



Animal Health Group plc

... applying science carefully

**Report &
Accounts
2014**



Animal Health Group plc

28 July 2014

ECO Animal Health Group plc

(AIM: EAH)

Results for the year ended 31 March 2014

HIGHLIGHTS

- Group sales increase by 10% to £31.9m (+13% at constant exchange rates)
- Gross profit up 8% at £14.1m
- Adjusted EBITDA rises 5% to £7.1m (+13% at constant exchange rates)
- Gross margins held at level of last year despite strength of sterling
- Net cash increased to £18.2m
- Cash generation strong at £6.2m, up 44%
- Full year dividend raised by 5% to 4.2 pence per share
- Sales in China continue to advance, rising by over a third
- Global Aivlosin sales up over 22%
- New marketing authorisations gained in Canada, EU, Russia and Republic of Korea
- Current financial year started strongly

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

“The current year has started well with our major markets maintaining their rate of growth, with particularly good demand from customers in the US and Canada. The strength of sterling may remain an issue, but it will not divert us from our objective of developing our global business. Aivlosin® sales are growing rapidly, boosted particularly by North American demand where our business is still in its early stages but showing very significant and exciting potential. We look forward with optimism and are confident of delivering another strong performance in the current year.”

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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

DIRECTORS AND ADVISORS

Directors	Peter Lawrence Marc Loomes Kevin Stockdale Brett Clemo Julia Trowse David Danson Julia Henderson	Chairman Chief Executive Finance Director Executive Director Executive Director Non Executive Director Non Executive Director
Secretary	Julia Trowse	
Company Number	1818170	
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 Mitcham Branch 282 London Road Mitcham Surrey CR4 2ZP	
Nominated Adviser And Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET	

ECO ANIMAL HEALTH GROUP PLC

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CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2014



I am pleased to report that ECO Animal Health Group ("ECO") has delivered another strong set of results for the year ended 31 March 2014. It is particularly encouraging that this result has been achieved during a period where the strength of sterling has had a significant accounting impact on our figures. ECO sells its veterinary pharmaceutical products to customers in some 60 countries and invoices in local currency to the majority of them. Therefore, the financial results of companies like ECO that trade internationally, but report in sterling, are inevitably affected by currency movements.

The US dollar declined by over 9% against sterling during the year and the pound was also strong against the Brazilian Real, Japanese Yen and Chinese Yuan. While these movements adversely affected the stated value of our export sales, they have a beneficial effect on the price of imported raw materials, which are used in the manufacture of our products. However, while the Group benefits from the cushioning effect of these currency movements on its purchases, it could not entirely escape the overall impact of sterling's strength.

Sales grew to almost £32m and EBITDA (Earnings before Interest, Tax, Depreciation, Amortisation, minority interests, share based payments and foreign exchange differences) to over £7m and cash generation advanced again, reaching £6.2m. Group cash at the year end was £18.2m following the successful placing last October, which raised £11.5m after expenses. The Company is grateful to all those who supported the placing so strongly. Following the latest reporting regulations, information on the full financial results is given in later sections of this report.

The Board is pleased to declare a dividend for the year of 4.2 pence per share, an increase of 5 per cent over the level last year. The dividend will be paid on 15th August to shareholders on the register on 8th August 2014. This increase reflects the Board's confidence in the strength of ECO and its ability to continue to profitably expand its operations. Owing to the very low uptake of our scrip dividend alternative last year and our improving cash generation, a scrip alternative is not available for the above declaration.

Operations

Sales of Aivlosin® in the USA and Canada, territories which account for approximately one third of the potential world market for Aivlosin®, continue to build quickly. The price of pork has risen in North America as a result of tight supply caused by Porcine Endemic Diarrhoea virus (PEDv) and increased consumer demand. The increasing value of pigs bodes well for producers unaffected by the virus who have invested heavily in enhanced bio security and disease control programmes. A vaccine against PEDv has very recently received regulatory approval in the USA. This development is positive as it will allow us access onto pig farms which have previously been quarantined.

Our Chinese subsidiary, Zhejiang ECO Biok Animal Health Products, had another very successful year with sales up by over 33%. In Japan, the fact that sterling strengthened by almost 20% against the Yen during the period weighed heavily on results. The uncertain economic and political situation in Latin America, most notably in Argentina and Venezuela, but also in Mexico where there have been outbreaks of disease, has hampered sales in the region. The restricted availability of foreign currency to these distributors constrained our ability to ship significant orders, which were received in late 2013. By contrast, sales in Brazil exceeded our expectations despite the Real also weakening by 20% against sterling. Demand for Aivlosin® in Latin America remains high and strengthening local economies in the region would have a major positive impact on our business there. Sales in other

ECO ANIMAL HEALTH GROUP PLC

markets of strategic importance to the Group, notably, Russia, Turkey and India, also continued to grow whilst overall performance in mainland Europe was up by 28%, despite the generally difficult economic climate.

We continue to invest in our product development pipeline, with the aim of obtaining additional marketing authorisations for further disease indications in both our traditional pig and poultry sectors, as well as for new species. As a result of these ongoing activities, we were granted several new



Aivlosin® marketing authorisations during late 2013 and early 2014 which are important milestones in the development of the company. These include approvals for use for turkeys in the EU, for pigs in South Korea and the broadening of our existing licences in Russia and Canada. Sales arising from the launch of these products are beginning to build and will have a growing impact on results in the years ahead.

Work is progressing well on the implementation of our supply chain strategy and we now have the funds in place to support the ongoing expansion of our global business.

After the year end, ECO acquired the business of its longstanding Southeast Asian distributor, with headquarters in Kuala Lumpur and representation throughout the region. We are confident that this exciting development will allow ECO to accelerate its penetration of important pig and poultry markets in the region. Our distribution arrangements in Southeast Asia will now benefit from enhanced levels of technical and marketing support, which will boost the commercial impact of the Aivlosin® marketing authorisations we have already gained in these territories.

Employees

On behalf of all shareholders I would like to thank all our employees for their hard work and effort during another very successful year. Their dedication, teamwork and commitment underpin our company and give us considerable optimism for the future.

Outlook

The current year has started well with our major markets maintaining their rate of growth with particularly good demand from customers in the US and Canada. The strength of sterling may remain an issue, but it will not divert us from our objective of developing our global business. Aivlosin® sales are growing rapidly, boosted particularly by North American demand where our business is still in its early stages but showing very significant and exciting potential. We look forward with optimism and are confident of delivering another strong performance in the current year.

Peter Lawrence

Executive Chairman

25 July 2014

ECO ANIMAL HEALTH GROUP PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2014

Financial

Group sales in the year to 31 March 2014 rose by 10% to £31.8m; this increase is 13% at constant exchange rates (CER) i.e. as if the 2013 sales are recalculated using the same average exchange rates as applied in 2014. Sales of Aivlosin®, our flagship, patented, therapeutic (disease treating) product, advanced by over 22% in sterling above the level of the previous year. This encouraging performance continues to reflect our strategic decision to focus primarily on our core high margin products and less on lower margin generics. The resulting more profitable product mix was becoming established last year and, despite the strength of sterling, the margins were broadly the same as achieved last year and still significantly higher than 2012.

EBITDA (Earnings before interest, tax, depreciation, amortisation, share based payments, foreign exchange movements and minorities) is our main key performance indicator because we are required to amortise our drug registration costs even though we believe they are increasing in value.

EBITDA advanced over 5% to £7.05m, a new record for the company and, on a like for like basis at CER the growth would have been 13%. Pre tax profit increased by 11% which continued to reflect the change in estimated useful life of Aivlosin® drug registrations effected last year, which accounts for approximately £0.5m increase over the prior year's figure. Our key measurement of EBITDA is unaffected by this change.

Group cash at the year end was £18.2m following the successful placing last October, which raised £11.5m after expenses. The higher weighted average number of shares in issue following the placing and the higher tax charge in the year to 31 March 2014 reduced the earnings per share from 4.98p in 2013 to 4.35p.

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 KPI's is as follows:

	2014	2013	2012
Financial			
Revenue £m	31.9	29.0	28.3
Gross Profit £m	14.1	13.1	10.8
Gross Margin %	44.4	45.2	38.2
EBITDA £m	7.05	6.67	6.52
Cash balances, net of borrowings £m	18.2	7.7	9.5
Non Financial			
Health and Safety – major accidents reported to the board in the year	Nil	Nil	Nil

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014**

Currency

Under IFRS rules, financial assets at the period end are translated from foreign currencies using the period end exchange rates. It has been our practice not to convert the majority of the currency balances into sterling, but to use them to pay overseas suppliers in local currency and invest in the business. It is therefore entirely possible that these currency losses on translation may reverse in the current period and if they do not, it will give us the opportunity to purchase raw materials and services in the current year at advantageous effective exchange rates.

Since the placing, we do not see any current need to add to our sterling balances by converting currencies. Much of the planned expansion in sales of Aivlosin® and the associated working capital can be financed from the funds raised last year.

Risks and Uncertainties

All businesses face a number of strategic and operational risks and uncertainties and the Board considers that the following could influence the Group's performance:

Currency Movements

The Group exports its products to almost 60 countries and is exposed to movements in currency. It has not been the company's practice to convert currencies which are used for purchasing raw materials and services in those currencies and this acts as an extensive hedge against currency fluctuations.

Commercial Risks

There is increasing pressure on veterinarians to prescribe antibiotics appropriately and in accordance with the product label. Aivlosin® meets all current guidelines for the judicious and prudent use of antimicrobials for food producing animals and is never used in human health. The Group spends considerable effort and resource liaising with regulatory authorities and leading consultants to ensure that it remains compliant with all prescribing guidelines.

Supply Risks

The Group is 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 continues to build strategic manufacturing partnerships internationally and to increase safety stock levels in order to protect its complex global supply chain.

Dependence on key customers

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.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2014**

Disease

Although outbreaks of diseases for which our products are indicated are generally beneficial to our sales, some disease outbreaks temporarily impact on production, disrupt the free movement of animals and affect trade. In the face of continued global demand for animal protein, however, any reduction in supply leads to increased prices and therefore benefits those who have taken effective measures to prevent or control the disease. In the medium term, most disease outbreaks are generally well controlled by appropriate intervention strategies.

Timing of approval of marketing authorisations

Aivlosin® has been licenced for use in pigs and/or in poultry by the European, USA, Canadian, Japanese, Chinese and many other regulatory bodies globally but the exact timing of new approvals of marketing authorisations is difficult to predict. Regulatory authorities may submit additional questions or require supplementary trial work to be performed prior to granting of a license and this can lead to some delay. Therefore, considerable resource is devoted to our licensing work in order to address any issues that may arise in as timely a manner as is possible.

Strategy

ECO Animal Health Group plc is a leader in the development, registration and marketing of pharmaceutical products for animals. The company has developed into a significant UK based business with subsidiaries, joint ventures and distributors in 60 countries. ECO has been granted over 600 drug registrations around the world for its pharmaceutical products, which are principally, but not exclusively, for the treatment of various conditions in pigs and poultry. The company uses advanced science in order to offer a wide and effective range of specialist treatments, underpinned by strong customer service.

The company will continue to pursue organic growth by developing its markets and expanding its customer base. It will also continue to research and develop additional applications for its established and proven ranges of active pharmaceutical ingredients. ECO will also consider acquisition opportunities as they arise, provided they meet its market, financial and strategic objectives.

Post Balance Sheet Event

The Group entered into an agreement to acquire the business of its Southeast Asian distributor in May 2014 for a consideration of \$437,500.

Trading update and outlook

The current year has started well with major markets maintaining their rate of growth with particularly good demand from customers in the US and Canada. The strength of sterling may remain an issue, but it will not divert the company from its objective of developing a global business. Aivlosin® sales are growing rapidly, boosted particularly by North American demand where business is still in its early stages but showing very significant and exciting potential.

Peter Lawrence
Executive Chairman
25 July 2014

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2014

The directors present their report and financial statements for the year ended 31 March 2014.

Directors

The following directors have held office since 1 April 2013:

Peter Lawrence	Chairman
Marc Loomes	Chief Executive
Kevin Stockdale	Finance Director
Brett Clemo	Executive Director
Julia Trowse	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 £3,081,000 (2013: £3,053,603). The directors have declared a dividend of 4.20p per share (2013: 4.00p).

Substantial shareholdings

At 30 May 2014, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	Per cent
Schroder Investment Management Limited	11,428,010	18.30
P A Lawrence and family	11,373,176	18.21
Prudential plc	9,339,659	14.95
Axa Investment Managers SA	4,369,022	7.00
Artemis	3,621,983	5.80
Appleby Trust (Jersey) Limited	2,603,290	4.17
Hargreave Hale & Co	2,350,000	3.77

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

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 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 other key territories.

Going concern

The directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook in some of its key territories. The Group's forecasts and projections, taking account of reasonable 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.

Directors' interests

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

M D Loomes	2014	6,270 at £1.085	30,000 at £1.50	50,000 at £1.61,	4,040 at £2.15,	135,000 at £2.26,	150,000 at £1.96
	2013	19,640 at £1.085	100,000 at £1.47	150,000 at £1.50	50,000 at £1.61		
J Trowse	2014	20,000 at £1.61,	13,950 at £2.15,	45,000 at £2.26,	50,000 at £1.96		
	2013	70,000 at £1.47	75,000 at £1.50	20,000 at £1.61			
K Stockdale	2014	27,640 at £1.085,	20,000 at £1.61,	45,000 at £2.26,	50,000 at £1.96		
	2013	27,640 at £1.085	70,000 at £1.47	75,000 at £1.50	20,000 at £1.61		
B Clemo	2014	11,640 at £1.085	25,000 at £1.61,	8,070 at £2.15,	75,000 at £2.26		
	2013	11,640 at £1.085	40,000 at £1.47	75,000 at £1.50	35,000 at £1.35		
D Danson	2014	30,000 at £0.85					
	2013	30,000 at £0.85					
J Henderson	2013	30,000 at £1.55					
	2012	30,000 at £1.55					

The following directors also have an interest in shares which they hold jointly with the ECO Animal Health Group plc Employee Benefit Trust, as more fully described in note 22 to the accounts.

M D Loomes	2014	1,131,110 shares (2013: 1,131,110 shares)
J Trowse	2014	518,460 shares (2013: 518,460 shares)
K Stockdale	2014	362,360 shares (2013: 362,360 shares)
B Clemo	2014	432,360 shares (2013: 432,360 shares)

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

Directors' emoluments

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

	Audited Information	
	2014	2013
	£	£
P A Lawrence	-	-
M D Loomes	377,060	390,678
J Trowse	136,126	126,325
K Stockdale	126,888	131,886
B Clemo	225,916	207,295
D Danson	15,414	15,045
J Henderson	20,250	22,671
	<hr/>	<hr/>
	901,654	893,900

Directors' insurance

The Company maintains directors' and officers' liability insurance for the benefit of its directors which remained in place at 31 March 2014 and throughout the preceding year.

Financial instruments

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

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

Genkos Securities plc were the Company's nominated advisor and stockbrokers at the year end, although the Company appointed Peel Hunt LLP after the year end. The closing share price on 31 March 2014 was 169p per share (2013: 264p). During the year the average share price was 217.9p (2013:242.4p).

Auditors

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

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2014

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.

Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

On behalf of the board

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Peter Lawrence
Director
25 July 2014

**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 2014 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 is made solely to the Group's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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.

In addition, we read all the financial and non-financial information in the Group Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we will consider the implications for our report.

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 2014 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.

ECO ANIMAL HEALTH GROUP PLC

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

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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, or returns adequate for our audit have not yet been received from branches not visited by us; or
- the 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 & Co LLP
Statutory Auditors
Chartered Accountants
London EC1Y 4YX
Date: 25 July 2014

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 2014

	Notes	2014 £	2013 £
Revenue	2,3	31,864,593	28,985,954
Cost of sales		<u>(17,725,507)</u>	<u>(15,882,933)</u>
Gross profit		14,139,086	13,103,021
Other income	4	324,223	179,380
Administrative expenses		<u>(10,495,114)</u>	<u>(9,752,606)</u>
Profit from operating activities	5	3,968,195	3,529,795
Finance income	6	57,613	56,214
Finance costs	6	<u>(342,744)</u>	<u>(269,919)</u>
Net finance (expense)		<u>(285,131)</u>	<u>(213,705)</u>
Profit before income tax		3,683,064	3,316,090
Income tax charge	8	<u>(602,064)</u>	<u>(192,487)</u>
Profit for the year from continuing operations		<u>3,081,000</u>	<u>3,123,603</u>
Discontinued operations			
(Loss) for the year from discontinued operations (net of income tax)		<u>-</u>	<u>(70,000)</u>
Profit for the year		<u>3,081,000</u>	<u>3,053,603</u>
Profit attributable to:			
Owners of the parent company		2,431,143	2,616,892
Minority interest	24	<u>649,857</u>	<u>436,711</u>
Profit for the year		<u>3,081,000</u>	<u>3,053,603</u>
Earnings per share (pence)	7		
Continuing operations		4.35	5.11
Discontinued operations		<u>-</u>	<u>(0.13)</u>
Post tax earnings per share (pence)		<u>4.35</u>	<u>4.98</u>
Diluted earnings per share (pence)			
Continuing operations		4.30	5.03
Discontinued operations		<u>-</u>	<u>(0.13)</u>
Diluted earnings per share (pence)		<u>4.30</u>	<u>4.90</u>

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 £	2013 £
Profit for the year		3,081,000	3,053,603
Other comprehensive income:			
Foreign currency translation differences		(651,390)	247,348
Defined benefit plan actuarial gains	21	25,000	57,000
Revaluation of freehold property		-	28,200
Deferred tax on revaluations		9,920	(3,460)
Other comprehensive income for the year		(616,470)	329,088
Total comprehensive income for the year		2,464,530	3,382,691
Attributable to:			
Owners of the parent company		1,955,227	2,816,028
Minority interest	24	509,303	566,663
		2,464,530	3,382,691

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 61 form part of these financial statements.

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

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 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
Transactions with owners									
Profit for the year	-	-	-	-	-	2,431,143	2,431,143	649,857	3,081,000
Other comprehensive income:									
Foreign currency differences	-	-	-	-	-	(510,836)	(510,836)	(140,554)	(651,390)
Actuarial gains on pension scheme assets	-	-	-	-	-	25,000	25,000	-	25,000
Deferred taxation	-	-	-	9,920	-	-	9,920	-	9,920
Total comprehensive income for the year	-	-	-	9,920	-	1,945,307	1,955,227	509,303	2,464,530
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Issue of shares in the year	356,461	12,298,339	-	-	-	-	12,654,800	-	12,654,800
Share-based payments	-	-	-	-	306,562	-	306,562	-	306,562
Transfer from special reserve to share premium	-	3,250,000	-	-	(3,250,000)	-	-	-	-
Transfers on expiry of options	-	-	-	-	(290,949)	290,949	-	-	-
Dividends relating to 2013	-	-	-	-	-	(2,110,183)	(2,110,183)	(799,116)	(2,909,329)
Transactions with owners	356,461	15,548,339	-	-	(3,234,387)	(1,819,234)	10,851,179	(799,116)	10,052,033
Balance as at 31 March 2014	3,123,712	53,429,335	(5,217,580)	533,388	1,815,942	16,955,095	70,639,892	2,168,407	72,808,299

ECO ANIMAL HEALTH GROUP PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2014

COMPANY	Attributable to the owners of the Parent						Total
	Share Capital	Share premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	
	£	£	£	£	£	£	
Balance as at 31 March 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
Loss for the year	-	-	-	-	-	(42,370)	(42,370)
Actuarial gains on pension scheme assets	-	-	-	-	-	25,000	25,000
Deferred taxation	-	-	-	9,920	-	-	9,920
Total comprehensive income for the year	-	-	-	9,920	-	(17,370)	(7,450)
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	356,461	12,298,339	-	-	-	-	12,654,800
Share-based payments	-	-	-	-	306,562	-	306,562
Transfer from special reserve to share premium	-	3,250,000	-	-	(3,250,000)	-	-
Transfers on expiry of options	-	-	-	-	(290,949)	290,949	-
Dividends relating to 2013	-	-	-	-	-	(2,110,183)	(2,110,183)
Transactions with owners	356,461	15,548,339	-	-	(3,234,387)	(1,819,234)	10,851,179
Balance as at 31 March 2014	3,123,712	53,429,335	(5,217,580)	264,526	1,815,942	10,398,884	63,814,819

ECO ANIMAL HEALTH GROUP PLC

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170) AS AT 31 MARCH 2014

	Notes	Group		Company	
		2014 £	2013 £	2014 £	2013 £
Non-current assets					
Intangible assets	11	43,172,124	41,169,357	-	-
Property, plant and equipment	12	1,002,264	1,176,213	654,483	671,391
Investment property	13	148,511	151,642	148,511	151,642
Investments	14	8,738	8,738	20,082,240	20,082,240
		<u>44,331,637</u>	<u>42,505,950</u>	<u>20,885,234</u>	<u>20,905,273</u>
Current assets					
Inventories	15	6,972,078	6,425,937	-	-
Trade and other receivables	16	9,868,673	11,248,516	33,908,457	30,348,663
Income tax recoverable		27,064	23,395	-	-
Other taxes and social security		304,174	170,615	101,963	157,612
Cash and cash equivalents	18	18,239,830	9,664,443	9,229,578	4,130,622
Total current assets		<u>35,411,819</u>	<u>27,532,906</u>	<u>43,239,998</u>	<u>34,636,897</u>
Liabilities					
Trade and other payables	19	(6,343,255)	(6,915,983)	(150,957)	(278,332)
Short -term borrowings	20	-	(2,134,765)	-	(2,134,765)
Income tax		(205,626)	(174,467)	-	-
Other taxes and social security		(178,414)	(258,454)	(62,711)	(50,097)
Dividends		(30,614)	(31,835)	(30,614)	(31,835)
		<u>(6,757,909)</u>	<u>(9,515,504)</u>	<u>(244,282)</u>	<u>(2,495,029)</u>
Current liabilities					
Net current assets		<u>28,653,910</u>	<u>18,017,402</u>	<u>42,995,716</u>	<u>32,141,868</u>
Total assets less current liabilities		<u>72,985,547</u>	<u>60,523,352</u>	<u>63,880,950</u>	<u>53,047,141</u>
Non current liabilities					
Deferred tax	17	(177,248)	(231,616)	(66,131)	(76,051)
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>72,808,299</u>	<u>60,291,736</u>	<u>63,814,819</u>	<u>52,971,090</u>
EQUITY					
Issued share capital	23	3,123,712	2,767,251	3,123,712	2,767,251
Share premium account		53,429,335	37,880,996	53,429,335	37,880,996
Treasury reserve	25	(5,217,580)	(5,217,580)	(5,217,580)	(5,217,580)
Revaluation reserve		533,388	523,468	264,526	254,606
Other reserves	26	1,815,942	5,050,329	1,815,942	5,050,329
Retained earnings		16,955,095	16,829,022	10,398,884	12,235,488
		<u>70,639,892</u>	<u>57,833,486</u>	<u>63,814,819</u>	<u>52,971,090</u>
Minority interests	24	2,168,407	2,458,250	-	-
TOTAL EQUITY		<u>72,808,299</u>	<u>60,291,736</u>	<u>63,814,819</u>	<u>52,971,090</u>

Approved by the Board and authorised for issue on 25 July 2014

Peter Lawrence Director

The notes on pages 18 to 61 form part of these financial statements.

ECO ANIMAL HEALTH GROUP PLC

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group 2014 £	2013 £	Company 2014 £	2013 £
Cash flows from operating activities					
Profit/(loss) before income tax		3,683,064	3,246,090	(35,978)	(232,332)
Adjustment for:					
Net finance costs/(income)	6	285,131	213,705	(446,174)	(398,422)
Depreciation	12 & 13	172,776	190,224	20,829	22,933
Amortisation of intangible assets	11	2,336,424	2,562,217	-	-
Pension payments	21	(54,000)	(60,000)	(54,000)	(60,000)
Pension operating costs	21	4,000	4,000	4,000	4,000
Share based payments	22	306,562	358,260	306,562	358,260
Operating cash flows before movements in working capital		6,733,957	6,514,496	(204,761)	(305,561)
Change in inventories		(546,141)	(2,008,620)	-	-
Change in receivables		1,321,284	(258,559)	(3,429,145)	(1,250,662)
Change in payables		(652,768)	310,874	(114,761)	(449,880)
Cash generated from/(used in) operations		6,856,332	4,558,191	(3,748,667)	(2,006,103)
Finance costs		(33,723)	(39,184)	(31,979)	(38,995)
Income tax		(619,022)	(185,802)	(6,392)	-
Net cash from/(absorbed by) operating activities		6,203,587	4,333,205	(3,787,038)	(2,045,098)
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(31,517)	(38,642)	(790)	(394)
Disposal of property plant and equipment		14,688	-	-	-
Purchase of intangibles	11	(4,339,731)	(4,619,566)	-	-
Finance income	6	57,613	56,214	478,153	437,417
Net cash (used in)/from investing activities		(4,298,947)	(4,601,994)	477,363	437,023
Cash flows from financing activities					
Proceeds from issue of share capital		12,629,412	244,927	12,629,412	244,927
Dividends paid		(2,885,162)	(1,941,544)	(2,086,016)	(1,941,544)
Net cash (used in) financing activities		9,744,250	(1,696,617)	10,543,396	(1,696,617)
Net increase/(decrease) in cash and cash equivalents		11,648,890	(1,965,406)	7,233,721	(3,304,692)
Foreign exchange movements		(938,738)	(14,648)	-	-
Balance at 1 April 2013		7,529,678	9,509,732	1,995,857	5,300,549
Balance at 31 March 2014	18	18,239,830	7,529,678	9,229,578	1,995,857

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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

The following amendments to existing standards and interpretations were effective for the current period from 1 January 2013, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the financial statements of the Group:

- IFRS 7 – Disclosures: Offsetting Financial Assets and Financial Liabilities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods but which were all effective from 1 January 2014:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IAS 27 – Separate Financial Statements
- IAS 28 – Investments in Associates and Joint Ventures
- IAS 32 – Offsetting Financial Assets and Liabilities
- IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

2.3 Adoption of new and revised standards (continued)

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for later accounting periods but which were all effective from 1 July 2014:

- IAS 19 – Defined Benefit Plans: Employee Contributions

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

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

2.4 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2014.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

2.6 Foreign currency translation (continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

2.7 Financial instruments (continued)

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014**

2.9 Other intangible assets (continued)

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 greatly increased the economic potential of the product, management 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 has been in effect throughout the year ended 31 March 2014 and has resulted in an increase in the net profit and carrying value of drug registrations of approximately £0.5 million compared to the year ended 31 March 2013.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

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 initially measured 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014**

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.

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-subsiidiaries. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

2.24 Pensions (continued)

Defined Benefit Scheme

The regular cost of providing retirement pensions and related benefits is charged to the income statement over the employees' service lives on the basis of a constant percentage of earnings. The present value of the defined benefit obligation less the fair value of the plan assets is disclosed as an asset or liability in the statement of financial position in accordance with IAS19. The disclosure of a net defined benefit asset is limited to the present value of any economic benefit available in the form of refunds from the plan or reductions in future contributions to the plan.

Actuarial gains or losses are 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 2011 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

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 Non-controlling interest (Minority)

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

2.29 Dividend distribution

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.

2.30 Critical accounting estimates and judgements

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

- (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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

2.30 Critical accounting estimates and judgements (continued)

(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.

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, North America and the rest of the world. The segment information provided to the Board for the year ended 31 March 2014 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 2014							
Total segmental revenue	784,102	5,534,264	17,347,649	8,486,794	5,033,518	3,111,228	40,297,555
Inter-segment revenue	-	-	(3,654,716)	(1,879,170)	(2,899,076)	-	(8,432,962)
Revenue from external customers	784,102	5,534,264	13,692,933	6,607,624	2,134,442	3,111,228	31,864,593
Sale of goods	784,102	5,534,264	13,692,933	6,607,624	2,134,442	2,902,185	31,655,550
Royalties	-	-	-	-	-	209,043	209,043
	784,102	5,534,264	13,692,933	6,607,624	2,134,442	3,111,228	31,864,593
Adjusted EBITDA	(1,209,358)	1,378,115	4,033,029	1,248,432	427,619	906,120	6,783,957
Total assets	21,359,252	12,837,414	19,968,441	14,151,503	2,900,998	8,222,756	79,440,364
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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

3. Segment information (Continued)

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

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

	2014	2013
	£	£
Adjusted EBITDA for reportable segments	6,783,957	6,640,496
Depreciation	(172,776)	(190,224)
Amortisation	(2,336,424)	(2,562,217)
Share-based payment charges	(306,562)	(358,260)
Finance (expense)	(285,131)	(213,705)
Profit before tax on continuing activities	<u>3,683,064</u>	<u>3,316,090</u>

4. Other income

	2014	2013
	£	£
Management charges	141,595	141,511
Rental income	126,600	6,600
Sundry Income	56,028	31,269
	<u>324,223</u>	<u>179,380</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

5. Result from operating activities

	2014	2013
	£	£
Result from operating activities is stated after charging:		
Cost of inventories recognised as an expense	17,635,170	15,795,333
Employee benefits expenses	3,819,200	3,432,339
Amortisation of intangible assets	2,336,424	2,562,217
Depreciation	172,776	190,224
Loss on foreign exchange transactions	264,138	29,507
Research and development	10,860	7,131
Operating lease rentals	410,195	297,569
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts	18,225	19,000
For the audit of the Company's subsidiaries	30,525	28,500
Fees payable to other auditors for audit of the Company's subsidiaries pursuant to legislation	4,346	4,635
	<hr/>	<hr/>
	2014	2013
	£	£
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	3,968,195	3,529,795
Depreciation	172,776	190,224
Amortisation	2,336,424	2,562,217
Share-based payments	306,562	358,260
	<hr/>	<hr/>
	6,783,957	6,640,496
Foreign exchange differences	264,138	29,507
	<hr/>	<hr/>
	7,048,095	6,670,003

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

6. Finance (expense)

	2014	2013
	£	£
Finance costs		
Interest paid	(33,723)	(39,184)
Foreign exchange differences on bank loans and overdrafts	(309,021)	(230,735)
Finance income		
On short term bank deposits	57,613	56,214
Net finance (expense)	<u>(285,131)</u>	<u>(213,705)</u>

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.

	2014			2013		
	Earnings £'000	Weighted average number of shares 000's	Per share amount (pence)	Earnings £'000	Weighted average number of shares 000's	Per share amount (pence)
Earnings attributable to ordinary shareholders on continuing operations after tax	2,431	55,871	4.35	2,687	52,599	5.11
Dilutive effect of share options	-	691	(0.05)	-	789	(0.08)
Fully diluted earnings per share on continuing operations	2,431	56,562	4.30	2,687	53,388	5.03
Loss on discontinued activities	-	-	-	(70)	-	(0.13)
Fully diluted earnings per share	<u>2,431</u>	<u>56,562</u>	<u>4.30</u>	<u>2,617</u>	<u>53,388</u>	<u>4.90</u>

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 (2013: 2,603,290).

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

8. Taxation

	2014	2013
	£	£
Current tax:		
Foreign corporation tax on profits for the year	646,512	294,395
Deferred tax		
Due to change in effective rate	(23,150)	-
Origination and reversal of temporary differences	(21,298)	(101,908)
Income tax charge	<u>602,064</u>	<u>192,487</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>3,683,064</u>	<u>3,316,090</u>
	2014	2013
	£	£
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 23% (2013: 24%)	847,105	795,862
Effects of:		
Non deductible expenses	95,258	170,266
Non chargeable credits	(151,483)	(79,599)
Withholding tax on inter-company dividends	83,176	-
Enhanced allowance on research and development expenditure	(657,812)	(894,569)
Different tax rate for foreign subsidiaries	83,677	(34,725)
Reduced effective deferred tax rate	(23,150)	-
Unused tax losses carried forward	325,293	229,226
Other tax adjustments	-	6,026
Income tax charge	<u>602,064</u>	<u>192,487</u>
	2014	2013
	%	%
Applicable tax rate per UK legislation	23.00	24.00
Effects of:		
Non deductible expenses	2.59	5.13
Non chargeable credits	(4.11)	(2.40)
Withholding tax on inter-company dividends	2.26	-
Enhanced allowance on research and development expenditure	(17.86)	(26.97)
Different tax rate for foreign subsidiaries	2.27	(1.05)
Reduced effective deferred tax rate	(0.63)	-
Unused tax losses carried forward	8.83	6.91
Other tax adjustments	-	0.18
Effective tax rate	<u>16.35</u>	<u>5.80</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

8. Taxation (Continued)

The UK corporation tax rate reduced from 24% to 23% with effect from 1 April 2013. Deferred tax balances at the year end have been measured at 20%. Further 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

	2014	2013
	£	£
Parent Company's (loss) for the financial year	<u>(42,370)</u>	<u>(232,332)</u>

10. Dividends

	2014	2013
	£	£
Dividend for the period ended 31 March 2012 of 3.75p per ordinary share	-	2,066,984
Dividend for the period ended 31 March 2013 of 4.00p per ordinary share	2,212,773	-
Dividend waived by Employee Benefit Trust	<u>(102,590)</u>	<u>(84,284)</u>
	<u>2,110,183</u>	<u>1,982,700</u>

The Board is declaring a dividend of 4.20 pence per share in respect of the year ended 31 March 2014.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

11. Intangible fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and licence costs	Total
	£	£	£	£
Cost				
At 1 April 2012	17,930,495	1,034,860	39,524,095	58,489,450
Additions - internally generated	-	-	4,083,884	4,083,884
Additions - acquired separately	-	231,256	304,426	535,682
At 1 April 2013	17,930,495	1,266,116	43,912,405	63,109,016
Additions - internally generated	-	-	4,068,589	4,068,589
Additions - acquired separately	-	-	271,142	271,142
At 31 March 2014	17,930,495	1,266,116	48,252,136	67,448,747
Amortisation				
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 1 April 2013	-	480,837	21,458,822	21,939,659
Charge for the year	-	63,447	2,272,977	2,336,424
Foreign exchange movements	-	-	540	540
At 31 March 2014	-	544,284	23,732,339	24,276,623
Net Book Value				
At 31 March 2014	17,930,495	721,832	24,519,797	43,172,124
At 31 March 2013	17,930,495	785,279	22,453,583	41,169,357
At 1 April 2012	17,930,495	612,073	20,566,579	39,109,147

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 9 to 18 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
ECO Japan Inc. (remaining 80%)	24 December 2009	477,617
		<u>17,930,495</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014**

11. Intangible fixed assets (Continued)

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

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and the estimated remaining useful life of the asset 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%. 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 £34 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 £17 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.

The value of Drug registrations and licenses can be broken down as follows:

	£
Aivosin	21,249,573
Ecomectin	1,798,212
Others	1,472,012
	<u>24,519,797</u>

Aivosin is a highly effective antibiotic that treats a range of specific enteric (gut) and respiratory diseases in pigs and poultry, ensuring a rapid return to health. In addition to the welfare benefits, healthy animals gain weight faster, digest food more efficiently and get to market earlier which all bring economic benefit to the user. Substantial ongoing product development covering more formulations, species and diseases is expected to substantially further increase its revenue generating potential. The remaining amortisation period is from 9 to 20 years.

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

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 almost £11 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

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 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 1 April 2013	650,000	1,266,330	648,576	101,802	2,666,708
Additions	-	19,803	11,714	-	31,517
Foreign exchange movements	-	(80,780)	-	-	(80,780)
Disposals	-	-	(188,313)	(27,115)	(215,428)
At 31 March 2014	650,000	1,205,353	471,977	74,687	2,402,017
Depreciation					
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
Revaluation adjustment	(28,200)	-	-	-	(28,200)
At 1 April 2013	-	882,222	556,572	51,701	1,490,495
Charge for the year	9,400	112,649	31,638	15,958	169,645
Foreign exchange movements	-	(61,072)	890	535	(59,647)
Disposals	-	-	(188,313)	(12,427)	(200,740)
At 31 March 2014	9,400	933,799	400,787	55,767	1,399,753
Net Book Value					
At 31 March 2014	640,600	271,554	71,190	18,920	1,002,264
At 31 March 2013	650,000	384,108	92,004	50,101	1,176,213
At 1 April 2012	631,200	463,494	97,622	75,747	1,268,063

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

12. Property, plant and equipment (continued)

The value of the freehold property would have been recorded at £306,131 (2013: £317,437) on a historical cost basis giving rise to the current revaluation surplus of £264,526 net of deferred tax provision. This balance is not distributable to shareholders.

Depreciation has been included in the administrative expenses line on the income statement, except for £90,337 (2013: £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 2012	650,000	144,194	26,466	820,660
Additions	-	394	-	394
At 31 March 2013	650,000	144,588	26,466	821,054
Additions	-	790	-	790
At 31 March 2014	650,000	145,378	26,466	821,844
Depreciation				
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
Charge for the year	9,400	1,686	6,612	17,698
At 31 March 2014	9,400	143,066	14,895	167,361
Net Book Value				
At 31 March 2014	640,600	2,312	11,571	654,483
At 31 March 2013	650,000	3,208	18,183	671,391
At 1 April 2012	631,200	6,604	24,795	662,599

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

13. Investment property

Group and Company	Land and Buildings (freehold) £	Total £
Cost		
At March 2012, 2013 and 2014	<u>156,550</u>	<u>156,550</u>
Depreciation		
At March 2012	1,777	1,777
Charge for the year	<u>3,131</u>	<u>3,131</u>
At March 2013	4,908	4,908
Charge for the year	<u>3,131</u>	<u>3,131</u>
At March 2014	<u>8,039</u>	<u>8,039</u>
Net Book Value		
At 31 March 2014	<u>148,511</u>	<u>148,511</u>
At March 2013	<u>151,642</u>	<u>151,642</u>
At 1 April 2012	<u>154,773</u>	<u>154,773</u>

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

14. Fixed asset investment

Group	Unlisted investments £	Total £
Cost, fair value and net book value At March 2012, 2013 and 2014	<u>8,738</u>	<u>8,738</u>
Company	Unlisted investments £	Total £
Cost or fair value At March 2012, 2013 and 2014	<u>21,273,502</u>	<u>21,273,502</u>
Impairment At March 2012, 2013 and 2014	<u>1,191,262</u>	<u>1,191,262</u>
Net Book Value At 31 March 2012, 2013 and 2014	<u>20,082,240</u>	<u>20,082,240</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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
ECO Animal Health Japan Inc. (formally 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
ECO Animal Health Japan Inc. (formerly 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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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 2014 £	Profit/loss for the year 2014 £	Equity 2013 £	Profit/loss for the year 2013 £
ECO Animal Health Limited	7,545,809	1,697,094	5,848,715	2,503,244
ECO Animal Health Southern Africa (Pty) Limited	323,500	(862)	324,362	(698)
Zhejiang ECO Biok Animal Health Products Ltd	4,420,263	1,326,238	5,011,779	891,248
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	1,196,039	119,044	1,290,474	(172,581)
ECO Animal Health Japan Inc. (formerly ECOpharma Inc.)	703,759	76,863	755,807	151,070
ECO Animal Health de Mexico	(134,625)	(94,757)	(19,078)	(12,084)
ECO Animal Health USA Corp.	(38,820)	(38,820)	(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 Biok Animal Health Products Limited and ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda both have 31 December year ends. The Group receives management accounts for the three months to 31 March for these subsidiaries for use in preparing the consolidated financial statements.

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.
ECO Animal Health Japan Inc. (formerly 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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:

	Holding (shares)	Shares in Issue	Holding %
Pharmgate Animal Health Canada Inc			
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	
	2014	2013	2014	2013
	£	£	£	£
Current assets	214,024	113,561	143,415	59,479
Current liabilities	(199,438)	(99,939)	(142,572)	(58,680)
Sales	1,400,385	841,644	771,281	357,198
Margins	748,372	424,600	404,495	210,962
Expenses	(527,331)	(457,804)	(150,681)	(145,108)

15. Inventories

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Raw materials and consumables	3,111,357	3,225,988	-	-
Finished goods and goods for resale	3,860,721	3,199,949	-	-
	<u>6,972,078</u>	<u>6,425,937</u>	-	-

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

15. Inventories (continued)

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £17,635,170 (2013: £15,795,393).

16. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade receivables	8,574,712	10,665,453	-	-
Amounts owed by group undertakings	-	-	33,579,573	30,098,438
Amounts owed by joint ventures	234,293	112,664	-	-
Other receivables	572,893	279,695	257,905	205,661
Prepayments and accrued income	486,775	190,704	70,979	44,564
	<u>9,868,673</u>	<u>11,248,516</u>	<u>33,908,457</u>	<u>30,348,663</u>

In the year ended 31 March 13, only within "Trade and other receivables" note to the financial statements, "Amounts owed by group undertakings" were disclosed as a non current asset. As shown above, "Amounts owed by group undertakings" of £33,579,573 (2013: £30,098,438) are correctly disclosed as current assets due to the trading balance being payable on demand.

As at 31 March 2014, trade receivables of £2,336,116 (2013: £1,881,527) due to the Group and £nil (2013: £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	
	2014	2013	2014	2013
	£	£	£	£
Up to 3 months past due	1,585,215	1,575,637	-	-
3 to 6 months past due	352,306	220,108	-	-
Over 6 months past due	398,595	85,782	-	-
	<u>2,336,116</u>	<u>1,881,527</u>	<u>-</u>	<u>-</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

16. Trade and other receivables (continued)

As at 31 March 2014, trade receivables of £105,142 (2013: £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	
	2014	2013	2014	2013
	£	£	£	£
Up to 3 months past due	15,894	6,102	-	-
3 to 6 months past due	4,935	-	-	-
Over 6 months past due	84,313	54,167	-	-
	<u>105,142</u>	<u>60,269</u>	<u>-</u>	<u>-</u>

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

	Group	
	2014	2013
	£	£
Balance at 1 April	60,269	32,379
Provided in the year	50,141	27,890
Written off in the year	(5,268)	-
Balance at 31 March	<u>105,142</u>	<u>60,269</u>

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

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Pounds Sterling	771,264	851,016	33,908,457	30,317,630
Euros	2,711,339	2,459,140	-	-
U S Dollars	3,488,701	4,496,919	-	31,033
Chinese RMB	682,162	684,529	-	-
Brazilian Real	698,507	915,847	-	-
Japanese Yen	510,702	625,170	-	-
Other currencies	1,005,998	1,215,895	-	-
	<u>9,868,673</u>	<u>11,248,516</u>	<u>33,908,457</u>	<u>30,348,663</u>

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

17. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Liabilities		Net	
	2014	2013	2014	2013
	£	£	£	£
Drug registration expenditure	(2,022,881)	(2,193,897)	(2,022,881)	(2,193,897)
Freehold property	(66,131)	(76,051)	(66,131)	(76,051)
Plant and equipment	(4,169)	(8,682)	(4,169)	(8,682)
Tax losses carried forward	1,915,933	2,047,014	1,915,933	2,047,014
Amount (payable) after more than one year	<u>(177,248)</u>	<u>(231,616)</u>	<u>(177,248)</u>	<u>(231,616)</u>

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

	Drug registration expenditure £	Freehold property £	Total £
At 31 March 2013	(155,565)	(76,051)	(231,616)
Credit for the year through income statement	44,448	-	44,448
Movement through the year through revaluation reserve	-	9,920	9,920
At 31 March 2014	<u>(111,117)</u>	<u>(66,131)</u>	<u>(177,248)</u>

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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

17. Deferred tax (continued)

Company	2014		2013	
	Freehold property £	Total £	Freehold property £	Total £
At 1 April	(76,051)	(76,051)	(72,590)	(72,590)
Movement in the year through revaluation reserve	9,920	9,920	(3,461)	(3,461)
At 31 March 2014	(66,131)	(66,131)	(76,051)	(76,051)

No charge or credit (2013: credit of £1,732) was recognised in the Company's income statement for the year. A credit of £9,920 (2013: charge of £3,461) 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		Company	
		2014 £	2013 £	2014 £	2013 £
Cash and cash equivalents		18,239,830	9,664,443	9,229,578	4,130,622
Overdrafts	20	-	(2,134,765)	-	(2,134,765)
Net funds per cash flow		18,239,830	7,529,678	9,229,578	1,995,857

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

19. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade payables	4,972,605	6,099,247	53,165	57,953
Amounts due to joint venture	-	34,966	-	-
Other payables	305,566	424,791	55,532	187,850
Accruals and deferred income	1,065,084	356,979	42,260	32,529
	<u>6,343,255</u>	<u>6,915,983</u>	<u>150,957</u>	<u>278,332</u>

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	
	2014	2013	2014	2013
	£	£	£	£
Short term borrowings	-	2,134,765	-	2,134,765

Currency analysis of short term borrowings

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
U S Dollars	-	835,527	-	835,527
Euros	-	1,299,238	-	1,299,238
	<u>-</u>	<u>2,134,765</u>	<u>-</u>	<u>2,134,765</u>

The Group has the facility to overdraw in specific currencies but no 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014**

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 £387,850 (2013: £340,268).

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 2012 and updated 31 March 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2014	1 April 2013
Discount rate	4.30%	4.1%
Rate of increase in pension payment	2.45%	2.1%
Inflation assumption with a maximum of 5% p.a.	3.15%	2.8%

Mortality rates

Pre retirement mortality is based on the mortality table known as AMCOO for males and AFCCO 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 as in the previous year.

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year end would be 22.7 years for males (2013: 22.6 years) and 24.6 years for females (2013: 24.5 years). For members retiring in 20 years time, the expectation of life would be 24.6 years for males (2013: 24.5 years) and 26.0 years for females (2013: 25.9 years).

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

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

Results	2014		2013	
	£	£	£	£
Assets at start of year	2,760,000		2,959,000	
Defined benefit obligation at start of year	<u>(2,631,000)</u>		<u>(2,957,000)</u>	
Net asset at 1 April		129,000		2,000
Current service cost, including risk benefits	(4,000)		(4,000)	
Past service credit	<u>-</u>		<u>20,000</u>	
		(4,000)		16,000
Expected return on assets	113,000		132,000	
Interest cost	<u>(108,000)</u>		<u>(131,000)</u>	
		5,000		1,000
Gain on asset return	2,000		34,000	
Experience gain/(loss)	4,000		(31,000)	
Gain on changes in assumptions	<u>19,000</u>		<u>54,000</u>	
Statement of other comprehensive income		25,000		57,000
Employer contributions gross	54,000		60,000	
Expenses paid by trustees	<u>(7,000)</u>		<u>(7,000)</u>	
		47,000		53,000
Net asset at 31 March 2014		<u>202,000</u>		<u>129,000</u>
Actual assets at end of year		2,680,000		2,760,000
Actual defined benefit obligation at end of year		<u>(2,478,000)</u>		<u>(2,631,000)</u>

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2014

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

Reconciliation of changes in the asset value during the year

	2014	2013
	£	£
Fair value of assets at 1 April	2,760,000	2,959,000
Expected return on assets	113,000	132,000
Gain on asset return	2,000	34,000
Employer contributions (gross)	54,000	60,000
Death in service insurance premiums paid	(4,000)	(4,000)
Expenses paid by trustees	(7,000)	(7,000)
(Decrease) in secured pensioners value due to scheme experience	(238,000)	(413,000)
Benefits paid	-	(1,000)
Fair value of assets at 31 March 2014	<u>2,680,000</u>	<u>2,760,000</u>

Reconciliation of changes in the liability value during the year

Defined benefit obligation at 1 April	2,631,000	2,957,000
Interest cost	108,000	131,000
Past service credit	-	(20,000)
Experience (gain)/loss on liabilities	(4,000)	31,000
(Gain) on changes in assumptions	(19,000)	(54,000)
(Decrease) in secured pensioners value due to scheme experience	(238,000)	(413,000)
Benefits paid	-	(1,000)
Defined benefit obligation at 31 March 2014	<u>2,478,000</u>	<u>2,631,000</u>

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, (2013: £4,000).

Year ended 31 March	2014	2013	2012	2011	2010
Fair value of plan assets	2,680,000	2,760,000	2,959,000	2,596,000	2,575,000
Present value of defined benefit obligation	2,478,000	2,631,000	2,957,000	2,684,000	2,592,000
Surplus in plan	202,000	129,000	2,000	88,000	17,000
Experience (loss)/gains on plan liabilities	4,000	(31,000)	(5,000)	1,000	9,000

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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:

	2014	2013
	£	£
Total expense arising from equity settled share-based transactions	<u>306,562</u>	<u>358,260</u>

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		Jointly owned shares		Options		Jointly owned shares	
	2014	2014 WAEP	2014	2014 WAEP	2013	2013 WAEP	2013	2013 WAEP
		£		£		£		£
Outstanding at 1 April	3,448,610	1.50	2,603,290	2.00	3,257,850	1.39	2,603,290	2.00
Granted during the period	979,560	2.07	-	-	410,000	2.23	-	-
Expired/cancelled during the period	(185,100)	1.54	-	-	(10,000)	3.40	-	-
Exercised during the period	(801,885)	1.42	-	-	(209,240)	1.17	-	-
Outstanding at 31 March	3,441,185	1.94	2,603,290	2.00	3,448,610	1.50	2,603,290	2.00
Exercisable at 31 March	1,665,125	1.28	315,000	2.00	1,612,110	1.24	315,000	2.00

The average share price during the year was 217.9p.

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 2014 had a weighted average share price of £1.94 and a weighted average contractual life of 4.6 years.

Eco Animal Health Group plc Executive Share Option Scheme

In accordance with the Executive Share Option Scheme, approved and unapproved share options are granted to 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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		193,635	108.50	03 March 2018
03 March 2008	420,010		108.50	03 March 2015
18 September 2008		35,000	85.00	18 September 2018
18 September 2008	85,000		85.00	18 September 2015
30 April 2009		32,550	147.00	30 April 2019
30 April 2009	184,450		147.00	30 April 2016
06 August 2009		22,000	135.00	06 August 2019
06 August 2009	68,000		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	30,000		150.00	12 April 2017
20 May 2010		115,100	140.00	20 May 2020
20 May 2010	359,900		140.00	20 May 2017
13 September 2010	65,000		161.00	13 September 2017
11 October 2013		133,100	186.50	11 October 2021
11 October 2013	278,400		186.50	11 October 2018
9 July 2013	375,000		222.50	9 July 2018
30 July 2013	10,000		254.00	30 July 2018
24 April 2013		26,060	215.00	24 April 2020
20 August 2013		13,200	226.00	20 August 2023
20 August 2013	306,800		226.00	20 August 2020
9 October 2013		90,440	196.00	9 October 2023
9 October 2013	478,060		196.00	9 October 2020
22 January 2014		14,450	207.50	22 January 2024
22 January 2014	50,550		207.50	22 January 2021
	<u>2,721,820</u>	<u>719,365</u>		

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

22. Share-based payments (continued)

ECO Animal Health Group plc Joint Share Ownership Plan

In accordance with the Group's 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 2014 was 169.0p with a range in the year of 163.5p to 265.0p.

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.

	2014	2013	2012	2011	2010
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	1.4 - 1.9%	1.40%	1.00%	4.50%	5.00%
Risk free rate	0.5 - 1.2%	0.50%	2.00%	2.00%	2.40%
Volatility of share price	20%	25%	27%	45%	40%
Weighted average fair value of options	29.1p	38.7p	41.0p	37.8p	32.6p

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 or the previous year.

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 same year.

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

23. Share capital

	2014	2013
	£	£
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
	<u>3,438,413</u>	<u>3,438,413</u>
Allotted, called up and fully paid		
62,474,231 (2013: 55,345,016) Ordinary shares of 5p each	<u>3,123,712</u>	<u>2,767,251</u>

During the year the Company issued 6,315,790 shares as a result of a placing with institutional investors at a price of 190p resulting in an increase in share premium of £11.2 million after expenses.

During the year a further 11,540 shares were issued at a premium of £24,926 as a result of the take up of the scrip dividend option and 801,885 more shares were issued at a premium of £1,096,276 as a result of the exercise of options by employees.

24. Minority interests

	2014	2014	2013	2013
	£	£	£	£
Balance at 1 April		2,458,250		1,891,587
Share of subsidiary's profit for the year	649,857		436,711	
Share of foreign exchange (loss)/gain on net investment	<u>(140,554)</u>		<u>129,952</u>	
		509,303		566,663
Share of dividend paid by subsidiary		<u>(799,146)</u>		-
Balance at 31 March		<u>2,168,407</u>		<u>2,458,250</u>

25. Treasury share reserve

	2014	2013
	£	£
Balance at 1 April 2013 and 31 March 2014	<u>5,217,580</u>	<u>5,217,580</u>

Treasury share reserve consists of £5,217,580 (2013: £5,217,580), being the cost of 2,603,290 shares in the Company held by the Group's JSOP.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

26. Other reserves

Group and Company	Capital redemption reserve £	Special reserve £	Reserve for share-based payment £	Total £
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
Share-based payments	-	-	306,562	306,562
Transfer to retained earnings on expiry of options	-	-	(290,949)	(290,949)
Transfer to share premium on issue of equity in the year	-	(3,250,000)	-	(3,250,000)
	105,829	-	1,710,113	1,815,942

The only material reserve remaining at the year end is the reserve for share based payments which records the total amount which has been charged to the Group's results in respect of unexpired share based payment arrangements.

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 2013 £	Movement in the year £	At 31 March 2014 £
In respect of:			
Zhejiang Eco Biok Animal Health Products Limited	544,448	(146,290)	398,158
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	91,971	(213,479)	(121,508)
ECO Animal Health Japan Inc. (formerly ECOpharma Inc.)	(6,217)	(128,911)	(135,128)
ECO Animal Health USA Corp.	(475)	-	(475)
ECO Animal Health de Mexico	(16,227)	(20,790)	(37,017)
ECO Animal Health Southern Africa (pty) Ltd	493	-	493
Pharmgate LLC	475	(1,410)	(935)
Pharmgate Canada LLC	16	44	60
Foreign currency differences attributable to owner (debited) directly to reserves.		(510,836)	

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

27. Financial commitments

At 31 March 2014 the Group had minimum commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2014	2013	2014	2013
	£	£	£	£
Expiry date:				
Within one year	376,502	62,137	55,000	-
Between two and five years	628,475	855,766	93,654	42,482
In over five years	1,249,416	1,621,230	-	-
	<u>2,254,393</u>	<u>2,539,133</u>	<u>148,654</u>	<u>42,482</u>
Minimum expected sublease rental receipts:				
Within one year	120,000	-	-	-
Between two and five years.	285,370	525,370	-	-
	<u>405,370</u>	<u>525,370</u>	<u>-</u>	<u>-</u>

28. Capital commitments

The group had no authorised capital commitments as at 31 March 2014 (2013: Nil).

29. Directors' emoluments

	2014	2013
	£	£
Emoluments for qualifying services	544,744	541,126
Company pension contributions to money purchase schemes	147,260	117,874
Share-based payments	188,329	213,479
Benefits in kind	21,320	21,421
	<u>901,653</u>	<u>893,900</u>

During the year the directors exercised 698,370 (2013: 31,640) share options realising a gain of £295,797 (2013: £41,607).

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2013: 3). No directors accrued benefits under defined benefit schemes for this or the previous year.

The highest paid director received £377,060 (2013: £390,678) including share-based payments and £50,000 (2013: £50,000) of pension contributions.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

30. Employees

Number of employees

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

	2014 Number	2013 Number
Directors	7	7
Production and development	52	48
Administration	39	36
Sales	67	63
	<u>165</u>	<u>154</u>

Employment costs (including amounts capitalised)

	2014 £	2013 £
Wages and salaries	4,817,985	4,322,201
Share-based payments	306,562	358,260
Social security costs	370,512	376,514
Other pension costs	391,850	324,268
	<u>5,886,909</u>	<u>5,381,243</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

31. Related party transactions

During the year P Lawrence and his family received dividends in the form of cash and shares to the value of £450,727 (2013: £420,320). The Company also paid net expenses of £596,076 on behalf of P Lawrence and his family. At the year end ECO Animal Health Group plc owed P A Lawrence and members of his family a total of £508 (2013: £146,502). The maximum amount briefly outstanding from P Lawrence and connected parties during the year was £372,293.

The other directors and their families received dividends to the value of £2,637 (2013: £13,916).

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 £32,500 (2013: £29,250) 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 £43,398 (2013: £43,451) 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	Year end (payables)/ receivables		Year end	
	Sales	(net) 2014	Sales	receivables 2013
	£	£	£	£
Zhejiang Eco Biok Animal Health Products Limited	2,562,788	-	1,707,566	601,240
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	1,590,138	(1,044)	2,273,712	1,116,150
ECO Animal Health Japan Inc	1,091,928	176,909	1,146,540	101,880
ECO Animal Health de Mexico	289,032	827,234	179,451	550,489
ECO Animal Health USA Corp.	977,414	550,723	997,534	437,755

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 £208,328 (2013: £217,259) and charged interest of £454,782 (2013: £425,598) 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 £66,133 (2013: £113,426). The whole transaction was eliminated on consolidation.

ECO Animal Health Limited also paid £302,465 (2013: £346,682) of service charges to ECO Animal Health USA Corp. during the year. This transaction was eliminated on consolidation.

During the year Zhejiang ECO Biok Animal Health Products Limited paid a dividend of £63,925 to ECO Animal Health Group plc (2013: £nil) and a dividend of £767,839 to ECO Animal Health Limited (2013: £nil).

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

31. Related party transactions (continued)

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.

Joint Ventures

During the year ECO Animal Health Limited made sales on an arm's length basis of £519,779 (2013: £240,590) to ECO Animal Health Canada LLC. The balance outstanding at the year end was £197,115 (2013: £74,443).

Key management compensation

The group regards the board of directors as its key management.

	2014	*2013
	£	£
Salaries and short term benefits	566,065	562,547
Retirement benefits	147,260	117,874
Share-based payments	188,329	213,479
	<u>901,654</u>	<u>893,900</u>

*The comparative figures have been restated to include non executive Directors and exclude Employers National Insurance.

The number of directors for which retirement benefits are accruing is 3 (2013: 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 Group had no exposure to overdraft interest (2013: the Group was exposed to interest rates on currency overdraft facilities of £2,134,765.)

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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 2014 the Group was contractually obliged to make repayments as detailed below:

	2014	2013
	£	£
WITHIN ONE YEAR OR ON DEMAND		
Bank overdrafts	-	2,134,765
Trade payables	4,972,605	6,099,247
	<u>4,972,605</u>	<u>8,234,012</u>

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 (for example Venezuela) which are from time to time subject to restrictions in the free movement of funds. The Board seeks to minimise the group's exposure to these markets but the nature of our business makes it impossible to eliminate this exposure completely.

Currency risk

The Group operates in overseas markets particularly through its subsidiaries in China, Brazil, the USA and Japan and is subject to currency exposure on transactions undertaken during the year. The Group does some 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

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

	US Dollar	Euros	Rand	Chinese RMB	Japanese Yen	Brazilian Real	Other
2014							
Sterling equivalent (000's)	2,951	4,206	537	3,274	2,091	1,191	1,002
2013							
Sterling equivalent (000's)	73	670	617	3,841	1,265	921	480

At 31 March 2014 the Group was mainly exposed to the Dollar, 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 2014. A positive number indicates the decrease in profit which would arise from a 10 per cent weakening of the foreign currency concerned.

	2014 £'000	2013 £'000
U S Dollar	268	7
Euro	382	61
Chinese RMB	298	349
Japanese Yen	190	115
Brazilian Real	108	84

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2014

32. Financial instruments (Continued)

Analysis of financial instruments by category

Group

2014	Loans and receivables £	Total £
Investments	8,738	8,738
Trade and other receivables (excluding prepayments)	9,381,898	9,381,898
Cash and cash equivalents	18,239,830	18,239,830

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

Company

2014	Loans and receivables £	Total £
Trade and other receivables (excluding prepayments)	33,837,478	33,837,478
Cash and cash equivalents	9,229,578	9,229,578

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

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

ECO Animal Health Limited signed an agreement in May 2014 which resulted in the acquisition of the business of its agent in South East Asia for a consideration of \$437,500.



Animal Health Group plc

NOTICE OF ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, you should consult your stockbroker, solicitor, accountant or other appropriate independent professional advisor authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or otherwise transferred all your shares in ECO Animal Health Group plc, please forward this document and the accompanying form of proxy to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee save that you should not forward or transmit such documents in or into any jurisdiction in which to do so would constitute a violation of that jurisdiction's relevant laws. If you sell or have sold or otherwise transferred only part of your holding of shares, you should retain this document and the accompanying proxy form.

This document is being sent to you solely for the purpose of convening the Annual General Meeting referred to below and to provide information to you as a member of the Company to help you decide how to cast your vote in respect of the Resolutions. No reliance may be placed on this document for any other purpose.

NOTICE OF ANNUAL GENERAL MEETING ("AGM")

Notice is hereby given that the AGM of ECO Animal Health Group plc will be held at 78 Coombe Road, New Malden, Surrey KT3 4QS at 10 am on 17th September 2014 to consider and if thought fit, pass the following resolutions other than resolutions 5 and 6 which will be proposed as special resolutions of the Company:

Resolution 1

To receive the Annual Report for the year ended on 31 March 2014.

Resolution 2

To re-elect Mr Brett Clemo, a Director retiring by rotation who, being eligible, offers himself for re-election.

Resolution 3

To re-elect Reeves & Co LLP as auditors and to authorise the Directors to agree the auditors' remuneration.

Resolution 4

That pursuant to Section 551 of the Companies Act 2006, the Directors be and are generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £281,288 being the maximum authorised share capital.

Resolution 5

That pursuant to Section 701 of the Companies Act 2006, the Company be and it is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 693 (4) of the Companies Act 2006) of Ordinary shares of 5p each in the capital of the Company (Ordinary shares) provided that:

- (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 624,742;
- (b) the minimum price (excluding expenses) which may be paid for an Ordinary share is 5 pence;

- (c) the maximum price (excluding expenses) which may be paid for an Ordinary share is not more than the higher of;
 - i. an amount equal to 105% of the average of the middle market quotations for an Ordinary share as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days before the purchase is made; and
 - ii. an amount equal to the higher of the price of the last independent trade of an Ordinary share and the highest current independent bid for an Ordinary share on the trading venue where the purchase is carried out;
- (d) unless previously renewed, varied or revoked the authority hereby conferred shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or 17 September 2015, whichever is earlier; and
- (e) The Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and the Company may make a purchase of Ordinary shares in pursuance of any such contract or contracts.

Resolution 6

That pursuant to the passing of resolution 4 and pursuant to Section 570 of the Companies Act 2006, the Directors be and are generally empowered to allot equity securities (within the meaning of Section 560 of the Companies Act 2006) for cash pursuant to the authority granted by Resolution 4 as if Section 561 (1) of the Companies Act 2006 did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

- (a) In connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - i. To holders of Ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the retrospective numbers of Ordinary shares held by them; and
 - ii. To holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary.

But subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange;

- (b) otherwise than pursuant to paragraph (a) of this resolution, up to an aggregate nominal amount of £281,288 being the maximum authorised issue share capital of the Company;
- (c) this power shall expire at the conclusion of the next AGM of the Company (unless previously revoked, varied or renewed) save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired; and
- (d) this resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if section 561 (1) of the Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By Order of the Board

Julia Trowse – Company Secretary
25 July 2014



Animal Health Group plc

Notes to the Notice of Annual/General Meeting

Entitlement to attend and vote

1. Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members 48 hours before the time of the Meeting shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the registrars of the Company, Share Registrars Limited on 01252 821 390.

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to ECO Animal Health Group plc, 78 Coombe Road, New Malden, Surrey KT3 4QS or by facsimile transmission to 0208 336 0909;
- alternatively, the completed proxy form can be scanned and emailed to julia.trouse@ecoanimalhealth.com;
- and received by ECO Animal Health Group plc no later than 48 hours (excluding non-business days) prior to the Meeting.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Julia Trowse on 0208 336 6184.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.



Animal Health Group plc

Notes to the Notice of Annual/General Meeting (Continued)

Termination of proxy appointments

9. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to ECO Animal Health Group plc at 78 Coombe Road, New Malden, Surrey, KT3 4QS or by facsimile transmission 0208 336 0909. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by ECO Animal Health Group plc no later than 48 hours (excluding non-business days) prior to the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Issued shares and total voting rights

10. As at 25th July 2014, the Company's issued share capital comprised 62,474,231 ordinary shares of 5p each including nil ordinary shares held in treasury. Each ordinary share carries the right to one vote at an Annual General Meeting of the Company and, therefore, the total number of voting rights in the Company as at 25th is 62,474,231.

Communications with the Company

11. Except as provided above, members who have general queries about the Meeting should telephone Julia Trowse on 0208 336 6184 (no other methods of communication will be accepted). You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.



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 17th September 2014 at 10am and in particular to vote on the resolutions to be proposed thereat in the manner indicated below

Table with 4 columns: RESOLUTIONS, FOR, AGAINST, VOTE WITHHELD. Rows 1-6 detailing resolutions such as 'To receive the directors' report...', 'To re-elect Mr Brett Clemo...', etc.

(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: