ECO

Animal Health Group plc

... applying science carefully

Report &

Accounts

2013

ECO Animal Health Group plc

12 July 2013

ECO Animal Health Group plc
(AIM: EAH)
Results for the year ended 31 March 2013

HIGHLIGHTS

- 21% advance in gross profit to £13.1m (2012: £10.8m) reflecting significant improvement in product mix with greater focus on higher margin business
- 7 percentage point uplift in gross margin to 45.2% (2012: 38.2%)
- Dividend lifted by 7% to 4.0 pence per share net (2012: 3.75 pence)
- Earnings on continuing activities before interest, tax, depreciation, amortisation, share based payments, foreign exchange movements and minorities, amounted to £6.7 million (2012: £6.5m).
- Net cash of £7.5m at period end
- 42.9% increase in pre-tax profit on continuing activities to £3.3 million (2012: £2.3million)
- Over 20% rise in earnings per share on continuing activities to 5.1 pence (2012: 4.2 pence)
- Demand for Aivlosin® continues to grow strongly
- Successful launch of Aivlosin® in North America - response continues to be very encouraging with more registrations expected early in 2014
- Continued growth in China, Japan and Europe
- First orders of Aivlosin® shipped to Russia

Peter Lawrence, Executive Chairman of ECO Animal Health Group plc, commented:

"The new year has started strongly and sales in the first quarter of the year were substantially ahead of the level for the same period last year. We are excited about the prospects of further increasing our market shares, particularly in North America. The recovery that we are currently experiencing in Latin America and the expansion of sales in the Far East give us confidence for growth in the coming year. In addition, as the global consumption of meat protein continues to increase, ECO is in an excellent position to supply the animal farming industry worldwide. The profits generated by our modern, fast acting treatments should continue to deliver increasing value to our shareholders."

Contacts:

ECO Animal Health Group plc Peter Lawrence	020 8336 6190
Spiro Financial Anthony Spiro	020 8336 6196
Cenkos Securities plc (Nominated Adviser) Liz Bowman	020 73978928

ECO Animal Health Group plc is a leader in the development, registration and marketing of pharmaceutical products for animals. Our products for these global growth markets promote well-being. Our financial goals are achieved through the careful and responsible application of science to generate value for our shareholders.

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

COMPANY INFORMATION

Directors	Peter Lawrence	Chairman
	Marc Loomes	Chief Executive
	Kevin Stockdale	Finance Director
	Brett Clemo	Executive Director
	Julia Trouse	Executive Director
	David Danson	Non Executive Director
	Julia Henderson	Non Executive Director
Secretary	Julia Trouse	
Company Number	01818170	
Registered office	78 Coombe Road, New Malden Surrey, KT3 4QS	
Registered auditors	Reeves & Co LLP Third Floor, 24 Chiswell Street, London, EC1Y 4YX	
Registrars	Share Registrars Limited Suite E, First Floor, 9 Lion and Lamb Yard Farnham, Surrey, GU9 7LL	
Bankers	NatWest plc 282 London Road, Mitcham Surrey CR4 2ZP	
Nominated Adviser and Broker	Cenkos Securities plc 6, 7, 8 Tokenhouse Yard London, EC2R 7AS	
Solicitors	Bond Dickinson St Ann's Wharf, 112 Quayside Newcastle upon Tyne, NE1 3DX	
Websites	www.ecoanimalhealthgroupplc.com www.ecoanimalhealth.com www.aivlosin.com www.pharmgate.com	

ECO ANIMAL HEALTH GROUP PLC

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

I am pleased to report that ECO Animal Health Group has delivered another strong set of results for the year ended 31 March 2013. ECO has made good progress in many of its markets and this has been achieved against a background of a generally lacklustre global economy. It is particularly encouraging to report that following the receipt of initial marketing authorisations and the launch of Aivlosin® in North America last year, sales in that territory ran ahead of our expectations and the product is rapidly gaining acceptance, having received a number of excellent reviews and testimonials from independent veterinarians. Latin America, which is traditionally one of our strongest markets, was adversely affected by the political situation in Argentina and Venezuela. Shareholders are encouraged to visit the ECO websites, which give up to date information about the company and its subsidiaries, products and testimonials, as well as links to investment research.

FINANCIAL

As Aivlosin® revenues continue to build, the Group's ongoing policy is to focus on higher margin products and move away from sales of lower margin, undifferentiated generic drugs. Lower margin products were important to ECO in earlier years as they were supplied to customers as part of a portfolio offer. This move away from low margin, high sales volume medications is reflected in the year to 31 March 2013 in the continuing improvement in gross margin, which has now reached 45.2% (2012: 38.2%). Pre-tax profit on continuing activities increased by almost 43% to £3.3m (2012: £2.3m). Earnings per share on the same basis improved by over 20% to 5.1 pence (2012: 4.2 pence). Group turnover increased only slightly to £29.0m (2012: £28.3m). Earnings on continuing activities before interest, tax, depreciation, amortisation, share based payments, foreign exchange movements and minorities rose again reaching £6.7m (2012: £6.5m). Net cash at the end of the year was £7.5m (2012: £9.5m) after generating more than £4.3m from operations.

As our business expands and penetrates its major markets with particular emphasis on the opportunities in North America and China, there has been a predictable increase in the cash resources required to finance the expansion in working capital resulting from additional stock and debtors. The active pharmaceutical ingredient in Aivlosin® is manufactured in a state of the art, US Food and Drug Administration approved facility in China, which is well located for the local market, but geographically distant from a number of ECO's key global operations. The resulting long lead times for product delivery to these markets has an inevitable impact on cash flow. This cash effect was exacerbated in the year under review by the political situation in Venezuela, where we experienced many months of delay in payments as banks froze US dollar payments and transfers during the Presidential election. This was enormously frustrating as we were holding very large and important orders for that country, which we could not fulfil until payments were received towards the end of the year. Argentina was also difficult as local banks held up payments to the UK, possibly for political reasons.

ECO trades in international markets and over 31 per cent of sales were in US dollars and nearly 18 per cent in Euros. Currency fluctuations are a normal part of our business. We hedge our currency risk as effectively as we can without taking speculative positions so our exposure is strictly limited to the extent of forecast cash flows and protection of local assets. As a UK based company, our main administrative costs are in sterling, although an increasing presence in the key markets of China and the US does give us the opportunity to meet administration costs in local currencies, thereby reducing exchange risk.

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

The Board is pleased to declare an increased dividend for the year of 4.0 pence per share, some 7% above the level of last year (2012: 3.75 pence), payable on 25 October 2013 to shareholders on the register on 13 September 2013. As in previous years, the scrip dividend alternative will be offered in place of the cash dividend. In the current year we anticipate further demands on our working capital to sustain the growth of the business. Shareholders that elect for the scrip dividend will assist our cash flow considerably and this will be greatly appreciated by the Company. Since the introduction of the scrip dividend alternative in 2008, some £3.8m of cash dividends have been reinvested in our business.

OPERATIONS

North American revenue has continued to build impressively and exceeded our expectations in the year under review. This strong performance follows the successful launch of Aivlosin® Water Soluble for swine in September 2012 and the build up of sales in Canada. Income from these territories is generated by our sales and technical teams at Pharmgate Animal Health, our North American joint venture with Pharmgate LLC, a subsidiary of Jinhe Biotechnology of China. The technical advantages of Aivlosin® over other antibiotics have ensured that its usage has been supported by many prominent veterinarians and swine producers. Aivlosin® has been approved as a treatment of short duration against specific disease outbreaks. It fulfills all the requirements set by the regulatory authorities for the judicious use of antimicrobials in the control of disease in farm animals. ECO has continued to invest heavily in the Aivlosin® product development and registration programme as well as in the costs of launching the product with Pharmgate Animal Health. This investment is in anticipation of the receipt of marketing authorisations for additional indications and presentations in North America which should significantly increase the revenue generating potential of the range.

An ECO subsidiary was established in Mexico at the end of the previous financial year following our decision to terminate a long standing local distribution agreement with a third party whose performance had deteriorated . The new company is now fully operational and will contribute a full year's sales in the current year. A feature of this new operation is that it will bring ECO much closer to the very important Mexican market and will in future allow ECO to capitalise on existing beneficial NAFTA (North American Free Trade Agreement) opportunities.

Sales in Europe, including the UK, grew in the year by over 11%, a good result given the economic conditions coupled with the considerable pressure that European meat producers continue to face owing to the combination of near record high feed costs and the weak financial circumstances of many consumers. Aivlosin® achieved particularly good volume gains in Russia, Spain and the UK. The Ecomectin ® range of differentiated generic ivermectin based products showed renewed growth, with sales ahead by nearly 13% compared with the previous year. This improvement followed our increased focus on this range and the introduction of new brands and important new presentations for the market. Sales of horse paste and pig premix formulations were again particularly strong.

Latin America, which historically has been one of ECO's strongest markets, had a particularly challenging year, with sales declining by some 28% in sterling compared to the prior year. Early season sales in Brazil were poor, constrained by delays in the issuing of contracts and tenders. This was principally a reflection of the poor economic climate, but it is pleasing to report that business rebounded to more normal levels late in the second half of the year. Deliveries of product to Venezuela and Argentina were held back by local political, foreign exchange and liquidity issues. The business in these two countries also rebounded in the last couple of months of the year.

ECO ANIMAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013

Sales in China and Japan grew by 27% compared to the prior year. Sales of Aivlosin® through our ECO BIOK joint venture in China enjoyed strong growth driven by a combination of overall expansion of the market and good pork prices. The Aivlosin® business in Japan made good progress compared to the prior year as the market returned to more normal trading conditions. Changes to the Japanese Aivlosin® supply chain have resulted in a significant margin improvement and enhanced profitability for our ECOpharma subsidiary in that country.

Total turnover from the Rest of World declined slightly compared to the prior year, although Aivlosin® sales were up almost 20%.Our progressive global strategy of increasing our focus on sales of our higher margin products also benefits our cash flow by lowering the amount of credit offered to our distributors.

ECO has an impressive record of successfully obtaining marketing authorisations (also known as drug registrations), and currently holds in excess of 600 world-wide. A valid marketing authorisation is a legal requirement in every country before sales can begin. The regulatory authorities granting these authorisations have become increasingly stringent over time in order to ensure drug efficacy, the safety of the animals being treated and also that of consumers and the environment. Once an authorisation has been received and marketing commenced, ongoing work is required to protect and further enhance the registration. ECO's investment in product development and regulatory work continues on further Aivlosin® indications and presentations for existing territories, such as for swine in Canada and the USA, as well as for poultry and also for access to new markets such as South Korea. We expect to be granted more licences over the coming months, which will allow us to address even larger new markets for Aivlosin®.

PEOPLE

We currently employ over 150 people in our 15 offices around the world and we are, as always, grateful to this team of hard working and highly qualified specialists who are helping ECO become a leader in the global animal health market.

OUTLOOK

The new year has started strongly and sales in the first quarter of the year were substantially ahead of the level for the same period last year. We are excited about the prospects of further increasing our market shares, particularly in North America. The recovery that we are currently experiencing in Latin America and the expansion of sales in the Far East give us confidence for growth in the coming year. In addition, as the global consumption of meat protein continues to increase, ECO is in an excellent position to supply the animal farming industry worldwide. The profits generated by our modern, fast acting treatments should continue to deliver increasing value to our shareholders.

Peter Lawrence

Executive Chairman

11 July 2013

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2013

The directors present their report and financial statements for the year ended 31 March 2013.

Directors

The following directors have held office since 1 April 2012:

Peter Lawrence	Chairman
Marc Loomes	Chief Executive
Kevin Stockdale	Finance Director
Brett Clemo	Executive Director
Julia Trouse	Executive Director
David Danson	Non Executive Director
Julia Henderson	Non Executive 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 12.

The profit for the year after tax was £3,053,603 (2012: £2,626,926). The directors have declared a dividend of 4.00p per share (2012: 3.75p).

Share capital

The Company's share capital is comprised wholly of 5p ordinary shares, each of which carries equal voting rights.

Substantial shareholdings

At 2 May 2013, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	Per cent
P A Lawrence and family	11,268,176	20.36
Schroder Investment Management Limited	10,859,441	19.62
Prudential plc	7,845,158	14.17
Axa Investment Managers SA	3,979,022	7.19
Artemis	3,621,983	6.55
Appleby Trust (Jersey) Limited	2,603,290	4.71
Hargreave Hale & Co	2,350,000	4.25

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. Following the recent approval of our first marketing authorisation for Aivlosin® in the USA, the Group remains committed to obtaining further authorisations of its Aivlosin® products in the USA and Canada and also other key territories such as Korea and Russia. Submissions have been made to the relevant authorities and approvals are expected in the future, although the exact timing remains outside the Group's control.

Review of the business and future developments

A full review of the year, together with an indication of future developments, is given in the Chairman's statement on pages 1 to 3.

Post Balance Sheet events

The company issued a total of 19,490 shares at a price of £1.085 each as a result of the exercise of employee share options on 2 May 2013.

Principal risks and uncertainties

The directors present below their review of the principal risks and uncertainties facing the business. If any of the following risks materialise, the Group's business, financial condition, prospects and share price could be materially and adversely affected. The directors consider the following risks along with specific financial risks such as credit and currency risks, which are more fully outlined in note 32 to the financial statements, are the most significant, but not necessarily the only ones associated with the Group and its businesses.

Competition

The Group operates in competitive global markets and there are no assurances that the Group's competitiveness will improve or that it will win any additional market share from any of its competitors or maintain existing market shares. The Group reviews its pricing and takes action to control its cost base to ensure that it remains as competitive as possible and protect its margins. Failure to do this may result in materially lower margins and loss of market share.

Dependence on key customers and suppliers

The Group is dependent on a number of customers and distributors in each of the territories into which it sells. The loss of one or more of its key customers could result in lower than expected sales and have a significant impact on the scale of its operations. The Group seeks to minimise reliance on key territories and individual customers and distributors.

The Group is also dependent on a small number of suppliers for some of its raw materials and maintains business interruption insurance in respect of each of these. In the longer term the Group is working towards a situation where it has dual sourcing on all key supplies.

Timing of product registrations

The Group uses only reputable subcontractors and experts as well as employing highly qualified staff to ensure that applications for registrations are of the highest possible quality when submitted. Nevertheless, the Group is subject to occasional delays for example due to backlogs at the licensing authorities, which are completely outside of its control. These delays can result in the Company falling short of its short term financial objectives but do not significantly affect its prospects over the longer term.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2013

Going concern

The directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current and expected banking facilities.

After making enquiries, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Market value of freehold land and buildings

The Group's freehold land and buildings situated at 78 Coombe Road, New Malden, were independently valued by an appropriately qualified person in April 2013. The market value of the property at that date was £650,000. The property at Western Road was acquired at open market value of £156,550 during the year ended March 2012 and has not been subsequently revalued.

Key performance indicators

The key performance indicators ("KPIs") for the Group are those that communicate the financial performance and strength of the Group as a whole to shareholders.

A summary of the KPIs is as follows:

	2013	2012
	£	£
Financial		
Revenue	28,985,954	28,322,177
Gross profit	13,103,021	10,817,951
Gross margin %	45.20	38.20
Earnings on continuing operations due to shareholders before interest, tax depreciation, amortisation, share-based payments, foreign exchange differences and minorities.	6,670,003	6,519,723
Cash balances, net of borrowings	7,529,678	9,509,732
Non-financial		
Health and safety – major accidents reported to the board in the year	Nil	Nil

There are no other major non-financial KPIs.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2013

Directors' interests

Under the Group's executive share option scheme the following directors have the right to acquire Ordinary shares.

M D Loomes	2013	19,640 at £1.085 100,000 at £1.47 150,000 at £1.50 50,000 at £1.61
	2012	27,640 at £1.085 100,000 at £1.47 150,000 at £1.50 50,000 at £1.61
J Trouse	2013	70,000 at £1.47 75,000 at £1.50 20,000 at £1.61
	2012	7,640 at £1.085 70,000 at £1.47 75,000 at £1.50 20,000 at £1.61
K Stockdale	2013	27,640 at £1.085 70,000 at £1.47 75,000 at £1.50 20,000 at £1.61
	2012	27,640 at £1.085 70,000 at £1.47 75,000 at £1.50 20,000 at £1.61
B Clemo	2013	11,640 at £1.085 40,000 at £1.47 75,000 at £1.50 35,000 at £1.35 50,000 at £1.61
	2012	27,640 at £1.085 40,000 at £1.47 75,000 at £1.50 35,000 at £1.35 50,000 at £1.61
D Danson	2013	30,000 at £0.85
	2012	30,000 at £0.85
J Henderson	2013	35,000 at £1.35
	2012	35,000 at £1.35

Directors' emoluments

The directors who served in the year received the following; emoluments, pension contributions, share-based payments and benefits in kind.

	2013	2012
	£	£
P A Lawrence	-	1,131
M D Loomes	390,678	304,766
J Trouse	126,325	118,075
K Stockdale	131,886	126,769
B Clemo	207,295	176,482
D Danson	15,045	15,447
J Henderson	22,671	23,568
	893,900	766,328

Directors' insurance

The Company maintains directors' and officers' liability insurance for the benefit of its directors which remained in place at 31 March 2013 and throughout the preceding year.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2013

Financial instruments

The Group's accounting policies for financial instruments and strategy for management of those financial instruments are given in notes 2 and 32 to the financial statements respectively.

Employees

Applications for employment by disabled persons are given full and fair consideration. When existing employees become disabled every effort is made to provide continuing employment wherever possible.

Donations

	2013	2012
	£	£
Charitable donations- Charities Aid Foundation	345	3,500

Creditor payment policy

The Group agrees terms and conditions for its business transactions with its suppliers and payments are made on these terms, subject to the terms and conditions being met by the suppliers. The Parent Company has no supplies of goods. Trade payables for the Parent and its UK subsidiary at the year end amounted to 122 days (2012: 108 days) of average supplies for the year.

Internal financial control

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.

Corporate governance

The Company's shares are traded on the Alternative Investment Market of the London Stock Exchange and the Company is therefore not required to report on compliance with the Combined Code. The directors support the Combined Code and have complied with all the recommendations which they feel are relevant to a business the size of ECO Animal Health Group plc.

Stockbrokers

Cenkos Securities plc are the Company's nominated advisor and stockbrokers. The closing share price on 31 March 2013 was 264p per share (2012: 207p). During the year the average share price was 242.4p (2012:214.5p).

Auditors

The auditors Reeves and Co LLP will be proposed for reappointment in accordance with the provisions of section 489 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2013

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 Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as each of the directors 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.

On behalf of the board

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Peter Lawrence
Director
11 July 2013

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC

We have audited the financial statements (the "financial statements") of ECO Animal Health Group plc for the year ended 31 March 2013 which comprise the Consolidated income statement, 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 flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall position of the financial statements.

Opinion on financial statements
In our opinion:

- 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 2013 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 yet 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 of the information and explanations we require for our audit.

James O'Brien FCA
Senior Statutory Auditor
For and on behalf of;
Reeves and Co LLP
Statutory Auditors
Chartered Accountants
London
Date: 11 July 2013

The maintenance and integrity of the Group's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Revenue	2,3	**28,985,954**	**28,322,177**
Cost of sales		(15,882,933)	(17,504,226)
Gross profit		**13,103,021**	**10,817,951**
Other income	4	179,380	760,062
Administrative expenses		(9,752,606)	(9,373,175)
Profit from operating activities	5	**3,529,795**	**2,204,838**
Finance income	6	56,214	130,931
Finance costs	6	(269,919)	(15,427)
Net finance (expense)/ income		**(213,705)**	**115,504**
Profit before income tax		3,316,090	2,320,342
Income tax (charge)/credit	8	(192,487)	306,584
Profit for the year from continuing operations		**3,123,603**	**2,626,926**
Discontinued operations			
(Loss) for the year from discontinued operations (net of income tax)		(70,000)	-
Profit for the year		**3,053,603**	**2,626,926**
Profit attributable to:			
Owners of the parent company		2,616,892	2,217,627
Minority interest	24	436,711	409,299
Profit for the year		**3,053,603**	**2,626,926**
Earnings per share	7	2013	2012
Continuing operations		5.11	4.24
Discontinued operations		(0.13)	-
Post tax earnings per share (pence)		4.98	4.24
Diluted earnings per share (pence)			
Continuing operations		5.03	4.19
Discontinued operations		(0.13)	-
Diluted earnings per share (pence)		4.90	4.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 £	2012 £
Profit for the year		**3,053,603**	**2,626,926**
Other comprehensive income:			
Foreign currency translation differences		247,348	200,872
Defined benefit plan actuarial gains/(losses)	21	57,000	(151,000)
Revaluation of investments		-	(2,828)
Transfer on disposal of investment		-	(58,766)
Revaluation of freehold property		28,200	-
Deferred tax on revaluations		(3,460)	14,782
Other comprehensive income for the year		**329,088**	**3,060**
Total comprehensive income for the year		**3,382,691**	**2,629,986**
Attributable to:			
Owners of the parent company		2,816,028	2,140,405
Minority interest	24	566,663	489,581
		3,382,691	2,629,986

All items listed in other comprehensive income have gone through reserves and are shown in the consolidated statement of changes in equity.

The notes on pages 18 to 62 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

CONSOLIDATED	Attributable to the owners of the Parent								
	Share Capital	Share premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	£	£	£	£	£	£	£	£	£
Balance as at 31 March 2011	2,609,758	46,269,100	-	545,540	1,330,230	5,221,761	55,976,389	1,790,587	57,766,976
Profit for the year	-	-	-	-	-	2,217,627	2,217,627	409,299	2,626,926
Other comprehensive income:									
Foreign currency differences	-	-	-	-	-	120,590	120,590	80,282	200,872
Actuarial losses on pension scheme assets	-	-	-	-	-	(151,000)	(151,000)	-	(151,000)
Revaluation of investment	-	-	-	(2,828)	-	-	(2,828)	-	(2,828)
Revaluation of freehold property	-	-	-	(58,766)	-	-	(58,766)	-	(58,766)
Deferred taxation	-	-	-	14,782	-	-	14,782	-	14,782
Total comprehensive income for the year	-	-	-	(46,812)	-	2,187,217	2,140,405	489,581	2,629,986
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Issue of shares in the year	146,202	4,587,817	-	-	-	-	4,734,019	-	4,734,019
Share-based payments	-	-	-	-	290,890	-	290,890	-	290,890
Transfers on expiry of options	-	-	-	-	(96,989)	96,989	-	-	-
Dividends relating to 2011	-	-	-	-	-	(1,567,595)	(1,567,595)	(388,581)	(1,956,176)
Cancellation of share premium account	-	(13,250,000)	-	-	3,250,000	10,000,000	-	-	-
Treasury reserve arising from issue of jointly owned shares	-	-	(5,217,580)	-	-	-	(5,217,580)	-	(5,217,580)
Transactions with owners	146,202	(8,662,183)	(5,217,580)	-	3,443,901	8,529,394	(1,760,266)	(388,581)	(2,148,847)
Balance as at 31 March 2012	2,755,960	37,606,917	(5,217,580)	498,728	4,774,131	15,938,372	56,356,528	1,891,587	58,248,115
Profit for the year	-	-	-	-	-	2,616,892	2,616,892	436,711	3,053,603
Other comprehensive income:									
Foreign currency differences	-	-	-	-	-	117,396	117,396	129,952	247,348
Actuarial losses on pension scheme assets	-	-	-	-	-	57,000	57,000	-	57,000
Revaluation of freehold property	-	-	-	28,200	-	-	28,200	-	28,200
Deferred taxation	-	-	-	(3,460)	-	-	(3,460)	-	(3,460)
Total comprehensive income for the year	-	-	-	24,740	-	2,791,288	2,816,028	566,663	3,382,691
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Issue of shares in the year	11,291	274,079	-	-	-	-	285,370	-	285,370
Share-based payments	-	-	-	-	358,260	-	358,260	-	358,260
Transfers on expiry of options	-	-	-	-	(82,062)	82,062	-	-	-
Dividends relating to 2012	-	-	-	-	-	(1,982,700)	(1,982,700)	-	(1,982,700)
Transactions with owners	11,291	274,079	-	-	276,198	(1,900,638)	(1,339,070)	-	(1,339,070)
Balance as at 31 March 2013	**2,767,251**	**37,880,996**	**(5,217,580)**	**523,468**	**5,050,329**	**16,829,022**	**57,833,486**	**2,458,250**	**60,291,736**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

COMPANY	Attributable to the owners of the Parent						
	Share Capital	Share premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Total
	£	£	£	£	£	£	£
Balance as at 31March 2011	2,609,758	46,269,100	-	276,679	1,330,230	5,193,761	55,679,528
Profit for the year	-	-	-	-	-	739,303	739,303
Other comprehensive income:	-	-	-	-	-	-	-
Actuarial losses on pension scheme assets	-	-	-	-	-	(151,000)	(151,000)
Revaluation of investment	-	-	-	(2,828)	-	-	(2,828)
Transfer on disposal of investment	-	-	-	(58,766)	-	-	(58,766)
Deferred taxation	-	-	-	14,782	-	-	14,782
Total comprehensive income for the year	-	-	-	(46,812)	-	588,303	541,491
Transactions with owners recorded directly in equity Contributions by and distributions to owners							
Issue of shares in the year	146,202	4,587,817	-	-	-	-	4,734,019
Share-based payments	-	-	-	-	290,890	-	290,890
Transfers on expiry of options	-	-	-	-	(96,989)	96,989	-
Dividends relating to 2011	-	-	-	-	-	(1,567,595)	(1,567,595)
Cancellation of share premium account	-	(13,250,000)	-	-	3,250,000	10,000,000	-
Treasury reserve arising from issue of jointly owned shares	-	-	(5,217,580)	-	-	-	(5,217,580)
Transactions with owners	146,202	(8,662,183)	(5,217,580)	-	3,443,901	8,529,394	(1,760,266)
Balance as at 31March 2012	2,755,960	37,606,917	(5,217,580)	229,867	4,774,131	14,311,458	54,460,753
Loss for the year	-	-	-	-	-	(232,332)	(232,332)
Actuarial gains on pension scheme assets	-	-	-	-	-	57,000	57,000
Revaluation of freehold property	-	-	-	28,200	-	-	28,200
Deferred taxation	-	-	-	(3,461)	-	-	(3,461)
Total comprehensive income for the year	-	-	-	24,739	-	(175,332)	(150,593)
Transactions with owners recorded directly in equity Contributions by and distributions to owners							
Issue of shares in the year	11,291	274,079	-	-	-	-	285,370
Share-based payments	-	-	-	-	358,260	-	358,260
Transfers on expiry of options	-	-	-	-	(82,062)	82,062	-
Dividends relating to 2012	-	-	-	-	-	(1,982,700)	(1,982,700)
Transactions with owners	11,291	274,079	-	-	276,198	(1,900,638)	(1,339,070)
Balance as at 31 March 2013	**2,767,251**	**37,880,996**	**(5,217,580)**	**254,606**	**5,050,329**	**12,235,488**	**52,971,090**

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170)
AS AT 31 MARCH 2013

		Group		Company	
		2013	2012	2013	2012
	Notes	£	£	£	£
Non-current assets					
Intangible assets	11	41,169,357	39,109,147	-	-
Property, plant and equipment	12	1,176,213	1,268,063	671,391	662,599
Investment property	13	151,642	154,773	151,642	154,773
Investments	14	8,738	8,738	20,082,240	20,082,240
		42,505,950	40,540,721	20,905,273	20,899,612
Current assets					
Inventories	15	6,425,937	4,417,317	-	-
Trade and other receivables	16	11,248,516	10,755,390	30,348,663	28,912,983
Income tax recoverable		23,395	15,921	-	-
Other taxes and social security		170,615	292,182	157,612	229,630
Cash and cash equivalents	18	9,664,443	14,002,422	4,130,622	9,793,239
Total current assets		**27,532,906**	**29,483,232**	**34,636,897**	**38,935,852**
Liabilities					
Trade and other payables	19	(6,915,983)	(6,705,991)	(278,332)	(734,166)
Short -term borrowings	20	(2,134,765)	(4,492,690)	(2,134,765)	(4,492,690)
Income tax		(174,467)	(58,084)	-	-
Other taxes and social security		(258,454)	(157,572)	(50,097)	(44,143)
Dividends		(31,835)	(31,122)	(31,835)	(31,122)
Current liabilities		**(9,515,504)**	**(11,445,459)**	**(2,495,029)**	**(5,302,121)**
Net current assets		**18,017,402**	**18,037,773**	**32,141,868**	**33,633,731**
Total assets less current liabilities		**60,523,352**	**58,578,494**	**53,047,141**	**54,533,343**
Non current liabilities					
Deferred tax	17	(231,616)	(330,379)	(76,051)	(72,590)
TOTAL ASSETS LESS TOTAL LIABILTIES		**60,291,736**	**58,248,115**	**52,971,090**	**54,460,753**
EQUITY					
Issued share capital	23	2,767,251	2,755,960	2,767,251	2,755,960
Share premium account		37,880,996	37,606,917	37,880,996	37,606,917
Treasury reserve	25	(5,217,580)	(5,217,580)	(5,217,580)	(5,217,580)
Revaluation reserve		523,468	498,728	254,606	229,867
Other reserves	26	5,050,329	4,774,131	5,050,329	4,774,131
Retained earnings		16,829,022	15,938,372	12,235,488	14,311,458
		57,833,486	56,356,528	52,971,090	54,460,753
Minority interests	24	2,458,250	1,891,587	-	-
TOTAL EQUITY		**60,291,736**	**58,248,115**	**52,971,090**	**54,460,753**

Approved by the Board and authorised for issue on 11 July 2013

Peter Lawrence Director

The notes on pages 18 to 62 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Cash flows from operating activities					
Profit/(loss) before income tax		3,246,090	2,320,342	(232,332)	732,074
Adjustment for:					
Net finance costs/(income)		213,705	(115,504)	(398,422)	(398,154)
Depreciation	12 & 13	190,224	98,219	22,933	21,932
Amortisation of intangible assets	11	2,562,217	3,593,365	-	-
Pension payments	21	(60,000)	(64,000)	(60,000)	(64,000)
Pension operating costs	21	4,000	3,000	4,000	3,000
Share based payments	22	358,260	290,890	358,260	290,890
Profit on disposal of investment		-	(28,210)	-	(58,766)
Operating cash flows before movements in working capital		**6,514,496**	**6,098,102**	**(305,561)**	**526,976**
Change in inventories		(2,008,620)	386,612	-	-
Change in receivables		(258,559)	(1,396,043)	(1,250,662)	(599,864)
Change in payables		310,874	991,542	(449,880)	497,093
Cash generated from/(used in) operations		4,558,191	6,080,213	(2,006,103)	424,205
Finance costs		(39,184)	(90,356)	(38,995)	(89,831)
Income tax		(185,802)	140,185	-	219,119
Net cash from/(absorbed by) operating activities		**4,333,205**	**6,130,042**	**(2,045,098)**	**553,493**
Cash flows from investing activities					
Disposal of investment		-	308,766	-	308,766
Acquisition of property, plant and equipment	12	(38,642)	(140,457)	(394)	(27,143)
Acquisition of investment property	13	-	(156,550)	-	(156,550)
Purchase of intangibles	11	(4,619,566)	(4,063,647)	-	-
Finance income		56,214	126,931	437,417	483,985
Net cash (used in)/from investing activities		(4,601,994)	(3,924,957)	437,023	609,058
Cash flows from financing activities					
Proceeds from issue of share capital		244,927	4,390,913	244,927	4,390,913
Dividends paid		(1,941,544)	(1,614,317)	(1,941,544)	(1,225,736)
Purchase of own shares		-	(5,217,580)	-	(5,217,580)
Net cash (used in) financing activities		**(1,696,617)**	**(2,440,984)**	**(1,696,617)**	**(2,052,403)**
Net (decrease) in cash and cash equivalents		(1,965,406)	(235,899)	(3,304,692)	(889,852)
Foreign exchange movements		(14,648)	327,290	-	-
Balance at 1 April 2012		9,509,732	9,418,341	5,300,549	6,190,401
Balance at 31 March 2013	18	**7,529,678**	**9,509,732**	**1,995,857**	**5,300,549**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 Financial reporting Standards (IFRS), as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements, in conformity with IFRS as adopted by the European Union, 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.

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.

2.2 Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations to existing standards are mandatory for the first time for the accounting period ended 31 March 2013.

		Effective from
IFRS 1	"Severe Hyperinflation and Removal of Fixed Dates for First –time Adopters"	1 July 2012
IFRS 7	"Disclosures: Transfers of Financial Assets"	1 July 2012
IAS 1	"Presentation of Items of Other Comprehensive Income"	1 July 2012
IAS 12	"Deferred Tax: Recovery of Underlying Assets"	1 January 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

2.3 Adoption of new and revised standards (continued)
The adoption of these standards and interpretations has not had a significant impact on the Group. At the date of the authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective.

		Effective from
Annual Improvements	2009 - 2011	1 January 2013
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine"	1 January 2013
IFRS 1	"Government Loans"	1 January 2013
IFRS 7	"Disclosures: Offsetting Financial Assets and Financial Liabilities"	1 January 2013
IFRS 9	"Financial Instruments"	1 January 2013
IFRS 10 (issued 2012)	"Consolidated Financial Statements"	1 January 2013
IFRS 11 (issued 2012)	"Joint arrangements"	1 January 2013
IFRS 12 (issued 2012)	"Disclosure of Interests in Other Entities"	1 January 2013
IFRS 13 (issued 2012)	"Fair Value Measurement"	1 January 2013
IAS 19	"Employee Benefits (Revised)"	1 January 2013
IAS 27	"Separate Financial Statements"	1 January 2014
IAS 28	"Investments in Associates and Joint Ventures"	1 January 2014
IAS 32	"Offsetting Financial Assets and Financial Liabilities"	1 January 2014

A review of the impact of these standards, amendments and interpretations continues. At this stage the directors do not believe that they will give rise to any significant financial impact.

The Group did not adopt any new or amended standards early during the year and does not plan to early adopt any of the standards issued but not yet effective.

2.4 Basis of consolidation
The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2013.

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 minority 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 have been changed where material to ensure consistency with the policies adopted by the Group. Although the subsidiaries in Brazil and China 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.

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentational 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 presentational 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.

Foreign exchange gains and losses that relate to borrowing and cash and cash equivalents are presented in the income statement within finance income or finance costs.

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- 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 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.

2.7 Financial Instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets:

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities
All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group has the following non-derivative financial liabilities: bank overdrafts and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

2.8 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.

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.

2.9 Other intangible assets

Drug registrations, patents and licences

The Group recognises internally generated or externally acquired intangible assets at cost and subsequently recognises them at cost less accumulated amortisation and impairment losses. Intangible assets acquired as part of a business combination are recognised at fair value.

Expenditure on drug registrations and licences is recognised as an internally generated or externally acquired intangible asset only if all the following conditions are met:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits: and
- the development cost of the asset can be measured reliably.

All drug registrations and licences have previously been amortised on a straight-line basis over their useful economic life of 10 years. However, following the granting of Aivlosin's first marketing authorisation in the USA in July 2012, which has greatly increased the economic potential of the product, management have revised their estimate of the useful life of the Aivlosin drug registrations only from 10 to 20 years and in accordance with IAS8 have amortised the remaining book value of the Aivlosin registrations over the remainder of the useful life of these registrations from that date. This change in accounting estimate, which was first reported in detail in the interim accounts, has increased reported profit for the year by approximately £1.3 million and has increased the carrying value of the drug registrations at the year end by the same amount. The effect in the year ended 31 March 2014 may be an increase in reported profit and the carrying value of drug registrations of approximately £1.8 million.

Distribution rights

Distribution rights are recognised at cost and amortised on a straight line basis over their estimated useful economic life of 20 years. They are reviewed for impairment when any indication of potential impairment exists.

2.10 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	20% on cost
Fixtures, fittings and equipment	20% on cost
Motor Vehicles	25% on cost

Freehold land and buildings are stated at valuation less depreciation. 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 revaluation reserve in the statement of financial position and are recognised in the statement of comprehensive income for the year. Depreciation is provided at a rate calculated to write off the valuation less estimated residual value over the remaining useful life of the building at a rate of 2 per cent per annum. Land is not depreciated.

2.11 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, an impairment test is performed at each year end.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss 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.

2.12 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 cost on initial recognition and subsequently at its cost less any accumulated impairment and depreciation. Depreciation is provided on a straight line basis over the property's expected useful economic life of 50 years.

2.13 Leasing

The Group leases certain property, plant and equipment.

Assets obtained under finance leases, where the Group has substantially all the risks and rewards of ownership are capitalised as property, plant and equipment and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in borrowings net of the financial charge allocated to future periods. The financial element of the rental payment is charged to the income statement so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.14 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods comprises raw materials, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business.

2.15 Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowance for estimated, irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2.16 Investments

Non-current asset investments are stated at fair value, including transaction costs, less impairment. They are recognised or derecognised on the date when the contract for acquisition or disposal requires the delivery of that investment.

Investments in subsidiaries are stated at cost less impairment in the Parent Company's statement of financial position.

An impairment is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured on the difference between the investment's carrying amount and the present value of estimated future cash flows 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.

Investments classified as available-for-sale are stated at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, determined using the weighted average cost method, is included in the net profit or loss for the period.

2.17 Interest in joint ventures

A joint venture 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 reports its interests in jointly controlled entities using proportionate consolidation. The group's share of the assets, liabilities, income, expenses and cash flows of jointly controlled entities are combined with the equivalent items in the results on a line-by-line basis.

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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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 accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.21 Trade payables

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

2.22 Provisions

Provisions are recognised when 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

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. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue on despatch of the goods (which the directors believe transfers substantially all the risks and rewards of ownership to the buyer). No goods are despatched on a sale or return basis. Distributors trade on their own account and not as agents.

The Group also receives interest, rental income, royalty income and management charges in respect of accounting services supplied to certain ex-subsidiaries. The amounts are small and 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. Any difference between the charge to the income statement and the contributions paid to the scheme are disclosed as an asset or liability in the statement of financial position in accordance with IAS 19. Actuarial gains or losses are taken directly to equity in the statement of comprehensive income.

2.25 Share-based payments

The Group has applied the requirements of IFRS2 Share-based payments. In accordance with the transitional provisions, IFRS2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group issues equity-settled share-based payments to certain employees in exchange for services from those employees. Equity-settled share-based payments 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 of such equity-settled share-based payments 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).

The Group's Employee Benefit Trust ("the Trust") was set up on 6 October 2012 to administer the Group's Joint Share Ownership Plan (JSOP). The trust was funded by loans from the Group, with its assets comprising shares in the Company. The Group recognised the assets and liabilities of the Trust in its own accounts and the carrying value of the Company's shares held by the Trust were recorded as a deduction in total equity until such a time as the shares vest unconditionally to employees.

Fair value, for both options and jointly owned shares is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behaviour considerations.

Further details of the inputs to the Black-Scholes model can be found in note 22 to the accounts.

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 the income statement or statement of 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.

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.

The Treasury reserve arises when the Company issues equity share capital under its Joint Share Ownership Plan, which is held in trust by ECO Animal Health Group plc Employee Benefit Trust. The interests of this trust are consolidated into the Group's financial statements and the relevant amount treated as a reduction in equity. The expenses of the trust are included in the consolidated income statement.

2.28 Dividend distribution

Final dividend distributions to the Company's shareholders are recognised as liabilities in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised when they are paid.

2.29 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:

(a) Estimated impairment value of intangible assets
The Group tests annually whether intangible assets with indefinite life 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. Details of the impairment reviews performed can be found in note 11 of the financial statements.

(b) Income taxes
The Group is subject to income taxes predominantly in the United Kingdom but also in other jurisdictions.

Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. 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.

(c) Pension scheme
The Group maintains one defined benefit pension scheme which has been accounted for according to the provisions of IAS19. 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 21 of the financial statements.

(d) 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 model, as disclosed in note 22. Any variation in those assumptions may have a material impact on the Group's future results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

3. Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographical perspective. Geographically, management considers the performance in the UK and Europe, China, Japan and the Indian subcontinent, Latin America and the rest of the world. The segment information provided to the Board for the year ended 31 March 2013 is as follows;

Management considers Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"), adjusted for share-based payments.

	U.K.	Europe	China, Japan and the Indian subcontinent	Latin America	North America	Rest of the world	Total
	£	£	£	£	£	£	£
Year ended 31 March 2013							
Total segmental revenue	1,202,118	4,323,022	13,738,407	9,403,628	3,276,743	4,427,208	36,371,126
Inter-segment revenue	-	-	(2,854,106)	(2,453,163)	(2,077,903)	-	(7,385,172)
Revenue from external customers	1,202,118	4,323,022	10,884,301	6,950,465	1,198,840	4,427,208	28,985,954
Sale of goods	1,202,118	4,323,022	10,884,301	6,950,465	1,198,840	4,192,591	28,751,337
Royalties	-	-	-	-	-	234,617	234,617
	1,202,118	4,323,022	10,884,301	6,950,465	1,198,840	4,427,208	28,985,954
Adjusted EBITDA	(915,195)	1,004,225	2,959,981	1,771,244	32,650	1,787,591	6,640,496
Total assets	9,355,833	12,118,870	18,700,691	17,243,942	2,448,145	10,171,375	70,038,856
Year ended 31 March 2012							
Total segmental revenue	760,235	4,201,343	11,546,943	11,791,871	-	4,644,930	32,945,322
Inter-segment revenue	-	-	(2,421,888)	(2,196,659)	-	(4,598)	(4,623,145)
Revenue from external customers	760,235	4,201,343	9,125,055	9,595,212	-	4,640,332	28,322,177
Sale of goods	760,235	4,201,343	9,125,055	9,595,212	-	4,325,068	28,006,913
Royalties	-	-	-	-	-	315,264	315,264
	760,235	4,201,343	9,125,055	9,595,212	-	4,640,332	28,322,177
Adjusted EBITDA	(846,287)	1,103,737	1,934,133	2,636,392	-	1,359,337	6,187,312
Total assets	15,285,976	9,464,789	20,078,286	16,556,570	-	8,638,332	70,023,953

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 2013

3. Segment information (Continued)

A reconciliation of adjusted EBITDA to profit before tax is provided as follows:

	2013	2012
	£	£
Adjusted EBITDA for reportable segments	6,640,496	6,187,312
Depreciation	(190,224)	(98,219)
Amortisation	(2,562,217)	(3,593,365)
Share-based payment charges	(358,260)	(290,890)
Finance (expense)/income	(213,705)	115,504
Profit before tax on continuing activities	3,316,090	2,320,342

4. Other income

The previous year's figures included an amount of £550,000 received in compensation for a claim against a former adviser relating to tax losses not claimed within the statutory time limit.

5. Result from operating activities

	2013	2012
	£	£
Result from operating activities is stated after charging:		
Cost of inventories recognised as an expense	15,795,333	17,504,226
Employee benefits expenses	3,432,339	2,967,640
Amortisation of intangible assets	2,562,217	3,593,365
Depreciation	190,224	98,219
Loss on foreign exchange transactions	29,507	332,411
Research and development	7,131	37,561
Operating lease rentals	297,569	178,625
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts	19,000	18,000
For the audit of the Company's subsidiaries	28,500	27,000
Fees payable to other auditors for audit of the Company's subsidiaries pursuant to legislation	4,635	-

	2013	2012
	£	£
Earnings due to shareholders before interest, tax, depreciation, amortisation, share-based payments, foreign exchange differences and losses on disposal of discontinued activities		
Profit from operating activities	3,529,795	2,204,838
Depreciation	190,224	98,219
Amortisation	2,562,217	3,593,365
Share-based payments	358,260	290,890
	6,640,496	6,187,312
Foreign exchange differences	29,507	332,411
	6,670,003	6,519,723

6. Finance (cost)/income

	2013 £	2012 £
Finance costs		
Interest paid	(39,184)	(90,356)
Foreign exchange differences on bank loans and overdrafts	(230,735)	74,929
Finance income		
On short term bank deposits	56,214	130,931
Net finance (expense)/income	(213,705)	115,504

7. Earnings per share

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

	2013			2012		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	000	(pence)	£'000	000	(pence)
Earnings attributable to ordinary shareholders on continuing operations after tax	2,687	52,599	5.11	2,218	52,333	4.24
Dilutive effect of share options	-	789	(0.08)	-	553	(0.05)
Fully diluted earnings per share on continuing operations	2,687	53,388	5.03	2,218	52,886	4.19
Loss on discontinued activities	(70)	-	(0.13)	-	-	-
Fully diluted earnings per share	2,617	53,388	4.90	2,218	52,886	4.19

Diluted earnings per share takes into account the dilutive effect of share options. For the purposes of calculating earnings per share, shares held by the Employee Benefit Trust as part of the Joint Share Ownership Plan are excluded from the calculation of the weighted average number of shares. The weighted average number of shares held by the Trust during the year was 2,603,290 (2012:1,233,950).

8. Taxation

	2013 £	2012 £
Current tax year		
Foreign corporation tax on profits for the year	294,395	189,527
Adjustment for prior years	-	(9,411)
Current tax	294,395	180,116
Deferred tax		
Origination and reversal of temporary differences	(101,908)	(486,700)
Income tax charge/(credit)	192,487	(306,584)
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	3,316,090	2,320,342

	2013 £	2012 £
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 24% (2012: 26%)	795,862	603,289
Effects of:		
Non deductible expenses	170,266	148,535
Non chargeable credits	(79,599)	(453,659)
Enhanced allowance on research and development expenditure	(894,569)	(742,797)
Different tax rate for foreign subsidiaries	(34,725)	(116,428)
Unused tax losses carried forward	229,226	263,899
Other tax adjustments	6,026	(9,423)
Income tax charge	192,487	(306,584)

	2013 %	2012 %
Applicable tax rate per UK legislation	24.00	26.00
Effects of:		
Non deductible expenses	5.13	6.40
Non chargeable credits	(2.40)	(19.55)
Enhanced allowance on research and development expenditure	(26.97)	(32.01)
Different tax rate for foreign subsidiaries	(1.05)	(5.02)
Unused tax losses carried forward	6.91	11.37
Other tax adjustments	0.18	(0.40)
Effective tax rate	5.80	(13.21)

The UK corporation tax rate reduced from 26% to 24% with effect from 1 April 2012. Deferred tax balances at the year end have been measured at 24%. Further proposed reductions in the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015 have not been recognised in these financial statements and are not expected to have a material impact on the tax position of the Group.

9. Profit for the financial year

	2013 £	2012 £
Parent Company's (loss)/profit for the financial year	(232,332)	739,303

10. Dividends

	2013 £	2012 £
Dividend for the period ended 31 March 2011 of 3p per ordinary share	-	1,567,595
Dividend for the period ended 31 March 2012 of 3.75p per ordinary share	2,066,984	-
Dividend waived by Employee Benefit Trust	(84,284)	-
	1,982,700	1,567,595

The Board is declaring a dividend of 4.00 pence per share in respect of the year ended 31 March 2013. A scrip dividend alternative will be offered.

11. Intangible fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and licence costs	Total
	£	£	£	£
Cost				
At 1 April 2011	17,930,495	1,034,860	35,460,448	54,425,803
Additions	-	-	4,063,647	4,063,647
At 1 April 2012	17,930,495	1,034,860	39,524,095	58,489,450
Additions	-	231,256	4,388,310	4,619,566
At 31 March 2013	**17,930,495**	**1,266,116**	**43,912,405**	**63,109,016**
Amortisation				
At 1 April 2011	-	371,044	15,417,943	15,788,987
Charge for the year	-	51,743	3,541,622	3,593,365
Foreign exchange movements	-	-	(2,049)	(2,049)
At 1 April 2012	-	422,787	18,957,516	19,380,303
Charge for the year	-	58,050	2,504,167	2,562,217
Foreign exchange movements	-	-	(2,861)	(2,861)
At 31 March 2013	**-**	**480,837**	**21,458,822**	**21,939,659**
Net Book Value				
At 31 March 2013	**17,930,495**	**785,279**	**22,453,583**	**41,169,357**
At 31 March 2012	17,930,495	612,073	20,566,579	39,109,147
At 1 April 2011	17,930,495	663,816	20,042,505	38,636,816

The amortisation charge is included within administrative expenses on 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 10 to 19 years.

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

Entity	**Date of acquisition**	**£**
Eco Animal Health Limited (remaining 50%)	1 October 2004	17,358,621
Zhejiang Eco Biok Animal Health Products Limited	1 April 2007	94,257
ECOpharma Inc. (remaining 80%)	24 December 2009	477,617
		17,930,495

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

11. Intangible fixed assets (Continued)

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the estimated remaining useful life of the asset which is maintained at 30 years through ongoing investment in the cash generating unit.

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections that are approved by management for the year ahead and then extrapolates them assuming a 3% annual growth rate which is well below the current performance of the existing business. The directors believe that the long term growth rate assumed does not exceed the average long term growth rate for the relevant markets.

Management estimates discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU's. In the current year management estimated the applicable rate to be 11%. Despite general economic conditions, management considers that there is adequate headroom when comparing the net present value of the cash flows to the carrying value of goodwill to conclude that no impairment is necessary this year. On current assumptions the excess of recoverable amount over carrying value is over £31 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 £16 million more than the carrying value and no impairment would be necessary. This assumes an earnings multiple of 10 on the current budgeted results in estimating fair value which has been derived from historical data.

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. Given the economic climate the directors have conducted an impairment review in the current year by preparing cash flow projections for the year ahead and extrapolating the results for the remaining life of the registrations assuming zero growth and an 11% discount rate to establish value in use. On the current assumptions the excess of the recoverable amount over carrying value is more than £16 million. The calculations have also shown that on current budget figures a 5 year life is more than enough to justify the current carrying value of these registrations. Moreover, fair value calculated as 10 times the current cash generated by the registrations gives an even higher result, so management has again concluded that no impairment is necessary.

12. Property, plant and equipment

Group	Land and Buildings (freehold)	Plant and machinery	Fixtures, fittings and equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2011	650,000	1,136,000	550,886	42,211	2,379,097
Additions	-	6,117	74,749	59,591	140,457
Foreign exchange movements	-	43,660	-	-	43,660
At 1 April 2012	650,000	1,185,777	625,635	101,802	2,563,214
Additions	-	15,701	22,941	-	38,642
Foreign exchange movements	-	64,852	-	-	64,852
At 31 March 2013	650,000	1,266,330	648,576	101,802	2,666,708
Depreciation					
At 1 April 2011	9,400	591,660	490,408	10,043	1,101,511
Charge for the year	9,400	33,433	37,597	16,012	96,442
Foreign exchange movements	-	97,190	8	-	97,198
At 1 April 2012	18,800	722,283	528,013	26,055	1,295,151
Charge for the year	9,400	118,563	33,121	26,009	187,093
Foreign exchange movements	-	41,376	(4,562)	(363)	36,451
Write back on revaluation	(28,200)	-	-	-	(28,200)
At 31 March 2013	-	882,222	556,572	51,701	1,490,495
Net Book Value					
At 31 March 2013	650,000	384,108	92,004	50,101	1,176,213
At 31 March 2012	631,200	463,494	97,622	75,747	1,268,063
At 1 April 2011	640,600	544,340	60,478	32,168	1,277,586

The freehold property at 78 Coombe Road, New Malden was valued on 10 May 2013 by Mr R Sworn of Kelion Sworn Chartered Surveyors and Valuers, London, W1. The fair value in use of the freehold property was determined at £650,000 by means of applying a 7.75% discount rate to the annual rental value of the property as determined by local market conditions. The property will continue to be valued on a regular basis.

The value of non depreciable land included within Land and Buildings is £180,000.

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.

12. Property, plant and equipment (continued)

The value of the freehold property would have been recorded at £317,437 (2012: £328.743) on a historical cost basis giving rise to the current revaluation surplus of £254,606.This balance is not distributable to shareholders.

Depreciation has been included in the administrative expenses line on the income statement, except for £87,600 of depreciation of production equipment in our Chinese subsidiary ECO Biok, which is included within cost of sales.

Company	Land and Buildings (freehold)	Fixtures, fittings and equipment	Motor Vehicles	Total
	£	£	£	£
Cost or valuation				
At 1 April 2011	650,000	143,517	-	793,517
Additions	-	677	26,466	27,143
At 31 March 2012	650,000	144,194	26,466	820,660
Additions	-	394	-	394
At 31 March 2013	650,000	144,588	26,466	821,054
Depreciation				
At 1 April 2011	9,400	128,506	-	137,906
Charge for the year	9,400	9,084	1,671	20,155
At 1 April 2012	18,800	137,590	1,671	158,061
Charge for the year	9,400	3,790	6,612	19,802
Revaluation adjustment	(28,200)	-	-	(28,200)
At 31 March 2013	-	141,380	8,283	149,663
Net Book Value				
At 31 March 2013	650,000	3,208	18,183	671,391
At 31 March 2012	631,200	6,604	24,795	662,599
At 1 April 2011	640,600	15,011	-	655,611

The freehold property at 78 Coombe Road, New Malden was valued on 10 May 2013 by Mr R Sworn of Kelion Sworn Chartered Surveyors and Valuers, London, W1. The fair value in use of the freehold property was determined at £650,000 by means of applying a 7.75% discount rate to the annual rental value of the property as determined by local market conditions. The property will continue to be valued on a regular basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

12. Property, plant and equipment (continued)
The value of non depreciable land included within Land and Buildings is £180,000.

The freehold property at 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 £317,437 (2012: £328,743) on a historical cost basis giving rise to the current revaluation surplus of £254,606.This balance is not distributable to shareholders.

Depreciation has been included in the administrative expenses line on the income statement.

13. Investment property

Group and Company	**Land and Buildings (freehold)** £	**Total** £
Cost		
Additions in the year ended 31 March 2012	156,550	156,550
At 31 March 2012 and 2013	156,550	156,550
Depreciation		
Charge for the year	1,777	1,777
At 31 March 2012	1,777	1,777
Charge for the year	3,131	3,131
At 31 March 2013	4,908	4,908
Net Book Value		
At 31 March 2013	151,642	151,642
At 31 March 2012	154,773	154,773

Depreciation has been included in the administrative expenses line on the income statement.

14. Fixed asset Investment

Group

	Available for sale quoted assets at fair value	Unlisted investments	Total
	£	£	£
Cost or fair value			
At 1 April 2011	311,594	39,294	350,888
Revaluation in the year	(2,828)	(30,556)	(33,384)
Disposals	(308,766)	-	(308,766)
At 31 March 2012 and 31 March 2013	**-**	**8,738**	**8,738**
Net Book Value			
At 31 March 2013	**-**	**8,738**	**8,738**
At 31 March 2012	-	8,738	8,738
At 1 April 2011	311,594	39,294	350,888

Company

	Available for sale quoted assets at fair value	Investments in subsidiary undertakings at cost	Total
	£	£	£
Cost or fair value			
At 1 April 2011	311,594	21,273,502	21,585,096
Revaluation in the year	(2,828)	-	(2,828)
Disposals	(308,766)	-	(308,766)
At 31 March 2012 and 31 March 2013	-	21,273,502	21,273,502
Impairment			
At 1 April 2011, 2012 and 2013	-	1,191,262	1,191,262
Net Book Value			
At 31 March 2013	**-**	**20,082,240**	**20,082,240**
At 31 March 2012	-	20,082,240	20,082,240
At 1 April 2011	311,594	20,082,240	20,393,834

14. Fixed asset investments (continued)

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

Company	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings held by Company			
Zhejiang ECO Biok Animal Health Products Limited	P. R. China	Ordinary	3
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	P. R. China	Ordinary	3
Petlove Limited	Great Britain	Ordinary	91
Eco Animal Health Limited	Great Britain	Ordinary	100
Subsidiary undertakings held by Group			
ECO Animal Health Southern Africa (Pty) Limited	South Africa	Ordinary	100
Zhejiang ECO Biok Animal Health Products Limited	P. R. China	Ordinary	48
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	P. R. China	Ordinary	48
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	Brazil	Ordinary	100
ECOpharma Inc.	Japan	Ordinary	100
ECO Animal Health USA Corp.	U.S.A.	Ordinary	100
Interpet LLC	U.S.A.	Ordinary	100
ECO Animal Health de Mexico	Mexico	Ordinary	100
ECO Argentina S.A.	Argentina	Ordinary	100

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

	Principal activity
ECO Animal Health Limited	Distribution of animal drugs
ECO Animal Health Southern Africa (Pty) Limited	Non-trading
Petlove 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
ECOpharma Inc.	Distribution of animal drugs
ECO Animal Health USA Corp.	Distribution of animal drugs
Interpet LLC	Non-trading
ECO Animal Health de Mexico	Distribution of animal drugs
ECO Argentina S.A.	Non-trading

14. Fixed asset investments (continued)

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

	Equity 2013 £	Profit/loss for the year 2013 £	Equity 2012 £	Profit/loss for the year 2012 £
ECO Animal Health Limited	5,848,715	2,503,244	3,345,471	2,068,100
Zhejiang ECO Biok Animal Health Products Ltd	5,011,779	891,248	3,855,323	835,305
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	1,290,474	(172,581)	(129,901)	(197,683)
ECOpharma Inc	7,558,807	151,070	671,451	(98,253)
ECO Animal Health de Mexico	(19,078)	(12,084)	9,233	9,093
ECO Animal Health USA Corp.	(475)	-	-	-

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

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

Zhejiang ECO 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.

ECO Argentina S.A. which holds neither assets nor liabilities and which has not traded since its formation has been excluded from consolidation. Interpet LLC has also 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.
ECOpharma Inc.
ECO Animal Health USA Corp.
ECO Animal Health de Mexico.

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

The Group also holds a 50% joint venture interest in Pharmgate Animal Health Canada Inc, which distributes its products into Canada.

14. Fixed asset investments (continued)

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

The group's holdings in each of the joint venture companies 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	-

In each case class 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 venture.

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

	Pharmgate LLC		Pharmgate Animal Health Canada Inc	
	2013	2012	2013	2012
	£	£	£	£
Current assets	113,561	31,803	59,479	16,377
Current liabilities	(99,939)	(9,851)	(58,680)	(14,705)
Sales	841,644	-	357,198	5,644
Margins	424,600	-	210,962	4,599
Expenses	(457,804)	(100,153)	(145,108)	-

15. Inventories

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Raw materials and consumables	3,225,988	2,279,354	-	-
Finished goods and goods for resale	3,199,949	2,137,963	-	-
	6,425,937	4,417,317	-	-

15. Inventories (continued)

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £15,795,393 (2012: £17,504,226).

16. Trade and other receivables

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade receivables	10,665,453	9,616,990	-	-
Amounts owed by group undertakings	-	-	30,098,438	28,418,185
Amounts owed by joint ventures	112,664	-	-	-
Other receivables	279,695	768,301	205,661	226,630
Prepayments and accrued income	190,704	370,099	44,564	268,168
	11,248,516	10,755,390	30,348,663	28,912,983
Non current	-	100,225	30,098,438	28,373,610
Current	11,248,516	10,655,165	250,225	539,373
	11,248,516	10,755,390	30,348,663	28,912,983

As at 31 March 2013, trade receivables of £1,881,527 (2012: £2,102,528) due to the Group and £nil (2012: £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	
	2013	2012	2013	2012
	£	£	£	£
Up to 3 months past due	1,575,637	1,731,377	-	-
3 to 6 months past due	220,108	286,649	-	-
Over 6 months past due	85,782	84,502	-	-
	1,881,527	2,102,528	-	-

16. Trade and other receivables (continued)

As at 31 March 2013, trade receivables of £60,269 were impaired and provided for. The impaired receivables mainly relate to historic 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 ageing analysis of the impaired balances is as follows:

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Up to 3 months past due	6,102	-	-	-
3 to 6 months past due	-	-	-	-
Over 6 months past due	54,167	32,379	-	-
	60,269	32,379	-	-

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

	Group	
	2013	2012
	£	£
Balance at 1 April	32,379	124,348
Provided/(recovered)in the year	27,890	(75,605)
Written off in the year	-	(16,364)
Balance at 31 March	60,269	32,379

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

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Pounds Sterling	851,016	776,993	30,317,630	28,780,350
Euros	2,459,140	2,857,514	-	-
U S Dollars	4,496,919	5,513,412	31,033	132,633
Chinese RMB	684,529	411,957	-	-
Brazilian Real	915,847	357,576	-	-
Japanese Yen	625,170	492,684	-	-
Other currencies	1,215,895	345,254	-	-
	11,248,516	10,755,390	30,348,663	28,912,983

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

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17. Deferred tax

Group
Deferred tax assets and liabilities are attributable to the following:

	Liabilities		Net	
	2013	2012	2013	2012
	£	£	£	£
Drug registration expenditure	(2,193,897)	(2,139,050)	(2,193,897)	(2,139,050)
Freehold property	(76,051)	(72,590)	(76,051)	(72,590)
Plant and equipment	(8,682)	(12,094)	(8,682)	(12,094)
Tax losses carried forward	2,047,014	1,893,355	2,047,014	1,893,355
Amount (payable) after more than one year	(231,616)	(330,379)	(231,616)	(330,379)

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

	Drug registration expenditure	Freehold property	Property, plant and equipment	Total
	£	£	£	£
At 31 March 2012	(245,695)	(72,590)	(12,094)	(330,379)
Credit/(charge) for the year through income statement	90,130	-	12,094	102,224
Movement through the year through revaluation reserve	-	(3,461)	-	(3,461)
At 31 March 2013	(155,565)	(76,051)	-	(231,616)

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 10 per cent withholding tax. The deferred tax liability in respect of this has not been recognised.

17. Deferred tax (continued)

Company

	Freehold property £	Total £
At 31 March 2012	(72,590)	(72,590)
Movement through the year through revaluation reserve	(3,461)	(3,461)
At 31 March 2013	(76,051)	(76,051)

No charge or credit (2012: credit of £1,732) was recognised in the Company's income statement for the year. A charge of £3,461 (2012: credit of £14,782) was recognised in the Company's Revaluation Reserve.

18. Cash and cash equivalents

Cash and cash equivalents comprise cash and short term deposits held by the Group. The carrying amount of these assets are not significantly different to their fair value.

	Note	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Cash and cash equivalents		9,664,443	14,002,422	4,130,622	9,793,239
Overdrafts	20	(2,134,765)	(4,492,690)	(2,134,765)	(4,492,690)
Net funds per cash flow		7,529,678	9,509,732	1,995,857	5,300,549

19. Trade and other payables

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade payables	6,099,247	5,410,817	57,953	124,057
Amounts due to joint venture	34,966	-	-	-
Other payables	424,791	887,400	187,850	565,651
Accruals and deferred income	356,979	407,774	32,529	44,458
	6,915,983	6,705,991	278,332	734,166

20. Borrowings

Included within payables on the statement of financial position are the following amounts at fair value secured by a debenture on the assets of the group:

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Short term borrowings	2,134,765	4,492,690	2,134,765	4,492,690

Currency analysis of short term borrowings

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
U S Dollars	835,527	4,072,226	835,527	4,072,226
Euros	1,299,238	420,464	1,299,238	420,464
	2,134,765	4,492,690	2,134,765	4,492,690

The Group has arranged a net overdraft facility of £1,000,000 which is subject to renewal in June 2014. It also has the facility to overdraw in specific currencies within the net facility. The interest rate for all currency overdrafts is 2.75 per cent over the relevant currency base rate and the borrowings are secured by two debentures held over all assets of the company dated 28 January 1995 and 28 November 2006.

21. Pension and other post-retirement benefit commitments

Defined Contribution pension Scheme
The Group operates defined contribution pension schemes for the benefit of certain directors and senior employees. 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 £340,268 (2012: £316,853).

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 2009 and updated 31 March 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2013	1 April 2012
Discount rate	4.1%	4.6%
Rate of increase in pension payment	2.1%	2.9%
Inflation assumption with a maximum of 5% p.a.	2.8%	2.9%
Expected rate of return on assets	2.2%	4.7%

Mortality rates
Pre retirement mortality is based on the mortality table known as AMCOO for males and AFCOO for females and 70% of the mortality indicated by this table has been taken, as in the previous year.

Post retirement mortality is based on the mortality table known as PCMAOO for males and PCFAOO for females. Allowance has been made for the improvement in mortality experienced recently and expected in the future by using 100% of the "Medium Cohort" improvement table, subject to a minimum improvement rate of 1% for males and 0.7% for females. The previous years' figures were based on the same mortality tables but allowance was made for improvement in mortality experienced and expected by using 100%for males and 70% for females of the "Medium Cohort" improvement table, subject to a minimum improvement rate of 1.4% for males and 1.1% for females. To allow for the expected additional cost of purchasing annuities on retirement, 60% of the mortality indicated by these projections was taken.

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year end would be 22.6 years for males (2012: 25.2 years) and 24.5 years for females (2012: 29.1 years). For members retiring in 20 years time, the expectation of life would be 24.5 years for males (2012: 28.1 years) and 25.9 years for females (2012: 31.3 years). However, it should be noted that there are only 11 deferred members in the scheme and over 50 per cent of the scheme's liabilities relate to a single member who is due to retire in 2016.

The weighted average duration of the scheme's obligations at 31 March 2013 was 22.0 years (2012: 22.1 years).

21. Pension and other post-retirement benefit commitments (continued)

Results	2013		2012	
	£	£	£	£
Assets at start of year	2,959,000		2,684,000	
Defined benefit obligation at start of year	(2,957,000)		(2,596,000)	
Net asset at 1 April		2,000		88,000
Current service cost, including risk benefits	(4,000)		(3,000)	
Past service credit	20,000		-	
		16,000		(3,000)
Expected return on assets	132,000		150,000	
Interest cost	(131,000)		(139,000)	
		1,000		11,000
Gain/(loss) on asset return	34,000		(26,000)	
Experience (loss)	(31,000)		(5,000)	
Gain/(loss) on changes in assumptions	54,000		(120,000)	
Statement of other comprehensive income		57,000		(151,000)
Employer contributions gross	60,000		64,000	
Expenses paid by trustees	(7,000)		(7,000)	
		53,000		57,000
Net asset at 31 March 2013		129,000		2,000
Actual assets at end of year		2,760,000		2,959,000
Actual defined benefit obligation at end of year		2,631,000		2,957,000

The pension fund assets are all held within a policy managed by an insurance company.

21. Pension and other post-retirement benefit commitments (continued)

Reconciliation of changes in the asset value during the year

	2013		2012	
	£	£	£	£
Fair value of assets at 1 April	2,959,000		2,684,000	
Expected return on assets	132,000		150,000	
Gain/(loss) on asset return	34,000		(26,000)	
Employer contributions (gross)	60,000		64,000	
Death in service insurance premiums paid	(4,000)		(3,000)	
Expenses paid by trustees	(7,000)		(7,000)	
(Decrease)/increase in secured pensioners value due to scheme experience	(413,000)		97,000	
Benefits paid	(1,000)		-	
Fair value of assets at 31 March 2013		2,760,000		2,959,000

Reconciliation of changes in the liability value during the year

	2013		2012	
Defined benefit obligation at 1 April	2,957,000		2,596,000	
Interest cost	131,000		139,000	
Past service credit	(20,000)		-	
Experience loss on liabilities	31,000		5,000	
(Gain)/loss on changes in assumptions	(54,000)		120,000	
(Decrease)/increase in secured pensioners value due to scheme experience	(413,000)		97,000	
Benefits paid	(1,000)		-	
Defined benefit obligation at 31 March 2013		2,631,000		2,957,000

The expected contribution to be paid by the employer during the next accounting year is £59,000. This includes a provision of £4,000 for death in service risk premium, (2012: £3,000).

Year ended 31 March	2013	2012	2011	2010	2009
Present value of defined benefit obligation	2,760,000	2,959,000	2,596,000	2,575,000	2,227,000
Fair value of plan assets	2,631,000	2,957,000	2,684,000	2,592,000	2,224,000
Surplus/(deficit) in plan	129,000	2,000	88,000	17,000	(3,000)
Experience (loss)/gains on plan liabilities	31,000	(5,000)	1,000	9,000	3,000

22. Share-based payments

The measurement requirements of IFRS2 have been implemented in respect of share options that were granted after 7 November 2002. The expense recognised for share based payments made during the year is shown in the following table:

	2013 £	2012 £
Total expense arising from equity settled share-based transactions	358,260	290,890

The share based payment plans are described below:

Movements in issued share options and jointly owned shares during the year
The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in, share options and jointly owned shares during the period:

	Options 2013	2013 WAEP £	Jointly owned shares 2013	2013 WAEP £	Options 2012	2012 WAEP £	Jointly owned shares 2012	2012 WAEP £
Outstanding at 1 April	3,257,850	1.39	2,603,290	2.00	4,007,390	1.23	-	-
Granted during the period	410,000	2.23	-	-	456,500	1.87	2,603,290	2.00
Expired/cancelled during the period	(10,000)	3.40	-	-	-	-	-	-
Exercised during the period	(209,240)	1.17	-	-	(1,206,040)	1.03	-	-
Outstanding at 31 March	3,448,610	1.50	2,603,290	2.00	3,257,850	1.39	2,603,290	2.00
Exercisable at 31 March	1,612,110	1.24	315,000	2.00	1,129,350	1.11	-	-

The maximum aggregate number of shares over which options may currently be granted cannot exceed 10 per cent of the nominal share capital of the Company on the grant date. The options outstanding at 31 March 2013 had a weighted average share price of £1.50 and a weighted average contractual life of 4.4 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 full time directors and employees who devote at least 25 hours per week to the performance of duties or employment with the Company.

Details of options granted to directors can be found in the Directors Report and notes 29 (Directors Emoluments) and 31 (Related Party Transactions).

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

22. Share-based payments (continued)

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.
An analysis of the expiry dates of the outstanding options is given below:

Date of grant	Unapproved	Approved	Exercise price (pence)	Expiry date
20 February 2006		11,880	252.50	20 February 2016
10 August 2006		12,600	238.00	10 August 2016
03 March 2008		311,660	108.50	03 March 2018
03 March 2008	443,970		108.50	03 March 2015
18 September 2008		35,000	85.00	18 September 2018
18 September 2008	115,000		85.00	18 September 2015
30 April 2009		45,550	147.00	30 April 2019
30 April 2009	481,450		147.00	30 April 2016
06 August 2009		22,000	135.00	06 August 2019
06 August 2009	103,000		135.00	06 August 2016
24 December 2009		19,350	155.00	24 December 2019
24 December 2009	10,650		155.00	24 December 2016
12 April 2010	375,000		150.00	12 April 2017
20 May 2010		115,100	140.00	20 May 2020
20 May 2010	389,900		140.00	20 May 2017
13 September 2010	90,000		161.00	13 September 2017
11 October 2012		154,100	186.50	11 October 2021
11 October 2012	302,400		186.50	11 October 2018
9 July 2012	400,000		222.50	9 July 2018
30 July 2012	10,000		254.00	30 July 2018
	2,721,370	727,240		

ECO Animal Health Group plc Joint Share Ownership Plan

In accordance with the groups Joint Share Ownership Plan (JSOP), jointly owned shares may be awarded to directors and employees of the company.

The shares are awarded at the market price on the day of the award and are held jointly by the employee concerned and the ECO Animal Health Group plc Employee Benefit Trust. After a three year vesting period, the shares may be sold at the option of the employee. The proceeds of sale are split between the trust and the employee so that the Trust receives the original market value of the shares sold plus a 5.9% per annum carry charge, with the employee receiving any excess over this amount.

Because these are actual issued shares in the company rather than options there is no expiry date associated with jointly owned shares. However, they will normally be forfeit if the employee ceases to be an employee of the company for any reason other than death, injury, redundancy, retirement on or after normal retirement age or disposal by the Group of the employing business entity.

The market price of the shares at 31 March 2013 was 264.0p with a range in the year of 198.5p to 270.0p.

22. Share-based payments (continued)

Inputs to the Valuation Model (for options and jointly owned shares)
The fair value of share options granted prior to 31 March 2007 were estimated at the time of grant using trinomial pricing model, taking into account all the terms and conditions upon which the options were granted. For options issued after 1 April 2007, the directors took the decision that a Black-Scholes model would be more appropriate.

The following table lists the inputs to the Black-Scholes model which applies to both options and jointly owned shares.

	2013	2012	2011	2010	2009
Vesting period (years)	3	3	3	3	3
Option expiry (years)	7-10 yrs	7-10 yrs	7-10 yrs	7-10 yrs	7-10 yrs
Dividends expected on the shares	1.40%	1.00%	4.50%	5.00%	4.50%
Risk free rate	0.50%	2.00%	2.00%	2.40%	4.19%
Volatility of share price	25%	27%	45%	40%	30%
Weighted average fair value of options	38.7p	41.0p	37.8p	32.6p	16.8p

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.

No shares were issued under the Joint Share Ownership Plan during the year. (2012: 2,603,290 shares)

The fair value of the part interest in the jointly owned shares was calculated using a Black-Scholes model with the same assumptions as those used for the options issued during the year.

The weighted average fair value of the Jointly owned shares issued during the year ended 31 March 2012 was 26.1p.

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23. Share capital

	2013 £	2012 £
Authorised		
68,100,000 Ordinary shares of 5p each	3,405,000	3,405,000
10,790 Deferred ordinary shares of 10p each	1,079	1,079
32,334 Convertible preference shares of £1 each	32,334	32,334
	3,438,413	3,438,413
Allotted, called up and fully paid		
55,345,016 (2012: 55,119,201) Ordinary shares of 5p each	2,767,251	2,755,960

During the year a further 16,575 shares were issued at a premium of £39,614 as a result of the take up of the scrip dividend option and 209,240 more shares were issued at a premium of £234,465 as a result of the exercise of options by employees.

24. Minority interests

	2013 £	2013 £	2012 £	2012 £
Balance at 1 April		1,891,587		1,790,587
Share of subsidiary's profit for the year	436,711		409,299	
Share of foreign exchange gain on net investment	129,952		80,282	
		566,663		489,581
Share of dividend paid by subsidiary		-		(388,581)
Balance at 31 March		2,458,250		1,891,587

25. Treasury share reserve

	2013 £	2012 £
Balance at 1 April 2012	5,217,580	-
Arising in the year	-	5,217,580
Balance at 31 March 2013	5,217,580	5,217,580

Treasury share reserve consists of £5,217,580 (2012: £5,217,580), being the cost of 2,603,290 shares in the Company held by the Group's JSOP.

26. Other reserves

Group and Company	Capital redemption reserve £	Special reserve £	Reserve for share-based payment £	Total £
At 31 March 2011	105,829	-	1,224,401	1,330,230
Share-based payments	-	-	290,890	290,890
Transfer to retained earnings on expiry of options	-	-	(96,989)	(96,989)
Transfer on reduction of share premium for protection of creditors	-	3,250,000	-	3,250,000
At 31 March 2012	105,829	3,250,000	1,418,302	4,774,131
Share-based payments	-	-	358,260	358,260
Transfer to retained earnings on expiry of options	-	-	(82,062)	(82,062)
At 31 March 2013	105,829	3,250,000	1,694,500	5,050,329

Included in the Group's retained earnings are the following exchange movements which have been taken directly to reserves on consolidation of the subsidiaries and joint ventures listed below:

	At 1 April 2012 £	Movement in the year £	At 31 March 2013 £
In respect of:			
Zhejiang Eco Biok Animal Health Products Limited	409,193	135,255	544,448
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	28,172	63,799	91,971
ECOpharma Inc.	60,497	(66,714)	(6,217)
ECO Animal Health USA Corp.	-	(475)	(475)
ECO Animal Health de Mexico	-	(16,227)	(16,227)
ECO Animal Health Southern Africa (pty) Ltd	(93)	586	493
Pharmgate LLC	(681)	1,156	475
Pharmgate Canada LLC	-	16	16
Foreign currency differences attributable to owner credited directly to reserves.		117,396	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

27. Financial commitments

At 31 March 2013 the Group had minimum commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2013	2012	2013	2012
	£	£	£	£
Expiry date:				
Within one year	62,137	10,377	-	4,988
Between two and five years	855,766	536,971	42,482	62,136
In over five years	1,621,230	2,197,631	-	-
	2,539,133	2,744,979	42,482	67,124
Minimum expected sublease rental receipts.				
Between two and five years.	525,370	-	-	-

28. Capital commitments

The group had no authorised capital commitments as at 31 March 2013 (2012: Nil).

29. Directors' emoluments

	2013	2012
	£	£
Emoluments for qualifying services	541,126	386,008
Company pension contributions to money purchase schemes	117,874	183,024
Share-based payments	213,479	174,979
Benefits in kind	21,421	22,317
	893,900	766,328

During the year the directors exercised 31,640 (2012: 1,059,290) share options realising a gain of £41,607 (2012: £968,243).

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2012: 3). No directors accrued benefits under defined benefit schemes for this or the previous year.

The highest paid director received £390,678 (2012: £304,766) including share-based payments and £50,000 (2012: £120,854) of pension contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2013

30. Employees

Number of employees

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

	2013 Number	2012 Number
Directors	7	7
Production and development	48	49
Administration	36	34
Sales	63	55
	154	145

Employment costs (including amounts capitalised)

	2013 £	2012 £
Wages and salaries	4,322,201	3,628,585
Share-based payments	358,260	290,890
Social security costs	376,514	329,837
Other pension costs	324,268	319,853
	5,381,243	4,569,165

31. Related party transactions

At the year end ECO Animal Health Group plc owed P A Lawrence, a director of ECO Animal health Group plc and members of his family a balance amounting to £146,502 (2012: £512,337).

During the year, the Group provided management services to Anpario plc, a company in which P A Lawrence is a Director and holds share options. Fees of £29,250 (2012: £26,000) were charged.

During the year, the Group provided the services of two employees to C-Corp Limited, a company in which P A Lawrence is a Director and shareholder. Fees of £43,451 (2012: £48,970) were charged.

During the year ECO Animal Health Limited made sales on an arm's length basis to the following other companies. The sales and year end balances are given in the table below. Since all of these companies are wholly owned by the Group, these transactions and balances have all been eliminated on consolidation.

Subsidiary companies	**Sales**	**Year end receivables(net) 2013**	**Sales**	**Year end receivables 2012**
	£	**£**	**£**	**£**
Zhejiang Eco Biok Animal Health Products Limited	1,707,566	601,240	1,854,311	558,361
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	2,273,712	1,116,150	2,196,659	1,250,962
Ecopharma Inc.	1,146,540	101,880	567,577	344,499
ECO Animal Health de Mexico	179,451	550,489	-	175,411
ECO Animal Health USA Corp.	997,534	437,755	-	22,633

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 £217,259 (2012: £195,598) and charged interest of £425,598 (2012: £397,298) to the Company. Both of these charges were made through the inter-company account and were eliminated on consolidation.

ECO Animal Health Limited also made management charges on an arm's length basis to ECOpharma Inc. amounting to £113,426 (2012: £32,316). The whole transaction was eliminated on consolidation.

ECO Animal Health Limited also paid £346,682 (2012: £109,011) of service charges to ECO Animal Health USA Corp. which were that company's share of the excess expenses incurred by Pharmgate LLC during the year. This transaction was eliminated on consolidation.

During the year Zhejiang ECO Biok Animal Health Products Limited paid no dividend to ECO Animal Health Group plc (2012: £31,085) and no dividend to ECO Animal Health Limited (2012: £373,356).

Inter Company Guarantee

ECO Animal Health Group plc and ECO Animal Health Limited have each given a guarantee dated 28 January 1995 to the company's bankers in respect of the £1,000,000 facility which has been extended to them jointly.

31. Related party transactions (continued)

During the year P Lawrence and his family received dividends in the form of cash and shares to the value of £420,320 (2012: £333,185), and the other directors and their families received dividends in the form of cash and shares to the value of £13,916 (2012: £895).

Joint Ventures

During the year ECO Animal Health Limited made sales on an arm's length basis of £240,590 (2012: £4,515) to ECO Animal Health Canada LLC. The balance outstanding at the year end was £74,443 (2012: £4,515).

Key management compensation

The group regards the executive directors as its key management.

	2013 £	2012 £
Salaries and short term benefits	612,869	461,639
Retirement benefits	117,874	183,024
Share-based payments	210,886	174,979
	941,629	819,642

The number of directors for which retirement benefits are accruing is 3 (2012: 3).

32. Financial instruments

The Group uses financial instruments comprising borrowings, cash and liquid resources 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 interest rate risk, capital and liquidity risk, credit risk and foreign currency risks and they are summarised below. The policies have remained unchanged throughout the year.

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings. At the year end the interest rate exposure of the Group arose on currency overdraft facilities of £2,134,765 (2012: £4,492,690), details of which are shown in the note below on capital and liquidity risk. IFRS7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates. This sensitivity analysis has been determined based on exposure at the year end date. If interest rates had been 1 per cent higher or lower and all other variables were held constant the Group's profit would have decreased/increased by a maximum of £21,348.

32. Financial instruments (Continued)

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 debt which includes the borrowings disclosed in note 20, cash and cash equivalents in note 18 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.

At 31 March 2013 the Group was contractually obliged to make repayments as detailed below:

	2013	2012
WITHIN ONE YEAR OR ON DEMAND	£	£
Bank overdrafts	2,134,765	4,492,690
Trade payables	6,099,247	5,410,817
	8,234,012	9,903,507

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 and derivatives 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 (such as those which have recently been experienced in the Venezuelan market). 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.

Currency risk

The Group operates in overseas markets particularly through its subsidiaries in China, Brazil and Japan and is 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 taken to the income statement.

32. Financial instruments (Continued)

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

2013	US Dollar	Euros	Rand	Chinese RMB	Japanese Yen	Brazilian Real	Other
Sterling equivalent (000's)	73	670	617	3,841	1,265	921	480
2012							
Sterling equivalent (000's)	(1,930)	2,141	266	2,790	438	794	192

At 31 March 2013 the Group was mainly exposed to the Euro, the Chinese RMB, the Japanese Yen and the Brazilian Real. The following table details the effect of a 10 per cent movement in the exchange rate of these currencies against sterling when applied to outstanding monetary items denominated in foreign currency as at 31 March 2013. A positive number indicates the decrease in profit which would arise from a 10 per cent weakening of the foreign currency concerned.

	2013 £'000	2012 £'000
U S Dollar	7	(175)
Euro	61	195
Chinese RMB	349	254
Japanese Yen	115	72
Brazilian Real	84	40

32. Financial instruments (Continued)

Analysis of financial instruments by category

Group

2013	Loans and receivables £	Total £
Investments	8,738	8,738
Trade and other receivables (excluding prepayments)	11,057,812	11,057,812
Cash and cash equivalents	9,664,443	9,664,443

2012	Loans and receivables £	Total £
Investments	8,738	8,738
Trade and other receivables (excluding prepayments)	10,385,291	10,385,291
Cash and cash equivalents	14,002,422	14,002,422

Company

2013	Loans and receivables £	Total £
Trade and other receivables (excluding prepayments)	30,304,099	30,304,099
Cash and cash equivalents	4,130,622	4,130,622

2012	Loans and receivables £	Total £
Trade and other receivables (excluding prepayments)	28,644,815	28,644,815
Cash and cash equivalents	9,793,239	9,793,239

All financial 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 event

The company issued a total of 19,490 shares at a price of £1.085 each as a result of the exercise of employee share options on 2 May 2013.

ECO

Animal Health Group plc

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of ECO Animal Health Group plc will be held at 78 Coombe Road, New Malden, Surrey KT3 4QS at 9 am on 3rd September 2013 for the following purposes:

1. To receive and adopt the report of the directors and the Group Financial Statements for the 12 months ended on 31 March 2013, together with the report of the auditors;
2. To re-elect Mrs Julia Trouse and Mr Kevin Stockdale, the Directors retiring by rotation who, being eligible, offer themselves for re-election:
3. To appoint the auditors, Reeves & Co LLP and to authorise the directors to determine their remuneration;

To consider and if thought fit, to pass the following Resolutions as Special Resolutions:

4. That in substitution for the authority granted to the directors pursuant to a special resolution passed at the Annual General Meeting of the Company held on 2nd September 2011, the directors be generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares up to an aggregate of £636,775 provided that this authority shall expire on 2 October 2014, or, if sooner, at the Company's next Annual General Meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allocated after such expiry notwithstanding that the authority conferred by this resolution has expired. All authorities previously conferred under Section 80 of the Companies Act 1985 are revoked, but such revocation shall not have retrospective effect.
5. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (within the meaning of Section 701 of the Companies Act 2006) of Ordinary Shares of 5 pence each in the capital of the Company provided that :
   (a) the maximum number of Ordinary Shares which may be purchased is 553,645 (representing one per cent of the Company's issued ordinary share capital as at the date of this notice);
   (b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 10 pence;
   (c) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations of an ordinary share in the Company taken from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the share is contracted to be purchased;
   (d) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 2 October 2014, whichever is earlier, (unless previously renewed, varied, or revoked by the Company in general meeting); and

(e) the Company may, before such expiry, enter into one or more contracts to purchase Ordinary Shares under which such purchases may be completed or executed wholly or partly after the expiry of this authority, and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

6. That pursuant to the passing of the resolution numbered 4 above, and in substitution for the authority granted to the directors pursuant to a special resolution passed at the Annual General Meeting of the Company held on 2nd September 2011, the directors be empowered pursuant to Section 551 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of the Companies Act 2006) and sell treasury shares for cash pursuant to the authority given pursuant to Resolution 4 above as if Section 561 of the Companies Act 2006 did not apply to any such allotment or sale provided that the authority conferred by Resolution 4 above and by this Resolution 6 shall expire on 27th September 2013 or, if sooner, at the Company's next Annual General Meeting (save that the Company may, before the expiry of such authority, make offers or arrangements requiring relevant securities to be allotted or sold prior to such expiry and the directors may allot relevant securities or sell treasury shares in pursuance of such offers or arrangements as if the authority conferred had not expired) and provided that the disapplication of Section 561 of the Act effected by this Resolution 6 is limited to the allotment of equity securities and the sale of treasury shares up to an aggregate nominal value of £276,823 being ten per cent of the current issued share capital of the Company.

By Order of the Board

Julia Trouse - Secretary
New Malden 11 July 2013

ECO

Animal Health Group plc

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

I/We..of..

(Please complete in BLOCK CAPITALS)

being (a) Member(s) of the above named Company, owning shares;
HEREBY APPOINT

....of..

failing whom the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf on any resolution proposed at the Annual General Meeting of the Company to be held on 3rd September 2013 at 9am and in particular to vote on the resolutions to be proposed thereat in the manner indicated below

RESOLUTIONS	FOR	AGAINST	VOTE WITHELD
1. To receive the directors' report and financial statements for the 12 months ended 31 March 2013.			
2. To re-elect Mrs Julia Trouse and Mr Kevin Stockdale, the Directors retiring by rotation who, being eligible, offer themselves for re-election.			
3.To appoint the auditors Reeves+Co LLP and to authorise the directors to determine their remuneration.			
4. To allow the Board to allot unissued shares up to an aggregate nominal value of £636,775.			
5. To authorise the Company to make market purchases up to 553,645 of its shares.			
6. To allow the Board to issue equity securities for cash up to a nominal value of £276,823.			

(Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given then proxy will vote or abstain at his discretion.)

Date: .... Signature: ....

NOTES:

1. If you wish to appoint a proxy other than the Chairman of the meeting, please insert the name and address of
your proxy (who need not be a member of the Company).
2. **This form of proxy must be lodged at the Company's Registered Office at 78 Coombe Road, New Malden, Surrey KT3 4QS not less than 48 hours before the time appointed for the holding of the meeting.**
3. In the case of a corporation, this form of proxy must be executed under seal or under the hand of a duly authorised officer of the corporation.
4. In the case of joint holders, the vote of the senior who tends a vote whether in person or by proxy shall be accepted to the exclusion of votes of the other joint holders and or this purpose seniority will be determined by the order in which the names stand in the Register of Members in respect of the joint holdings.
5. Any alterations to this form of proxy should be initialled.