in fair value are recognised in the income statement.

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.

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

2.8 Other intangible assets continued

Recognition criteria

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

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

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

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

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

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

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

The Group context of IAS 38

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

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

The application of the principles of IAS 38 to the above model is to treat expenditure on research and development as an expense until the likely commercial benefits that will flow from the project can be judged to be highly probable. This means that the technical feasibility (judged by reference to efficacy) must be certain, the economic feasibility (judged by reference to manufacturing methodology, market intelligence, overall programme cost) has to be highly probable and the likelihood of gaining regulatory approval must be judged to be highly probable. The Directors consider that capitalisation will generally commence once a project enters the full development phase.

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

The Group's R&D team prepare a technical profile for new products in development, with timings for development activity reflecting the technical challenges that must be overcome in order to obtain a marketing authorisation for the relevant regulator. In turn the R&D team work with the Group's marketing team to develop a business case for a new product by considering a number of additional factors. These additional factors will include local intelligence on the appetite for new products gathered through the Group's global network of existing sales channels, third-party data on the size of potential markets for new products, and suitable pricing strategies in the context of potential competitor products.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

2.8 Other intangible assets continued

The Group context of IAS 38 continued

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

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

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

2.9 Property, plant and equipment and depreciation

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

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

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

2.10 Impairment of non-financial assets

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

In assessing value in use, the expected future cash flows 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.

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

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

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; or
- 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 cash flows of joint operations combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

2.14 Investments in associates

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

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

2.15 Leasing

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

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement 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 section 2.10 for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

2.15 Leasing continued

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 remeasured 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 12 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. Summary of the Group and Company's significant accounting policies continued

2.18 Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held on call with banks, and 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 an outflow of resources will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation outstanding at the year end and are discounted to present value where the effect is material.

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

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

Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. Transaction price is determined by the contract and variable consideration relating to discounts, free goods or volume rebates has 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 accrual basis.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

2.25 Share-based payments

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

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

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

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

Further details of the inputs to the Black-Scholes and the binomial model can be found in note 24 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

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

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

2.27 Equity

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

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

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

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

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

2.28 Non-controlling interest

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

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

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

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:

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 12);
- investment property;
- forward foreign exchange contracts;
- pension and other post-retirement benefit commitments (note 23);
- share-based payments (note 24); and
- initial recognition of financial instruments (note 31).

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

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 number of options expected to vest and various other inputs to the Black-Scholes and the binomial model, 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. Those options that contain market conditions have been valued using the binomial model, and those without have been calculated using the Black-Scholes model. Management assesses whether the charge or vested portion should be amended based on an annual reassessment of the likelihood of non-market based vesting conditions being met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

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

2.30 Critical accounting estimates continued

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 a commercial office in a major city's central business district. Based on the Group's assessment, the asset factor ranges between – 0.45% to – 0.50%.

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

Income taxes

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

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

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

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

2.31 Critical accounting judgements

Capitalisation of intangible assets

The Group assesses development costs incurred for capitalisation in accordance with the requirements of IAS 38 and the Group's accounting policy described in note 2.8. In carrying out its assessment the Group considers a range of factors, each of which requires the use of judgement, in consultation with the new product development team. Factors considered include: the stage of development and assessment of technical and commercial feasibility of the project; the size of the markets in which the Group currently sells products; and the size of any additional markets in which the Group intends to sell the product. For key development projects, where there is a higher degree of estimation uncertainty over future product releases, independent external consultants are engaged to validate both technical progress and the overall market appetite for the new product in order to ensure that it remains reasonable to capitalise associated project costs.

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

2.31 Critical accounting judgements continued

Impairment review of intangible assets

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

The recoverable amounts of the cash generating units (CGUs) to which intangible assets are allocated are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the assumption of an indefinite future life for the assets giving rise to the cash flows. Where intangible assets relate to future product releases the key assumptions also relate to forecasts for market share and product pricing. 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 11 of the financial statements.

Provisions

Certain aspects of a sales tax related to imported products in a Group subsidiary might have been applicable. The subsidiary has been importing an increasing volume of product in recent years but has recently implemented for its largest customer a new system to avoid this possible dispute. This matter has been reviewed by the groups local tax experts but is subject to further review of the tax legislation and ongoing case law. No tax payment has yet been determined. However, a substantial tax settlement may be required in due course and a provision has been recognised due to IFRIC 23 Uncertainty over Income Tax Treatments.

Accounting for ECO Biok as a subsidiary

The Group has determined that it has control over Zhejiang ECO Biok Animal Health Products Limited ('ECO Biok') and its results are therefore consolidated within the Group accounts. The Group owns a 51% interest in ECO Biok, although decisions are made jointly, it is the entity through which the Group has chosen to enter the Chinese market. ECO Biok depends on the Group for the right to sell Aivlosin® products, which gives the Group power over ECO Biok's activities. Therefore it is appropriate to treat ECO Biok as a subsidiary.

3. 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 Southeast Asia, Latin America, Europe and the Rest of the World.

Revenues are geographically allocated by the destination of customer.

The performance of these geographical segments is measured using earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA**'), adjusted to exclude share-based payments, revaluation, impairment and personnel related litigation matters. Adjusted EBITDA is a non-GAAP measure used by the management to assess the underlying business performance. The details of Adjusted EBITDA is given in note 5.

	Corporate/ UK £000's	China & Japan £000's	North America £000's	S & SE Asia £000's	Latin America £000's	Europe £000's	Rest of World £000's	Total £000's
Year ended 31 March 2024								
Sale of goods	**925**	**24,656**	**18,480**	**17,440**	**19,891**	**6,452**	**1,529**	**89,373**
Royalties	**–**	**–**	**–**	**–**	**–**	**–**	**49**	**49**
Revenue from external customers	**925**	**24,656**	**18,480**	**17,440**	**19,891**	**6,452**	**1,578**	**89,422**
Adjusted EBITDA**	**(17,281)**	**7,007**	**7,229**	**5,610**	**3,578**	**488**	**843**	**7,474**
Year ended 31 March 2023								
Sale of goods	1,303	26,374	15,172	16,759	18,107	6,073	1,338	85,126
Royalties	–	–	–	–	–	–	185	185
Revenue from external customers	1,303	26,374	15,172	16,759	18,107	6,073	1,523	85,311
Adjusted EBITDA**	(19,101)	9,340	5,463	6,767	3,059	1,486	689	7,703

** Adjusted EBITDA reported for the segments includes foreign exchange gains and losses. The Adjusted EBITDA for the Group is presented in note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

3. Segment information continued

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

	2024 £000's	2023 £000's
Adjusted EBITDA for reportable segments	**7,474**	7,703
Depreciation	**(958)**	(812)
Amortisation of right-of-use assets	**(683)**	(452)
Revaluation of investment property	**–**	3
Amortisation	**(1,154)**	(1,087)
Impairment of right-of-use assets	**(80)**	–
Exceptional items	**(651)**	–
Share-based payment charges	**(413)**	(408)
Profit from operating activities	**3,535**	4,947
Foreign exchange differences	**572**	(468)
Adjusted EBITDA for the Group	**8,046**	7,235

Product revenues

	2024 £000's	2023 £000's
Aivlosin®	**82,436**	75,942
Ecomectin®	**3,340**	3,595
Others	**3,646**	5,774
Total	**89,422**	85,311

All product revenues are recognised at a point in time.

Contract balances

Within one year or on demand	2024 £000's	2023 £000's
At 1 April	**1,079**	203
Amounts included in contract liabilities that were recognised as revenue during the period	**(1,079)**	(203)
Cash received in advance of performance and not recognised as revenue during the period	**3**	1,079
At 31 March	**3**	1,079

The Group recognised contract liabilities of £3,000 at 31 March 2024 (2023: £1,079,000). 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.

4. Other income

	2024 £000's	2023 £000's
Sundry income	**66**	357
	66	357

5. Result from operating activities

	Notes	2024 £000's	2023 £000's
Result from operating activities is stated after charging/(crediting):			
Cost of inventories recognised as an expense		**51,108**	46,461
Employee benefits expenses	29	**16,795**	15,461
Amortisation of intangible assets	11	**1,154**	1,087
Depreciation	12	**958**	813
Amortisation of right-of-use assets	14	**683**	452
Revaluation of investment property	13	**–**	(3)
(Loss)/gain on foreign exchange transactions		**(572)**	468
Research and development		**4,169**	5,920
Impairment losses on trade receivables	17	**603**	533
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts		**246**	535
Subsidiary audit fees payable		**66**	70

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 2024, are £311,750 (2023: £290,000), and fees payable to the Company's auditor and its component auditor for the audit of the Company's subsidiaries are £24,222 (2023: £24,000).

Alternative performance measures

Earnings before interest, tax, depreciation, amortisation, revaluation, impairment, Russian bad debt, share-based payments and foreign exchange differences (Adjusted EBITDA)	2024 £000's	2023 £000's
Profit from operating activities	**3,535**	4,947
Depreciation	**958**	812
Amortisation of right-of-use assets	**683**	452
Revaluation of investment property	**–**	(3)
Amortisation	**1,154**	1,087
Impairment of right-of-use assets	**80**	–
Exceptional items	**651**	–
Share-based payments	**413**	408
	7,474	7,703
Foreign exchange differences	**572**	(468)
Adjusted EBITDA	**8,046**	7,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

5. Result from operating activities continued

Exceptional items

	2024 £000's	2023 £000's
Cessation of distribution business[1]	(933)	–
Profit on disposal of properties[2]	282	–
	(651)	–

1. These costs relate to the cessation of the distribution of a third party product, which was not part of the group's core product portfolio. This was a one-off cessation and the product generated no revenue in the year. The exceptional cost includes impairment of intangible assets (£234,000), stock write-off (£133,000), goodwill payments made to customers (£345,000) and provision for future goodwill payments (£221,000).
2. This profit relates to the sale of the freehold of the former head office of the Group (New Malden) and the sale of an investment property (Mitcham).

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.
Impairment of right-of-use assets	This item is 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.
Exceptional items	These items are a result of one-off changes to cessation of distribution business and property disposals and therefore, although they are correctly recorded as income or cost of the business, they do not reflect current or future cash outflows.
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.

6. Finance income/(expense)

	2024 £000's	2023 £000's
Finance income		
Interest received on short-term bank deposits	**150**	104
Finance costs		
Interest paid	**(473)**	(451)
Interest paid on lease liabilities	**(291)**	(205)
	(764)	(656)
Net finance costs	**(614)**	(552)

7. 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.

	2024			2023		
	Earnings £000's	Weighted average number of shares 000's	Per share amount pence	Earnings £000's	Weighted average number of shares 000's	Per share amount pence
Earnings attributable to ordinary shareholders on continuing operations after tax	**1,048**	**67,745**	**1.55**	1,008	67,722	1.49
Dilutive effect of share options	**–**	**1,335**	**–**	–	918	–
Diluted earnings per share	**1,048**	**69,080**	**1.52**	1,008	68,640	1.47

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

8. Taxation

	2024 £000's	2023 £000's
Current tax charge/(credit)		
Foreign corporation tax on profits for the year	**1,745**	2,405
Foreign withholding tax	**180**	325
Research and development tax credits claimed in the year	**(1,027)**	(1,391)
Research and development tax credits – adjustment for prior year	**(333)**	46
Deferred tax		
Origination and reversal of temporary differences	**401**	(36)
Income tax charge	**966**	1,349

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

8. Taxation continued

	2024 £000's	2023 £000's
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	**2,974**	4,440
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 25% (2023: 19%)	**743**	844
Effects of:		
Non-deductible expenses	**1,403**	1,207
Non-chargeable credits	**(10)**	(571)
Right-of-use assets depreciation	**(55)**	(37)
Withholding tax on inter-company dividends	**180**	325
Enhanced allowance on research and development expenditure	**627**	(573)
Adjustment in respect of prior years	**(169)**	98
Different tax rate for foreign subsidiaries	**(57)**	506
Intra-Group dividend	**34**	–
Origin and reversal of temporary differences	**720**	–
Unused tax losses carried forward	**(367)**	(363)
Tax effect of share-based payments	**(71)**	(14)
Patent Box claim	**(758)**	(73)
Income tax charge	**966**	1,349
Effective income tax rate	**32%**	30%

9. Loss for the financial year

	2024 £000's	2023 £000's
Parent Company's (loss) for the financial year	**(1,158)**	(1,701)

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

10. Dividends

The Board of Directors does not propose that a dividend be paid for the year ended 31 March 2024 (2023: Nil).

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at the date of the statement of financial position.

11. Intangible assets

Group	Goodwill £000's	Distribution rights £000's	Drug registrations, patents and licence costs £000's	Total £000's
Cost				
At 31 March 2022	17,930	407	23,292	41,629
Additions	–	–	2,419	2,419
At 31 March 2023	17,930	407	25,711	44,048
Additions	–	–	4,122	4,122
Disposal	–	–	(287)	(287)
At 31 March 2024	**17,930**	**407**	**29,546**	**47,883**
Amortisation				
At 31 March 2022	–	(158)	(7,167)	(7,325)
Charge for the year	–	(20)	(1,067)	(1,087)
At 31 March 2023	–	(178)	(8,234)	(8,412)
Charge for the year	–	(20)	(1,134)	(1,154)
Disposal	–	–	268	268
Impairment	–	–	(234)	(234)
At 31 March 2024	**–**	**(198)**	**(9,334)**	**(9,532)**
Net book value				
At 31 March 2024	**17,930**	**209**	**20,212**	**38,351**
At 31 March 2023	17,930	229	17,477	35,636
At 31 March 2022	17,930	249	16,125	34,304

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 3 to 20 years.

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

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

The Group has recalculated the headroom as it would have been at March 2024 when comparing the net present value of cash flows to the carrying value of goodwill. The goodwill impairment review uses cash flows from the Group's global revenues in respect of Aivlosin® and Ecomectin®. Expected future cash flows in respect of new vaccines – both the outflows on research and development of these new products and the forecast revenues from sales – are excluded. Intangible assets in respect of new vaccines are tested for impairment separately. This approach is appropriate given that the acquisitions which gave rise to the goodwill balance were made to enhance the Group's global capacity to sell Aivlosin® and Ecomectin® products rather than new products expected to be introduced following successful completion of current R&D projects.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

11. Intangible assets continued

Management estimates discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. In the current year management estimated the applicable rate to be 10% (2023: 7%). Management considers that there is adequate headroom when comparing the net present value of the cash flows to the carrying value of goodwill to conclude that no impairment is necessary this year. On assumptions as at each period end the excess of recoverable amount over carrying value is over £86m (2023: £162m).

Management believes that the most significant assumption in the calculation of value in use is the estimated growth rate. However, even if the growth rate were to be zero, the recoverable amount would still be over £74m (2023: £141m) more than the carrying value and no impairment would be necessary.

The Group estimates that the discount rate applied when calculating the value in use would have to increase to a rate in excess of 39% before there was an indication that the goodwill balance would need to be impaired (2023: recalculated as 45%).

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

	2024 £000's	2023 £000's
Aivlosin®	**12,655**	13,353
Ecomectin®	**500**	637
Vaccines	**7,001**	3,386
Others	**56**	101
	20,212	17,477

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 ranges between 7 and 20 years, where the shortest period relates to assets on the balance sheet which received regulatory approval a number of years ago and have been amortised over a number of years, and where the remaining useful life of 20 years relates to capitalised assets which have not yet received regulatory approval and whose amortisation has not yet commenced. Ecomectin® is an endectocide that controls worms, ticks, lice and mange in grazing stock and pigs. The remaining useful life is 2 years.

At 31 March 2024 intangible assets included £7,173,000 (2023: £5,453,000) of assets capitalised that had not commenced their useful life, of which approximately £75,000 (2023: £2,307,000) were Aivlosin® related products.

The impairment review for intangible assets relating to ongoing development activity, for which regulatory approval is expected to be received at a future date, is performed with reference to cash flow projections modelled in each development project's business case. The cash flows in these business cases reflect the expected economic life of the new product (a period of more than 5 years) and the variables captured include the costs to complete the development activity, the future product sale price, expected future market share, the rate of market penetration for new product releases and overall market size. The market size comprises a number of factors, including the total population of the target animal species, the replacement rate (which in the case of poultry is the length of time during which they are productive layers), the proportion of the species population prone to the diseases to which ECO's product is directed and the proportion of the population which is subject to vaccination. In determining these factors uses the expertise of own teams, particularly members of the R&D, marketing, sales and finance teams. Third-party data is reviewed to enhance the accuracy of the estimates used. For key development projects, independent external consultants are engaged to validate both technical progress and the overall market appetite for the new product.

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 Corporate/UK 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. During the year to March 2024 the Group identified a diminution in the efficacy of one of its non-core products sold in one geography in South America. The Group has discontinued the sale of this product and has impaired to nil the value of the previously capitalised value of the intangible assets associated with this product. The expense in respect of the impairment was £234,000 (2023: no impairment).

12. Property, plant and equipment

Group	Freehold land and buildings £000's	Leasehold improvements £000's	Plant and machinery £000's	Fixtures, fittings and equipment £000's	Motor vehicles £000's	Total £000's
Cost or valuation						
At 31 March 2022	709	605	2,187	2,012	287	5,800
Additions	31	146	2,813	465	107	3,562
Disposals	(18)	–	(355)	(46)	(16)	(435)
Foreign exchange movements	(2)	–	(41)	(33)	(6)	(82)
At 31 March 2023	720	751	4,604	2,398	372	8,845
Additions	–	–	366	82	54	502
Disposals	(615)	–	(90)	(737)	(35)	(1,477)
Foreign exchange movements	(7)	–	(144)	(127)	(18)	(296)
At 31 March 2024	**98**	**751**	**4,736**	**1,616**	**373**	**7,574**
Depreciation						
At 31 March 2022	(40)	(215)	(571)	(1,263)	(246)	(2,335)
Charge for the year	(32)	(116)	(194)	(443)	(27)	(812)
Disposals	9	–	265	44	16	334
Foreign exchange movements	–	–	49	11	5	65
At 31 March 2023	(63)	(331)	(451)	(1,651)	(252)	(2,748)
Charge for the year	(26)	(129)	(453)	(333)	(17)	(958)
Disposals	69	–	90	737	35	931
Foreign exchange movements	1	–	2	–	–	3
At 31 March 2024	**(19)**	**(460)**	**(812)**	**(1,247)**	**(234)**	**(2,772)**
Net book value						
At 31 March 2024	**79**	**291**	**3,924**	**369**	**139**	**4,802**
At 31 March 2023	657	420	4,153	747	120	6,097
At 31 March 2022	669	390	1,616	749	41	3,465

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 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.

Depreciation has been included in the administrative expenses line in the income statement, except for £260,000 (2023: £275,000) of depreciation of production equipment in the Chinese subsidiary ECO Biok, which is included within cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

12. Property, plant and equipment continued

Company	Freehold land and buildings £000's	Fixtures, fittings and equipment £000's	Total £000's
Cost or valuation			
At 31 March 2022	615	183	798
Additions	–	–	–
At 31 March 2023	615	183	798
Additions	–	–	
Disposals	(615)	(182)	(797)
At 31 March 2024	**–**	**1**	**1**
Depreciation			
At 31 March 2022	(24)	(26)	(50)
Charge for the year	(26)	(157)	(183)
At 31 March 2023	(50)	(183)	(233)
Charge for the year	(19)	–	(19)
Disposals	69	182	251
At 31 March 2024	**–**	**(1)**	**(1)**
Net book value			
At 31 March 2024	**–**	**–**	**–**
At 31 March 2023	565	–	565
At 31 March 2022	591	157	748

13. Income tax recoverable and payable

Income tax recoverable	2024 £000's	2023 £000's
UK repayable tax credit in respect of R&D expenditure	**2,743**	2,939
Other overseas tax (payable)/receivable	**(56)**	8
	2,687	2,947

Income tax payable	2024 £000's	2023 £000's
Overseas tax payable	**(687)**	(1,017)
	(687)	(1,017)

14. Right-of-use assets

Group	Property £000's	Vehicles £000's	Other £000's	Total £000's
Cost or valuation				
At 31 March 2022	2,555	195	7	2,757
Additions	3,022	100	2	3,124
Disposals	(29)	–	–	(29)
Foreign exchange movements	(161)	–	–	(161)
At 31 March 2023	5,387	295	9	5,691
Additions	412	52	–	464
Disposals	(315)	–	(9)	(324)
Foreign exchange movements	(238)	–	–	(238)
At 31 March 2024	**5,246**	**347**	**–**	**5,593**
Depreciation				
At 31 March 2022	(888)	(95)	(1)	(984)
Charge for the year	(402)	(50)	–	(452)
Disposals	–	–	–	–
Foreign exchange movements	27	–	–	27
At 31 March 2023	(1,263)	(145)	(1)	(1,409)
Charge for the year	(620)	(63)	–	(683)
Disposals	187	–	1	188
Impairment	(52)	–	–	(52)
Foreign exchange movements	35	–	–	35
At 31 March 2024	**(1,713)**	**(208)**	**–**	**(1,921)**
Net book value				
At 31 March 2024	**3,533**	**139**	**–**	**3,672**
At 31 March 2023	4,124	150	8	4,282
At 31 March 2022	1,667	100	6	1,773

Company	Vehicles £000's	Total £000's
Cost or valuation		
At 31 March 2022	106	106
Additions	34	34
At 31 March 2023	140	140
Additions	21	21
At 31 March 2024	**161**	**161**
Depreciation		
At 31 March 2022	(47)	(47)
Charge for the year	(22)	(22)
At 31 March 2023	(69)	(69)
Charge for the year	(33)	(33)
At 31 March 2024	**(102)**	**(102)**
Net book value		
At 31 March 2024	**59**	**59**
At 31 March 2023	71	71
At 31 March 2022	59	59

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

15. Investments

Group	Investment in associate £000's	Unlisted investments £000's	Total £000's
At 31 March 2022	203	9	212
Share of associate's result for the year	45	–	45
Foreign exchange differences	(5)	–	(5)
At 31 March 2023	243	9	252
Share of associate's result for the year	53	–	53
Foreign exchange differences	(37)	–	(37)
At 31 March 2024	**259**	**9**	**268**

Company	Unlisted investments (subsidiaries) £000's	Total £000's
Cost		
At 31 March 2022 Restated	21,230	21,230
Disposed	(65)	(65)
At 31 March 2023	21,165	21,165
Additional investment	286	286
At 31 March 2024	**21,451**	**21,451**
Impairment		
At 31 March 2022	(20)	(20)
Impairment charge	–	–
Disposal	20	20
At 31 March 2023	–	–
Impairment charge	–	–
Disposal	–	–
At 31 March 2024	**–**	**–**
Net book value		
At 31 March 2024	**21,451**	**21,451**
At 31 March 2023	21,165	21,165
At 31 March 2022	21,210	21,210

15. Investments continued

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

Subsidiary undertakings held by the Company

Company	Registered office address	Country of registration or incorporation	Class	Shares held %
Zhejiang ECO Biok Animal Health Products Limited	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	3*
ECO Animal Health Limited	The Grange, 100 High Street, Southgate, N14 6BN	England & Wales	Ordinary	100

Subsidiary undertakings held by the Group

Company	Registered office address	Country of registration or incorporation	Class	Shares held %
ECO Animal Health Southern Africa (Pty) Limited.	228 Athol Road, Highlands North, Johannesburg 2192	South Africa	Ordinary	100
Zhejiang ECO Biok Animal Health Products Limited.	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	51*
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	Room 1502-3, Imago Plaza, No. 99 Wuning Road, Ptro District, Shanghai 200063	P. R. China	Ordinary	51
Zhejiang ECO Animal Health Limited	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	100
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	Av. Dr. Cardoso de Melo, 1470, Cl311, Villa Olimpia, CEP 04548-005, São 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	USA	Ordinary	100
Interpet LLC.	3775 Columbia Pike, Ellicott City, Maryland, 21043	USA	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%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

15. Investments continued

Subsidiary undertakings held by the Group continued

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
Interpet LLC	Non-trading
ECO Animal Health de Mexico, S. de R. L. de C. V.	Distribution of animal drugs
ECO Animal Health de Argentina S.A.	Non-trading
ECO Animal Health Malaysia Sdn. Bhd	Non-trading
ECO Animal Health India (Private) Ltd	Non-trading
ECO Animal Health Europe Ltd	Non-trading

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

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

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

ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.
ECO Animal Health Japan Inc.
ECO Animal Health USA Corp.
ECO Animal Health de Mexico, S. de R. L. de C. V.

ECO Animal Health Group plc has given statutory guarantees against all the outstanding liabilities of ECO Animal Health Ltd, thereby allowing its subsidiary to be exempt from the annual audit requirement under Section 479A of the Companies Act, for the year ended 31 March 2024.

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 at Zhejiang ECO Biok level, before wider Group eliminations.

15. Investments continued

Summarised statement of comprehensive income

For the year ended 31 March	2024 £000's	2023 £000's
Revenue	**21,599**	24,122
Cost of sales	**(13,322)**	(13,504)
Gross profit	**8,277**	10,618
Administrative expenses	**(5,394)**	(4,927)
Operating profit/(loss)	**2,883**	5,691
Other income	**32**	345
Finance income	**(142)**	(94)
Profit before tax	**2,773**	5,942
Tax expense	**(814)**	(1,691)
Profit after tax	**1,959**	4,251
Profit allocated to NCI	**960**	2,083
Other comprehensive (loss)/income allocated to NCI	**(738)**	(276)

Summarised balance sheet

As at 31 March	2024 £000's	2023 £000's
Assets:		
Property, plant and equipment	**570**	860
Right-of-use assets	**3,002**	3,445
Deferred tax assets	**189**	–
Inventories	**3,963**	5,047
Trade and other receivables	**4,528**	3,925
Cash and cash equivalents	**11,948**	14,877
	24,200	28,154
Liabilities:		
Trade and other payables	**2,873**	1,742
Contract liabilities	**3**	1,080
Lease liabilities – short term	**255**	585
Lease liabilities – long term	**3,050**	3,061
	6,181	6,468

Summarised cash flows

For the year ended 31 March	2024 £000's	2023 £000's
Cash flows from operating activities	**4,357**	15,802
Cash flows from investing activities	**(75)**	(2,772)
Cash flows from financing activities	**(6,221)**	(3,924)
Foreign exchange movements	**(989)**	(376)
Net increase/(decrease) in cash and cash equivalents	**(2,928)**	8,730

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

15. Investments continued

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 USA. Pharmgate Animal Health LLC distributes the Group's products in the USA.

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	
	2024 £000's	2023 £000's	**2024 £000's**	2023 £000's
Non-current assets	**–**	2	**–**	–
Current assets	**2,012**	1,175	**473**	614
Current liabilities	**(1,984)**	(1,149)	**(473)**	(613)
Sales	**14,912**	11,672	**3,568**	3,499
Profit after tax	**–**	–	**–**	–

15. Investments continued

Associated company

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

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

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

	2024 £000's	2023 £000's
Investments (share of net assets)		
At 1 April	**243**	203
Share of results for the year	**53**	45
Foreign exchange movement	**(37)**	(5)
At 31 March	**259**	243

Summarised financial information	2024 £000's	2023 £000's
At 31 March		
Current assets	**813**	831
Non-current assets	**71**	37
Current liabilities	**(239)**	(224)
Non-current liabilities	**(101)**	(134)
Net assets (100%)	**544**	510
Group share of net assets (47.62%)	**259**	243
Year ended 31 March		
Revenue	**2,106**	2,122
Net profit	**110**	95

16. Inventories

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Raw materials and consumables	**9,039**	9,252	**–**	–
Finished goods and goods for resale	**5,425**	7,660	**–**	–
Work in progress	**2,491**	5,497	**–**	–
	16,955	22,409	**–**	–

The above total includes the provision of inventory amounting to £631,000 (2023: £384,000).

17. Trade and other receivables

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Non-current:				
Amounts owed by Group undertakings	**–**	–	**51,078**	51,526

The inter-company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

17. Trade and other receivables continued

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Current:				
Trade receivables	**29,835**	24,813	**–**	–
Other receivables	**1,816**	1,312	**1,444**	825
Prepayments and accrued income	**524**	725	**254**	248
	32,175	26,850	**1,698**	1,073

The ageing analysis of these trade receivables is as follows:

Group 2024	Trade receivables £000's	ECL rate %	ECL allowance £000's	Net of impairment £000's
Current	**24,458**	**0.66%**	**161**	**24,297**
Up to 3 months past due	**4,115**	**4.41%**	**181**	**3,934**
3 to 6 months past due	**1,137**	**9.11%**	**104**	**1,033**
Over 6 months past due	**1,564**	**63.49%**	**993**	**571**
	31,274		**1,439**	**29,835**

Group 2023	Trade receivables £000's	ECL rate %	ECL allowance £000's	Net of impairment £000's
Current	20,241	1.58%	319	19,922
Up to 3 months past due	4,097	4.02%	165	3,932
3 to 6 months past due	711	4.73%	34	677
Over 6 months past due	609	53.74%	327	282
	25,658		845	24,813

The Group measures its trade receivables at amortised cost and estimates the allowance for expected credit loss ("ECL") using a provision matrix based on the Group's historical credit loss experience. The loss rates are then adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast conditions.

This approach enables the Group to determine unbiased and probability-weighted estimates of credit losses for the lifetime of those trade receivables as required by IFRS 9.

The allowance for ECL in FY24 makes up 4.3% of all trade receivable balances while in FY23, the allowance made up 3.4% of total trade receivable balances. The allowance for ECL in FY24 makes up 19.2% of all overdue balances.

The increase in the provision is driven by:

- Worsening age profiles of outstanding trade debtors;
- Worsening loss rates observed in the past 12 months; and
- A full provision provided for PharmChem International's balance due to the economic circumstances surrounding Egypt.

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

Group	2024 £000's	2023 £000's
Balance at 1 April	**845**	194
Additional provision made	**837**	646
(Recovered) in the year	**(175)**	(80)
Written off in the year	**(59)**	(33)
Other	**(9)**	118
Balance at 31 March	**1,439**	845

18. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets/(liabilities) 2024 £000's	2023 £000's
Trade related temporary differences	**(3,875)**	(2,830)
Property	**–**	26
Plant and equipment	**(96)**	(96)
Pension scheme	**(58)**	(45)
Deferred tax on share options	**128**	56
Tax losses carried forward	**2,622**	3,448
Total deferred tax (liabilities) / assets	**(1,279)**	559
Overseas deferred tax assets	**1,437**	–
Total deferred tax assets	**1,437**	–
Sum of assets minus liabilities	**158**	559

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

Deferred tax

	Trade-related temporary differences £000's	Tax losses carried forward £000's	Property £000's	Plant and machinery £000's	Pension scheme £000's	Shares £000's	Overseas temporary differences £000's	Overseas tax losses £000's	Total £000's
At 31 March 2022	(2,830)	2,619	27	(109)	–	43	250	523	523
(Charge)/credit for the year through income statement	(255)	3	(1)	13	(45)	13	5	303	36
At 31 March 2023	(3,085)	2,622	26	(96)	(45)	56	255	826	559
(Charge) / credit for the year through income statement	(790)	–	(26)	–	(13)	72	141	215	(401)
At 31 March 2024	**(3,875)**	**2,622**	**–**	**(96)**	**(58)**	**128**	**396**	**1,041**	**158**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

18. Deferred tax continued

Company	Property £000's	Pension scheme £000's	Share options £000's	Total £000's
At 31 March 2022	27	–	23	50
Credit for the year through income statement	(1)	(45)	8	(38)
At 31 March 2023	26	(45)	31	12
(Charge)/credit for the year through OCI	(26)	(13)	27	(12)
At 31 March 2024	**–**	**(58)**	**58**	**–**

At the year ended 31 March 2024 the Group has unused unrecognised overseas tax losses amounting to £547,000 (2023: £1,319,000), and unused unrecognised UK tax losses amounting to £6,311,000 (2023: £4,613,000). These tax losses are not expected to expire.

19. Cash and cash equivalents

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

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Cash and cash equivalents	**22,374**	21,658	**363**	388
Cash and cash equivalents presented in the statement of cash flows	**22,374**	21,658	**363**	388

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

Cash and short-term deposits held in China are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends. The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is £14.3m (2023: £17.6m).

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

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Acquisition of property, plant and equipment by means of leases or not yet paid at year end	**464**	3,124	**21**	34
Acquisition of intangible assets not yet paid at year end	**272**	306	**–**	–

20. Trade and other payables

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Trade payables	**10,119**	6,124	**75**	194
Contract liabilities	**3**	1,079	**–**	–
Other payables	**1,205**	667	**167**	45
Accruals and deferred income	**6,026**	6,653	**562**	281
	17,353	14,523	**804**	520

21. Borrowings

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Cash and cash equivalents	**22,374**	21,658	**363**	388
Lease liabilities	**(4,025)**	(4,480)	**(62)**	(75)
Net cash	**18,349**	17,178	**301**	313

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 2024, the undrawn facility was £5,000,000 (2023: £5,000,000).

At 31 March 2024, the Group has an undrawn revolving credit facility £10,000,000 (2023: £10,000,000) with Natwest. This facility is interest bearing and can be drawn by the Group on demand, The facility expires on 30 June 2026.

Reconciliation of lease liabilities

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Opening lease liabilities	**(4,480)**	(1,910)	**(75)**	(62)
New lease liabilities	**(416)**	(3,327)	**(22)**	(22)
Repayment	**884**	387	**45**	21
Lease liabilities interest	**(291)**	(205)	**(11)**	(12)
Disposal	**92**	–	**–**	–
Foreign exchange	**186**	575	**–**	–
Closing lease liabilities	**(4,025)**	(4,480)	**(63)**	(75)
Current lease liabilities	**(646)**	(884)	**(50)**	(41)
Non-current lease liabilities	**(3,379)**	(3,596)	**(13)**	(34)

The Group leases a number of properties and motor vehicles in the jurisdictions it operates in. At 31 March 2024 there were no termination or extension options on leases.

The Group expensed £71,000 for the year ended 31 March 2024 (2023: £48,000) for short-term leases.

Group leases maturity

At 31 March 2024 the Group held the following number of leases in each of the maturity categories below.

At 31 March 2023	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	**4**	**1**	**2**	**7**
Between 1-5 years	**8**	**9**	**3**	**20**
Over 5 years	**2**	**–**	**–**	**2**
Total number of leases	**14**	**10**	**5**	**29**
Average remaining lease term (in years)	**2.5**	**1.8**	**1.5**	**2.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

21. Borrowings continued
Group leases maturity continued

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

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	2024 £000's	2023 £000's
Up to 1 year	**1,135**	896
Between 1-5 years	**2,055**	2,503
Over 5 years	**1,085**	1,983
Total	**4,275**	5,382

22. Provisions

	Litigation £000's	Overseas tax £000's	Other £000's	Total £000's
At 31 March 2022	456	3,419	–	3,875
Charge for year through income statement	–	1,214	124	1,338
Foreign exchange	–	(35)	–	(35)
At 31 March 2023	456	4,598	124	5,178
Charge for year through income statement	–	507	208	715
Foreign exchange	–	(34)	–	(34)
At 31 March 2024	**456**	**5,071**	**332**	**5,859**

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 £5,071,000 in respect of overseas tax liabilities. Certain aspects of a sales tax related to imported products in a Group subsidiary might have been applicable. The subsidiary has been importing an increasing volume of product into this country in recent years. This matter remains uncertain and subject to further review of the tax legislation and case law. No tax payment has yet been determined. However, a substantial tax settlement may be required in due course and a provision has been recognised.

23. 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 £108,491 (2023: £90,845).

23. Pension and other post-retirement benefit commitments continued

Defined benefit pension scheme

The Group operates a defined benefit pension scheme in the UK for a number of ex-employees which is closed to new members. A full actuarial valuation was carried out at 6 April 2022 and updated on 31 March 2024 for IAS 19 purposes by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2024	31 March 2023
Discount rate	**4.75%**	4.85%
RPI inflation	**3.45%**	3.30%
Deferred revaluation rate CPI max 5% p.a.	**2.45%**	2.30%

Mortality rates

No pre-retirement mortality is assumed (2023: 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 2022 projections with a 1.00% long-term trend rate (2023: 1.25%).

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year-end would be 21.0 years for males (2023: 22.2 years) and 23.2 years for females (2023: 24.4 years). For members retiring in 20 years' time, the expectation of life would be 22.0 years for males (2023: 23.6 years) and 24.4 years for females (2023: 25.8 years).

The weighted average term of the liabilities is 7 years (2023: 8 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

	2024 £000's	2023 £000's
Assets at start of year	**1,135**	1,648
Defined benefit obligation at start of year	**(954)**	(1,569)
Net asset/(liability) at 1 April	**181**	79
Return on assets	**55**	45
Interest cost	**(46)**	(43)
	9	2
Gain/(loss) from asset return	**40**	17
Gain/(loss) from changes in assumptions	**(1)**	43
Gain/(loss) from experience	**4**	40
Statement of other comprehensive income	**43**	100
Employer contributions (gross)	**–**	–
Net assets at 31 March	**233**	181
Actual assets at end of year	**1,202**	1,135
Actual defined benefit obligation at end of year	**(969)**	(954)

Gain/(loss) on changes in assumptions was £nil (2023: £nil) relating to changes in demographic assumptions and a loss of £1,000 (2023: £43,000 gain) relating to changes in financial assumptions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

23. Pension and other post-retirement benefit commitments continued

Mortality rates continued

	2024 £000's	2023 £000's
Reconciliation of changes in the asset value during the year		
Fair value of assets at 1 April	**1,135**	1,648
Return on assets	**55**	45
Gain/(loss) on asset return	**40**	17
Employer contributions (gross)	**–**	–
(Decrease)/increase in secured pensioners' value due to scheme experience	**(28)**	(575)
Benefits paid	**–**	–
Fair value of assets at 31 March	**1,202**	1,135
Reconciliation of changes in the liability value during the year		
Defined benefit obligation at 1 April	**954**	1,569
Interest cost	**46**	43
Past service cost	**(4)**	(40)
(Gain)/loss on changes in assumptions	**1**	(43)
(Decrease)/increase in secured pensioners' value due to scheme experience	**(28)**	(575)
Benefits paid	**–**	–
Defined benefit obligation at 31 March	**969**	954

No annual contribution to be paid by the employer is expected (2023: £58,000).

Year ended 31 March	2024 £000's	2023 £000's	2022 £000's	2021 £000's	2020 £000's
Fair value of plan assets	**1,202**	1,135	1,648	1,795	1,795
Present value of defined benefit obligation	**969**	954	1,569	1,799	1,814
(Deficit)/surplus in plan	**233**	181	79	(4)	(27)
Experience (losses)/gains on plan liabilities	**40**	17	(5)	–	(2)

Plan assets	2024 £000's	2023 £000's
Assets under management	**345**	291
Insured annuities	**857**	844
Total	**1,202**	1,135

Assets under management composition

	2024	2023
Corporate bonds	**42.6%**	43.0%
Overseas equities	**37.1%**	29.2%
UK equities	**12.5%**	17.6%
Property	**7.0%**	7.8%
Cash	**0.8%**	2.4%
	100.0%	100.0%

23. Pension and other post-retirement benefit commitments continued

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.

		(Decrease)/increase in defined benefit obligation			
		2024		2023	
Actuarial assumptions	Reasonably possible change	£000's	£000's	£000's	£000's
Discount rate	+/- 0.1%	**(56)**	**64**	(62)	73
Members' life expectancy	+/- 1 year	**(73)**	**73**	62	(64)

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.

24. Share-based payments

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

	Group		Company	
	2024 £000's	2023 £000's	2024 £000's	2023 £000's
Total expense arising from equity-settled share-based payments transactions	**413**	408	**127**	179

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	
	2024 000's	2024 WAEP (£)	2023 000's	2023 WAEP (£)
Outstanding at 1 April	**2,777**	**2.84**	3,866	3.47
Granted during the year – Employee scheme	**485**	**0.95**	–	–
Granted during the year – LTIPs	**418**	**0.05**	551	0.05
Granted during the year – Deferred bonus	**45**	**0.05**	46	0.05
Cancelled during the period	**(142)**	**4.47**	(1,686)	3.20
Exercised during the period	**(23)**	**0.05**	–	–
Outstanding at 31 March	**3,560**	**2.18**	2,777	2.84
Granted < 3 years ago and not vested	**(1,559)**		(1,239)	
Exercisable at 31 March	**2,001**	**3.62**	1,538	4.47

2,001,493 options were exercisable at 31 March 2024 (2023: 1,537,850). The WAEP of exercisable options at 31 March 2024 was 362.0p (2023: 447.0p).

The average share price during the year was 106.9p (2023: 111.2p).

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 2024 had a weighted average exercise price of £2.18 (2023: £2.84) and a weighted average remaining contractual life of 5.4 years (2023: 4.7 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

24. Share-based payments continued

ECO Animal Health Group plc Executive Share Option Scheme

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

484,900 share options have been granted in the year under this scheme (2023: none). In addition 417,704 options have been issued under the Group's Long Term Incentive Plan (2023: 550,953) and 44,562 under the Group's deferred bonus arrangements (2023: 45,606).

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 2024 is given below:

Date of grant	Unapproved	Approved	Exercise price	Expiry date
21 August 2014	–	11,400	£1.615	21 August 2024
13 February 2015	–	18,850	£2.005	13 February 2025
26 August 2015	–	21,350	£2.650	26 August 2025
19 January 2016	–	10,200	£3.150	19 January 2026
17 February 2016	–	19,600	£3.125	17 February 2026
01 March 2016	–	9,600	£3.125	01 March 2026
12 September 2016	–	23,100	£4.325	12 September 2026
12 September 2016	306,900	–	£4.325	12 September 2023
15 September 2016	–	2,000	£4.350	15 September 2026
15 September 2016	398,000	–	£4.350	15 September 2023
21 September 2017	–	36,650	£6.200	21 September 2027
21 September 2017	234,350	–	£6.200	21 September 2024
12 April 2018	–	3,900	£5.450	12 April 2028
23 October 2018	–	56,050	£3.800	23 October 2028
23 October 2018	233,950	–	£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	14,782	–	£0.050	24 September 2031
12 December 2022	45,606	–	£0.050	12 December 2032
27 February 2023*	550,953	–	£0.050	27 February 2033
25 April 2023	–	269,800	£1.011	24 April 2033
22 December 2023	44,562	–	£0.050	22 December 2033
22 March 2024*	417,704	–	£0.050	22 March 2034
22 March 2024	–	215,100	£0.880	22 March 2034
	2,700,037	**859,549**		

* These are the options where a TSR ("Total Shareholder Return") criterion affects the number of options that will vest.

The market price of the shares at 31 March 2024 was 85.5p (2023: 96.5p) with a range in the year of 84.0p to 122.5p (2023: 82.5p to 165.0p).

24. Share-based payments continued

ECO Animal Health Group plc Executive Share Option Scheme continued

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.

	2024	2023	2022	2021	2020
Vesting period (years)	**3 – 4**	3 – 4	3 – 4	n/a	n/a
Option expiry (years)	**10**	10	7 – 10		
Dividends expected on the shares	**0.00%**	0.00%	1.00%		
Risk free rate (average)	**3.74% – 4.13%**	3.20% – 3.75%	0.18%		
Volatility of share price	**40%**	40%	40%		
Weighted average fair value (pence)	**47.0 -106.2**	84.0 -108.0	101.0 – 316.0		

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

Long Term Incentive Plan

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

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

The TSR conditions mean that the share options subject to these conditions will vest subject to the following: (i) 25% of the share options will vest if the annual compound TSR over the performance period equals 7.5%; (ii) 50% of the share options will vest if the annual compound TSR over the performance period equals 10%; and (iii) 100% of the share options will vest if the annual compound TSR over the performance period equals 20%.

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

25. Share capital

	2024 £000's	2023 £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		
67,744,889 (2023: 67,721,916) ordinary shares of 5p each	**3,387**	3,381

During the year 22,973 shares were issued (2023: no shares were issued). The options were issued following the exercise of share options. The exercise price was 5 pence per option and consideration of £1,000 was received.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

26. Non-controlling (minority) interests

	2024 £000's	2023 £000's
Balance as at 1 April	**12,281**	12,284
Share of subsidiary's profit/(loss) for the year	**960**	2,083
Share of foreign exchange gain/(loss) on net investment	**(738)**	(276)
	222	1,807
Share of dividend paid by subsidiary	**(2,813)**	(1,810)
Balance as at 31 March	**9,690**	12,281

27. Other reserves

The Group and Company held a revaluation reserve of £311,000 as at 31 March 2024 (2023: £311,000) relating to the freehold of the former head office of the Group (New Malden). The revaluation reserve has been transferred directly to retained earnings after the disposal of the property.

The Group and Company held a revaluation reserve of £75,000 as at 31 March 2024 (2023: £75,000) relating to the investment property (Mitcham). The revaluation reserve has been transferred directly to retained earnings after the disposal of the property.

The Group held a revaluation reserve of £271,000 as at 31 March 2024 (2023: £271,000) relating to the acquisition of ECO Animal Health Japan Inc in 2009 and corresponding to the carrying value of its assets.

The Group and Company held a capital redemption reserve of £106,000 as at 31 March 2024 (2023: £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 2023 £000's	Movement in the year £000's	At 31 March 2024 £000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	1,098	(767)	**331**
Zhejiang ECO Animal Health Limited	319	(204)	**115**
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	220	(5)	**215**
ECO Animal Health Japan Inc.	(20)	(164)	**(184)**
ECO Animal Health USA Corp.	(35)	20	**(15)**
ECO Animal Health de Mexico, S. de R. L. de C. V.	340	30	**370**
ECO South Africa	(49)	–	**(49)**
Pharmgate LLC	5	–	**5**
Foreign exchange reserve movements charged to consolidated statement of comprehensive income	1,878	(1,090)	**788**

28. Directors' emoluments

	2024 £000's	2023 £000's
Emoluments for qualifying services	**1,211**	999
Company pension contributions to money purchase schemes	**25**	25
Share-based payments	**108**	70
Benefits in kind	**13**	13
	1,357	1,107

During the year no Directors exercised share options (2023: none) realising a gain of £nil (2023: £nil).

The highest paid Director received £619,000 (2023: £497,000) including £33,000 (2023: £6,000) of share-based payments and £nil (2023: £nil) of pension contributions.

29. Employees

Number of employees

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

	2024 Number	2023 Number
Directors	**5**	6
Production and development	**91**	89
Administration	**48**	47
Sales	**83**	92
	227	234

Employment costs (including amounts capitalised)

	2024 £000's	2023 £000's
Wages and salaries	**14,393**	13,045
Share-based payments	**413**	408
Social security costs	**1,558**	1,600
Other pension costs	**431**	408
	16,795	15,461

30. Related party transactions

Dividends paid to related parties

During the year Mr P Lawrence (a significant shareholder) and his family received no dividends (2023: £nil).

The other Directors and their families received dividends to the value of £nil (2023: £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 £603,786 (2023: £750,000) and charged interest of £1,707,579 (2023: £1,224,705) to the subsidiary company. Both of these transactions were made through the inter-company account and were eliminated on consolidation.

During the year Zhejiang ECO Animal Health Ltd paid dividends to ECO Animal Health Ltd of £449,560 (RMB 3,916,015).

During the year Zhejiang ECO Biok Animal Health Products Limited paid dividends of £255,029 (RMB 1,960,000) to ECO Animal Health Group plc (2023: £144,828) and £2,702,641 (RMB 23,540,000) to ECO Animal Health Limited (2023: £1,739,409).

During the year ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda paid dividends to ECO Animal Health Ltd of £1,398,471 (BRL 9,000,000) (2023: £Nil).

Key management compensation

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

	2024 £000's	2023 £000's
Emoluments for qualifying services	**1,211**	999
Retirement benefits	**25**	25
Share-based payments	**108**	70
Benefits in kind	**13**	13
	1,357	1,107

The number of Directors for which retirement benefits were accruing was 1 (2023: 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

31. 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 risk 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 19, borrowings in note 21 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 2024, the Group was contractually obliged to make repayments as detailed below:

	2024 £000's	2023 £000's
Within one year or on demand		
Trade payables	**10,119**	6,124
Other payables	**1,205**	565
Accruals	**6,026**	6,653
	17,350	13,342

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.

31. Financial instruments continued

Foreign 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.

2024	US Dollar £000's	Euros £000's	Chinese RMB £000's	Japanese Yen £000's	Brazilian Real £000's	Canadian Dollar £000's	Mexican Peso £000's	Other £000's
Trade and other receivables	**30,924**	**2,961**	**6,753**	**134**	**677**	**759**	**2,699**	**125**
Trade and other payables	**(13,115)**	**(681)**	**(7,312)**	**(1,074)**	**(656)**	**(494)**	**(3,387)**	**(80)**
Cash and cash equivalents	**4,638**	**439**	**14,356**	**618**	**878**	**321**	**378**	**64**
Total	**22,447**	**2,719**	**13,797**	**(322)**	**899**	**586**	**(310)**	**109**

2023	US Dollar £000's	Euros £000's	Chinese RMB £000's	Japanese Yen £000's	Brazilian Real £000's	Canadian Dollar £000's	Mexican Peso £000's	Other £000's
Trade and other receivables	34,969	2,013	3,880	303	3,251	752	335	153
Trade and other payables	(25,436)	(479)	(5,258)	(449)	(49)	(673)	–	(125)
Cash and cash equivalents	2,162	515	17,736	240	265	180	125	53
Total	11,695	2,049	16,358	94	3,467	259	460	81

At 31 March 2024 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 2024.

	2024 £000's	2023 £000's
U S Dollar	**2,278**	1,300
Euro	**265**	228
Chinese RMB	**1,450**	1,818
Japanese Yen	**(39)**	10
Brazilian Real	**100**	385
Canadian Dollar	**65**	29
Mexican Peso	**(41)**	51

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 MARCH 2024

31. Financial instruments continued
Analysis of financial instruments by category

Group 2024	Financial assets £000's	Financial liabilities £000's	Total £000's
Trade and other receivables[1]	32,175	–	32,175
Cash and cash equivalents	22,374	–	22,374
Trade and other payables[2]	–	(17,350)	(17,350)
Amounts due under leases	–	(4,025)	(4,025)
Borrowings	–	–	–

1 This includes prepayments and accrued income £524,000.
2. This excludes contract liabilities but includes accruals and deferred income (£6,026,000).

2023	£000's	£000's	£000's
Trade and other receivables[1]	26,850	–	26,850
Cash and cash equivalents	21,658	–	21,658
Trade and other payables[2]	–	(13,339)	(13,339)
Amounts due under leases	–	(4,480)	(4,480)
Borrowings	–	–	–

1 This includes prepayments and accrued income £725,000.
2. This excludes contract liabilities but includes accruals and deferred income (£6,653,000).

Company 2024	Financial assets £000's	Financial liabilities £000's	Total £000's
Trade and other receivables[1]	1,698	–	1,698
Cash and cash equivalents	363	–	363
Trade and other payables[2]	–	(804)	(804)
Amounts due under leases	–	(62)	(62)
Borrowings	–	–	–
Amounts due from Group undertakings	51,078	–	51,078

1 This includes prepayments and accrued income £254,000.
2. This excludes contract liabilities, but includes accruals and deferred income (£562,000).

2023	£000's	£000's	£000's
Trade and other receivables[1]	1,073	–	1,073
Cash and cash equivalents	388	–	388
Trade and other payables[2]	–	(520)	(520)
Amounts due under leases	–	(76)	(76)
Borrowings	–	–	–
Amounts due from Group undertakings	51,526	–	51,526

1 This includes prepayments and accrued income £248,000.
2. This excludes contract liabilities, but includes accruals and deferred income (£281,000).

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.

32. Post balance sheet events
Disposal of Horsepaste Business
ACME Drugs S.r.l in Italy has acquired all the marketing authorisations held by ECO for the Ecomectin® Horsepaste, together with the intellectual property £18,000, manufacturing and distribution arrangements and existing inventory £155,000.

This transaction was completed on 3 April 2024 for a total consideration of €1,300,000 (£1,120,000 at 31 March 2024). €500,000 (£431,000 at 31 March 2024) was paid on signature of the sale and purchase agreement with an undertaking to pay two further payments of €400,000 (£345,000 at 31 March 2024) each on the date which is 18 months after completion and 36 months after completion. These two elements of deferred consideration are unconditional and supported with a bank guarantee which will be put in place within 45 days.

The revenue derived from this business in the year ending 31 March 2024 was £814,000 (2023: £988,000). The product was never treated as a separate segment and together with the relative immateriality of the revenue has resulted in not treating this as a discontinued operation. As at 31 March 2024, the £18,000 has been included in the balance sheet as assets held for sale.

DIRECTORS AND ADVISERS

Directors	Andrew Jones	Non-Executive Chairman
	David Hallas	Chief Executive Officer
	Christopher Wilks	Chief Financial Officer
	Frank Armstrong	Non Executive Director
	Tracey James	Non Executive Director
	Joachim Hasenmaier	Non Executive Director
Secretary	Christopher Wilks	
Company Number	1818170	
Registered Office	The Grange 100 High Street London N14 6BN	
Registered Auditors	Haysmacintyre LLP 10 Queen Street Place London EC4R 1AG	
Registrars	Share Registrars Limited 3 The Millennium Centre Crosby Way Farnham Surrey GU9 7XX	
Lawyers	Mills & Reeve LLP 24 King William Street London EC4R 9AT	
Bankers	Natwest plc Tooting Branch 30 High Street London SW17 0RG	
Nominated Adviser And Broker	Singer Capital Markets One Bartholomew Lane London EC2N 2AX	
Joint Broker	Investec 30 Gresham Street London EC2V 7QP	
Investor Relations	ICR Consilium 85 Gresham Street London EC2V 7NQ	

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ECO Animal Health Group plc
The Grange
100 The High Street
Southgate
London, N14 6BN
United Kingdom
+44 (0)208 447 8899