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ECO ANIMAL
HEALTH GROUP PLC
ANNUAL REPORT & ACCOUNTS FOR
THE YEAR ENDED 31 MARCH 2021
Registration No. 01818170 (England and Wales)



ECO Animal Health Group Plc

ECO ANIMAL HEALTH GROUP PLC

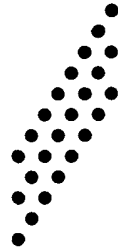
DIRECTORS AND ADVISERS

Directors	Andrew Jones	Non-Executive Chairman
	Marc Loomes	Chief Executive
	Christopher Wilks	Finance Director
	Frank Armstrong	Non Executive Director
	Anthony Rawlinson	Non Executive Director
Secretary	Christopher Wilks	
Company Number	1818170	
Registered Office	78 Coombe Road New Malden, Surrey KT3 4QS	
Registered Auditors	BDO LLP Level 12 Thames Tower Station Road Reading RG1 1LX	
Registrars	Share Registrars Limited The Courtyard, 17 West Street Farnham, Surrey GU9 7DR	
Lawyers	Mills and Reeve Monument Place, 24 Monument Street London EC3R 8AJ	
Bankers	Natwest plc Tooting Branch, 30 High Street London SW17 0RG	
Nominated Adviser And Broker	Singer Capital Markets One Bartholomew Lane London EC2N 2AX	
Joint Broker	Peel Hunt Moor House, 120 London Wall London EC2Y 5ET	

CONTENTS

4	Financial Highlights
6	Operations Highlights
10	Chairman's Statement
12	Chief Executive's Report
14	Finance Director's Report
19	Strategic Report
23	Corporate Governance Report
43	Directors' Report
45	Independent Auditor's Report
52	Consolidated Income Statement
53	Consolidated Statement Of Comprehensive Income
54	Consolidated Statement Of Changes In Equity
55	Statement Of Changes In Equity
56	Statements Of Financial Position (Co. Number: 01818170)
57	Statements Of Cash Flows
58	Notes To The Consolidated Financial Statements

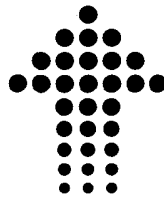
FINANCIAL HIGHLIGHTS



SALES UP 46%

AT £105.6m

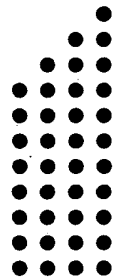
(2020: £72.1m)



GROSS MARGIN

INCREASE TO 51%

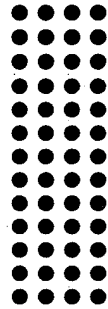
(2020: 46%)



**PROFIT BEFORE TAX INCREASED
SIGNIFICANTLY**

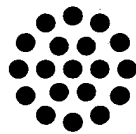
TO £20.3m

(2020 restated: £6.1m)



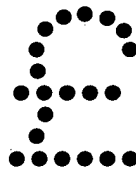
**EARNINGS PER SHARE INCREASED
SIGNIFICANTLY**

TO 12.08p
(2020 restated: 5.77p)



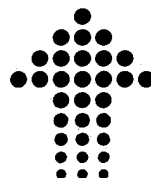
**CASH GENERATION FROM
OPERATIONS SIGNIFICANTLY STRONGER**

AT £15.8m
(2020: £5.5m)



**NEW PRODUCT DEVELOPMENT
EXPENDITURE**

AT £9.1m
(2020: £10.9m)



NET CASH HIGHER

AT £19.5m
(2020: £9.8m)

OPERATIONS HIGHLIGHTS

- **DEMAND FOR AIVLOSIN®**
- **INCREASED BY 44%**
- led by recovery in China, strong domestic growth in the USA and strong export driven growth in Brazil.

- **REVENUE IN CHINA**
- **INCREASED BY 178%**
- underpinned by structural changes to the Chinese pork producing industry post ASF and rapid restocking of pig herds.

- **REVENUE IN NORTH AMERICA**
- **INCREASED BY 28%**
- reflecting rising farm incomes and profitability.

- **PRODUCT APPROVALS**
- Aivlosin® marketing authorisations for swine received in Europe, United States and Canada.
- First vaccine marketing authorisation received in Brazil.

- **TWO RESEARCH PARTNERSHIP**
- **AGREEMENTS SIGNED**
- with the Pirbright Institute and the Vaccine Group to develop and license novel vaccines against porcine respiratory and reproductive syndrome virus.

- **CONTINUED**
- **CORPORATE GOVERNANCE**
- enhancements.

Marc Loomes, CEO of ECO Animal Health Group plc, commented:



These excellent results reflect the strong recovery in selected key markets which, together with the adaptability and innovation shown by our employees has delivered a record result during a year of formidable operational challenges arising from macroeconomic events.

We are excited about the progress within our new product development programmes, with previous announcements demonstrating the potential of our in-house science and external collaborations.

The year ahead has had a solid start, we carefully monitor the demand for our products and recognise the easing in China, but remain confident of a successful out-turn for the year.



The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). Upon the publication of this announcement via a Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

⋮ SALES IN MORE THAN
⋮ 70 COUNTRIES
⋮

Head Office

- New Malden, London

Regional Offices

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

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

This has been a year of exceptional performance, where for the first time we passed the milestone of £100m of sales and saw major growth in profit and cash flow.

This has been a year of exceptional performance, where we passed the milestone of £100m of sales and saw major growth in profit and cash flow.

The main contributor to the growth was China where a favourable combination of industry structural changes and restocking of the pig herd after the ASF epidemic together with changes in regulations for use of antibiotics in feed created exceptional levels of demand and sales opportunity for Aivlosin®. Additionally, we also saw good growth of our business in the key territories of North America and Brazil and steady progress in others.

This would have been a great achievement in any year, but in a year where the world has been in the grips of COVID-19 and when the UK finally implemented Brexit, it is an exceptional performance.

Staff throughout the business have quickly adapted to new ways of working and risen to the many challenges they faced to deliver a year of considerable financial performance.

We have also made excellent progress with our strategy to build on our strong position with Aivlosin® in pig and poultry markets with a new complementary range of vaccines. We have an excellent portfolio of vaccine projects that are progressing well through the development process, backed by a team of highly experienced R&D scientists. The Board is excited by the value creation potential of our R&D programmes.

The performance has resulted in a strong recovery of our profits and cash generation from operations compared with the prior year. We are pleased to propose the resumption of the payment of a dividend. The Board is proposing a dividend of 1.00p per share, which subject to shareholder approval will be paid on 22 October 2021 to shareholders on the register on 24 September 2021. The ex-dividend date will be 23 September 2021.

We have made substantial progress in strengthening governance systems in the Company and continue to build on this:

- The work to restate historical financial statements is now complete.
- Shareholders approved the new Annual Bonus Plan (including a deferred element) and Long-Term Incentive Plan ("LTIP") at a General Meeting in March 2021, and implementation of these schemes is now underway. We believe these rewards schemes will drive both shorter- and longer-term value and better align the interests of management with shareholders.
- We recognise the importance of clear and transparent reporting on how the Company approaches activities that relate to Environmental, Social and Governance matters. We have for the first time included in this Annual Report a specific section, entitled "Sustainability Report" as a first step and plan to make a full review during the year and report in the next Annual Report.

I have already mentioned the great contribution by management and staff throughout the Company which led to the excellent recovery and growth in the business. I am hugely grateful for their commitment and energy in moving ECO to a significantly stronger position than it has been before.

We have today also announced the intention of Marc Loomes to retire. He wishes to retire on 31 December 2022 and will support the smooth transition to his successor. We are hugely grateful to Marc for his significant contribution and strong leadership he has provided over the last 17 years, and his total commitment to ensure a smooth succession process. I have particularly enjoyed my time working with Marc and he can be truly proud of the business that he has created and led.

I would also like to once again sincerely thank our shareholders for their support. The last two years have seen huge challenges for the Company and the Board is highly appreciative of the continued loyalty and support from investors.

We have made substantial progress in strengthening governance systems in the Company and continue to build on this.

Outlook

Performance in our first three months of the current financial year ending 31 March 2022 has been solid with Group revenue marginally behind the corresponding prior year period.

The strength seen in our Chinese market at the end of the last financial year has eased significantly following the recent pork price declines. This decline began to reverse ahead of the recent announcement on 28th June 2021 by the China state planner that central and local governments will start buying pork for state reserves. We have seen continuing strength in Latin America and early signs of recovery in Southeast Asia.

The Group's historical pattern of second half revenue weighting is expected to be retained during the current financial year particularly in relation to China where the market softness in the first three months of our current financial year is expected to reverse later in the year as state purchasing of pork improves the producer margins and encourages the purchasing of the Group's products.

We look forward to the rest of this financial year and our reporting prospects for 2022 with cautious optimism.



Dr Andrew Jones
Chairman
25 July 2021

**NET CASH
AT YEAR
END OF
£19.5m**

CHIEF EXECUTIVE'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

Global revenue grew by 46% to £105.6 million reflecting the rapid restructuring and return to profitability of the Chinese pork market, supported by solid growth in the important North American and Brazilian domestic and export markets. Good progress was made in a number of key territories reflecting the value of ECO's global footprint with sales generated in more than seventy countries, reflecting the global commoditised nature of pork and poultry production.

I am delighted to report on a year of unprecedented performance which culminated in a record performance for the year ended 31 March 2021 exceeding the upgraded market expectations.

The Company encountered a series of formidable operational challenges during a period of remarkable change; the global COVID-19 pandemic which disrupted work locations and practices, the consummation of Brexit and several ongoing regional outbreaks of African Swine Fever (ASF) in China and in other territories, required our employees to adapt, to innovate and to remain focused on the business. It is these staff attributes that have enabled the delivery of these notable results.

Operational Review

Global revenue grew by 46% to £105.6 million reflecting the rapid restructuring and return to profitability of the Chinese pork market, supported by solid growth in the important North American and Brazilian domestic and export markets. Good progress was made in a number of key territories reflecting the value of ECO's global footprint with sales generated in more than seventy countries, reflecting the global commoditised nature of pork and poultry production.

Sales of Aivlosin[®], our patented antimicrobial which is used under veterinary prescription for the treatment of economically important diseases in pigs and poultry, increased by 44% to £87.5 million (2020: £60.7 million), accounting for 83% of total revenue.

Sales of the smaller Ecomectin[®] anti-parasitic range at £4.2 million (2020: £4.0 million), increased by 7% and represented 4% of the Group's revenue.

Sales of all other products were £13.8 million (2020: £7.5 million) and mainly comprised a range of supportive antimicrobial products for pigs in China.

Revenue from our external customers in China increased by 178%. This growth was underpinned by structural changes to the pork producing industry forced by the ASF pandemic and consequent rapid restocking of pig herds by major producers. Our Chinese subsidiary has focused on the respiratory health benefits of Aivlosin[®] for replacement breeding sows and piglets whose numbers at the major producers have increased rapidly in response to the pork shortage and very high pork prices. The value of these sows and their offspring has enabled the subsidiary to secure the business of an increasing number of key accounts as the industry faced the withdrawal of antimicrobials used as growth promoters together with a long hard winter which resulted in high respiratory disease prevalence.

Revenue in Japan declined by 7% with COVID-19 restrictions limiting access to producers.

North American revenue from external customers increased strongly by 19% reflecting the growing importance of Aivlosin[®]'s low yet effective dose rate and short treatment duration in medication protocols as veterinarians and producers adhere to responsible use of antimicrobial guidelines.

In the USA, revenue was 28% higher at £10.6 million, reflecting rapidly rising farm incomes, profitability at the producer and at the packer level, and buoyant exports brought about by ASF in China. Our strengthened sales and technical teams have focused on further business expansion at both key producers and dispensing veterinary practices.

Canadian revenue fell by 2% to £3.3 million largely because COVID-19 related enhanced

biosecurity measures resulted in an exceptional overall health status of the national swine herd.

Brazilian revenue rose strongly by 32% to £7.1 million reflecting the benefits of ECO's key account management approach and the development of a very strong partnership with our local third-party distributor. Important supply tenders to major producers were won and the customer base broadened in a market where exports were strong but domestic demand subdued. The Mexican subsidiary's revenue fell by 7% to £4.8 million hampered by stock availability in a particularly difficult COVID-19 trading environment. Revenue across the other Latin American countries increased by 14% despite the extremely challenging economic and social conditions where gains in Bolivia, Cuba and Chile were partly offset by declines in Argentina, Colombia and Peru.

In South and Southeast Asia, revenue declined significantly by 36% to £9.1 million reflecting the impact of both ASF and COVID-19 across the region, notably in Thailand, our largest market, where despite difficulties the Company gained a positive treatment protocol listing for Aivlosin[®] with a major global producer. A new distributor was appointed in the Philippines, a recruitment process initiated for a key account manager in Indonesia for poultry where the business held up very well, and there were signs of an early and strong recovery in Vietnam. In India poultry market conditions remained extremely challenging.

European revenue declined by 13% to £6.6 million. Aivlosin[®] sales were strong in key markets such as Spain although overall revenue into continental markets fell.

Sales in the United Kingdom, which represented less than 2% of global revenue, declined by 17% to £1.5 million, across all products reflecting the difficult trading environment.

In Russia, an increasingly active exporter of pork and poultry meat, revenue was affected by disease outbreaks in swine and in poultry although relationships with the most important customers were strengthened.

Sales in the Rest of the World increased by 16% to £1.3 million largely due to strong demand for Aivlosin® in Egypt offsetting a declining presence in South Africa.

Product Approvals

Aivlosin® marketing authorisations for swine were received from the European Medicines Agency (EMA), the United States Center for Veterinary Medicine of the Food and Drug Administration and from the Veterinary Drugs Directorate of Health Canada. These approvals added the treatment and control of *Mycoplasma hyopneumoniae* to the Aivlosin® Water Soluble Granules formulation label. *M. hyopneumoniae* is a primary pathogen in swine respiratory disease ("SRD") complexes playing an important role in facilitating the entry of other bacterial and viral pathogens. SRD occurs worldwide and causes major economic losses to the pig industry.

A marketing authorisation from Brazil's Ministry of Agriculture, Livestock and Food Supply was received for Circo/MycoGard®, a vaccine for piglets against Porcine Circovirus type 2 ("PCV2") and *M. hyopneumoniae*, two of the most common primary pig respiratory disease pathogens affecting the health and productivity of swine globally. This first vaccine marketing authorisation, obtained in collaboration with Pharmgate Corp, USA marks a significant milestone as the Company builds capability with vaccines and broadens its product portfolio.

Pipeline

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

ECO has a formidable team of scientists and is building a significant product portfolio pipeline with a mix of well-established concepts and novel, highly competitive technologies and approaches with the emphasis on vaccines and other new products to complement our existing antimicrobial business. The pipeline is

focused on providing solutions to respiratory and gastrointestinal (gut) diseases of major economic importance in pigs and poultry.

Two worldwide exclusive research partnerships were signed in October 2020 with The Pirbright Institute in the UK and The Vaccine Group, also in the UK, to develop and licence novel vaccines for use in pigs against porcine respiratory and reproductive syndrome virus ("PRRSV"), one of the most economically damaging diseases to the global pig industry.

New product development expenditure in the year was capped at £9.1 million (2020: £10.9 million) reflecting the Board's initiation of a project prioritisation exercise within the R&D development portfolio to conserve cash in response to the COVID-19 pandemic. Expenditure has been reinstated at the significant level of £10.2 million in 2021/22 which will ensure the acceleration of several key projects and that the product development portfolio is constantly refreshed. Our objective is to have several mid and late-stage projects able to deliver first revenues from the middle of the decade onwards.

COVID-19 Impact

The Group's transition to effective homeworking has been smooth. All staff have been retained and ECO has not required assistance from any UK or US Government financial support schemes. The Company's outsourced manufacturing model, the supply chain and our routes to market have, in most locations, functioned robustly.

Brexit

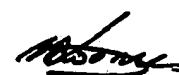
ECO's EU marketing authorisations have been transferred to the European subsidiary, ECO Animal Health Europe Limited registered in Dublin, Republic of Ireland and our contingency product supply plans are operational. The limited ongoing financial impact of Brexit is expected to be further mitigated as our new systems bed in. ECO's sales to the EU (excluding the UK) represented 6.2% of total revenue for the year.

People

ECO has provided flexibility to all our employees, supporting those with childcare and other caring responsibilities and ensured that homeworking has been as effective as possible. Notwithstanding this, our employees have demonstrated extraordinary levels of energy, engagement and professionalism in addressing the considerable challenges of the past year.

Individually and collectively their ability to innovate and to adapt combined with sheer hard work and considerable fortitude underpins both these results and ECO's prospects. It is these characteristics that will enable ECO to meet current and future market challenges and for this I thank them.

We have today also announced my intention to retire on 31 December 2022. After 17 years I feel it is the right time to seek my retirement and I look forward to working with the Board to effect a smooth transition to my successor. I am immensely grateful for the support I have enjoyed over the years from colleagues and friends both within the business and outside. I will be available to help my successor in any way possible.



Marc Loomes
Chief Executive Officer
25 July 2021



CHINA AND JAPAN
REVENUE
UP BY 154%

NORTH AMERICA
REVENUE
UP BY 19%

LATIN AMERICA
REVENUE
UP BY 13%



FINANCE DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The year ended 31 March 2021 has been a significant year, most obviously marked by the need to work remotely and without the benefits of physical communication with customers, suppliers and colleagues.

The business is reporting record revenues and earnings in the year ended 31 March 2021.

Introduction

I am pleased to present my second report as the Group Finance Director of ECO.

The year ended 31 March 2021 has been a significant year, most obviously marked by the need to work remotely and without the benefits of physical communication with customers, suppliers and colleagues. Naturally this has brought challenges, but we are proud to be able to report that ECO has worked through this period with minimal interruption. We have chosen not to access any governmental support, staff and external stakeholder morale has remained good and the business is reporting record revenues and earnings in the year ended 31 March 2021.

The "journey of change" I spoke about last year has continued throughout this financial year and the benefits are beginning to be seen. In particular, the audit this year has been a considerably smoother process and the financial control system improvements have functioned well. The internal audit function has conducted some useful reviews albeit that their inability to travel has hampered the geographical reach of their work this year.

Trading

In last year's accounts we reported a very strong second half revenue performance; the second half representing circa 60% of the overall total for the year. This second half weighting was repeated in the latest financial year and arose – much as it did last year, from growth in China. The recovery from the African Swine Fever outbreak in China has been widely reported and the combination of governmental incentives and commodity price drivers has benefitted major producers

who have gained a larger market share among pork producers in China. These major producers represent the target market for Aivlosin®.

A geographical analysis of revenue is as follows:

this may in part reflect a re-bounce which is to be expected following a period of abnormally low demand.

North America and Latin America have also advanced well during the year; commodity

Year ended 31 March

Revenue Summary	2021 (£'m)	2020 (£'m)	% change
China and Japan	58.9	23.1	154%
North America (USA and Canada)	13.9	11.6	19%
South and South East Asia	9.1	14.2	(36%)
Latin America	14.3	12.6	13%
Europe	6.6	7.6	(13%)
Rest of World and UK	2.8	3.0	(4%)
	105.6	72.1	46%

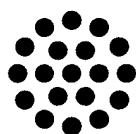
Revenue from China and Japan in the second half of the year was £38.1 million compared to the first six months ended 30 September 2020 of £20.8 million and the six months ended 31 March 2020 of £16.1 million. Japan represents less than 5% of the combined revenues. These successive six month increases in revenue in China demonstrated the ability of ECO to harness the market potential at a time when a favourable combination of herd restocking, and very high pork prices created exceptional levels of demand. The last full year of revenue in China and Japan before the ASF outbreak was the year ended 31 March 2018 and amounted to £27.6 million. This more than doubling of revenue compared to the last full year without ASF is significant but

price stabilisation in the USA and export market opportunities in Brazil underpinning the ECO performance.

The sales performance in South and South East Asia has been disappointing, reflecting the impact of both ASF and COVID-19 in these markets. After a year of strong growth (the increase in 2020 compared to 2019 was 75%) the revenue has settled to £9.1 million (2020: £14.2 million) compared with £8.1 million in the year ended 31 March 2019. As highlighted in the CEO report there has been some positive commercial news in Thailand, encouraging developments in The Philippines and Indonesia and early signs of market recovery in Vietnam. India remains

challenging where the poultry market has for the last 18 months been suffering with very low commodity prices and reduced demand.

Gross margins at 51% in the year ended 31 March 2021 (2020: 46%) showed a significant improvement. These gains were largely as a result of a favourable geographical mix – China and Japan represented 56% of Group revenues in the year ended 31 March 2021 (2020: 32%), where the margins are higher than the average of the rest of the Group.



EXPENDITURE IN R&D £9.1m



Overheads, at £33.6 million were significantly greater in the year ended 31 March 2021 compared with the year ended 31 March 2020 (restated: £27.3 million). Wages and salaries increased to £12.4 million (2020: £8.2 million) reflecting a greater bonus accrual - specifically in China - as well as investment in sales and marketing, R&D and the finance team. In addition, the effect of the US Dollar weakening compared with Sterling resulted in a foreign exchange loss which increased by £1.7 million. Increases in insurance (greater revenue) and audit fee (new auditors with cost overruns incurred last year but impacting this year) were offset by COVID-19 related savings in advertising, travel expenditure and R&D.

Total cash expenditure on research and development in the year was £9.1 million (2020: £10.9 million).

Overall R&D expenditure in the year reduced as a consequence of a cautious approach taken by the Board in the light of the COVID-19 pandemic. At the half year, the Board decided to increase expenditure once the trading patterns could be confidently discerned, and it was clear that the Group had adapted to the new ways of working. This expenditure was expensed to the extent that it related to projects at the research phase and capitalised in accordance with IAS38 to the extent that it related to projects in the latter stage (development phase) of the project life-cycle.

About 11% of expenditure was capitalised in the year ended 31 March 2021 (2020: 19%) – this reflects the greater proportion of earlier stage project work such as vaccine and biologicals development.

EBITDA has historically represented a key performance measure; the removal of amortisation (which is a significant annual non-cash charge to profits) and depreciation provides a good indication of the underlying cash trading performance of the business. The charge for amortisation of intangible assets and depreciation in the year was £1.3 million (2020 restated: £1.1 million). The EBITDA margin (excluding foreign exchange movements and expressed as a percentage of revenue in the period) was 23.1% in the year ended 31 March 2021 compared with 11.6% in the year ended 31 March 2020. This doubling in the EBITDA margin arises in part from the increased gross margin; the remainder is the result of operational gearing from increasing revenue with overheads increasing at a lower rate. Greater emphasis is now placed by the Board and the Leadership team on profit before income tax which includes all elements of charges (both cash and non-cash). As described in the Remuneration Committee report the key profit measure by which executive management are rewarded is profit before tax. Accordingly, EBITDA will have far less prominence in the future.

Profit before income tax has increased to £20.3 million in the year ended 31 March 2021 (2020 restated: £6.1 million), through a combination of greater revenue (profit contribution of £15.5 million), stronger margins (profit contribution of £4.7 million) and lower investment in expensed research (£0.7 million) offset by increased foreign exchange differences (£1.7 million) and increased administrative expenses (£5.0 million).

The Group continues to benefit from a low effective tax rate in the UK due to the significant

	Year ended 31 March	
	2021 £000's	2020 £000's
Research expenditure – included in administrative expenses	8,072	8,775
Development expenditure – capitalised in intangible assets	986	2,115
Total cash expenditure	9,058	10,890

FINANCE DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

expenditure in the R&D programme for which R&D tax credits are claimed. Historic tax losses result in zero tax payable in the UK in the year. For the Group overall, in the year ended 31 March 2021 the effective tax rate was 17.9% (2020 restated: 10.7%). The increase in the rate this year reflects, in the main, a greater proportion of the Group's profits being taxed in higher tax rate jurisdictions such as China (which has a headline corporation tax rate of 25%).

Profit after tax was £16.6 million in the year ended 31 March 2021 (2020 restated: £5.5 million) reflecting the profit drivers described above offset by the higher effective tax rate. Earnings per share ("EPS") has grown from 5.77 pence in the year ended 31 March 2020 (restated) to 12.08 pence in the year ended 31 March 2021; the increase in EPS is less than the proportionate increase in profit after tax because the minority interest relating to the Group's joint venture partner in China was greater in the year ended 31 March 2021 arising from the significantly stronger trading in China.

The consolidated cash position in the Group has increased from £11.9 million at 31 March 2020 to £19.5 million at 31 March 2021. This consolidated cash position at 31 March 2021 includes £13.7 million (2020: £5.3 million) which is held in the Group's subsidiary in China. A portion of this cash is repatriated from China once per annum by dividend declaration; the Group's share of the China cash distribution which is received in the UK is 51%. During the year the dividend received from the Group's holding in the China subsidiary was £0.6 million – related to the China profitability in the year ended 31 December 2019 (2020: £1.0 million – related to year ended 31 December 2018). The greater impact from ASF in China arose in the year ended 31 December 2019.

The cash generated from operations was significantly greater in the year ended 31 March 2021 at £15.8 million (2020: £5.5 million) reflecting the increased profitability of the Group. The cash conversion ratio (calculated as cash generated from operations divided by profit before income tax) decreased from 89% to 78% primarily due to an absorption of cash into inventories associated with rising revenues. Trade receivables increased by only 15% despite an increase in Group revenues of 46%, reflecting improved credit control. From operating cashflow, the overdraft was paid down (£2.0 million), income tax of £3.8 million was paid, investment of £0.9 million was made in capitalised development costs, dividends were paid to the minority interest in China (£0.6 million), the

US Dollar and other foreign denominated cash balances translated to a foreign exchange loss of £0.7 million and other sundry cash movements (£0.1 million) resulted in an overall net cash improvement of £9.7 million and the higher cash balance at 31 March 2021. The Group's £5 million overdraft facility (undrawn at the year end) remains in place.

The non-controlling interest element of the consolidated Group profit is that portion of the profit attributable to the Group's 49% joint venture partner in China. The portion of the consolidated profit attributable to the non-controlling interest was 51% in the year ended 31 March 2021 (2020: 29%). This increase arises for two reasons: the significant increase in the Group's profits derived from China (the revenue analysis above shows that China represented over half the Group's revenue in 2021 compared with less than a third in 2020) and, secondly, the research and development for the Group being undertaken in the UK - this results in the net profit margin in the UK portion of the Group being less than the net margin in China. Advice has been received following a transfer pricing study which supports a royalty charge and an appropriate royalty agreement will be put in place to more equitably share the profitability relating to the exploitation of the Group's intellectual property.

Audit

The audit for the year ended 31 March 2021 was a more expeditious process than last year: this was the second year of auditing the ECO Group by BDO and the prior year balance sheet did not require a re-audit. BDO attended stock takes, providing them with the required support for the stock on hand at 31 March 2021.

The audit opinion for the year ended 31 March 2020 was qualified by virtue of limitation in scope on two grounds:

- Non-attendance at certain stock takes due to the outbreak of the COVID-19 pandemic
- The inability to access records to support intangible assets capitalised relating to costs incurred prior to 2012.

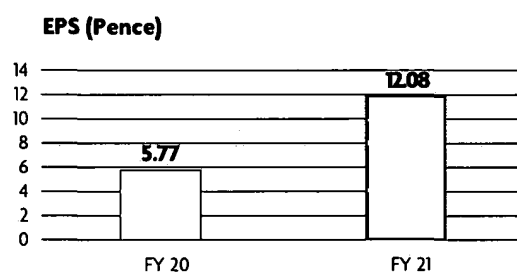
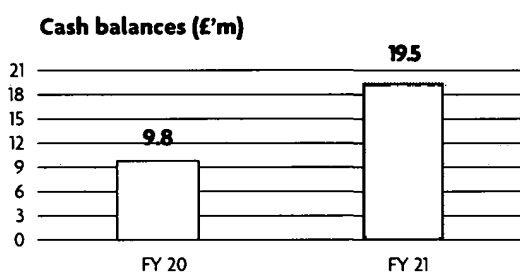
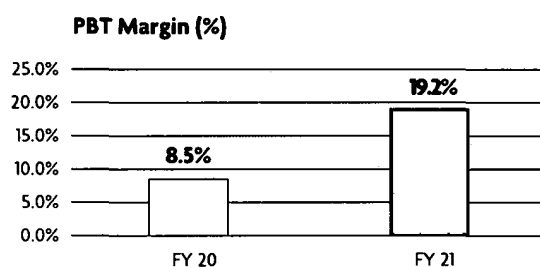
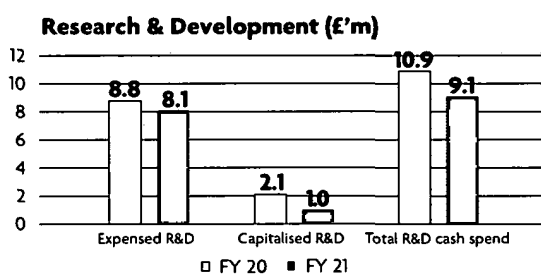
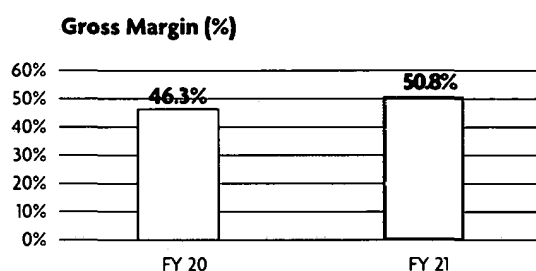
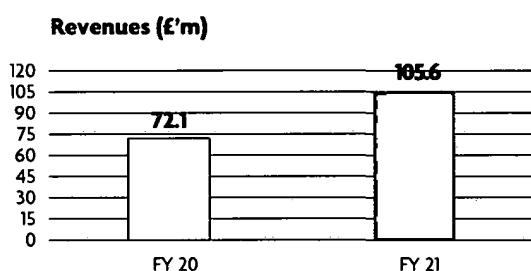
For the year ended 31 March 2021 the limitation of scope qualification in respect of non-attendance at stock takes is repeated only in respect of the comparative period.

Much work was undertaken on Intangible Assets in the balance sheet to finalise the Directors' assessment of costs in periods prior to 2014 and to remove the limitation in scope from the audit opinion.

In agreement with the auditors, the Directors concluded that IAS 8 allows previously capitalized development cost balances in the balance sheet, which as part of a prior period error adjustment exercise, cannot be supported due to a lack of accounting records, to be expensed. For the year ended 31 March 2020 Annual Report and Accounts, the Directors applied estimates of what proportion of costs should be expensed, for earlier periods where accounting records could not be located in the available time before the 2020 Annual Report and Accounts were signed. Those estimates were consistent with the proportion of costs expensed as part of the prior year adjustment exercise for more recent periods where accounting records were available and reviewed. In order to effect this adjustment (and remove the audit qualification), a revision to the Prior Period Adjustment presented last year has been required and we include an explanatory note to describe this adjustment (note 3 in this Annual Report). The effect of the adjustment at 31 March 2019 is to reduce the carrying value of intangible assets and retained earnings by £6.4 million; at 31 March 2020 to reduce the carrying value of intangible assets by £5.4 million, reduce non-current liabilities by £0.4 million and to reduce retained earnings by £5.0 million; and reduce amortisation within administrative expenses, resulting in an increase in operating profit and profit before tax for the year ended 31 March 2020 of £0.9 million, and a decrease in income tax charge of £0.4m. Having undertaken this adjustment, BDO has now been able to remove the audit qualification and are able to satisfactorily conclude their opinion on the carrying value of intangible assets. This reduction in the carrying value of intangible assets at 31 March 2019 and 31 March 2020 has the secondary benefit of reducing the on-going amortisation charge.

Key Performance Indicators

A summary of the KPI's is as follows:



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

Post balance sheet events

Awards were made to the CEO and the Finance Director under the new LTIP post year end on 28 April 2021. Further details are provided in the Remuneration Committee Report.

Marc Loomes, who joined ECO Animal Health Group plc in 2004, became Managing Director in 2005 and CEO in 2010, has informed the Board that he plans to retire on the 31 December 2022. The Board has commenced a process with a leading executive search consultancy to identify and appoint a successor to take over from Marc during the 2022-23 financial year.

Christopher Wilks
Finance Director
25 July 2021

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

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 is to achieve this responsibly, working in partnership with veterinarians, animal health professionals and live-stock producers bringing value to all by improving animal health around the world.

The business strategy is to generate shareholder value by achieving the maximum sales potential and profit from the existing product portfolio whilst investing in Research and Development (R&D) for new products, particularly vaccines, and seeking to in-license new products. We also seek to diversify by acquisition. The Company will continue to invest in skilled people.

Growth of existing product portfolio

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

Focus on investment in R&D

ECO's increase in R&D investment is focused on several late, mid and early stage projects which collectively provide a balanced mix of well-established concepts and novel technologies and approaches. This investment in R&D staff and the pipeline is expected to lead to further approvals for Aivlosin® in key markets, an acceleration and broadening of the introduction potential for vaccines in pigs and poultry and

to an expansion of the search for new products in collaboration with leading universities and research institutions where an exclusive position with worldwide commercial rights can be obtained for any invention made.

Licensing and acquisition

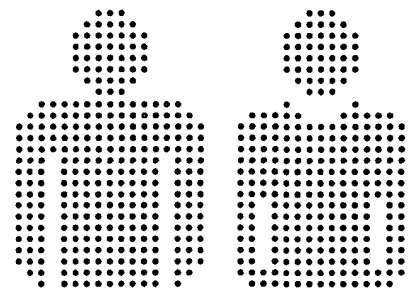
ECO seeks to both license-in new products for pigs and poultry and to diversify by acquisition to complement our organic growth and provide enhanced product portfolio breadth in core markets.

Skilled people

ECO has highly professional, experienced and committed staff throughout the business. Our strategy is to build on this core strength and to continue to develop an organisational culture that attracts and rewards top talent in a company that offers challenges and opportunities for growth.

Sustainability, Environmental and Other Social Issues

The Group's report on environmental matters, social and human rights issues and community issues are set out in the Sustainability Report to these financial statements.



**ECO HAS PROVED
TO BE
HIGHLY
ADAPTABLE
IN A CHANGING WORLD**

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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, 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. As stated earlier in the Finance Director's report specific action has been taken to strengthen financial controls in order to ensure that the risk of financial impropriety is reduced to the fullest extent possible.

During the year the principal risks affecting the Group were comprehensively reviewed. Each identified risk was considered for likelihood of arising and consequent impact. Careful consideration was given to identifying any other emerging risks. The risks were reviewed on a quarterly basis by the Board of Directors.





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

The principal risks are listed on the following pages in order of significance by category. We have made this assessment by reference to the likelihood of each risk occurring and assessing the potential severity of impact it would have on the business from high to low. We have also assessed the future trend of each risk as far as we can predict. As there are a range of impacts in all areas which are mitigated to a high degree, the mitigations in the form of control structures are shown next to each identified risk.

During the current financial year, we have added a new risk regarding the Biologicals manufacturing resource. We consider the risk over Brexit to have decreased sufficiently to be removed from the list.

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

Strategic risks

Risk	Likelihood	Controls	Impact	Forward Trend
High reliance on one supplier for key products	M	Business interruption insurance with a target of 6 months strategic safety stock in place. Investing in supply chain dual supply capacity.	H	
Reliance placed on key directors, senior managers and staff members	M	NomCom – succession plans being expanded. New RemCom policies being implemented: • Performance management, structured Bonus and LTIP for staff and executive Director's. • Salary benchmarking and staff development.	H	
High dependency on a single product	M	Innovation fund and development pipeline of new products: • Vaccines and other products. • Generic defence plans. • Significant investment in biologicals R&D pipeline	H	
Potential threat from generic producers	M	Generic defence strategy – combining strong regulatory and legal stance in country with patent and trademark infringement enforcement. Ensure adequate supply and stock pressure in markets. Experienced international and local management teams.	M	

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

Operational risks

Risk	Likelihood	Controls	Impact	Future Trend
Operational activities result in environmental pollution	L	Virtual supply chain - use of third parties limits our own exposure. Internal and external audits of third party facilities. Staff training.	H	↘
Failure to achieve/maintain Good Manufacturing Practice and quality standards leading to supply interruption	H	Regular competent authority inspections. Independent and internal QA function. Audits of third party facilities. Track record of successful audits. Multidisciplinary team to integrate marketing authorisations with change control processes and artwork for labels.	H	↔
Risk of trial failure impeding registration and approval of Pipeline products	M	High calibre staff recruited. Use of only reputable and well established laboratories and subcontractors. Regular replenishment of R&D pipeline to counteract effect of attrition.	M	↘
Continuity of IT services	M	Retained IT consultancy monitor, investigate and improve the IT infrastructure. Servers hosted on Azure cloud based system with multiple daily back-ups to a second remote server. Active monitoring and correction of system issues. Roll out of laptop encryption.	M	↘
Risk of business interruption due to fire, flood, explosion, natural disaster impacting ECO premises	M	Business risk insurance cover. Business continuity plan. Cloud based servers with immediate backup restoration. High level of staff with remote working capability. Team had demonstrated during the global Coronavirus pandemic that can operate remotely with the same level of efficiency. Safety stocks in strategic markets.	L	↔
Risk of corporate manslaughter	L	Maintain adequate health and safety procedures and insurances. Only responsible for one manufacturing plant, all other facilities are third party contracted services.	M	↔
Seasonal and unforecasted demand impact on supply chain responsiveness	H	Forecasting Project: Implementation of MRP, monthly Regional S&OP meetings, increased manufacturing capacity in USA, strategic review of lead times/responsiveness and the value benefit of last minute customisation. Purchase order lead time extended and multi-source supply chain implemented.	H	↔
New EU Veterinary Regulations entering into force (End 2021/Start 2022)	M	Maintain proactive approach to understanding new requirements. Ensure measures in place to maintain compliance	L	↔

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Financial risks

Risk	Likelihood	Controls	Impact	Future Trend
Fraud and depletion of company funds	L	Enhanced corporate governance. Implementing robust systems and controls. Keep international cash balances to a minimum. Daily/weekly monitoring of all bank account cash balances with explanations for material increases and depletions of balances. Change overseas local bank accounts to international banks with internet access. Internal Audit reviews.	M	↓
Cyber attack	M	Strong firewalls in place. Regular back up of data on duplicate servers. Continual review and strengthening of controls and security.	H	↓
Insufficient funding for business growth	L	Cashflow and working capital management. Close monthly monitoring of budget to actual results. Robust credit control in place.	H	↔
Currency	M	Monitoring of exchange rates. Operationally transact in multiple currencies which are held and switched when appropriate. In house treasury function to hedge when necessary.	M	↔
Risk of bank deposits being lost through collapse of bank	L	Daily monitoring of bank balances. Spread cash deposits over a number of stable and internationally recognised banks.	M	↓
Mid term recession in major regions in the world (EU, NA, LATAM) Coronavirus effects to linger into 2021 in major economies in the world.	M	Our global teams will continue to strengthen relationships and business with key customers and accounts.	L	↔



Dr Andrew Jones
Chairman
25 July 2021

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 MARCH 2021

A strong business requires strong governance

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

Chairman's introduction to governance

Dear Shareholders

I am pleased to introduce this section on governance, which describes the activities of the Board and its Committees during 2020-21 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.

We aim to continually update our approach to corporate governance and notable developments since the last Annual Report include:

- Shareholders strongly supported the new Annual Bonus Plan (including a deferred element) and LTIP schemes at the Company's General Meeting held in March 2021, and implementation of these schemes is now underway. We believe these rewards schemes will drive both shorter- and longer-term value and better align the interests of management with shareholders.
- In the light of the increasing importance of ESG, we have introduced a Sustainability Report on page 35. Further detailed work on this area will be conducted in the 2021-22 year and will be reported in next year's Annual Report.

As an AIM quoted company, our governance framework is underpinned by the AIM Rules and we have adopted the Quoted Companies

Alliance (QCA) Corporate Governance Code 2018 (the 'QCA Code') as the benchmark for measuring our adherence to good governance. In addition to the QCA Code, we monitor developments and guidance in the UK Corporate Governance Code, applicable to main market listed companies, to keep abreast of matters which we feel could also be embedded as best practice as part of a progressive approach. We also review the Investment Association guidelines and seek to comply with these where applicable.

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

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

Thank you for your continued support.

Yours sincerely



Dr Andrew Jones
Chairman
25 July 2021

Board of Directors

Dr Andrew Jones

Chairman
Nomination Committee Chairman
Appointed 1 December 2017
Year of Birth 1960

Andrew has over 35 years of experience in international life science-based businesses including Syngenta AG., Arysta Lifesciences Inc. and Phocus Pharmaceuticals Plc. During this time, he worked in product development, international sales and marketing, merger and acquisition and general management.

He currently runs his own consulting Company, Trioza Limited, which provides strategic advice to the animal health, crop protection and seeds sectors and is Chairman of Downland Marketing Ltd a UK based animal health distribution group.

Andrew has a BSc degree and PhD in agricultural biology.

Andrew brings substantial strategic marketing and business development experience and skills to the business.

Marc Loomes

Chief Executive
Appointed 1 December 2005
Year of Birth 1961

Marc joined ECO Animal Health in 2004, became MD in 2005 and CEO in 2010.

Marc, a qualified veterinarian and Member of the Royal College of Veterinary Surgeons, has extensive international senior management experience of the animal health and crop protection industries obtained with blue chip multi-national companies in South Africa, Germany, Switzerland and the UK.

He brings the ability to balance strategic vision and operational delivery to the business.

Christopher Wilks

Finance Director
Appointed 3 September 2019
Year of Birth 1964

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Anthony (Tony) Rawlinson

Audit Committee Chairman
Independent Non-Executive Director
Appointed 1 January 2015
Year of Birth 1957

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

Dr Frank Armstrong

Remuneration Committee Chairman
Independent Non-Executive Director
Appointed 1 May 2020
Year of Birth 1957

Frank is a medical doctor, a Fellow of the Royal College of Physicians and a Fellow of the Faculty of Pharmaceutical Medicine. He is currently Non-Executive Chair of Faron Pharmaceutical Oy (AIM, NASDAQ First North), Non-Executive Chair of Caldan Therapeutics Ltd, Non-Executive Chair of BioCaptiva Limited, Non-Executive Chair of Enhanc3D Ltd, a Non-Executive Director of Newcells Biotech Ltd and a Member of the Court of the University of Edinburgh. He has previously held Non-Executive roles in listed companies with Summit Therapeutics (AIM and NASDAQ), Redx Pharma (AIM), Mereo Biopharma (AIM and NASDAQ) and Juniper Therapeutics (NASDAQ). He started his career at ICI Pharma/Zeneca Pharma before moving to Bayer AG where he became head of worldwide product development.

Attendance at meetings

All Committee and Board meetings held in the year were quorate. Director's attendance during the year ended 31 March 2021 was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of formal meetings held	14	4	3	2
Andrew Jones	14	4	3	2
Marc Loomes	14	4		2
Chris Wilks	14	4		
Tony Rawlinson	14	4	3	2
Frank Armstrong (appointed 1st May 2020)	12	4	3	2

Compliance with the Principles of the QCA Code

The Company's shares are traded on the AIM market of the London Stock Exchange and as such, the Company is subject to the continuing requirements of the AIM Rules for Companies. As stated in the Chairman's introduction, the Board has adopted the QCA's Corporate Governance Code. The following table summarises how we apply the ten principles of the QCA Code:

QCA Principle	Explanation
1 To establish a strategy and business model which promote long-term value for shareholders	<p>The Board meets annually to review and approve the strategy for the Group. The strategic plan and business model are reviewed by the Executive Leadership Team on an ongoing basis with relevant operational and management updates being reported to demonstrate delivery and progress. Decisions of the Board are made in line with the strategic plan and business model for the Group. Further details of the Group's strategy can be found in the Strategic Report</p>
2 To seek to understand and meet shareholder needs and expectations	<p>The Directors are committed to open communication with the Group's shareholders to ensure that they clearly understand its business, strategy and performance. The Board actively seeks dialogue with its shareholders via investor roadshows, one-to-one meetings and regular reporting. The Board believes that open communication with investors and analysts is the best way to ensure it understands what is expected of the Group in order to allow it to drive its business forward.</p> <p>The Company has an established programme of engaging openly with shareholders. Communications with shareholders are via its website, the publication of the Annual Report and the Interim Statement, trading and other announcements made on RNS and at the Annual General Meeting where the Board encourages investors to participate.</p> <p>The Company's website contains information on the Company's business, corporate information and specific disclosures required under AIM Rules for Companies and the QCA Code. Following the announcement of the Company's full year and half year results the Company makes presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. Formal feedback from shareholder meetings is provided by the Company's broker and discussion of this feedback is an item on the Board's agenda.</p>

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

QCA Principle	Explanation
<p>3 To take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Board values the opinions of key stakeholders in the business and regularly seeks to ensure that the views of its employees, suppliers, customers and partners are known and where relevant to the success of our business they are acted upon.</p> <p>The Company recognises its responsibility to promote its success for the benefit of its stakeholders and understands that the business has a responsibility towards its shareholders, employees, partners, customers, suppliers and to the local community. The Board is also conscious that the tone and culture that it sets will impact all aspects of the Company and the way employees behave and operate. The importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives whilst, in particular, meeting the demands of a sophisticated customer base. The Company has close on-going relationships with a broad range of its stakeholders; monitors feedback from them and uses this to develop future policy.</p>
<p>4 To embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>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.</p> <p>The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure to achieve the execution of the Company's strategic objectives and business model. The Board monitors financial controls through the setting and approval of an annual budget and the regular review of management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.</p> <p>The Board reviews the effectiveness of these systems. This is achieved primarily by a comprehensive review of risks which cover both financial and non-financial issues potentially affecting the Group and from discussions with the external auditor. Details of these risks, and their management, are contained in the Strategic Report.</p> <p>The Board is not aware, to the best of its knowledge, of any significant failings or weaknesses in the system of internal control. The Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the Group.</p> <p>Where the management of operational risk requires outside advice, this is sought from expert parties, and the Company has put measures in place to protect itself against supplier failure including insurance and contingent stock.</p> <p>Further details of our risk management, risks and internal controls can be found in the Strategic Risk section of the Strategic Report.</p>

QCA Principle	Explanation
<p>5 To maintain the Board as a well-functioning, balanced team led by the Chair</p>	<p>The Board keeps under review its current balance and composition in order to ensure that it has a sufficiently wide range of skills and experience to enable it to pursue its strategic goals and address anticipated issues in the foreseeable future. The Board is supported by the Audit, Remuneration and Nomination Committees.</p> <p>The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which the Group operates. The full Board is responsible and accountable to the shareholders for the management and success of the Group and to provide effective controls to assess and manage risks in the Group.</p> <p>There is a formal schedule of matters specifically reserved for the Board that includes matters relating to strategy & management; structure & capital; financial reporting & controls; internal controls; contracts; communications; board membership and other appointments; delegation of authorities and corporate governance.</p> <p>The Company has three non-executive Directors, each considered to be independent by the Board. The Board meets on a minimum of 6 occasions with board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars.</p> <p>The Board has an audit committee, a remuneration committee and a nomination committee each with delegated duties and responsibilities. Further details of the role of the board and the committees and how they operate can be found in the Chairman's introduction to governance and the Board Committee reports that follow this section.</p>
<p>6 To ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The Nomination Committee reviews at least annually the balance and composition of the Board and its Committees to ensure the skill and experience needed for successful operation are in place. Update training is undertaken periodically and a comprehensive training course covering corporate governance and related matters was attended by all Directors and senior managers during the Summer of 2020.</p> <p>The skills and experience of the Board are set out in their biographical details included within this corporate governance report and the Company's website and are considered by the Board as representing an appropriate range of capabilities needed to deliver the strategy of the Company for the benefit of its shareholders over the medium to long term. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Company Secretary is assisted by an external professional company secretarial services provider.</p>

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Leadership and the Board

The Role of the Board

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

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

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

Division of Responsibilities

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

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

year. Shareholders have an opportunity to engage with the Chairman and the Board at the Company's AGM.

- The Chief Executive Officer (CEO), Marc Loomes, 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 Finance Director and other ELT members.

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

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

Board Committees

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

Board Activities

The Board held six scheduled meetings during the year at which it considered all matters of a routine nature, structured through clear agenda setting, written reports and presentations from both internal members of staff as well as external advisors and consultants. In addition, there were eight ad-hoc meetings of the Board to deal with non-routine business and three administrative board meetings to approve the issue of shares relating to options.

Board Support, Meeting Management and Attendance

The Board and its Committees meet regularly on scheduled dates. In leading and controlling the Company, the Directors are expected to attend all meetings and their attendance for the financial year 2020-21 is shown in the Corporate Governance section of this report, immediately before the Compliance with the Principles of the QCA Code.

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

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

Board Effectiveness

The Board conducts an assessment of effectiveness each year through a questionnaire in a process led by the Chairman. The questionnaire provides Directors with the opportunity to express their views on a variety of topics including: board leadership, effectiveness and accountability. The detailed findings of the evaluation are reviewed and actions generated. In addition, the Chairman has regular one-to-one meetings with Directors. A Board performance review was held in the financial year led by the Chairman where it was determined that

the Board, its Committees and individual directors were felt to be working well with recommendations being made in relation to how the Board's agenda could be evolved and the increased involvement of Executive Leadership Team members in Board matters. In compliance with the QCA Code, succession planning was considered as part of the board effectiveness process.

The Board plans to appoint further non-executive directors as the business grows; appointments will be made based on required expertise to match the needs of the business while bearing in mind the need to introduce diversity into the Board composition.

Strategic Resources

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

Ethical Behaviours

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

Board Induction, Training and Development

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

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

Re-election of Directors

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

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

Stakeholder Engagement

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

The Company communicates with shareholders through the Annual Report and Accounts, regulatory announcements, the AGM as well as meetings with existing or potential new shareholders. Annual reports as well as other regulatory announcements and related information are all available on the Company's website. The Company's brokers also publish research from time to time.

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

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

Annual General Meeting ('AGM')

This year's AGM will take place on Thursday 16 September 2021 at 2.00pm, at The Grange, 100 High Street, London, N14 6BN.

In order to ensure that your votes are cast in accordance with your wishes, you are strongly encouraged to appoint the Chairman of the meeting as your proxy given that public health considerations in relation to Covid-19 may mean that attendance at the meeting in person is not possible. In addition, the Chairman of the meeting will direct that voting on all resolutions will take place by way of a poll, rather than a show of hands, to ensure that proxy votes are

recognised in order to accurately reflect the views of shareholders. Shareholders are also encouraged to submit votes electronically by sending completed and signed proxy forms by email to voting@shareregistrars.uk.com

Voting Outcomes

The Company held its Annual General Meeting on 4 March 2021 following the financial year ended 31 March 2020. Additionally, on 4 March 2021 the Company held a General Meeting. All resolutions proposed to the meetings were duly passed on a poll. There were no significant objections.

Internal controls

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

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

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

The Company has in place a suite of codes and policies to promote good governance principles and ensure strong internal control processes throughout the Company. These include an overall code of conduct, and policies on anti-bribery and corruption, fraud, modern

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

slavery, share dealing in ECO securities, the use of social media and business travel arrangements. These policies are communicated directly to all members of staff by email, are re-enforced through periodic training and are available on the Group's intranet site.

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

The Board has established an internal audit function to provide an independent, objective assurance and consulting activity designed to add value and improve the operations of the Group. Activities of the internal audit function in the financial year are detailed further in the Audit Committee Report.

Section 172 Statement

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

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

The Group actively engages with its stakeholders, to ensure we take account of and respond to their interests.

As set out in the Corporate Governance report, the Directors have met on several occasions during the year ended 31 March 2021. Discussion topics at each meeting included the Group's response to the COVID-19 global pandemic, Research and Development, health, safety and environment, investor feedback, staff welfare concerns, customer and supplier feedback, capital investment and impact of Brexit. The directors do not consider Brexit to be a principal risk to the business.

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

Shareholder engagement this year has been more frequent than in past years. The top 10 investors represent 66.08% of the Company shares and investor meetings, investor calls together with regular trading updates throughout the year assisted with communication. Both of the Company's stockbrokers provide feedback from shareholders and this feedback is discussed at the subsequent Board meeting.

The Group employed an average of 207 people during the financial year ended 31 March 2021 (2020 – 204). All company announcements were simultaneously circulated to all members of staff. Communications of note during the year included the arrangements for remote and safe working during the Coronavirus pandemic, key new product announcements, new members of staff and retirements, new procedures and governance processes. In addition, all members of staff were invited to technical webinars, product launch discussions and presentations.

The Group is considering other ways to reduce its environmental impact; the Group's business model (largely outsourced manufacturing and research) is low impact. The Group has successfully traded through the "lockdown" period, utilising to a much greater extent electronic communications and these tools will

continue to be exploited further helping with the Group's carbon footprint. Further details are contained in the Sustainability 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.

SUSTAINABILITY REPORT

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

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

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

1. respect, protect and keep safe members of staff, customers, suppliers, collaborators, stakeholders and shareholders,
2. protect the environment and
3. enhance the reputation of the Group in its chosen field of business, animal health.

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

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

Social

We maintain regular communication and dialogue with our stakeholders such as employees, customers, shareholders, suppliers and regulators to understand their needs and concerns and factor these requirements into our decisions and activities.

Our People

ECO is a global company with a diverse and inclusive workforce and employs local teams to work with local people rather than head-office staff working abroad on assignment. The Company follows the UK and relevant local laws to ensure fair employment practices and complies with national legal requirements

regarding pay, working hours and annual leave for our employees who are highly skilled individuals with specific training, expertise and experience.

ECO invests in healthy and safe workplaces and our employee policies which protect our staff include the Employee Privacy Notice, GDPR Policy, Equal Opportunities Notice and Statement, Antiharassment and Bullying Policy, Flexible Working Policy, Business Travel, Health and Safety Policy Statement, Lone Working Policy, Parental Leave Policy and Display Screen Equipment Use Guidelines.

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

To ensure engagement with the wider business, all ECO staff are notified and provided full information by the CEO when interim and full year Annual Reports are published and new regulatory approvals are achieved as well as by the Executive Leadership Team or CEO when new starters join the company.

Over the past year with COVID-19 forcing the closure of the UK Head Office, ECO has supported staff in working from home. In preparation for reopening in line with UK government recommendations, a detailed COVID-19 risk assessment has been carried out and steps put in place to create a safe and secure work environment with consideration paid to hygiene and social distancing to protect both staff and the wider community. Staff who have been self-isolating will have their needs considered before returning to the office. Only business travel deemed essential will take place.

Our Community

Shareholders:

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

Business Partners - Veterinary Surgeons, Producers and Distributors:

We recognise that our product and customer offerings to veterinary surgeons and producers must be of consistently high quality. We offer educational opportunities and programmes to veterinary surgeons and large pig and poultry producers. The topics are those which support a wider animal health and welfare agenda such as prevention and management of disease, biosecurity, Antimicrobial Resistance ("AMR") and industry updates as well as how our products fit with these themes using globally recognised experts and ECO staff with specialist knowledge. Many of these training sessions are hands-on, practical and delivered locally and include subjects such as poultry hatchery audits and respiratory lung lesion scoring workshops, for example, the initiative between ECO and an Indian Veterinary College and Research Centre which allowed for information sharing on mycoplasma isolation and drug sensitivity testing.

During the COVID-19 pandemic, we carried out virtual meetings and events to ensure that these value-added services could continue safely.

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

The Wider Community:

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

ENVIRONMENT

We take our responsibility towards the environment seriously and are working towards further means of reducing our impact.

We aim to keep use of consumables to a minimum by promoting the effective and efficient usage of equipment, facilities, supplies and services. We encourage all staff to reduce wastage, not to print unnecessarily, to turn off

excessive lights or heating/cooling equipment, to use water resources appropriately and to switch off any electronic equipment which is not in use.

The main company UK office in Southgate was recently refurbished and the changes made have helped to reduce the Company's energy footprint. During the COVID-19 lockdowns when business travel was not possible and staff were homeworking, the Company energy footprint was lowered even further and could pave the way for exploring new ways of working to continue this trend.

ECO's manufacturing and research functions are mainly outsourced which reduces our direct impact. This requires us to put in place measures to ensure the companies with which we work take their responsibilities as seriously as we do.

The Company's tylvalosin API manufacturer in China has developed an industry-leading wastewater treatment system that meets and exceeds local regulatory requirements and is now marketing the system to other producers who also wish to reduce their environmental impact on watercourses. Chinese legislation requires biomass remaining at the end of API manufacture to be steam-dried and then incinerated using significant amounts of natural energy. ECO has facilitated the introduction of new technology to the site in the form of thermophilic anaerobic digestion, which should enable the biomass to be broken down at high temperature into a digestate suitable for use as a land fertiliser free from antibiotics and pathogens, for example, the African Swine Fever ("ASF") virus. The by-product of the biomass breakdown is methane which is used to heat the process with the excess being converted into electricity and heat which is fed back into the main manufacturing site.

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

BUSINESS GOVERNANCE

ECO strives to provide best in class, scientifically proven, ethical solutions to optimise the health, productivity and wellbeing of pigs and poultry. We aim to do this sustainably, working in partnership with animal

health professionals and livestock producers bringing value to all by improving animal husbandry around the world.

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

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

Product Development:

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

Manufacturing:

ECO complies with all the requirements of operating within the highly regulated pharmaceutical industry. The ECO contract manufacturers are under the direct control of ECO with contractual obligations and operate in accordance with Good Manufacturing Practice (GMP) guidelines. For example, we work with an exclusive API contract manufacturer in the production of tylvalosin. This manufacturing plant is registered with the US Food and Drug Administration ("FDA") standards and by many other national authorities. It has passed routine inspections every two to three years since first being FDA-registered in 2009. ECO performs

manufacturing plant audits and inspections at a minimum of every three years either directly or via an independent, qualified third-party. UK-based ECO manufacturing personnel visit the plant twice per year and while in the plant make observations in line with the ECO Animal Health Group Plc Modern Day Slavery Statement. During this last year COVID-19 has resulted in these visits being virtual but physical inspections will recommence as soon as travel allows.

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

Pharmacovigilance:

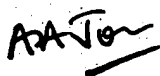
ECO takes pharmacovigilance ("PV") responsibilities very seriously. Annual training is compulsory and provided to all staff to ensure that ECO continues to meet its obligations in this very important area of pharmaceutical industry compliance. We work with a dedicated PV consultant, have an internal Qualified Person Responsible for Pharmacovigilance ("QPPV") and a Deputy QPPV and seek to improve our processes continuously. Any suspected adverse event reports are rigorously investigated to determine the causality and reported to the relevant competent authority.

Technical Support:

ECO's technical teams have significant knowledge of the Company's targeted species and disease areas, and how our products work. They answer distributor and customer queries and provide individualised training during on-farm and virtual meetings. Our technical services teams support veterinary surgeons and their producers in demonstration trials and best practice product usage. They work with a network of Key Opinion Leaders across the globe who support ECO and our customers with the most up-to-date information and research findings. ECO employs many veterinary surgeons across all areas of the business, contributing further to the high standards of understanding and communication around our products and relevant disease areas.

Product Promotion:

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



Dr Andrew Jones
Chairman
25 July 2021

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

AUDIT COMMITTEE REPORT

Dear Shareholder

The Audit Committee comprises Tony Rawlinson (Chairman), Dr Andrew Jones and Dr Frank Armstrong.

All Committee members are considered by the board to be independent directors of the Company and to have appropriate skills and expertise to enable them to carry out their role effectively.

The Committee meets at least twice a year linked to the timing of the Company's half year and full year results and also meets on an ad hoc basis. During the financial year under review the committee held four formal meetings, supplemented by a regular series of ad-hoc meetings that monitored the preparation of the Company's Annual Report and Financial Statements for the year ended 31 March 2020 which was published in February 2021, and a number of other ad hoc meetings and other communications.

Terms of reference of the Audit Committee

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

The Committee operates within terms of reference approved by the board, including:

- considering the appointment of external auditors;
- reviewing the relationship with external auditors;
- reviewing the financial reporting and internal control procedures;
- reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors;
- reviewing the consistency of accounting policies both on a year to year basis and across the Group; and
- internal audit remit and activities.

The Committee may, if it requires, call for information from the Executive Management Team and consult with the external and internal advisers and auditors directly.

Committee Report

On behalf of the Board, I am pleased to present the 2021 Audit Committee Report.

The Committee has had a particularly busy year on a number of fronts.

Internal Audit ("IA")

IA proved to be a highly beneficial addition in 2020 and much good work has been and remains to be done. An IA plan for the year was agreed by the board in March. Key reporting areas include a review of controls over banking and cash management and the integrity of overseas financial information. IA will also be looking at key risk identification and assessment and the maintaining of risk registers.

Internal Controls

The Finance Team continues the ongoing process updating and documenting our system of internal controls. Key controls are under review to ensure their effectiveness by IA and this process will continue as part of a rolling work programme with reports provided to the Audit Committee.

FY2021 Accounts and Audit

The Audit Committee has been working closely with the Company's auditors, BDO to ensure the smooth progress of the FY2021 audit and that no significant issues arose in their preparation and the publication date was in broadly line with timetable.

In relation to the accounts the committee has focused on and is satisfied with regard to the following matters:

- that key judgements made in preparing the annual accounts are appropriate;
- that significant accounting policies have been correctly applied;

- that the going concern statement has been made after due and careful consideration; and
- that the annual report has been fairly presented and is balanced and understandable.

The Committee also carried out a review of the effectiveness of the Company's auditor, BDO, following which we are pleased to be recommending their reappointment at this year's AGM.

Following the very thorough audit for 2020, the foundations were laid for a streamlined audit process and this has proved to be the case.

I am pleased to report that the 2021 auditor's report did not contain any limitations of scope relating to the 31 March 2021 balance sheet, although, as required, there is a repeat of the qualification relating to non-attendance at stock counts in respect of the comparative figures for 2020.

This March (2021), COVID did not prevent the auditors from attending stocktakes in key locations as in 2020. There were some locations where this was not possible, but audit comfort was obtained by adopting alternative procedures to ensure the accuracy of stockholdings.

In last year's report, the auditor's report contained a limitation of scope qualification in respect of Intangible Assets mainly due to the Company not retaining audit evidence of some costs incurred many years ago to support the intangibles balance, such records not being required to be retained by the Company. In preparing the 2021 Accounts, a decision was made to fully expense the value of such older items as prior period adjustments at 31 March 2019 and for the year ended 31 March 2020, as a result of which an audit of the remaining balance was possible this year.

Audit costs

The cost of the audit for 2021 was in line with estimate. Last year's audit fee was substantially higher due to the high volume of work done and the protracted timetable.

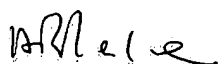
Finance Team

The Finance Team has continued to grow and evolve. During the financial year ended 31 March 2021 a total of 4 new personnel were hired, including key posts such as Group Financial Controller and Accounts Payable Supervisor (UK). Since then a new UK Financial Controller joined the team in April 2021 and additional recruitment is in train for the posts of R&D Projects Accountant and Inventory Controller (UK). The near term objective is to have in place a team that provides high quality support to the operational management of the Group.

Corporate Governance

Following the review of all corporate governance documents and procedures last year these have been kept under review.

We are grateful to Chris Wilks and his Finance Team for their hard work and expertise through a very demanding audit. We also thank the BDO audit team and our external advisers for their advice and assistance.



Tony Rawlinson
Audit Committee Chairman
25 July 2021

Remuneration Committee Report

The Remuneration Committee comprises Dr Frank Armstrong (Chairman), Dr Andrew Jones and Mr Tony Rawlinson. During the year until 31 March 2021 the Remuneration Committee chairman was Mr Rawlinson. From 1 April 2021 to date Dr Armstrong has chaired the Remuneration Committee.

Role of the Remuneration Committee

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

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

Strategic alignment and Remuneration Policy

The Remuneration Committee's aim, as in previous years, is that the rewards that can be earned provide a competitive level of incentive and are appropriate for a Company of comparable size and complexity at each level of performance. To this end, the Committee considers appropriate goals from time to time which it believes will best ensure delivery of the Company's short and long term objectives and ensure alignment with stakeholder interests.

The Remuneration Committee also seeks to comply with recommended best practice in respect of shareholder dilution limits, both point in time dilution regarding unvested and unexercised share incentives and a cumulative rolling 10 year dilution limit. In both cases the

recommended limits are 10% of issued share capital. The Company had exceeded the rolling 10 year limit of 10% in the past and therefore the Remuneration Committee consulted extensively and took professional advice to devise new arrangements.

The revised remuneration structure developed during the year and explained further below was approved at a General Meeting of the Company held on the 4 March 2021 where shareholders approved the adoption of a new Annual Bonus Plan (including a deferred element) and a new Long Term Incentive Plan ("LTIP"). An amendment was also made to the existing 2011 Unapproved Staff Share Option Scheme, allowing awards to be settled in cash or in the issue of new shares. These new plans became effective from 1 April 2021. Notwithstanding the date from which these new plans applied, the Remuneration Committee adopted the deferred bonus arrangements in respect of bonuses awarded to the Executive Directors for the year ended 31 March 2021.

Remuneration in practice

The basic structure of remuneration comprises a basic salary, Annual Bonus Plan (where appropriate) and (also where appropriate) a share based incentive and a pension plan. Prior to 31 March 2021 all share based incentives were market priced share options. From 1 April 2021, the share based incentive arrangements for the Executive Leadership Team ("ELT") and Executive Directors comprises awards from the new LTIP and to staff of market priced share options from the Company's established Share Option Scheme.

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

The Group makes contributions to defined contribution pension schemes for the benefit of staff, executive directors and the ELT. The assets

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

of the scheme are held separately from the Group and are independently administered by insurance companies. The Group also operates a legacy defined benefit scheme in the UK. Further information on these pension arrangements is set out in note 23 to these accounts.

Remuneration during the year ended 31 March 2021

The financial year ended 31 March 2021 was unique, operating in a global pandemic and running the business remotely in a challenging environment.

The Remuneration Committee considered the performance of the Executive Directors in the

financial year against the criteria of the Annual Bonus Scheme that comprised a 30% element of basic salary from performance against personal goals and a 70% element of basic salary from financial performance of the Company.

The Executives' personal goals were set before the Covid-19 pandemic impacted the Company and, as a consequence of the pandemic, were not possible to deliver in their entirety. The performance of the Executives in leading the company through the pandemic however was considered as a special factor in assessing personal performance.

In the financial year the Company outperformed against its financial goals despite the COVID pandemic and this was reflected by the

Remuneration Committee in the Executive's bonus award.

The Remuneration Committee also noted however that the Company was late in publishing its audited final results for the year ended 31 March 2020, leading to a temporary suspension of trading of the Company's shares on AIM. The Remuneration Committee determined it was appropriate to reduce the Executives bonus awards to reflect this issue. The CEO's bonus award amounts to 75% of basic salary and the Finance Director's bonus award is 65%.

No share incentive awards were made during the financial year ended 31 March 2021.

Directors' remuneration

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

	Salary or Fees		Other		Pension		Bonus		Total Remuneration		Share Based Payments		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
M. Loomes	306	294	4	3	10	10	220	40	540	347	1	38	541	385
C. Wilks	236	129	1	1	23	13	148	50	409	193			409	193
A. Jones	75	69							75	69			75	69
A. Rawlinson	60	50							60	50			60	50
F. Armstrong	41								41	0			41	0
J. Trowse		38		1		1			0	40		9	0	49
K. Stockdale		33		5		2			0	40		9	0	49
B. Clemo		99		1					0	100		14	0	114
R. Wood		46							0	46			0	46

As noted above, the Remuneration Committee determined that the deferral arrangements of a portion of the Executive Directors' bonuses in accordance with the new Annual Bonus Plan should be adopted and applied to the bonuses awarded in respect of the year ended 31 March 2021. Accordingly, one third of the bonus amounts set out above in respect of M. Loomes and C. Wilks for 2021 will be settled in shares, subject to three year vesting conditions and malus and claw-back provisions.

Directors' interests

Details of share options held by Directors as at 31 March 2021 and 2020 are set out below:

	Option Price	31-Mar-21	31-Mar-20
	(pence per share)		
M D Loomes	545.0	3,900	3,900
	435.0	400,000	400,000
	312.5	350,000	350,000

M Loomes has an interest in 200,000 existing ordinary shares pursuant to the grant of an option over these shares by persons connected with Peter Lawrence, the former Chairman of the Company. These shares will vest with M Loomes providing he continues to be employed by the Company for three years from the date of grant of the option that was made on 7 March 2019.

Remuneration Structure for FY22 onwards

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

Overview

As described in the introductory remarks to this report, the bonus and share incentive structure was extensively revised and approved in a General Meeting of the Company held on 4th March 2021. The revised remuneration structure has been designed to bring the Company into line with best remuneration practice and to improve the alignment of senior management with shareholder interests, thereby supporting future value creation. In particular the new share incentive arrangements will in due course bring the share dilution limits back into alignment with best practice.

Annual bonus plan

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

in cash after the relevant Annual audit is completed.

Long term incentives

- The new LTIP applies to both executive directors and the Executive Leadership Team
- Vesting of awards made under the new LTIP will be over a 3 year period and will be subject to achievement of performance conditions; these conditions include a comparison of the Company's Total Shareholder Return ("TSR") to an absolute TSR growth target set by the Committee and achievement of strategic goals. The specific targets for the first award are set out below.
- LTIP awards will be subject to malus (during the vesting period) and clawback (in the 3 years following vesting) provisions.
- All other staff will continue to be eligible to be awarded market priced options. The terms of the existing unapproved staff share option scheme rules ("USOS") have been amended for future grants to allow for any future gains to be settled in shares or cash (at the Committees' discretion) to reduce dilution of the Company's share capital.
- Awards were made to the CEO and the Finance Director under the new LTIP post year end on 28 April 2021. These awards were over 87,901 shares and 64,824 shares to the CEO and Finance Director, respectively. The shares will vest after three years subject to performance conditions being met; the performance conditions in respect of this first award are Company TSR and R&D, specifically strategic projects and their progress and approval. The performance period dates from 1 April 2021 to 31 March 2024. The TSR performance scale is as follows:
 - 0% vesting if annual compound TSR over the performance period is less than 7.5%; and
 - 25% vesting if annual compound TSR over the performance period equals 7.5%; and
 - 50% vesting if annual compound TSR over the performance period equals 10%; and
 - 100% of the TSR relevant award shares will vest if annual compound TSR over

the performance period equals or exceeds 20%

- Pro-rata vesting for positions between these points
- On 28 April 2021, first awards have also been made from the new LTIP scheme (subject to the same performance conditions set out above) to the ELT. Additionally, a tranche of share options has been awarded to certain qualifying staff. The total award under both schemes, together with an amount set aside to satisfy the requirements of the deferred element of the bonus has amounted to less than 1% of shares in issue and demonstrates the Remuneration Committee's intent to bring the Company into line with best practice as regards dilution.

Share ownership

Executive directors are subject to share ownership targets to achieve over time. These targets, in line with market guidance, have been set by the Remuneration Committee at 125% of basic salary for the Chief Executive and 100% of salary for the Finance Director. This percentage is zero in respect of the Executive Directors at 31 March 2021.

Other Information

Remuneration of the Non-Executive Directors is determined by the Chairman and the Chief Executive Officer. The Non-Executive Directors are not entitled to annual bonuses, employee benefits or participation in the LTIP. However, 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 Chief Executive Officer. However, the Chairman is not entitled to vote on the matter.

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

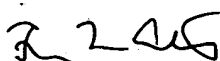
Non-Executive Directors are retained under Letters of Appointment. Non-Executive director appointments may be terminated by either the Company or the individual

CORPORATE GOVERNANCE REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

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 normally available for inspection by shareholders at the Company's registered office and at the Company's AGM.



Frank M Armstrong
Remuneration Committee Chairman
25 July 2021

NOMINATION COMMITTEE REPORT

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

Main responsibilities

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

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

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

The Committee will keep under review the requirement to appoint further non-executive directors as the business grows. Appointments will be 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.

Activities during the year

The Committee met twice during the year.

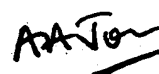
Dr Frank Armstrong joined the Board on 1 May 2020. This appointment followed an extensive exercise undertaken by an external search firm to identify a short list of candidates matching a specification set out by the Nomination Committee. In this instance a primary focus on past new product development and commercialization experience was key to the specification for the role. All members of the Board were involved in the selection and interview processes.

During the year the Committee coordinated the induction process for Dr Frank Armstrong and considered succession planning, talent development and leadership at the senior management level.

As part of the Board performance review process that was undertaken in the period, the Nomination Committee has recognised the current lack of diversity at the Board level and as a matter of policy will ensure future recruitment processes to the Board recognise the benefits of diversity and inclusion.

Since the year end and at the same time as the release of these results, we have announced the intention of Marc Loomes to retire. Mr Loomes has informed the Board that he plans to retire on the 31 December 2022.

The Board has commenced a process with a leading executive search consultancy to identify and appoint a successor.



Dr Andrew Jones
Chairman
25 July 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their report and financial statements for the year ended 31 March 2021.

Directors

The following Directors have held office since 1 April 2020:

Andrew Jones	Non-Executive Chairman
Anthony Rawlinson	Non-Executive Director
Frank Armstrong (appointed 1 May 2020)	Non-Executive Director
Marc Loomes	Chief Executive
Christopher Wilks	Finance Director

Principal activities

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

Results and dividends

The consolidated income statement for the year is set out on page 61.

The profit for the year after tax was £16.6 million (2020 restated: £5.5 million). The Company proposes, subject to shareholder consent at the Annual General Meeting, to pay a dividend of 1p per share, making a total of 1p per share for the year (2020 – Nil).

Future developments

The likely future development of the business is covered in the Chairman's Statement and in the Strategic Report.

Financial risk management

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

Energy and carbon emission

The ECO Group in the UK has an outsourced business model. All warehouses and production facilities are contracted to specialist regulated and approved companies. As such the premises occupied by the ECO Group in the UK comprise two offices which were, for the entirety of the financial year ended 31 March 2021, closed due to the need for remote working as

a response to COVID-19. Consequently, the emissions from ECO Group premises in the UK and the associated carbon footprint of the Group in the UK was minimal and below the reporting threshold. Analysis and reporting of emissions will, however, be undertaken once the offices are re-occupied.

Post balance sheet events

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

Substantial shareholdings

At 30 June 2021 the Company had been notified of the following holdings of 3% of more of its issued share capital:

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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2021

Group research and development activities

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

Directors' insurance

The Company maintains Directors' and Officers' liability insurance for the benefit of its Directors which remained in place at 31 March 2021 and throughout the preceding year.

Financial instruments

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

Internal financial controls

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

Stockbrokers

N+1 Singer (now called Singer Capital Markets) were the Company's nominated advisor and stockbroker at the year end. Peel Hunt is joint broker. The closing share price on 31 March 2021 was 322.5p per share (2020: 220.0p). During the year the average share price was 253.1p (2020: 318.8p).

Auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of disclosure to auditors

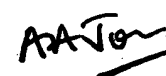
So far as each of the Directors at the date of approval of this report are aware;

- (a) there is no relevant audit information of which the 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 Company's auditors are aware of that information.

Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company and Group during preparation and up to the publication of this 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
25 July 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC FOR THE YEAR ENDED 31 MARCH 2021

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ECO Animal Health Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for qualified opinion

We were not able to observe the counting of physical inventories around the Group, except for the China locations, ("non-China Group inventories") held at 31 March 2020 due to

restrictions and control measures arising as a result of the COVID-19 pandemic. We were unable to satisfy ourselves by alternative means concerning the non-China Group inventories quantities held at 31 March 2020, which are included in the comparative consolidated statement of financial position at a value of £14,003,000 (representing 82% of total inventory) by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount at 31 March 2020 was necessary, or whether there was any consequential effect on the cost of sales and recorded tax amounts in the statement of comprehensive income, for the year ended 31 March 2021.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the Directors' method of assessment, including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.

- Reviewing the reverse stress test, testing the arithmetic accuracy of the model, challenging the assumptions applied and where possible agreeing the model to supporting documentation.
- Challenging the Directors on whether the reverse stress test is appropriate and appropriately stresses the business. We did this by reviewing the scenarios used by the Directors in their assessment, challenging assumptions and performing further sensitivity analysis.
- Reviewing the period assessed by the Directors ensuring that they have considered a period of at least 12 months from the date of approval of the financial statements, as well ensuring the Directors have considered any events or conditions that may exist beyond that period.
- Reviewing the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment.
- Comparing the level of available financial resources with the Group's financial forecasts, including taking account of reasonably possible (but not unrealistic) adverse effects that could arise from risks, both individually and collectively, relating to the Group. We have also reviewed the accuracy of historical forecasting against actual results.

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

FOR THE YEAR ENDED 31 MARCH 2021

Overview

Coverage¹	94% (2020: 128%, due to losses in non-significant components) of Group profit before tax	
	83% (2020: 77%) of Group revenue	
	106% (2020: 100%) of Group net assets, due to a combination of net assets and net liabilities in non-significant components	
Key audit matters	2021	2020
1. Revenue recognition and discount accounting	✓	✓
2. Intangible assets – capitalised development expenditure	✓	✓
3. Unauthorised related party transactions and subsequent investigation		✓
4. Prior period errors and opening balance sheet propriety		✓
	KAM 3 and 4 are no longer considered to be a key audit matters because the investigation (KAM 3) and conclusion on opening balance sheet propriety (KAM 4) were finalised in the audit of the year to 31 March 2020.	
Materiality	<i>Group financial statements as a whole</i>	
	£750,000 (2019: £250,000) based on 3.7% (2019: 5%) of profit before tax	

¹ These are areas which have been subject to a full scope audit by the group engagement team

An overview of the scope of our audit

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

At 31 March 2021, the Group comprised the Parent Company; one UK trading company, ECO Animal Health Limited; a two entity sub-Group in China headed by Zhejiang Eco Biok Animal Health Products Limited; a US joint operation, Pharmgate Animal Health LLC; and 16 other entities.

The Parent, the UK trading entity, the sub-Group in China and the US joint operation were deemed to be the significant components of the Group. The audit of the Parent Company,

ECO Animal Health Limited and the Pharmgate Animal Health LLC joint operation was carried out by the Group audit team for the purposes of this opinion. The audit of the sub-Group, headed by Zhejiang ECO Biok Animal Health Products Limited, was conducted by BDO China under instruction from and reporting to BDO LLP as the Group auditor. Our involvement with the component auditor is discussed below.

The remaining entities were deemed insignificant to the Group due to the size of operations and balances within each entity. Audit work on these components has been limited to analytical review and sample revenue cut-off procedures carried out by the Group audit team.

Our involvement with component auditors

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

involvement with component auditors included the following:

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the

allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Revenue recognition and discount accounting

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's revenue is a key performance indicator for the market upon which the results of the Group will be assessed.

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 is generally on delivery of product to the customer, but may occur at different points in the revenue cycle dependent on contractual terms. Certain revenue arrangements include the offering of volume and other discounts to customers.

Given the potential for misstatement of revenue, whether due to fraud or error, and the inherent judgements and estimates involved in revenue recognition and cut-off assessments, we considered revenue recognition a significant risk of material misstatement in the financial statements.

We reviewed the revenue recognition policy applied by the Group and considered its compliance with IFRS 15 'Revenue from Contracts with Customers'. Our work included review of management's identification of performance obligations and assessment of contractual terms to determine when these performance obligations were met, both throughout the year and around year end.

We tested a sample of the Group's revenue transactions to verify that revenue was accurately recorded in the correct accounting period. This testing was performed through review of contracts, invoices and delivery notes and agreement to the recognition of revenue in the accounting system.

We reviewed management's assessment of the value of these discounts at year end, reviewed contractual terms and re-performed calculations for a sample of accrued balances.

Key observations

Based on the work performed, we consider that revenue has been recognised in accordance with the Group's revenue recognition accounting policy and the requirements of IFRS 15.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

FOR THE YEAR ENDED 31 MARCH 2021

KEY AUDIT MATTER

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Intangible Assets – capitalised development expenditure

The Group's accounting policy for intangible assets is included within the accounting policies in note 2 and the components of intangible assets are set out in note 12. The prior year restatement of development costs capitalised is set out in note 3.

During the preparation of the financial statements for the year ended 31 March 2020, the Directors reviewed past capitalised development expenditure and identified misstatements in prior periods as a result of the Group capitalising items which did not meet the criteria of IAS 38. Although this review resulted in adjustments recognised in the prior year, the review was not complete at the point of finalising those financial statements.

During the preparation of the 31 March 2021 accounts, the Directors finalised their extensive review of past capitalised development expenditure in order to conclude on the accounting treatment for costs, for which sufficient accounting and audit evidence could not be obtained, and to provide sufficient audit evidence for all amounts which remained capitalised.

Management concluded that all past capitalised development expenditure prior to 31 March 2012, and certain development staff costs during the period 1 April 2012 to 31 March 2014, for which sufficient accounting and audit evidence to determine whether capitalisation was appropriate could not be obtained, should be expensed during the period in which it was incurred (as further explained in the prior period adjustment note 3). A prior period adjustment was recognised accordingly.

In addition to the review of capitalised costs, management also conducted an impairment assessment for assets recorded at 31 March 2021, considered the useful lives of assets remaining and ensured that amortisation recorded was appropriate, particularly following capitalised cost changes arising from prior period adjustments.

Given the potential for misstatement of capitalised development expenditure, as well as the adjusted misstatements to prior periods, identified in the audits of both the year ended 31 March 2020 and 31 March 2021, we considered development expenditure capitalisation a key audit matter.

We confirmed with management that all reasonable efforts to obtain evidence had been made, and that no further evidence was available. We did this by understanding the process taken by management and reviewing their reports and output. We confirmed that amounts expensed in the prior period adjustment were appropriate and that the adjustment was accurately recorded in the financial statements.

After management finalised their conclusions regarding which past costs were appropriately capitalised and which costs should have been expensed, for all periods up to 31 March 2020, we sampled the entire population of those costs and agreed the cost to underlying supporting documentation. We assessed whether or not the cost met the criteria of IAS 38 at the point of capitalisation. We performed the same procedures on capitalised costs for the year ended 31 March 2021.

We also sampled amortisation entries during the period 1 April 2019 to 31 March 2021, after the prior period adjustment, to ensure amortisation commenced in the correct period and was recorded over the useful life in accordance with Group policy. We reviewed the useful lives applied, for appropriateness, by corroborating the historical periods during which the Group's products have been sold and the periods over which competitor's products have been marketed.

We reviewed management's annual impairment assessment at 31 March 2021, for capitalised development costs not yet available for use. We challenged the future estimated forecast cash flows and whether or not technical feasibility continued to be highly probable.

Key Observations

We consider the Group's accounting policy to be appropriate. We did not identify anything material to suggest that the judgements applied by management, in respect of capitalisation and amortisation at 1 April 2019, 31 March 2020 and 31 March 2021, and their impairment assessment as of 31 March 2021, were inappropriate.

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2021 £	2020 £	2021 £	2020 £
Materiality	750,000	250,000	340,000	45,000
Basis for determining materiality	3.7% of Profit before tax	5% of Profit before tax	Capped at 45% of Group materiality given the assessment of the components' aggregation risk.	Capped at 20% of Group materiality given the assessment of the components' aggregation risk.
Rationale for the benchmark applied	Profit before tax is considered the most appropriate measure in assessing the performance of the Group		The company is the Group parent holding company, holding investments in other group entities	
Performance materiality	450,000	125,000	204,000	22,500
Basis for determining performance materiality	60% of materiality, on the basis of adjustments identified in prior periods, the location of components and the planned nature of testing.	50% of materiality	60% of materiality, on the basis of adjustments identified in prior periods and the planned nature of testing.	50% of materiality

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ECO ANIMAL HEALTH GROUP PLC

FOR THE YEAR ENDED 31 MARCH 2021

Component materiality

We set materiality for each component of the Group based on a percentage of between 45% and 80% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £340,000 to £600,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,000 (2019:£5,000). We also agreed to report differences below this

threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify

such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
 - the Parent Company financial statements are not in agreement with the accounting records and returns; or
 - certain disclosures of Directors' remuneration specified by law are not made; or
 - we have not received all the information and explanations we require for our audit.
-

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - o The nature of the industry, including the design of the Group's remuneration policies;
 - o Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - o Obtaining an understanding of the legal and regulatory framework in which the Group operates, focussing on those laws and regulations that had a significant effect on the financial statements or that had a fundamental effect on the operations of the Group, namely: the accounting framework; the Companies Act 2006; relevant tax legislation; and the requirements for regulated products.

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

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

compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

BDO LLP

Ian Oliver
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom
25 July 2021

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	Notes	£000's Restated*
Revenue	4	105,607
Cost of sales		(51,990)
Gross profit		53,617
Other income	5	319
Administrative expenses		(33,619)
Profit from operating activities	6	20,317
Finance income	7	129
Finance costs	7	(200)
Net finance (expense)/income		(71)
Share of profit of associate	16	38
		38
Profit before income tax		20,284
Income tax charge	9	(3,635)
Profit for the year		16,649
Profit attributable to:		
Owners of the parent Company		8,158
Non-controlling interest	26	8,491
Profit for the year		16,649
Earnings per share (pence)	8	12.08
Diluted earnings per share (pence)	8	12.07
Earnings before Interest, Tax, Depreciation, Amortisation, Share Based Payments and Foreign Exchange Differences	6	24,400

* Please refer to note 3 for further details on the prior year restatement.

The notes on pages 58 to 120 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
Notes	£000's	£000's Restated*
Profit for the year	16,649	5,488
Other comprehensive income/(losses):		
<i>Items that may be reclassified to profit or loss:</i>		
Foreign currency translation differences	(258)	98
<i>Items that will not be reclassified to profit or loss:</i>		
Revaluation of freehold property	13	(92)
Deferred tax on property revaluations	84	-
Remeasurement of defined benefit pension schemes	23	12
Other comprehensive income/(losses) for the year	(206)	18
Total comprehensive income for the year	16,443	5,506
Attributable to:		
Owners of the parent Company	8,233	3,874
Non-controlling interest	26	1,632
	16,443	5,506

* Please refer to note 3 for further details on the prior year restatement.

The notes on pages 58 to 120 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital	Share Premium Account	Revaluation Reserve	Other Reserves	Foreign Exchange Reserve	Retained Earnings	Total	Non-controlling Interest	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2019 - as reported	3,372	62,650	664	106	467	17,214	84,473	5,102	89,575
Prior year adjustments*	-	-	-	-	-	(6,359)	(6,359)	-	(6,359)
Balance as at 31 March 2019 - as restated	3,372	62,650	664	106	467	10,855	78,114	5,102	83,216
Profit for the year - restated*	-	-	-	-	-	3,895	3,895	1,593	5,488
Other comprehensive income:									
Foreign currency differences	-	-	-	-	59	-	59	39	98
Revaluation of freehold property	-	-	(92)	-	-	-	(92)	-	(92)
Actuarial gains on pension scheme assets	-	-	-	-	-	12	12	-	12
Total comprehensive income/ (loss) for the year	-	-	(92)	-	59	3,907	3,874	1,632	5,506
Transactions with owners:									
Issue of shares in the year	5	232	-	-	-	-	237	-	237
Share-based payments	-	-	-	-	-	284	284	-	284
Deferred tax on share-based payments	-	-	-	-	-	(373)	(373)	-	(373)
Dividends	-	-	-	-	-	(7,453)	(7,453)	(968)	(8,421)
Transactions with owners	5	232	-	-	-	(7,542)	(7,305)	(968)	(8,273)
Balance as at 31 March 2020 - as restated	3,377	62,882	572	106	526	7,220	74,683	5,766	80,449
Profit for the year	-	-	-	-	-	8,158	8,158	8,491	16,649
Other comprehensive income:									
Foreign currency differences	-	-	-	-	23	-	23	(281)	(258)
Deferred tax on property revaluations	-	-	84	-	-	-	84	-	84
Actuarial gains on pension scheme assets	-	-	-	-	-	(32)	(32)	-	(32)
Total comprehensive income/ (loss) for the year	-	-	84	-	23	8,126	8,233	8,210	16,443
Transactions with owners:									
Issue of shares in the year	2	376	-	-	-	-	378	-	378
Share-based payments	-	-	-	-	-	123	123	-	123
Deferred tax on share-based payments	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	(562)	(562)
Transactions with owners	2	376	-	-	-	123	501	(562)	(61)
Balance as at 31 March 2021	3,379	63,258	656	106	549	15,469	83,417	13,414	96,831

* Please refer to note 3 for further details on the prior year restatement.

The notes on pages 58 to 120 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

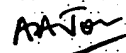
FOR THE YEAR ENDED 31 MARCH 2021

COMPANY						
	Share Capital	Share Premium Account	Other Reserves	Revaluation Reserve	Retained Earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2019	3,372	62,650	106	395	18,509	85,032
Loss for the year	-	-	-	-	(151)	(151)
Other comprehensive income:						
Revaluation of freehold property	-	-	-	(92)	-	(92)
Actuarial gain on pension scheme assets	-	-	-	-	12	12
Total comprehensive loss for the year	-	-	-	(92)	(139)	(231)
Transactions with owners						
Issue of shares in the year	5	232	-	-	-	237
Share-based payments	-	-	-	-	284	284
Deferred tax on share-based payments	-	-	-	-	(63)	(63)
Deferred tax on property revaluations	-	-	-	(1)	-	(1)
Dividends	-	-	-	-	(7,453)	(7,453)
Transactions with owners	5	232	-	(1)	(7,232)	(6,996)
Balance as at 31 March 2020	3,377	62,882	106	302	11,138	77,805
Loss for the year	-	-	-	-	(903)	(903)
Other comprehensive income:						
Deferred tax on property revaluations	-	-	-	83	-	83
Actuarial loss on pension scheme assets	-	-	-	-	(32)	(32)
Total comprehensive loss for the year	-	-	-	83	(935)	(852)
Transactions with owners						
Issue of shares in the year	2	376	-	-	-	378
Share-based payments	-	-	-	-	123	123
Dividends	-	-	-	-	-	-
Transactions with owners	2	376	-	-	123	501
Balance as at 31 March 2021	3,379	63,258	106	385	10,326	77,454

The notes on pages 58 to 120 form part of these financial statements.

	Notes	Group			Company	
		2021 £000's	2020 £000's Restated*	2019 £000's Restated*	2021 £000's	2020 £000's
Non-current assets						
Intangible assets	12	36,108	36,020	34,650	-	-
Property, plant and equipment	13	2,181	2,426	2,144	651	622
Investment property	14	305	305	200	305	305
Right-of-use assets	15	1,399	1,658	1,675	37	25
Investments	16	180	166	116	20,032	20,032
Amounts due from subsidiary Company	18	-	-	-	55,909	59,295
Deferred tax assets						
Total non-current assets		40,173	40,575	38,785	76,934	80,279
Current assets						
Inventories	17	20,504	17,264	19,477	-	-
Trade and other receivables	18	32,452	28,353	23,333	281	55
Income tax recoverable		3,475	1,265	827	-	-
Other taxes and social security		496	652	462	27	36
Cash and cash equivalents	20	19,523	11,877	16,863	819	177
Total current assets		76,450	59,411	60,962	1,127	268
TOTAL ASSETS		116,623	99,986	99,747	78,061	80,547
Current Liabilities						
Trade and other payables	21	(14,521)	(14,486)	(13,363)	(524)	(567)
Borrowings	22	-	(2,032)	-	-	(2,001)
Income tax payable		(3,015)	(940)	(816)	-	-
Other taxes and social security		(501)	-	(533)	-	-
Lease liabilities	22	(311)	(342)	(330)	(7)	(24)
Dividends		(50)	(50)	(49)	(50)	(50)
Current liabilities		(18,398)	(17,850)	(15,091)	(581)	(2,642)
Net current assets/(liabilities)		58,052	41,561	45,871	546	(2,374)
Total assets less current liabilities		98,225	82,136	84,656	77,480	77,905
Non-current liabilities						
Deferred tax	19	(183)	(263)	-	6	(95)
Lease liabilities	22	(1,211)	(1,424)	(1,440)	(32)	(5)
TOTAL ASSETS LESS TOTAL LIABILITIES		96,831	80,449	83,216	77,454	77,805
EQUITY						
Issued share capital	25	3,379	3,377	3,372	3,379	3,377
Share premium account		63,258	62,882	62,650	63,258	62,882
Revaluation reserve		656	572	664	385	302
Other reserves	27	106	106	106	106	106
Foreign exchange reserve	27	549	526	467	-	-
Retained earnings		15,469	7,220	10,855	10,326	11,138
Shareholders' funds		83,417	74,683	78,114	77,454	77,805
Non-controlling interests	26	13,414	5,766	5,102	-	-
Total equity		96,831	80,449	83,216	77,454	77,805

Approved by the Board and authorised for issue on 25 July 2021.



Dr Andrew Jones, Chairman.

* Please refer to note 3 for further details on the prior year restatement.

The notes on pages 58 to 120 form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Group		Company	
		2021	2020 Restated*	2021	2020 Restated*
		£000's	£000's	£000's	£000's
Cash flows from operating activities					
Profit/(loss) before income tax		20,284	6,147	(916)	(151)
Adjustment for:					
Finance income	7	(129)	(112)	(875)	(895)
Finance cost	7	200	142	65	30
Foreign exchange (gain)/loss		559	62	(3)	-
Depreciation	13	430	334	15	17
Amortisation of right-of-use assets	15	403	389	24	32
Revaluation of investment property	14	-	(64)	-	(64)
Amortisation of intangible assets	12	898	745	-	-
Share of associate's results	16	(38)	(42)	-	-
Impairment of investments	16	-	-	-	45
Share based payment charge		123	284	8	114
Dividends received		-	-	(46)	(77)
Operating cash flows before movements in working capital		22,730	7,885	(1,728)	(949)
Change in inventories		(3,698)	2,212	-	-
Change in receivables		(3,959)	(5,209)	3,169	962
Change in payables		753	603	33	253
Cash generated from operations		15,826	5,491	1,474	266
Finance costs		(79)	(17)	(54)	(30)
Income tax		(3,766)	(1,076)	(5)	-
Net cash from operating activities		11,981	4,398	1,415	236
Cash flows from investing activities					
Acquisition of property, plant and equipment	13	(212)	(767)	(37)	(1)
Disposal of property, plant and equipment	13	11	-	-	-
Purchase of intangibles	12	(861)	(2,115)	-	-
Finance income	7	129	112	875	895
Dividends received		-	-	46	77
Net cash (used in)/from investing activities		(933)	(2,770)	884	971
Cash flows from financing activities					
Proceeds from issue of share capital		378	237	378	237
Interest paid on lease liabilities	22	(122)	(124)	(11)	(13)
Principal paid on lease liabilities	22	(378)	(365)	(23)	(38)
Dividends paid		(562)	(8,421)	-	(7,453)
Net cash (used in)/from financing activities		(684)	(8,673)	344	(7,267)
Net increase/(decrease) in cash and cash equivalents		10,364	(7,045)	2,643	(6,060)
Foreign exchange movements		(686)	27	-	-
Balance at the beginning of the period		9,845	16,863	(1,824)	4,236
Balance at the end of the period**	20	19,523	9,845	819	(1,824)

* Please refer to note 3 for further details on the prior year restatement.

** In the statement of cash flows, cash and cash equivalent is presented net of balances outstanding on bank overdrafts. Please refer to note 20 for further details.

The notes on pages 58 to 120 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

1. General information

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

The Company is traded on the AIM market of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is 78 Coombe Road, New Malden, Surrey, KT3 4QS.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Group has presented its Annual Report and Accounts in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements, in conformity with international accounting standards in conformity with the requirements of the Companies Act 2006, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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

The principal accounting policies of the Group are set out below and have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

Going Concern

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

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

2.2 Adoption of new and revised standards

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

- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16);
- IAS 1 Presentation of financial statements, and IAS 8 Accounting policies, changes in accounting estimates and errors (Amendment - Definition of Material); and
- Revisions to the Conceptual Framework for Financial Reporting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

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

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

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

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2021.

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

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

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

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

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

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

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

2.4 Segment reporting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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 financial statements are presented in Pounds Sterling, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

2.6 Financial instruments

Financial assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

The Group's 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)
- future economic benefits (such as revenues or reduced future costs)

Identifiability: An intangible asset is identifiable when it:

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

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

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

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

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

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

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) its intention to complete the intangible asset and use or sell it.
- c) its ability to use or sell the intangible asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

- 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 (or other product) or an approval for marketing Aivlosin 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 more recently announced projects (for example the vaccine collaboration projects with The Pirbright Institute) would be considered to have not yet met the criteria for capitalisation and should have therefore been expensed. Such projects' costs are likely to meet the capitalisation requirements once they are approved internally to commence the full development phase, subject to careful consideration of residual technical feasibility/risk.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

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

Aivlosin	5% on cost
Ecomectin	10% on cost
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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2.11 Investment property

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

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

2.12 Investments in subsidiaries

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

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

An impairment is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the investment's carrying amount and the present value of estimated future cashflows discounted at the effective interest rate adjusted for a risk premium. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised costs would have been had the impairment not been recognised.

2.13 Joint Arrangements

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

The group classifies its interests in joint arrangements as either:

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

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

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

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

2.14 Investments in Associates

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2.15 Leasing

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

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

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

Lease liabilities

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

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

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

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

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

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

Extension and termination options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

Recognition exemptions

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

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

Practical expedients

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

2.16 Inventories

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

2.17 Trade receivables

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

2.18 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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 the assets of the Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. The Group's revenue is principally derived from selling goods with revenue recognised at a point in time when control of the goods has transferred to the customer.

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

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

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

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

2.24 Pensions

Defined Contribution Scheme

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

Defined Benefit Scheme

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

2.25 Share-based payments

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

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

Fair value is measured by use of the Black-Scholes model. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Further details of the inputs to the Black-Scholes model can be found in note 24 to the accumulating share based payment charges in reserves. Share-based payment charges are credited to retained earnings only; the share-based payment reserve account balance is subsumed within 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 recorded in the Group's results are recorded within retained earnings.

The cost of its own shares bought into treasury by the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

2.28 Non-controlling interest

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

2.29 Dividend distribution

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

2.30 Critical accounting estimates and judgements

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

Capitalisation and impairment review of intangible assets

The Group assesses development costs incurred for capitalisation in accordance with the requirements of IAS38 and the Group's accounting policy described in note 2.8. The stage of development and assessment of technical and commercial feasibility, in particular, require the use of judgements and estimates in consultation with the new product development team.

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

The recoverable amounts of the Cash Generating Units (CGU's) to which intangible assets are allocated are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the estimated remaining useful life of the asset. The Group also reviews and quantifies the tax implications related to any recognised impairments and these are included within tax calculations as appropriate.

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

Income taxes

The Group is subject to income taxes predominantly in the United Kingdom but 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Share-based payments

The charge to the Income Statement in respect of share-based payments has been externally calculated using management's best estimates of the amount of options expected to vest and various other inputs to the Black-Scholes valuation 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.

Leases – estimating the incremental borrowing rate

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

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

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

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

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

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

	2021	2020
Property	5.9%	5.9%
Vehicle	29.0%	29.0%
Other	4.0%	4.0%
Weighted average	7.2%	7.1%

Fair value measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

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

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

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

- Land and buildings (note 13);
- Investment property (note 14);
- Pension and other post-retirement benefit commitments (note 23);
- Share-based payments (note 24); and
- Initial recognition of financial instruments (note 32).

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

3. Prior year restatement

Development costs capitalisation reassessment

The Group recognises certain costs as intangible assets, including costs relating to the development of drugs registration, patents, licenses, and distribution rights. Prior to recognising these intangible assets, the Group assesses the assets for attributes including identifiability, control, and future economic benefits as set out in note 2.8 of these financial statements.

For the year ended 31 March 2020 Annual Report and Accounts, the Directors performed a detailed exercise to re-visit all prior periods' capitalised development costs, in order to determine which costs met the capitalisation criteria at the date they were incurred, based on all available accounting records and information, and recorded a prior period adjustment to expense all such costs which did not meet the capitalisation criteria. The Directors applied estimates of what proportion of capitalised development costs should have been expensed, for periods prior to 2014, where all applicable accounting records could not be located in the available time before the 2020 Annual Report and Accounts were signed. Those estimates were consistent with the proportion of capitalised costs subsequently expensed as part of the overall prior year adjustment exercise, which considered all prior periods' capitalised development costs, for more recent periods where accounting records were available and reviewed.

For the year ended 31 March 2021 Annual Report and Accounts, the Directors revisited costs in respect of periods prior to 2014 and completed their search for all available evidence. The Directors also completed their search and provision of evidence to support the capitalisation of costs, incurred during the periods from 2014 to 31 March 2018, for audit purposes.

There were certain staff costs capitalised between 31 March 2011 and 31 March 2013 where there were insufficient records to support the time spent by certain development staff on projects qualifying for capitalisation.

For assets recognised prior to 31 March 2011, only limited records were available, and it was not possible to definitively support the original recognition of these assets. The Directors concluded, after extensive efforts, that it is no longer possible to locate or reconstruct these records.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

As the Directors identified errors in the capitalisation of costs where sufficient records are still available, they reconsidered the requirements of IAS 8 for those costs for which sufficient records are not available (i.e. all costs prior to 31 March 2011 and staff costs prior to 31 March 2013) as they consider it is likely that further errors were made but the lack of records make it impracticable to fully quantify the errors.

The Directors concluded that, given the practical limitations to full retrospective restatement to correct the errors and the requirements of IAS 8 where such limitations exist, it is appropriate to retrospectively de-recognise any capitalised development cost balances in the balance sheet relating to the period before 31 March 2011 and any development staff costs prior to 31 March 2013. It is not practicable to determine what balances should have been recognised in their place.

In order to reflect the impact of this final exercise, a revision to the prior period adjustment in respect of development costs recorded in the 31 March 2020 Annual Report, has been required.

As a result, the Group has de-recognised all intangible assets relating to drugs registration, patents, licenses, and distribution rights recognised prior to 31 March 2011 and the aforementioned intangible assets relating to certain development staff costs capitalised between 31 March 2011 and 31 March 2013. The effect is equivalent to these assets not having been recognised originally.

The prior year restatement did not have an impact on the individual financial statements of the Company.

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

Impact on the Group consolidated income statement for the year to 31 March 2020

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Revenue	72,106	-	72,106
Cost of sales	(38,742)	-	(38,742)
Gross profit	33,364	-	33,364
Other income	105	-	105
Administrative expenses	(28,274)	940	(27,334)
Profit from operating activities	5,195	940	6,135
Finance income	112	-	112
Finance costs	(142)	-	(142)
Net finance (expense)/income	(30)	-	(30)
Share of profit of associate	42	-	42
	42	-	42
Profit before income tax	5,207	940	6,147
Income tax charge	(1,032)	373	(659)
Profit for the year	4,175	1,313	5,488

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Profit attributable to:			
Owners of the parent Company	2,582	1,313	3,895
Non-controlling interest	1,593	-	1,593
Profit for the year	4,175	1,313	5,488
Earnings per share (pence)	3.82	1.95	5.77
Diluted earnings per share (pence)	3.67	1.87	5.54
Earnings before Interest, Tax, Depreciation, Amortisation, Share Based Payments and Foreign Exchange Differences	8,362	-	8,362

Impact on the Group statement of comprehensive income for the year to 31 March 2020

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Profit for the year	4,175	1,313	5,488
Other comprehensive income/(losses) net of related tax effects:			
Revaluation of freehold property	(92)	-	(92)
Foreign currency translation differences	98	-	98
Deferred tax on property revaluations	-	-	-
Remeasurement of defined benefit pension schemes	12	-	12
Other comprehensive income/(losses) for the year	18	-	18
Total comprehensive income for the year	4,193	1,313	5,506
Attributable to:			
Owners of the parent Company	2,561	1,313	3,874
Non-controlling interest	1,632	-	1,632
	4,193	1,313	5,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Impact on consolidated Statement of financial position

	2020 as reported	Adjustments	2020 as restated	2019 as reported	Adjustments	2019 as restated
	£000's	£000's	£000's	£000's	£000's	£000's
Non-current assets						
Intangible assets	41,439	(5,419)	36,020	41,009	(6,359)	34,650
Property, plant and equipment	2,426	-	2,426	2,144	-	2,144
Investment property	305	-	305	200	-	200
Right-of-use assets	1,658	-	1,658	1,675	-	1,675
Investments	166	-	166	116	-	116
Amounts due from subsidiary Company	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
Total non-current assets	45,994	(5,419)	40,575	45,144	(6,359)	38,785
Current assets						
Inventories	17,264	-	17,264	19,477	-	19,477
Trade and other receivables	28,353	-	28,353	23,333	-	23,333
Income tax recoverable	1,265	-	1,265	827	-	827
Other taxes and social security	652	-	652	462	-	462
Cash and cash equivalents	11,877	-	11,877	16,863	-	16,863
Total current assets	59,411	-	59,411	60,962	-	60,962
TOTAL ASSETS	105,405	(5,419)	99,986	106,106	(6,359)	99,747
Current Liabilities						
Trade and other payables	(14,486)	-	(14,486)	(13,363)	-	(13,363)
Borrowings	(2,032)	-	(2,032)	-	-	-
Income tax payable	(940)	-	(940)	(816)	-	(816)
Other taxes and social security	-	-	-	(533)	-	(533)
Lease liabilities	(342)	-	(342)	(330)	-	(330)
Dividends	(50)	-	(50)	(49)	-	(49)
Current liabilities	(17,850)	-	(17,850)	(15,091)	-	(15,091)
Net current assets/(liabilities)	41,561	-	41,561	45,871	-	45,871
Total assets less current liabilities	87,555	(5,419)	82,136	91,015	(6,359)	84,656
Non-current liabilities						
Deferred tax	(636)	373	(263)	-	-	-
Lease liabilities	(1,424)	-	(1,424)	(1,440)	-	(1,440)
TOTAL ASSETS LESS TOTAL LIABILITIES	85,495	(5,046)	80,449	89,575	(6,359)	83,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2020 as reported	Adjustments	2020 as restated	2019 as reported	Adjustments	2019 as restated
	£000's	£000's	£000's	£000's	£000's	£000's
EQUITY						
Issued share capital	3,377	-	3,377	3,372	-	3,372
Share premium account	62,882	-	62,882	62,650	-	62,650
Revaluation reserve	572	-	572	664	-	664
Other reserves	106	-	106	106	-	106
Foreign exchange reserve	526	-	526	467	-	467
Retained earnings	12,266	(5,046)	7,220	17,214	(6,359)	10,855
Shareholders' funds	79,729	(5,046)	74,683	84,473	(6,359)	78,114
Non-controlling interests	5,766	-	5,766	5,102	-	5,102
Total equity	85,495	(5,046)	80,449	89,575	(6,359)	83,216

Impact on the Group statement of cash flows for the year ended 31 March 2020:

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Cash flows from operating activities			
Profit/(loss) before income tax	5,207	940	6,147
Adjustment for:			
Finance income	(112)	-	(112)
Finance cost	142	-	142
Foreign exchange gain/(loss)	62	-	62
Depreciation	334	-	334
Amortisation of right-of-use assets	389	-	389
Revaluation of investment property	(64)	-	(64)
Amortisation of intangible assets	1,685	(940)	745
Share of associate's results	(42)	-	(42)
Impairment of investments	-	-	-
Share based charge	284	-	284
Dividends received	-	-	-
Operating cash flows before movements in working capital	7,885	-	7,885
Change in inventories	2,212	-	2,212
Change in receivables	(5,209)	-	(5,209)
Change in payables	603	-	603
Cash generated from operations	5,491	-	5,491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	As reported	Adjustments	As restated
	£000's	£000's	£000's
Finance costs	(17)	-	(17)
Income tax	(1,076)	-	(1,076)
Net cash from operating activities	4,398	-	4,398
Cash flows from investing activities			
Acquisition of property, plant and equipment	(767)	-	(767)
Disposal of property, plant and equipment	-	-	-
Purchase of intangibles	(2,115)	-	(2,115)
Finance income	112	-	112
Dividends received	-	-	-
Net cash (used in)/from investing activities	(2,770)	-	(2,770)
Cash flows from financing activities			
Proceeds from borrowings (note 20)	2,032	(2,032)	-
Proceeds from issue of share capital	237	-	237
Interest paid on lease liabilities	(125)	-	(125)
Principal paid on lease liabilities	(364)	-	(364)
Dividends paid	(8,421)	-	(8,421)
Net cash (used in)/from financing activities	(6,641)	(2,032)	(8,673)
Net increase/(decrease) in cash and cash equivalents	(5,013)	(2,032)	(7,045)
Foreign exchange movements	27	-	27
Balance at the beginning of the period	16,863	-	16,863
Balance at the end of the period	11,877	(2,032)	9,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

4. Segment information

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

Revenues are geographically allocated by the destination of customer.

The performance of these geographical segments is measured using Earnings before Interest, Tax, Depreciation and Amortisation ("Adjusted EBITDA**"), adjusted to exclude share based payments expenses.

	Corporate/ U.K.	China & Japan	North America	S & SE Asia	Latin America	Europe	Rest of World	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Year ended 31 March 2021								
Revenue from external customers	1,471	58,906	13,887	9,118	14,265	6,580	1,380	105,607
Sale of goods	1,471	58,906	13,887	9,118	14,265	6,580	1,204	105,431
Royalties	-	-	-	-	-	-	176	176
	1,471	58,906	13,887	9,118	14,265	6,580	1,380	105,607
Adjusted EBITDA**	(17,644)	26,080	4,973	3,390	3,260	1,597	515	22,171
Total Assets	33,136	59,568	8,109	3,165	9,641	2,250	754	116,623
Year ended 31 March 2020								
Revenue from external customers	1,768	23,148	11,635	14,175	12,601	7,590	1,189	72,106
Sale of goods	1,768	23,148	11,635	14,175	12,601	7,590	1,032	71,949
Royalties	-	-	-	-	-	-	157	157
	1,768	23,148	11,635	14,175	12,601	7,590	1,189	72,106
Adjusted EBITDA**	(15,011)	6,499	4,196	6,266	2,286	2,951	636	7,823
Total Assets - restated	25,504	31,417	17,212	7,968	12,355	4,585	945	99,986

During the year, the revenue from sales to one particular customer in the 'China & Japan' segment was £15,692,000 (2020: £5,898,000), which is greater than 10 percent of the revenue of the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

	2021	2020
	£000's	£000's Restated*
Adjusted EBITDA for reportable segments	22,171	7,823
Depreciation	(430)	(334)
Amortisation of right-of-use assets	(403)	(389)
Revaluation of investment property	-	64
Amortisation	(898)	(745)
Share-based payment charges	(123)	(284)
Profit from operating activities	20,317	6,135

* Please refer to note 3 for further details on the prior year restatement.

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

Product Revenues

	2021	2020
	£000's	£000's
Aivlosin	87,549	60,686
Ecomectin	4,234	3,951
Others	13,824	7,469
Total	105,607	72,106

Contract Balances

	2021	2020
	£000's	£000's
Within one year or on demand		
At 1 April	594	847
Amounts included in contract liabilities that was recognised as revenue during the period	(594)	(847)
Cash received in advance of performance and not recognised as revenue during the period	2,155	594
At 31 March	2,155	594

The Group recognised contract liabilities of £2,155,000 at 31 March 2021 (2020: £594,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

5. Other income

	2021	2020
	£000's	£000's
Management charges	-	7
Sundry income	319	98
	319	105

6. Result from operating activities

	2021	2020	
	Notes	£000's	£000's Restated*
Result from operating activities is stated after charging/(crediting):			
Cost of inventories recognised as an expense		51,864	38,381
Employee benefits expenses		14,867	9,968
Amortisation of intangible assets	12	898	745
Depreciation	13	430	334
Amortisation of right-of-use assets	15	403	389
Revaluation of investment property	14	-	(64)
Loss/(gain) on foreign exchange transactions		2,230	539
Research and development		8,072	8,775
Impairment losses on trade receivables		(65)	139
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts		442	54
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries		475	47

Fees payable to the Company's auditor for the audit of the parent company and Group annual accounts, for the year ended 31 March 2021, were £350,000 (2020: £414,000), and fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries were £48,000 (2020: £460,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£000's	£000's Restated*
Earnings before interest, tax, depreciation, amortisation and impairment, share-based payments and foreign exchange differences (adjusted EBITDA)		
Profit from operating activities	20,317	6,135
Depreciation	430	334
Amortisation of right-of-use assets	403	389
Revaluation of investment property	-	(64)
Amortisation	898	745
Share-based payments	123	284
	22,171	7,823
Foreign exchange differences	2,230	539
Adjusted EBITDA	24,401	8,362

* Please refer to note 3 for further details on the prior year restatement.

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

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

Item	Rationale for Adjustment
Depreciation and Amortisation	These items are a result of past investments and therefore, although they are correctly recorded as a cost of the business, they do not reflect current or future cash outflows. Additionally, Depreciation and Amortisation calculations are subject to judgement regarding useful lives and residual values of particular assets and the adjustment removes the element of judgement.
Revaluation of Investment Property	These are subject to judgement and do not reflect cash flows.
Gains and Losses on Disposal of Fixed Assets and Impairment of Intangibles	These items are a result of past investments and therefore, although they are correctly recorded as income or cost of the business, they do not reflect current or future cash outflows.
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

7. Finance income/(expense)

	2021	2020
	£000's	£000's
Finance income		
Interest received on short term bank deposits	129	112
Finance costs		
Interest paid	(79)	(18)
Interest paid on lease liabilities	(121)	(124)
	(200)	(142)
	(71)	(30)

8. Earnings per share

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

	2021			2020 Restated*		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£000's	000's	pence	£000's	000's	pence
Earnings attributable to ordinary shareholders on continuing operations after tax	8,158	67,559	12.08	3,895	67,530	5.77
Dilutive effect of share options	-	44	(0.01)	-	2,783	(0.23)
Diluted earnings per share	8,158	67,603	12.07	3,895	70,313	5.54

Diluted earnings per share takes into account the dilutive effect of share options.

* Please refer to note 3 for further details on the prior year restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

9. Taxation

	2021	2020
	£000's	£000's Restated*
Current tax		
Foreign corporation tax on profits for the year	5,921	1,520
Withholding tax on intercompany dividend	31	54
Research and development tax credits claimed in the year	(1,569)	(1,000)
Research and development tax credits - adjustment for prior year	(752)	196
Deferred tax		
Origination and reversal of temporary differences	4	(186)
Due to change in effective rate	-	75
Income tax charge	3,635	659
Origination and reversal of temporary differences	(84)	373
Due to change in effective rate	-	1
Deferred tax recognised through reserves	(84)	374

	2021	2020
	£000's	£000's Restated*
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	20,284	6,147
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 19% (2020: 19%)	3,854	1,168
Effects of:		
Non-deductible expenses	326	165
Non-chargeable credits	(141)	(68)
Right-of-use assets depreciation	(40)	(35)
Withholding tax on inter-company dividends	31	54
Enhanced allowance on research and development expenditure	(990)	(560)
Adjustment in respect of prior years	(751)	(196)
Different tax rate for foreign subsidiaries	1,273	165
Reduced effective deferred tax rate	-	76
Origination and reversal of temporary differences	(116)	(346)
Unused tax losses carried forward	189	236
Income tax charge	3,635	659

* Please refer to note 3 for further details on the prior year restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	%	% Restated*
Applicable tax rate per UK legislation	19.00	19.00
Effects of:		
Non-deductible expenses	1.61	2.69
Non-chargeable credits	(0.70)	(1.10)
Right-of-use assets depreciation	(0.20)	(0.56)
Withholding tax on inter-company dividends	0.15	0.88
Enhanced allowance on research and development expenditure	(4.88)	(9.11)
Adjustment in respect of prior years	(3.70)	(3.19)
Different tax rate for foreign subsidiaries	6.28	2.68
Reduced effective deferred tax rate	-	1.24
Origination and reversal of temporary differences	(0.57)	(5.63)
Unused tax losses carried forward	0.93	3.84
Effective tax rate	17.92	10.74

Future tax changes

On 5 March 2021 it was announced that the rate of UK corporation tax would be increased to 25% from 1 April 2023; however, at the reporting date of 31 March 2021, this change had not been substantively enacted. As such, the UK deferred tax assets and liabilities have been calculated based on the enacted rate of 19%.

At the year ended 31 March 2021 the Group had unused overseas tax losses amounting to £nil (2020: £3.8 million) for which no deferred tax asset has been recognised.

10. Profit for the financial year

	2021	2020
	£000's	£000's
Parent Company's profit/(loss) for the financial year	(903)	(151)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

11. Dividends

	2021	2020
	£000's	£000's
Cash dividends on ordinary shares declared and paid:		
Interim dividend for the year ended 31 March 2019 at 4.0p per ordinary share (settled 12 April 2019)	-	2,698
Final dividend for the year ended 31 March 2019 at 7.04p per ordinary share (settled 16 October 2019)	-	4,755
	-	7,453
Proposed dividends on ordinary shares:		
Final dividend for the year end 31 March 2021 at 1.0p per ordinary share	677	-

The Board of Directors proposes that a dividend of 1.0p per ordinary share to be paid for the year ended 31 March 2021 (2020: £nil).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

12. Intangible fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and license costs	Total
	£000's	£000's	£000's	£000's
Cost				
At 31 March 2019 - as reported	17,930	1,442	39,470	58,842
Prior year adjustment	-	(1,035)	(18,608)	(19,643)
At 31 March 2019 - as restated	17,930	407	20,862	39,199
Additions	-	-	2,115	2,115
At 31 March 2020 - as restated	17,930	407	22,977	41,314
Additions	-	-	986	986
At 31 March 2021	17,930	407	23,963	42,300
Amortisation				
At 31 March 2019 - as reported	-	(735)	(17,098)	(17,833)
Prior year adjustment	-	635	12,649	13,284
At 31 March 2019 - as restated	-	(100)	(4,449)	(4,549)
Charge for the year	-	(70)	(1,615)	(1,685)
Prior year adjustment	-	50	890	940
At 31 March 2020 - as restated	-	(120)	(5,174)	(5,294)
Charge for the year	-	(19)	(879)	(898)
At 31 March 2021	-	(139)	(6,053)	(6,192)
Net Book Value				
At 31 March 2021	17,930	268	17,910	36,108
At 31 March 2020 - as restated	17,930	287	17,803	36,020
At 31 March 2019 - as restated	17,930	307	16,413	34,650

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

Distribution rights are amortised over their estimated useful life of 20 years and reviewed for impairment when any indication of potential impairment exists. The remaining amortisation period at the date of the financial statements ranged from 4 to 20 years.

Please refer to note 3 for further details on the prior year restatement.

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

Entity	Date of acquisition	2021 & 2020
		£000's
ECO Animal Health Limited	1 October 2004	17,359
Zhejiang Eco Biok Animal Health Products Limited	1 April 2007	94
ECO Animal Health Japan Inc	24 December 2009	477
		17,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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

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

Management estimates discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. In the current year management estimated the applicable rate to be 8% (2020: 8%). Management considers that there is adequate headroom when comparing the net present value of the cashflows to the carrying value of goodwill to conclude that no impairment is necessary this year. On assumptions as at each period end the excess of recoverable amount over carrying value is over £76 million (2020: £130 million).

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 £73 million (2020: £119 million) more than the carrying value and no impairment would be necessary.

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

	2021	2020
	£000's	£000's Restated*
Aivlosin	15,161	15,041
Ecomectin	2,466	2,449
Others	283	313
	17,910	17,803

* Please refer to note 3 for further details on the prior year adjustment

Aivlosin is a highly effective antibiotic that treats a range of specific enteric (gut) and respiratory diseases in pigs and poultry, ensuring a rapid return to health. In addition to the welfare benefits, healthy animals gain weight faster, digest food more efficiently and get to market earlier which all bring economic benefit to the farmer. Substantial ongoing product development covering more formulations, species and diseases is expected to substantially further increase its revenue generating potential. The remaining useful life is from 4 to 20 years.

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

At 31 March 2021 Intangible assets included £5,791,000 (2020 restated: £4,822,000) of assets capitalised that had not commenced their useful life, of which approximately £4,909,000 (2020 restated: £3,985,000) were Aivlosin related products. The directors have conducted impairment reviews and no impairment is required. Following restatement, no impairment indicators have been identified in relation to intangible assets in commercial use.

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

The Directors have assessed the carrying value of intangible assets for indicators of value impairment for the year ended 31 March 2021 and have concluded that no impairment is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

13. Property, plant and equipment

Group	Freehold Land and Buildings	Leasehold improvements	Plant and Machinery	Fixtures, Fittings and Equipment	Motor Vehicles	Total
	£000's	£000's	£000's	£000's	£000's	£000's
Cost or valuation						
At 1 April 2019	760	-	1,886	1,282	82	4,010
Additions	-	555	40	157	15	767
Disposals	-	-	-	(432)	(6)	(438)
Revaluation in the year	(145)	-	-	-	-	(145)
Reclassification	53	-	(937)	648	236	-
Foreign exchange movements	-	-	(3)	(5)	(16)	(24)
At 31 March 2020	668	555	986	1,650	311	4,170
Additions	-	-	64	153	2	219
Disposals	-	-	(247)	(34)	(29)	(310)
Foreign exchange movements	(1)	-	(16)	(21)	(15)	(53)
At 31 March 2021	667	555	787	1,748	269	4,026
Depreciation						
At 1 April 2019	-	-	(978)	(860)	(28)	(1,866)
Charge for the year	(15)	-	(44)	(241)	(34)	(334)
Disposals	-	-	-	426	4	430
Revaluation in the year	13	-	-	-	-	13
Reclassification	(7)	-	310	(137)	(166)	-
Foreign exchange movements	-	-	2	-	11	13
At 31 March 2020	(9)	-	(710)	(812)	(213)	(1,744)
Charge for the year	(14)	(103)	(47)	(238)	(28)	(430)
Disposals	-	-	244	29	26	299
Foreign exchange movements	-	-	10	10	10	30
At 31 March 2021	(23)	(103)	(503)	(1,011)	(205)	(1,845)
Net Book Value						
At 31 March 2021	644	452	284	737	64	2,181
At 31 March 2020	659	555	276	838	98	2,426
At 31 March 2019	760	-	908	422	54	2,144

The freehold land and buildings at Coombe Road, New Malden was valued at £615,000 at 31 March 2020 by Colliers International Valuation UK LLP (external independent qualified valuers). The fair value of the freehold property was determined by applying a 7.5% discount rate to the annual rental value of the property as determined by local market conditions. The Group considers the fair value of the property determined. This property will continue to be valued on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Valuation Technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
RICS Valuation – Global Standards ('Red Book Global Standards')	Estimated market rent Capital Value Price per square foot in local market. Yield in local market General condition Statutory searches Environmental matters	Reduced marketability and hence rent achievable by the property.

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

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

The value of the freehold property would have been recorded at £239,000 (2020: £249,000) on a historical cost basis.

Depreciation has been included in the administrative expenses line in the income statement, except for £118,000 (2020: £129,000) of depreciation of production equipment in the Chinese subsidiary ECO Biok and for £6,000 (2020: £1,000) of depreciation in Pharmgate Animal Health USA LLC, which are included within cost of sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Company	Freehold Land and Buildings	Fixtures, Fittings and Equipment	Total
Cost or valuation	£000's	£000's	£000's
At 1 April 2019	760	167	927
Additions	-	1	1
Disposals	-	(154)	(154)
Revaluation in the year	(145)	-	(145)
At 31 March 2020	615	14	629
Additions	-	44	44
At 31 March 2021	615	58	673
Depreciation			
At 1 April 2019	-	(158)	(158)
Charge for the year restated	(13)	(4)	(17)
Disposals	-	155	155
Revaluation in the year	13	-	13
At 31 March 2020	-	(7)	(7)
Charge for the year	(12)	(3)	(15)
At 31 March 2021	(12)	(10)	(22)
Net Book Value			
At 31 March 2021	603	48	651
At 31 March 2020	615	7	622
At 31 March 2019	760	9	769

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

14. Investment property

Group and Company	Freehold Land and Buildings
	£000's
At 1 March 2019	200
Revaluation in 2020	105
At 31 March 2020	305
Revaluation in 2021	-
At 31 March 2021	305

The property in Western Road, Mitcham was valued at £305,000 as at 31 March 2020 by Colliers International Valuation UK LLP (external independent qualified valuer). The fair value of the investment property was determined by applying a 7.75% discount rate to the annual rental value of the property as determined by local market conditions. The Group considers the fair value of the property determined in this valuation continues to be reflective of the fair value of the property at 31 March 2021 and is not significantly different to the open market value. No significant costs have been incurred in the repairs and maintenance of the property during the year.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

15. Right-of-use assets

Group	Property	Vehicles	Other	Total
	£000's	£000's	£000's	£000's
Cost or valuation				
At 1 April 2019	2,239	229	22	2,490
Additions	370	-	-	370
Disposals	(494)	(33)	-	(527)
Foreign exchange movements	(2)	2	1	1
At 31 March 2020	2,113	198	23	2,334
Additions	129	58	-	187
Disposals	-	(109)	-	(109)
Foreign exchange movements	(41)	-	(1)	(42)
At 31 March 2021	2,201	147	22	2,370
Depreciation				
At 1 April 2019	(714)	(91)	(10)	(815)
Charge for the year	(323)	(61)	(5)	(389)
Disposals	494	33	-	527
Foreign exchange movements	1	-	-	1
At 31 March 2020	(542)	(119)	(15)	(676)
Charge for the year	(347)	(52)	(4)	(403)
Disposals	-	96	-	96
Foreign exchange movements	11	-	1	12
At 31 March 2021	(878)	(75)	(18)	(971)
Net Book Value				
At 31 March 2021	1,323	72	4	1,399
At 31 March 2020	1,571	79	8	1,658
At 31 March 2019	1,525	138	12	1,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Company	Vehicles	Other	Total
	£000's	£000's	£000's
Cost or valuation			
At 1 April 2019	115	7	122
Additions	-	-	-
Disposals	(19)	-	(19)
Foreign exchange movements	(1)	-	(1)
At 31 March 2020	95	7	102
Additions	40	-	40
Disposals	(67)	-	(67)
Foreign exchange movements	-	-	-
At 31 March 2021	68	7	75
Depreciation			
At 1 April 2019	(61)	(4)	(65)
Charge for the year	(31)	(1)	(32)
Disposals	19	-	19
Foreign exchange movements	1	-	1
At 31 March 2020	(72)	(5)	(77)
Charge for the year	(23)	(1)	(24)
Disposals	63	-	63
Foreign exchange movements	-	-	-
At 31 March 2021	(32)	(6)	(38)
Net Book Value			
At 31 March 2021	36	1	37
At 31 March 2020	23	2	25
At 31 March 2019	54	3	57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

16. Fixed asset investments

Group	Investment in Associate	Unlisted investments	Total
	£000's	£000's	£000's
At 31 March 2019	107	9	116
Share of associate's result for the year	42	-	42
Foreign exchange differences	8	-	8
At 31 March 2020	157	9	166
Share of associate's result for the year	38	-	38
Foreign exchange differences	(24)	-	(24)
At 31 March 2021	171	9	180

Company	Unlisted investments	Total
	(subsidiaries) £000's	£000's
Cost		
At 31 March 2019, 2020	20,077	20,077
Disposed	(25)	(25)
At 31 March 2021	20,052	20,052
Impairment		
At 1 April 2019	-	-
Impairment charge	(45)	(45)
At 31 March 2020	(45)	(45)
Impairment charge	-	-
Disposal	25	25
At 31 March 2021	(20)	(20)
Net Book Value		
At 31 March 2021	20,032	20,032
At 31 March 2020	20,032	20,032
At 31 March 2019	20,077	20,077

Petlove Limited, a former subsidiary of the Company, which was fully impaired in the financial year ended 31 March 2020, was dissolved on 27 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

Subsidiary undertakings held by the Company

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

Subsidiary undertakings held by the Group

ECO Animal Health Southern Africa (Pty) Limited.	228 Athol Road, Highlands North, Johannesburg 2192	South Africa	Ordinary	100
Zhejiang ECO Biok Animal Health Products Limited.	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	51*
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	Room 1502-3, Imago Plaza, No. 99 Wuning Road, Ptro District, Shanghai 200063	P. R. China	Ordinary	51
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	Av. Dr. Cardoso de Melo, 1470, Cl311, Villa Olimpia, CEP 04548-005, Sao Paulo	Brazil	Ordinary	100
ECO Animal Health Japan Inc.	1-2-1, Hamamatsu-cho, Minato-Ku, Tokyo	Japan	Ordinary	100
ECO Animal Health USA Corp.	344 Nassau Street, Princeton, New Jersey, 08540	U.S.A.	Ordinary	100
Interpet LLC.	3775 Columbia Pike, Ellicott City, Maryland, 21043	U.S.A.	Ordinary	100
ECO Animal Health de Mexico, S de R.L de C.V.	Av Tecnologico Sur 134-4, Unidad Habitacional Moderna, Queretaro, 76030	Mexico	Ordinary	100
ECO Animal Health de Argentina S.A.	Calle 4 E 43/44 N: 581 P.6 D:B La Plata, Buenos Aires	Argentina	Ordinary	100
ECO Animal Health Malaysia Sdn. Bhd.	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%).

Shanghai ECO Biok Veterinary Drug Sale Company Ltd is a 100% subsidiary of Zhejiang ECO Biok Animal Health Products Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	Distribution of animal drugs
ECO Animal Health Japan Inc.	Distribution of animal drugs
ECO Animal Health USA Corp.	Distribution of animal drugs
Interpret LLC	Non-trading
ECO Animal Health de Mexico, S. de R. L. de C. V.	Distribution of animal drugs
ECO Animal Health de Argentina S.A.	Non-trading
ECO Animal Health Malaysia Sdn. Bhd	Non-trading
ECO Animal Health India (Private) Ltd	Non-trading
ECO Animal Health Europe Ltd	Non-trading

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

	Equity	Profit/(loss) for the year	Equity	Profit/(loss) for the year
	2021	2021	2020	2020
	£000's	£000's	£000's	£000's
ECO Animal Health Limited	(5,088)	(1,816)	1,021	1,834
ECO Animal Health Southern Africa (Pty) Limited	280	4	276	19
Zhejiang ECO Biok Animal Health Products Ltd	27,384	17,340	11,965	3,473
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	553	847	(227)	(571)
ECO Animal Health Japan Inc.	1,398	(16)	1,505	152
ECO Animal Health de Mexico, S. de R. L. de C. V.	578	151	141	99
ECO Animal Health USA Corp.	(1,382)	111	(1,648)	(997)
ECO Animal Health India (Private) Ltd	(1)	(2)	-	-
ECO Animal Health Europe Ltd	-	-	-	-
ECO Animal Health Malaysia Sdn Bhd	(21)	(1)	(21)	(7)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Zhejiang ECO Biok Animal Health Products Limited and ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda both 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 2021.

Non-controlling interests

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

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

	2021	2020
Summarised statement of comprehensive income For the year ended 31 March	£000's	£000's
Revenue	56,179	20,169
Cost of sales	(25,527)	(10,374)
Gross Profit	30,652	9,795
Administrative expenses	(7,619)	(5,275)
Operating profit	23,033	4,520
Other income	6	-
Finance income/(expense)	31	(67)
Profit before tax	23,070	4,453
Tax expense	(5,730)	(1,201)
Profit after tax	17,340	3,252
Profit/(loss) allocated to NCI	8,491	1,593
Other comprehensive income allocated to NCI	(281)	39
Dividend paid to NCI	(562)	(968)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
Summarised balance sheet As at 31 March	£000's	£000's
Assets:		
Property, plant and equipment	626	704
Right-of-use assets	755	891
Deferred tax assets	-	30
Inventories	4,967	3,150
Trade and other receivables	18,161	6,457
Cash and cash equivalents	13,651	5,339
	38,160	16,571
Liabilities:		
Trade and other payables	7,785	3,306
Contract liabilities	2,155	605
Lease liabilities - short term	82	96
Lease liabilities - long term	753	857
	10,775	4,864
Accumulated NCI	13,413	5,766

	2021	2020
Summarised cash flows For the year ended 31 March	£000's	£000's
Cash flows from operating activities	10,359	3,493
Cash flows from investing activities	20	(24)
Cash flows from financing activities	(1,310)	(2,192)
Foreign exchange movements	(757)	17
Net increase/(decrease) in cash and cash equivalents	8,312	1,294

Joint Operations

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Non-current assets	18	-	-	-
Current assets	1,055	2,325	545	511
Current liabilities	(1,047)	(2,310)	(544)	(510)
Sales	10,745	7,612	3,300	3,358
Profit after tax	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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.

	2021	2020
	£000's	£000's
Investments (share of net assets)		
At 1 April	157	107
Share of results for the year	38	42
Foreign exchange movement	(24)	8
At 31 March	171	157

	2021	2020
	£000's	£000's
Summarised financial information		
At 31 March		
Current assets	938	541
Non-current assets	44	19
Current liabilities	208	221
Non-current liabilities	415	12
Net assets (100%)	359	327
Group share of net assets (47.62%)	171	157
Year ended 31 March		
Revenue	1,704	1,634
Net profit	80	79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

17. Inventories

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Raw materials and consumables	11,488	6,734	-	-
Finished goods and goods for resale	5,433	4,397	-	-
Work in progress	3,583	6,133	-	-
	20,504	17,264	-	-

The cost of inventories recognised as an expense and included in cost of sales in the financial year amounted to £51,864,000 (2020: £38,381,000).

18. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
Non-current:	£000's	£000's	£000's	£000's
Amounts owed by group undertakings	-	-	55,909	59,295

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

	Group		Company	
	2021	2020	2021	2020
Current:	£000's	£000's	£000's	£000's
Trade receivables	29,838	25,974	-	-
Other receivables	1,688	1,884	69	30
Prepayments and accrued income	926	495	212	25
	32,452	28,353	281	55

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

As at 31 March 2021, trade receivables of £3,170,000 (2020: £11,402,000) due to the Group and £nil (2020: £nil) due to the Company were past due but not impaired. These relate to long standing distributors with whom we have agreed settlement terms and with whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Up to 3 months past due	2,098	6,974	-	-
3 to 6 months past due	468	2,899	-	-
Over 6 months past due	604	1,529	-	-
	3,170	11,402	-	-

As at 31 March 2021, impairment provisions of £351,000 on gross receivables of £729,000 (2020: £419,000 on gross receivables of £705,000) were recognised. The impaired receivables mainly relate to debt for which recovery is still being sought. The Group mitigates its exposure to credit risk by extensive use of commercial credit reference agencies, close management of its customers' trading against terms offered and use of retention of title clauses wherever possible.

The Group has experienced minimal bad debt history and considered this in arriving at the impairment provision recognised. This consideration includes the potential risks arising from COVID on its customers. Its experience with customers since 31 March 2021, is consistent with those considerations that credit risk has not increased. No collateral is held against customer receivable balances.

The ageing analysis of the impaired balances is as follows:

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Current debt	6	152	-	-
Up to 3 months past due	97	4	-	-
3 to 6 months past due	1	2	-	-
Over 6 months past due	247	261	-	-
	351	419	-	-

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

Group	2021	2020
	£000's	£000's
Balance at 1 April	419	280
Additional provision made	71	140
(Recovered) in the year	(136)	-
Written off in the year	-	(1)
Foreign exchange movements	(3)	-
Balance at 31 March	351	419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
British Pounds Sterling	1,192	759	281	55
U S Dollars	8,067	12,875	-	-
Euros	1,749	2,875	-	-
Chinese RMB	18,161	6,757	-	-
Japanese Yen	175	841	-	-
Brazilian Real	363	2,233	-	-
Canadian dollars	545	511	-	-
Mexican Pesos	1,997	1,499	-	-
Other currencies	203	3	-	-
	32,452	28,353	281	55

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

19. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets/(Liabilities)		Net	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
	Restated*		Restated*	
Trade related temporary differences	(2,294)	(2,114)	(2,294)	(2,114)
Overseas trade related temporary differences	3	30	3	30
Freehold property	8	(76)	8	(76)
Investment property	(1)	(19)	(1)	(19)
Plant and equipment	(12)	(77)	(12)	(77)
Deferred tax on share options	120	-	120	-
Tax losses carried forward	1,993	1,993	1,993	1,993
Amount (payable) after more than one year	(183)	(263)	(183)	(263)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

	Trade- related temporary differences	Freehold property	Investment property	Plant and machinery	Share options	Total
	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2020 - restated*	(91)	(76)	(19)	(77)	-	(263)
(Charge) for the year through income statement	(206)	-	-	-	-	(206)
Credit for the year through income statement	-	-	17	65	120	202
Credit for the year through reserves	-	84	-	-	-	84
At 31 March 2021	(297)	8	(2)	(12)	120	(183)

Trade related temporary differences are predominantly related to research and development tax deductions claimed in advance of expense recognition in the income statement. 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.

*Please refer to note 3 for further details on the prior year restatement.

Company	Freehold property	Investment property	Share options	Total
	£000's	£000's	£000's	£000's
At 1 April 2019	(75)	(10)	85	-
(Charge) for the year through income statement	-	(9)	(22)	(31)
(Charge) for the year through reserves	(1)	-	(63)	(64)
At 31 March 2020	(76)	(19)	-	(95)
Credit for the year through income statement	-	17	-	17
Credit for the year through reserves	84	-	-	84
At 31 March 2021	8	(2)	-	6

At the year ended 31 March 2021 the Group has an unrecognised deferred tax asset in relation to unused overseas tax losses amounting to £nil (2020: £700,000). These tax losses are not expected to expire.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

20. Cash and cash equivalents

Cash and cash equivalents for statement of financial position presentation purposes, comprise cash, short-term deposits held by the Group. The carrying amount of these assets are not significantly different to their fair value.

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Cash and cash equivalents	19,523	11,877	819	177
Bank overdraft	-	(2,032)	-	(2,001)
Cash and cash equivalents presented in the statement of cash flows (restated)	19,523	9,845	819	(1,824)

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, which is an updated presentation on prior year. 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.

The presentation in the prior year has been amended accordingly.

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

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Acquisition of property, plant and equipment by means of leases or not yet paid at year end	187	370	40	-
Acquisition of intangible assets not yet paid at year end	125	-	-	-

21. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Trade payables	7,918	7,608	58	189
Contract liabilities	2,155	594	-	-
Other payables	683	2,093	147	197
Accruals and deferred income	3,765	4,191	319	181
	14,521	14,486	524	567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

22. Borrowings

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Cash and cash equivalents	19,523	11,877	819	177
Bank overdraft	-	(2,032)	-	(2,001)
Lease liabilities	(1,522)	(1,766)	(39)	(27)
Net Cash	18,001	8,079	780	(1,851)

The Group has a 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 2021, the undrawn facility was £5,000,000 (2020: £2,968,000).

Reconciliation of Lease Liabilities

	Group		Company	
	2021	2020	2021	2020
	£000's	£000's	£000's	£000's
Opening lease liabilities	(1,766)	(1,770)	(29)	(65)
New lease liabilities	(188)	(359)	(43)	-
Repayment	500	489	35	51
Lease liabilities interest	(122)	(124)	(11)	(13)
Disposal	18	-	6	-
Foreign exchange	36	(2)	3	(2)
Closing lease Liabilities	(1,522)	(1,766)	(39)	(29)
Current lease liabilities	(311)	(342)	(7)	(24)
Non-current lease liabilities	(1,211)	(1,424)	(32)	(5)

The Group leases a number of properties and motor vehicles in the jurisdictions it operates in. At 31 March 2021 there were no termination or extension options on leases.

The Group expensed £55,000 for the year ended 31 March 2021 (2020: £47,000) for short term leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Group Leases Maturity

At 31 March 2021 the Group held the following number of leases in each of the maturity categories below.

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

At 31 March 2020	Property Number	Vehicle Number	Other Number	Total Number
Up to 1 year	-	3	-	3
Between 1 - 5 years	5	8	3	16
Over 5 years	3	-	-	3
Total number of leases	8	11	3	22
Average remaining lease term (in years)	8.7	1.6	1.6	4.2

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position was 7.2% at 31 March 2021 (2020: 7.10%).

Weighted average incremental borrowing rate:

Group	2021	2020
Property	5.9%	5.9%
Vehicle	29.0%	29.0%
Other	4.0%	4.0%
Weighted average	7.2%	7.1%

Amounts payable under lease arrangements for the Group

The undiscounted contractual cash flows payable under the existing lease arrangements at 31 March 2021 are analysed into the following maturity categories.

	Up to 1 year £000's	Between 1 - 5 years £000's	Over 5 years £000's	Total £000's
Amounts payable under lease arrangements	415	768	768	1,951

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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 £105,000 (2020: £262,000).

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme in the UK for ex-employees only. A full actuarial valuation was carried out at 6 April 2018 and updated to 31 March 2021 for IAS 19 purposes by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2021	31 March 2020
Discount rate	1.90%	2.40%
Pension revaluation	3.40%	2.70%
Inflation assumption with a maximum of 5% p.a.	3.40%	2.70%

Mortality rates

No pre-retirement mortality is assumed (2020: 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 2020 projections with a 1.25% long term trend rate (2020: CMI 2019).

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year-end would be 22.1 years for males (2020: 22.4 years) and 24.2 years for females (2020: 24.4 years). For members retiring in 20 years' time, the expectation of life would be 23.4 years for males (2020: 23.7 years) and 25.7 years for females (2020: 25.9 years).

The weighted average term of the liabilities is 10 years (2020: 10 years).

The scheme is exposed to a number of risks including:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

	2021		2020	
	£000's	£000's	£000's	£000's
Assets at start of year	1,787		1,802	
Defined benefit obligation at start of year	(1,814)		(1,899)	
Net (liability) at 1 April		(27)		(97)
Return on assets	42		38	
Interest cost	(42)		(39)	
Past service cost	(4)		-	
		(4)		(1)
Gain/(loss) on asset return	(4)		(2)	
(Loss)/gain on changes in assumptions	(28)		14	
Statement of other comprehensive income		(32)		12
Employer contributions (gross)		59		59
Net (liability) at 31 March		(4)		(27)
Actual assets at end of year		1,795		1,787
Actual defined benefit obligation at end of year		(1,799)		(1,814)

(Loss)/gain on changes in assumptions comprises a gain of £3,000 (2020: £4,000 loss) relating to changes in demographic assumptions and a loss of £31,000 (2020: £18,000 gain) relating to changes in financial assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

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

Reconciliation of changes in the asset value during the year	2021		2020	
	£000's	£000's	£000's	£000's
Fair value of assets at 1 April	1,787		1,802	
Return on assets	42		38	
Gain/(loss) on asset return	(4)		(2)	
Employer contributions (gross)	59		59	
(Decrease)/increase in secured pensioners' value due to scheme experience	(89)		(110)	
Benefits paid	-		-	
Fair value of assets at 31 March		1,795		1,787
Reconciliation of changes in the liability value during the year				
Defined benefit obligation at 1 April	1,814		1,899	
Interest cost	42		39	
Past service cost	4		-	
(Gain)/loss on changes in assumptions	28		(14)	
(Decrease)/increase in secured pensioners' value due to scheme experience	(89)		(110)	
Benefits paid	-		-	
Defined benefit obligation at 31 March		1,799		1,814

The amount of annual contribution to be paid by the employer of £59,000 (2020: £59,000) is expected to continue until December 2021.

Year ended 31 March	2021	2020	2019	2018	2017
	£000's	£000's	£000's	£000's	£000's
Fair value of plan assets	1,795	1,787	1,802	2,503	2,314
Present value of defined benefit obligation	1,799	1,814	1,899	2,603	2,435
(Deficit)/Surplus in plan	(4)	(27)	(97)	(100)	(121)
Experience (losses)/gains on plan liabilities	(4)	(2)	(38)	(7)	(300)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Plan Assets

	2021	2020
	£000's	£000's
Assets under management	205	145
Annuities	1,590	1,642
Total	1,795	1,787

Assets under management composition

	2021	2020
Corporate Bonds	43.4%	37.0%
Overseas Equities	28.4%	26.1%
UK Equities	17.8%	15.6%
Property	8.9%	10.1%
Cash	1.2%	1.4%
Derivatives	0.3%	-
Gilts	-	9.8%
	100.0%	100.0%

Defined benefit obligation – sensitivity analysis

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

Actuarial assumptions	Reasonably Possible Change	(Decrease)/Increase in Defined Benefit Obligation			
		2021		2020	
		£000's	£000's	£000's	£000's
Discount rate	+/- 0.1% (2020: +/- 0.25%)	(20)	20	(42)	44
Members' life expectancy	+/- 1 year	(100)	100	(97)	101

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

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:

	2021	2020
	£000's	£000's
Total expense arising from equity settled share-based payments transactions	123	284

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	
	2021	2021	2020	2020
	000's	WAEP	000's	WAEP
		(£)		(£)
Outstanding at 1 April	3,519	3.68	4,292	3.62
Granted during the period	-	-	-	-
Cancelled during the period	-	-	(668)	3.55
Exercised during the period	(149)	2.54	(105)	2.27
Outstanding at 31 March	3,370	3.73	3,519	3.68
Exercisable at 31 March	3,005	3.72	2,812	3.36

The average share price during the year was 253.12p (2020: 319.10p).

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 2021 had a weighted average exercise price of £3.73 (2020: £3.68) and a weighted average remaining contractual life of 2.6 years (2020: 3.1 years).

ECO Animal Health Group plc Executive Share Option Scheme

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

No share options have been granted in the year (2020: none).

The exercise price of the options is equal to the market price of the shares at the date of grant. The options vest three years from the date of grant and if the option holder ceases to be a Director or employee of the Company due to injury, disability, redundancy or retirement on reaching pensionable age or any other age at

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

which they are bound to retire 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 2021 is given below:

Date of grant	Unapproved	Approved	Exercise price (pence)	Expiry date
11 October 11		8,000	186.50	11 October 21
09 October 13		11,100	196.00	09 October 23
21 August 14		14,400	161.50	07 August 24
21 August 14	5,500		161.50	07 August 21
13 February 15		34,500	200.50	13 February 25
13 February 15	121,500		200.50	13 February 22
26 August 15		24,850	265.00	26 August 25
26 August 15	511,650		265.00	26 August 22
18 December 15	600,000		312.50	18 December 22
18 January 16		10,200	315.00	18 January 26
18 January 16	252,800		315.00	18 January 23
17 February 16		19,600	312.50	17 February 26
17 February 16	400		312.50	17 February 23
01 March 16		9,600	312.50	01 March 26
01 March 16	40,400		312.50	01 March 23
12 September 16		25,100	432.50	12 September 26
12 September 16	423,900		432.50	12 September 23
15 September 16		5,900	435.00	15 September 26
15 September 16	544,100		435.00	15 September 23
21 September 17		53,475	620.00	21 September 27
21 September 17	287,525		620.00	21 September 24
12 April 18		3,900	545.00	12 April 28
23 October 18		75,200	380.00	23 October 28
23 October 18	276,800		380.00	23 October 25
19 December 18		7,800	380.00	19 December 28
19 December 18	2,200		380.00	19 December 25
	3,066,775	303,625		

The market price of the shares at 31 March 2021 was 322.5p (2020: 220.0p) with a range in the year of 198.0p to 371.0p (2020: 135.0p to 445.0p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

The Company uses a Black-Scholes model to value share-based payments and the following table lists the inputs to this model for the last five years. No new options were issued in the year ended 31 March 2021.

	2021	2020	2019	2018	2017
Vesting period (years)	n/a	n/a	3	3	3
Option expiry (years)			7-10 yrs	7-10 yrs	7-10 yrs
Dividends expected on the shares			1.90%	1.10%	1.50%
Risk free rate (average)			1.00%	1.00%	1.00%
Volatility of share price			20.00%	20.00%	20.00%
Weighted average fair value (pence)			51.0	98.6	61.4

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.

25. Share capital

	2021	2020
	£000's	£000's
Authorised		
68,100,000 ordinary shares of 5p each	3,405	3,405
10,790 deferred ordinary shares of 10p each	1	1
32,334 convertible preference shares of £1 each	32	32
	3,438	3,438
Allotted, called up and fully paid		
67,696,416 (2020: 67,547,626) ordinary shares of 5p each	3,379	3,377

During the year 148,790 shares were issued at a premium of £367,000 as a result of the exercise of options by employees. (2020: 104,500 shares at a premium of £232,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

26. Non-controlling interests

	2021	2020 Restated*
	£000's	£000's
Balance as at 1 April	5,766	5,102
Share of subsidiary's profit for the year	8,491	1,593
Share of foreign exchange gain/(loss) on net investment	(281)	39
	8,210	1,632
Share of dividend paid by subsidiary	(562)	(968)
Balance as at 31 March	13,414	5,766

27. Other reserves

The Group and Company held a Capital redemption reserve of £106,000 as at 31 March 2021 (2020: £106,000).

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

	At 31 March 2020	Movement in the year	At 31 March 2021
	£000's	£000's	£000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	894	(259)	635
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	(346)	(66)	(412)
ECO Animal Health Japan Inc.	94	(90)	4
ECO Animal Health USA Corp.	(67)	155	88
ECO Animal Health de Mexico, S. de R. L. de C. V.	(60)	286	226
Pharmgate LLC	11	(3)	8
Foreign currency differences attributable to owner credited directly to reserves	526	23	549

28. Capital commitments

The Group had no authorised capital commitments as at 31 March 2021 (2020: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

29. Directors' emoluments

	2021	2020
	£000's	£000's
Emoluments for qualifying services	1,086	847
Company pension contributions to money purchase schemes	34	26
Share-based payments	1	70
Benefits in kind	5	11
	1,126	954

During the year no directors exercised share options (2020: none) realising a gain of £nil (2020: £nil).

The highest paid director received £541,000 (2020: £385,000) including £1,000 (2020: £38,000) of share-based payments and £10,000 (2020: £10,000) of pension contributions.

30. Employees

Number of employees

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

	2021	2020
	Number	Number
Directors	5	5
Production and development	66	66
Administration	48	45
Sales	88	88
	207	204

Employment costs (including amounts capitalised)

	2021	2020
	£000's	£000's
Wages and salaries	13,776	9,584
Share-based payments	123	284
Social security costs	863	764
Other pension costs	105	269
	14,867	10,901

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

31. Related party transactions

During the year ended 31 March 2020 Julia Trowse, a longstanding former Director and Company Secretary of the Group, withdrew cash from the Company totalling £25,748 which was recorded in the Company and Group's financial statements as administrative costs in each period.

Mrs Trowse withdrew further cash over an extended period starting in 2014, the cumulative amount of which was £322,109 as at 31 March 2020 (£296,361 as at 31 March 2019; and £249,441 as at 31 March 2018). These withdrawals were not approved, were outside the normal course of the Group's business and were in excess of Mrs Trowse's contractual remuneration levels. The highest total value of withdrawals in any year was £87,187. No reimbursement of these withdrawals was assumed at any of the reporting dates to 31 March 2020, therefore all amounts remain expensed in the periods in which each payment was made and no asset for reimbursement was included in the financial statements as at 31 March 2020. Mrs Trowse resigned as a director of the Company on 19 August 2019 and ceased employment with the Company on 31 January 2020.

The Group's Internal Audit department identified the payments and reported their findings to the Board in April 2020. Further work was performed to help assess the full extent of the withdrawals. Mrs Trowse agreed to repay these amounts to the Company and Group and a repayment of £307,113 was made in August 2020. No interest was received. The reimbursement is recorded as Other Income in the financial statements for the year ending 31 March 2021.

Mrs Trowse has repaid the remaining balance without interest in February 2021.

During the year ended 31 March 2020, the Group paid consultancy fees of £14,500 (2021: £nil) to Clemo Consultancy Ltd, a company in which B Clemo a former director (resigned 19 August 2019) had significant control.

During the year Mr P Lawrence (a significant shareholder) and his family received dividends to the value of £nil (2020: £489,000).

The other Directors and their families received dividends to the value of £nil (2020: £1,000).

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 £775,000 (2020: £475,000) and charged interest of £875,000 (2020: £890,000) to the subsidiary company. Both of these transactions were made through the inter-company account and were eliminated on consolidation.

During the year Zhejiang ECO Biok Animal Health Products Limited paid dividends of £45,000 to ECO Animal Health Group plc (2020: £77,000) and £540,000 to ECO Animal Health Limited (2020: £930,000).

Key management compensation

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

	2021	2020
	£000's	£000's
Salaries and short-term benefits	1,092	858
Retirement benefits	33	26
Share-based payments	1	70
	1,126	954

The number of Directors for which retirement benefits were accruing was 2 (2020: 4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

32. Financial instruments

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

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

Capital and liquidity risk

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

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

The Group's objectives when maintaining capital are:

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

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

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

At 31 March 2021, the Group was contractually obliged to make repayments as detailed below:

	2021	2020
Within one year or on demand	£000's	£000's
Trade payables	7,918	7,608
Other payables	683	2,093
Accruals	3,765	4,191
Borrowings	-	2,032
	12,366	15,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2021

Credit Risk

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

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

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

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

Currency risk

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

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

Foreign currency of Group operations

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

2020	US	Euros	Chinese	Japanese	Brazilian	Canadian	Mexican	Other
	Dollar		RMB	Yen	Real	Dollar	Peso	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Trade and other receivables	12,850	2,875	6,650	837	2,230	511	1,472	3
Trade and other payables	(1,183)	(12)	(3,375)	(233)	(131)	(129)	(329)	(1)
Cash and cash equivalents	4,527	525	5,609	80	360	452	200	123
Total	16,194	3,388	8,884	684	2,459	834	1,343	125

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

At 31 March 2021 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 2021.

	2021	2020
	£000's	£000's
U S Dollar	736	1,799
Euro	138	376
Chinese RMB	2,961	987
Japanese Yen	41	76
Brazilian Real	161	273
Canadian Dollar	38	93
Mexican Peso	220	149

Analysis of financial instruments by category

Group	Financial assets	Financial liabilities	Total
2021	£000's	£000's	£000's
Trade and other receivables	31,526	-	31,526
Cash and cash equivalents	19,523	-	19,523
Trade and other payables	-	(12,416)	(12,416)
Amounts due under leases	-	(1,522)	(1,522)
Borrowings	-	-	-
2020	£000's	£000's	£000's
Trade and other receivables	27,858	-	27,858
Cash and cash equivalents	11,877	-	11,877
Trade and other payables	-	(13,892)	(13,892)
Amounts due under leases	-	(1,766)	(1,766)
Borrowings	-	(2,032)	(2,032)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2021

Company	Financial assets	Financial liabilities	Total
2021	£000's	£000's	£000's
Trade and other receivables	69	-	69
Cash and cash equivalents	819	-	819
Trade and other payables	-	(574)	(574)
Amounts due under leases	-	(39)	(39)
Borrowings	-	-	-
Amounts due from group undertakings	55,909		55,909
2020	£000's	£000's	£000's
Trade and other receivables	30	-	30
Cash and cash equivalents	177	-	177
Trade and other payables	-	(567)	(567)
Amounts due under leases	-	(29)	(29)
Borrowings	-	(2,001)	(2,001)
Amounts due from group undertakings	59,295		59,295

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

33. Post balance sheet events

Retirement of the Chief Executive Officer

Marc Loomes, who joined ECO Animal Health Group plc in 2004, became Managing Director in 2005 and CEO in 2010, has informed the Board that he plans to retire on the 31 December 2022.

The Board has commenced a process with a leading executive search consultancy to identify and appoint a successor to take over from Marc during the 2022-23 financial year.