ECO Animal Health Group plc

Annual report and accounts 2017

ECO

Animal Health Group plc

… applying science carefully

30 June 2017

ECO Animal Health Group plc ("ECO")
(AIM: EAH)

Results for the year ended 31 March 2017

ECO ANIMAL HEALTH REPORTS ANOTHER STRONG PERFORMANCE

HIGHLIGHTS

Financials

- 30% increase in sales to £61.4m (2016: £47.1m)
- 44% increase in gross profit to £30m (2016: £21.0m) on improved margin
- 75% increase in pre-tax profit to £13.5m (2016: £7.7m)
- 54% increase in adjusted EBITDA to £17.1m (2016: £11.1m)
- 21% increase in second interim dividend to 4.6p (2016: 3.8p) making total dividend for the year up 25% to 7.1p (2016: 5.7p)
- Strong cash generation from operations leaving net cash of £21.0 million at year end

Operations

- Demand for Aivlosin® continues to grow strongly
- Strong performances in all major geographic area, bar Brazil
- New marketing authorisations gained in Europe, Brazil, Mexico and Thailand
- Continued investment in new routes to market, product development, people and stockholding to support future growth

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

"ECO has started the current year strongly with revenue ahead of the previous year. The ongoing weakness in the value of sterling may continue to be of benefit to ECO as virtually all our sales and the majority of costs arise locally in dollars, RMB or the euro. The business is robust with a sound, debt free balance sheet and this coupled with our strong cash generation will allow us to capitalise on market opportunities as they arise. We look forward with confidence".

Contacts:

ECO Animal Health Group plc	
Peter Lawrence	020 8336 6190
Marc Loomes	020 8447 6906
Spiro Financial	
Anthony Spiro	020 8336 6196
Peel Hunt LLP (Nominated Adviser)	
Dan Webster, Adrian Trimmings, George Sellar	020 7418 8900
N+1 Singer (Joint Broker)	
Mark Taylor, Brough Ransom	020 7496 3000

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	Chairman
	Marc Loomes	Chief Executive
	Kevin Stockdale	Finance Director
	Brett Clemo	Executive Director
	Julia Trouse	Executive Director
	David Danson	Non Executive Director
	Anthony Rawlinson	Non Executive Director –
Secretary	Julia Trouse	
Company Number	1818170	
Registered office	78 Coombe Road New Malden Surrey KT3 4QS	
Registered auditors	Kreston Reeves LLP Third Floor 24 Chiswell Street London EC1Y 4YX	
Registrars	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR	
Bankers	Natwest plc Tooting Branch 30 High Street London SW17 0RG	
Nominated Adviser And Broker	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET	
Joint Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX	

ECO ANIMAL HEALTH GROUP PLC

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ECO ANIMAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

I am very pleased to report that ECO Animal Health Group has delivered another record set of results. It is particularly encouraging for our shareholders that ECO's strong trading performance has been reflected in the company's market capitalisation, which is now close to £400 million.

ECO operates in a market segment that provides essential medications to the global animal protein production industry, which seeks to meet an ever growing demand. The World Health Organisation predicted in 2014 that the demand for meat protein for human consumption would double by 2050. ECO's treatments, when used under strict veterinary supervision, help ensure animal health, welfare and food safety.

The company's patented flagship molecule, Aivlosin®, is used for the treatment of economically important diseases of pigs and poultry, amongst the two largest growing segments of this vital industry. Aivlosin® is prescribed under veterinary control for the short duration treatment of diagnosed diseases at low, yet efficacious, dose rates with a zero day or very short drug withholding period. The overall and desired beneficial effect is to reduce the level of antibiotics used in the production of food of animal origin. This plays directly to the demands of consumers and the regulatory authorities.

Highlights of the year include new drug registrations for both pigs and poultry in different parts of the globe and upon which ECO will be able to capitalise with expanding sales. It is also helpful for us that worldwide action to ban antibiotic growth promoters and the desire to reduce the amount of antimicrobials used in global farming, has promoted Aivlosin®, our patented medication.

As the global animal health industry continues to consolidate, we are actively seeking to acquire drugs that fit comfortably in our portfolio and serve the specialised markets that we serve. Our ability to generate cash, together with our cash balances, places ECO in a strong position to take advantage of any opportunity that may arise.

Financial Performance

Pre tax profit advanced by 75 per cent to a record £13.5 million (2016: £7.7m) and earnings per share advanced to 16.35 pence per share (2016: 9.71 pence). Sales for the year rose 30 per cent to £61.4m (2016: £47.1m). Earnings before interest, tax, depreciation, amortisation, non-controlling (minority) interests, foreign exchange and share based payments, (EBITDA), increased by 54 per cent to almost £17.1 m (2016: £11.1m). Cash generated from operations rose to £13.1m, some of which was invested in our planned expansion in technology, research and development and stock holding. Gross profit advanced by 44 per cent to £30.3 million (2016: £21m) as margins increased, reflecting a stronger product and geographic mix, as well as the short term benefit arising from holding six months' inventory on the day of the UK's decision to leave the EU.

The board is pleased to declare an interim dividend of 4.6 pence per share to be paid on October 6 to shareholders on the register on 15 September 2017. The total dividend for the year of 7.1 pence per share is 25 per cent above the level of last year (2016: 5.7 pence) and reflects the board's continued confidence in the business and its long stated desire to implement a progressive dividend policy.

Marketing and development

ECO currently holds several hundred marketing authorisations around the globe and sells in almost sixty countries. The company is now realising the commercial benefit from this ongoing investment, currently totalling almost £68m, in the intellectual property inherent in both Aivlosin® and its other products and our focus is to capitalise on the sales potential of these assets.

The benefit to ECO of such a high investment cost and the lengthy time scale associated with obtaining marketing authorisations is the barrier to entry it creates for potential competition.

In June 2016, ECO received a marketing authorisation from the European Medicines Agency (EMA) for the use of Aivlosin® 625 mg/g water soluble granules in chickens laying eggs for human consumption. This treatment has a zero drug withdrawal period, which means that the eggs can still be collected from treated and recovering laying birds and sent straight to market. This approval, an important step in the development of Aivlosin® for commercial layers, enables ECO to accelerate the submission of the Aivlosin® regulatory files for the treatment of layers in the key global egg producing markets. Approvals have been obtained in Mexico, the world's fourth largest egg producing country and Thailand and Malaysia (after the period end), both global top twenty egg producing countries. These licenses, once Aivlosin® is approved for commercial layers in the key global egg producing markets, have the potential to generate significant earnings.

In December 2016, ECO received a marketing authorisation from the Brazilian Ministry of Agriculture, Livestock and Supply (MAPA) for the use of Aivlosin® 625 mg/g water soluble granules for the treatment of ileitis (porcine proliferative enteropathy (PPE)), an enteric disease of swine. Brazil is one of the world's leading producers and exporters of pork and this new formulation enhances our ability to offer an expanded range of valuable therapeutic tools to swine producers for both the domestic and export markets.

We have continued to make significant investments in our product development project pipeline. This includes the roll out of existing approvals into new geographies, new disease indications for pigs and poultry and new species, all of which should offer continuing growth opportunities for sales of our patented medication.

Operations

Worldwide revenue grew impressively, the third year in succession that it has advanced by over 20 per cent. There were strong performances in all major territories. Sales of Aivlosin®, our flagship product, increased by more than 27 per cent compared with the same period last year. Sales of Ecomectin ®, our range of differentiated antiparasistic formulations for ruminants, pigs and horses and the other products in the portfolio also grew strongly.

Sales of Aivlosin® in North America, a region that accounts for more than one third of its potential market, continue to develop strongly while in Canada, sales have started to stabilise following an extraordinarily successful launch. The approval received just before the start of the year for Aivlosin® Type A Medicated Article (or Premix) formulation for swine in the United States, with a zero withdrawal period, has enabled us to build on the excellent start that we have made in this key market.

CHAIRMAN'S STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

In China, our subsidiary, Zhejiang ECO Biok Animal Health Products, which was established over a decade ago, had another successful year. Sales were driven by the ongoing high price of pork, which resulted in an increased investment by producers in high value breeding stock with a focus on the health of these animals and a reduction in the 'backyard' production of pork.

Revenue in Southeast Asia continued to grow, benefiting from our renewed strategic focus on this region.

In Latin America, our subsidiary in Mexico continued to demonstrate very good growth, despite the difficult economic and political climate in that country, while Brazil had a difficult year, reflecting the turbulent economic and political climate. We have taken the necessary structural measures to ensure when the recovery occurs, we are well positioned to capitalise on the opportunities.

In Europe, there was encouraging growth in the UK, in Eastern Europe, (notably Poland and Russia) and in Turkey.

People

On behalf of all investors I would like to thank our staff worldwide, now numbering close to 200, for their individual and collective contribution to our results. Their conscientiousness and hard work will enable ECO to face the future with confidence.

Outlook

ECO has started the current year strongly, maintaining the record growth of recent years. The ongoing weakness in the value of sterling may continue to be of benefit to ECO as virtually all our sales and the majority of costs arise locally in dollars, RMB or the euro. The business continues to be strongly cash generative and debt free, which should enable us to capitalise on any market opportunities that present themselves. We look forward with confidence.

Peter A Lawrence
Chairman
29 June 2017

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

Financial
Group sales in the year to 31 March 2017 rose by over 30% to £61.4m. Sales of our flagship, patented, therapeutic (disease treating) drug, Aivlosin®, also rose by over 27% in sterling compared to the previous year. Margins also substantially improved.

EBITDA (Earnings before interest, tax, depreciation, amortisation and impairment, share based payments, foreign exchange movements and non-controlling (minorities) interests 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 and this figure increased over 54% to almost £17.1m, another new record for the company. Pre-tax profit increased by almost 75% to £13.5m.

Group cash at the year end was £20.6m. Inventories were intentionally higher than last year, which ensures continuity of supply of key products.

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:

Financial	**2017**	**2016**	**2015**
Revenue £m	**61.4**	47.1	39.0
Gross Profit £m	**30.3**	21.0	17.5
Gross Margin %	**49.4**	44.6	44.7
EBITDA £m	**17.1**	11.1	8.60
Cash balances, net of borrowing £m	**20.6**	15.7	17.7
Non Financial			
Health and Safety - major accidents reported to the board in the year	**Nil**	**Nil**	Nil

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.

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 medications 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 has increased 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 by expanding its sales base to new regions of the world, most recently by increasing its presence in South East Asia, a process which is set to continue.

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 Europe, the USA, Canada, Japan, China and by 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.

Dependence on key personnel
The Group is dependent on a relatively small number of key personnel for a company of its size and the loss of one or two of these personnel would be likely to have a detrimental impact on the business. Management intend to review the situation in the current year and will make appointments to mitigate this risk where appropriate and where suitable candidates can be found.

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 operation and distributors in almost 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 including new species. ECO will also consider acquisition opportunities as they arise, provided they meet its market, financial and strategic objectives.

Post balance sheet event
The Company paid a dividend of £1,635,000 on 7th April 2017 to its shareholders.

Trading update and outlook
The current year has started well with continued growth and particularly good demand from customers in North America, Mexico and Japan. It is particularly pleasing to note the first signs of a recovery in Brazil. It is expected that sales in this market will be further enhanced by the appointment of a new distributor after the year end. The weak pound is largely beneficial for our business, as very few of the group sales are in sterling.

Peter Lawrence
Chairman
29 June 2017

CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 MARCH 2017

Principles of Corporate Governance
The Company's shares are admitted to trading on the AIM market of the London Stock Exchange and the Company is therefore not required to report on compliance with the UK Corporate Governance Code. However, the Directors support the UK Corporate Governance Code and are implementing many of the recommendations which are relevant to a business of the size of Eco Animal Health Group plc. The Board is committed to high standards of corporate governance.

The Board
At the 31st March 2017, the Board comprised of two Non-Executive Directors and five Executive Directors.

The composition of the board of directors as well as Directors' biographies can be found on our website www.ecoanimalhealthgroupplc.com under the section "About the Company" and then "Directors".

The full Board is responsible and accountable to the shareholders for the management and success of the Company and provides effective controls to assess and manage the risks in the Company.

The Board meets at least once a quarter to review the operational and financial performance of the Company and to determine and monitor the Company's strategy and to ensure that the necessary resources are in place to meet the Company's objectives. The Board members each receive an agenda prior to the meeting and the Financial Director prepares a financial pack which is distributed to the Directors every month.

The roles of the Chief Executive Officer and Executive Chairman are well defined and clearly separated. The Chairman oversees the Board's work, ensures the Board's decision-making is balanced and that the Non-Executive Directors have all the relevant information on matters to be decided and discussed. The Chief Executive Officer is responsible for implementing the strategy of the Board and managing the day to day business activities of the Company.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation. The Board considers that it has sufficient independence and that both of the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to the Board.

The Board delegates its authority for certain matters to its Audit and Remuneration Committees, details of which can be found on our website at www.ecoanimalhealthgroupplc.com/investor-relations/rule-26.aspx .

The Audit Committee
Throughout the financial year, the committee comprised of two Non-Executive Directors, Mr Anthony Rawlinson ACA BA (Hons) as Chairman and Mr David Danson BVSc MRCVS and meets at least twice each financial year with the external auditors and considers any issues that are identified during the course of the audit work. The Board is satisfied that the Committee members have both recent and relevant experience.

CORPORATE GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

The Audit Committee (Continued)
In the year ended 31 March 2017 and up to the date of this report, the actions taken by the Audit Committee to discharge its duties included:

- Reviewing the 2017 Annual Report and financial statements and the Interim Report issued in December 2016. As part of these reviews, the Committee received a report from the external auditors on their audit of the annual financial statements;
- Reviewing the effectiveness of the Group's internal controls and disclosures made in the Annual Report and financial statements;
- Meeting with the external auditors, without management being present, to discuss any issues arising from the audit;
- Considering the need for a new internal audit function; and
- Reviewing the performance and independence of the external auditors.

The Remuneration Committee
In view of the size of the Board, the duties and responsibilities of the remuneration committee have been assumed by the Board as a whole. The Board expects this situation to continue for the foreseeable future until further development of the business gives rise to the appointment of one or more additional directors.

The table below sets out the Directors' attendance at Board and Committee meetings held during the year to 31 March 2017.

	Board of Directors and Remuneration Committee (4 meetings held)		Audit Committee (2 meetings held)	
	Eligible	Attended	Eligible	Attended
Peter Lawrence	4	4	-	-
Marc Loomes	4	4	-	-
Kevin Stockdale	4	3	-	-
Julia Trouse	4	4	-	-
Brett Clemo	4	4	-	-
David Danson	4	4	2	2
Anthony Rawlinson	4	4	2	2

Relations with Shareholders
The Board recognizes the importance of communication with its shareholders. The Group maintains an informative website at www.ecoanimalhealthgroupplc.com .Copies of the Annual Report and financial statements are issued to all shareholders who have requested hard copies and electronic copies are available on the Group's website. The Group also uses its website to provide information likely to be of interest to shareholders and other interested parties. The Company Secretary, Mrs Julia Trouse, also deals with correspondence as and when it arises throughout the year.

CORPORATE GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

Relations with Shareholders (Continued)
Following the announcement of the Company's half year and full year results the Chairman, the Chief Executive Officer and other Directors, although usually only two, make detailed presentations to institutional shareholders and investment analysts.

The Board encourages shareholder participation at its Annual General Meeting, where shareholders may ask questions and can be updated on the Group's activities and strategies, which are already in the public domain.

Internal control
The Board is ultimately responsible for the Group's system of internal controls and for reviewing its effectiveness throughout the year. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board monitors financial controls through the setting and approval of an annual budget and the regular review of monthly management accounts. Management accounts contain a number of indicators that are designed to reduce the possibility of misstatement in the financial statements.

The Group has in place defined authorisation levels for expenditure, the placing of orders and signing authorities. The daily cash movements of the Group are reconciled and monitored by the finance department and circulated to the Directors daily and the Group's cash flow is monitored.

The Board maintains a continuous process for identifying, evaluating and managing significant risks across the Group together with a comprehensive annual review of risks which covers both financial and non-financial areas.

Where the management of operational risk requires outside advice, this is sought from expert consultants.

Going concern
At the balance sheet date the Group had cash balances of £20.6 million and no borrowings. Since the year end the Group has continued to trade profitably and to generate cash. The Board considers that the Group has sufficient cash to meet its current and future liabilities when they fall due and that the Company and the Group have sufficient resources available to continue operating in the foreseeable future. Future uses of the cash are monitored against known and authorised budget expenses for the Company's planned growth and expansion. For this reason, the going concern basis continues to be adopted in preparing the financial statements.

By order of the Board

Julia Trouse
Company Secretary
29 June 2017

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report and financial statements for the year ended 31 March 2017.

Directors

The following directors have held office since 1 April 2016:

Peter Lawrence	Chairman
Marc Loomes	Chief Executive
Kevin Stockdale	Finance Director
Brett Clemo	Executive Director
Julia Trouse	Executive Director
David Danson	Non-Executive Director
Anthony Rawlinson	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 16.

The profit for the year after tax was £11,999,000 (2016: £6,709,000). The directors have declared a dividend of 4.5p per share making a total for the year of 7.10p (2016: 5.70p).

Future Developments

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

Substantial shareholdings

At 2 May 2017, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	Per cent
P A Lawrence and family	9,648,477	14.75
Old Mutual plc	9,055,094	13.84
Schroder Investment Management Limited	7,391,061	11.30
Prudential plc	7,163,862	10.95
Axa Investment Managers SA	6,828,667	10.44
Hargreave Hale	2,569,130	3.93
Liontrust Asset Management	2,374,618	3.63
Invesco Perpetual Asset Management	2,025,491	3.10

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

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 second marketing authorisation for Aivlosin® in the USA, the Group remains committed to obtaining further authorisations of its Aivlosin® products in other key territories and for additional disease applications.

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

M D Loomes	2017	30,000 at £1.615 100,000 at £2.005 400,000 at £2.65 350,000 at £3.125 400,000 at £4.35
	2016	4,040 at £2.15 135,000 at £2.26 150,000 at £1.96 30,000 at £1.615 100,000 at £2.005 400,000 at £2.65 350,000 at £3.125
K Stockdale	2017	12,500 at £1.615 40,000 at £2.005 150,000 at £2.65 50,000 at £3.125 120,000 at £4.35
	2016	45,000 at £2.26 50,000 at £1.96 12,500 at £1.615 40,000 at £2.005 150,000 at £2.65 50,000 at £3.125
J Trouse	2017	12,500 at £1.615 40,000 at £2.005 150,000 at £2.65 50,000 at £3.125 120,000 at £4.35
	2016	13,950 at £2.15 45,000 at £2.26 50,000 at £1.96 12,500 at £1.615 40,000 at £2.005 150,000 at £2.65 50,000 at £3.125
B Clemo	2017	20,000 at £1.615 60,000 at £2.005 250,000 at £2.65 250,000 at £3.125 150,000 at £4.35
	2016	6,070 at £2.15 75,000 at £2.26 100,000 at £1.96 20,000 at £1.615 60,000 at £2.005 250,000 at £2.65 250,000 at £3.125
D Danson	2017	30,000 at £2.65
	2016	30,000 at £0.85 30,000 at £2.65
A Rawlinson	2017	30,000 at £2.005 30,000 at £2.65
	2016	30,000 at £2.005 30,000 at £2.65

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

	Audited Information	
	2017	**2016**
	£000's	**£000's**
M D Loomes	578	412
J Trouse	167	129
K Stockdale	150	143
B Clemo	342	262
D Danson	20	18
A Rawlinson	22	20
	1,279	984

Directors' insurance
The Company maintains directors' and officers' liability insurance for the benefit of its directors which remained in place at 31 March 2017 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.

Stockbrokers
Peel Hunt LLP were the Company's nominated advisor and stockbrokers at the year end. The closing share price on 31 March 2017 was 500.0p per share (2016: 327.5p). During the year the average share price was 456.85p (2016: 294.62p).

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

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

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 and Group during preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company or Group.

On behalf of the board

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Peter Lawrence
Director
29 June 2017

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC FOR THE YEAR ENDED 31 MARCH 2017

We have audited the financial statements (the "financial statements") of ECO Animal Health Group plc for the year ended 31 March 2017 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 13, 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 presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual 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 2017 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT (Continued)
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC
FOR THE YEAR ENDED 31 MARCH 2017

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 and have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In light of our knowledge and understanding of the company and its environment obtained during the course of the audit, we have not identified material misstatements in the Group Strategic Report and the Directors' Report.

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.

Stephen Tanner BSc (Econ), FCA
Senior Statutory Auditor
For and on behalf of;
Kreston Reeves LLP
Statutory Auditors
Chartered Accountants
London EC1Y 4YX
29 June 2017

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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000's	2016 £000's
Revenue	2,3	**61,422**	**47,138**
Cost of sales		(31,103)	(26,109)
Gross profit		**30,319**	**21,029**
Other income	4	379	337
Administrative expenses		(18,053)	(13,918)
Profit from operating activities	5	**12,645**	**7,448**
Finance income	6	784	208
Finance costs	6	-	(7)
Net finance income		**784**	**201**
Share of profit of associate	14	23	25
Reversal of impairment of associate	14	-	30
		23	**55**
Profit before income tax		13,452	7,704
Income tax (charge)	8	(1,453)	(995)
Profit for the year		**11,999**	**6,709**
Profit attributable to:			
Owners of the parent company		10,565	6,037
Non-controlling interest	24	1,434	672
Profit for the year		**11,999**	**6,709**
Earnings per share (pence)	7	16.35	9.71
Diluted earnings per share (pence)	7	16.17	9.56

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000's	2016 £000's
Profit for the year		**11,999**	**6,709**
Other comprehensive income (net of related tax effects):			
Items that will or may be reclassified to profit/(loss) in future periods:			
Foreign currency translation differences		1,030	(198)
Items that will not be reclassified:			
Defined benefit plan actuarial (losses)/gains	21	(483)	27
Revaluation of property		-	108
Deferred tax on revaluations		10	(22)
Other comprehensive income for the year		**557**	**(85)**
Total comprehensive income for the year		**12,556**	**6,624**
Attributable to:			
Owners of the parent company		10,829	6,049
Non-controlling interest	24	1,727	575
		12,556	6,624

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 22 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

CONSOLIDATED	Attributable to the owners of the Parent								
	Share Capital	Share Premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Total	Non-controlling Interest	Total Equity
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2015	3,157	54,198	(5,217)	568	1,775	18,771	73,252	3,029	76,281
Profit for the year	-	-	-	-	-	6,037	6,037	672	6,709
Other comprehensive income:									
Foreign currency differences	-	-	-	-	-	(101)	(101)	(97)	(198)
Actuarial gains on pension scheme assets	-	-	-	-	-	27	27	-	27
Revaluation of investment property	-	-	-	108	-	-	108	-	108
Deferred taxation	-	-	-	(22)	-	-	(22)	-	(22)
Total comprehensive income for the year	-	-	-	86	-	5,963	6,049	575	6,624
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Movement in Treasury Reserve arising from disposal of jointly owned shares	-	-	4,073	-	-	-	4,073	-	4,073
Issue of shares in the year	48	1,392	-	-	-	-	1,440	-	1,440
Purchase of shares into treasury	-	-	-	-	-	(43)	(43)	-	(43)
Share-based payments	-	-	-	-	326	-	326	-	326
Transfers on expiry of options	-	-	-	-	(73)	73	-	-	-
Dividends relating to 2015	-	-	-	-	-	(2,940)	(2,940)	(402)	(3,342)
Transactions with owners recorded directly in equity	48	1,392	4,073	-	253	(2,910)	2,856	(402)	2,454
Balance as at 31 March 2016	3,205	55,590	(1,144)	654	2,028	21,824	82,157	3,202	85,359
Profit for the year	-	-	-	-	-	10,565	10,565	1,434	11,999
Other comprehensive income:									
Foreign currency differences	-	-	-	-	-	737	737	293	1,030
Actuarial (losses) on pension scheme assets	-	-	-	-	-	(483)	(483)	-	(483)
Deferred taxation change in rate	-	-	-	10	-	-	10	-	10
Total comprehensive income for the year	-	-	-	10	-	10,819	10,829	1,727	12,556
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Movement in Treasury Reserve arising from disposal of jointly owned shares	-	-	1,144	-	-	-	1,144	-	1,144
Issue of shares in the year	66	2,517	-	-	-	-	2,583	-	2,583
Sale of treasury shares	-	47	-	-	-	60	107	-	107
Share-based payments	-	-	-	-	678	-	678	-	678
Transfers on expiry of options	-	-	-	-	(257)	257	-	-	-
Dividends relating to 2016	-	-	-	-	-	(3,667)	(3,667)	(587)	(4,254)
Transactions with owners	66	2,564	1,144	-	421	(3,350)	845	(587)	258
Balance as at 31 March 2017	3,271	58,154	-	664	2,449	29,293	93,831	4,342	98,173

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

COMPANY

	Share Capital	Share Premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance as at 31 March 2015	3,157	54,198	(5,217)	299	1,775	12,865	67,077
Profit for the year	-	-	-	-	-	91	91
Other comprehensive income:							
Actuarial gains on pension scheme assets	-	-	-	-	-	27	27
Revaluation of investment property	-	-	-	108	-	-	108
Deferred taxation	-	-	-	(22)	-	-	(22)
Total comprehensive income for the year	-	-	-	86	-	118	204
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	48	1,392	-	-	-	-	1,440
Movement in Treasury Reserve arising from disposal of jointly owned shares	-	-	4,073	-	-	-	4,073
Share-based payments	-	-	-	-	326	-	326
Purchase of shares into treasury	-	-	-	-	-	(43)	(43)
Transfers on expiry of options	-	-	-	-	(73)	73	-
Dividends relating to 2015	-	-	-	-	-	(2,940)	(2,940)
Transactions with owners	48	1,392	4,073	-	253	(2,910)	2,856
Balance as at 31 March 2016	3,205	55,590	(1,144)	385	2,028	10,073	70,137
Profit for the year	-	-	-	-	-	5,144	5,144
Other comprehensive income:							
Actuarial (losses) on pension scheme assets	-	-	-	-	-	(483)	(483)
Deferred taxation change in rate	-	-	-	10	-	-	10
Total comprehensive income for the year	-	-	-	10	-	4,661	4,671
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	66	2,517	-	-	-	-	2,583
Movement in Treasury Reserve arising from disposal of jointly owned shares	-	-	1,144	-	-	-	1,144
Share-based payments	-	-	-	-	678	-	678
Sale of treasury shares	-	47	-	-	-	60	107
Transfers on expiry of options	-	-	-	-	(257)	257	-
Dividends relating to 2016	-	-	-	-	-	(3,667)	(3,667)
Transactions with owners	66	2,564	1,144	-	421	(3,350)	845
Balance as at 31 March 2017	3,271	58,154	-	395	2,449	11,384	75,653

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170)
AS AT 31 MARCH 2017

		Group		Company	
		2017	2016	2017	2016
	Notes	£000's	£000's	£000's	£000's
Non-current assets					
Intangible assets	11	53,883	49,337	-	-
Property, plant and equipment	12	1,865	1,833	731	738
Investment property	13	185	185	185	185
Investments	14	97	64	20,082	20,082
		56,030	**51,419**	**20,998**	**21,005**
Current assets					
Inventories	15	19,675	15,593	-	925
Trade and other receivables	16	16,158	13,629	46,132	41,409
Income tax recoverable		395	140	-	-
Other taxes and social security		897	517	694	309
Cash and cash equivalents	18	20,602	15,665	8,684	7,109
Total current assets		**57,727**	**45,544**	**55,510**	**49,752**
Liabilities					
Trade and other payables	19	(13,733)	(10,373)	(526)	(229)
Income tax		(238)	(280)	-	-
Other taxes and social security		(447)	(240)	(103)	(156)
Dividends		(39)	(38)	(39)	(38)
Current liabilities		**(14,457)**	**(10,931)**	**(668)**	**(423)**
Net current assets		**43,270**	**34,613**	**54,842**	**49,329**
Total assets less current liabilities		**99,300**	**86,032**	**75,840**	**70,334**
Non current liabilities					
Provisions					
Deferred tax	17	(1,027)	(573)	(87)	(97)
Dilapidations on property leases		(100)	(100)	(100)	(100)
TOTAL ASSETS LESS TOTAL LIABILITIES		**98,173**	**85,359**	**75,653**	**70,137**
EQUITY					
Issued share capital	23	3,271	3,205	3,271	3,205
Share premium account		58,154	55,590	58,154	55,590
Treasury reserve		-	(1,144)	-	(1,144)
Revaluation reserve		664	654	395	385
Other reserves	26	2,449	2,028	2,449	2,028
Retained earnings		29,293	21,824	11,384	10,073
		93,831	82,157	75,653	70,137
Non-controlling interests	24	4,342	3,202	-	-
TOTAL EQUITY		**98,173**	**85,359**	**75,653**	**70,137**

Approved by the Board and authorised for issue on 29 June 2017

Peter Lawrence Director

The notes on pages 22 to 66 form part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Group 2017 £000's	Group 2016 £000's	Company 2017 £000's	Company 2016 £000's
Cashflows from operating activities					
Profit before income tax		13,452	7,704	5,148	94
Adjustment for:					
Net finance (income)	6	(784)	(201)	(927)	(635)
Depreciation	12 & 13	264	242	15	20
Loss/(Profit) on disposal of non-current assets		37	(2)	(8)	-
Amortisation of intangible assets	11	3,088	2,681	-	-
Impairment of intangible assets		297	-	-	-
Pension payments	21	(76)	(55)	(76)	(55)
Share of associate's results	14	(23)	(25)	-	-
Reversal of impairment of associate	14	-	(30)	-	-
Share based payments	22	678	326	678	326
Operating cash flows before movements in working capital		**16,933**	**10,640**	**4,830**	**(250)**
Change in inventories		(4,082)	(5,761)	925	(925)
Change in receivables		(3,195)	(2,432)	(5,394)	(5,122)
Change in payables		3,445	728	123	(616)
Cash generated from/(absorbed by) operations		**13,101**	**3,175**	**484**	**(6,913)**
Finance costs		-	(7)	-	(6)
Income tax		(1,286)	(680)	(4)	(3)
Net cash from/(absorbed by) operating activities		**11,815**	**2,488**	**480**	**(6,922)**
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(265)	(364)	(8)	(6)
Disposal of property, plant and equipment		-	6	8	-
Purchase of intangibles (net of contributions from outside parties)	11	(7,931)	(6,358)	-	-
Purchase of own shares		-	(43)	-	(43)
Finance income	6	103	67	927	642
Net cash (used in)/from investing activities		**(8,093)**	**(6,692)**	**927**	**593**
Cash flows from financing activities					
Proceeds from issue of share capital and sale of jointly owned and treasury shares		3,834	5,513	3,834	5,513
Dividends paid		(4,252)	(3,437)	(3,666)	(2,938)
Net cash (used in)/from financing activities		**(418)**	**2,076**	**168**	**2,575**
Net increase/(decrease) in cash and cash equivalents		3,304	(2,128)	1,575	(3,754)
Foreign exchange movements		1,633	58	-	-
Balance at 1 April 2016		15,665	17,735	7,109	10,863
Balance at 31 March 2017	18	**20,602**	**15,665**	**8,684**	**7,109**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 periods beginning after 1 January 2016, but the adoption of these amendments to existing standards and interpretations did not have a material impact on the financial statements of the Group:

- IAS 1 – Disclosure Initiative
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 and IAS 41 – Bearer Plants
- IAS 27 – Equity Method in Separate Financial Statements
- IAS 28 and IFRS 10 – Sale or Contribution of Assets between an Investor and its Associate or Joint operation
- IAS 29, IFRS 10 and IFRS 12– Investment Entities: Applying the consolidation exception
- IFRS 11 – Accounting for Acquisitions of Interests in Joint operation
- IFRS 14 – Regulatory Deferral Accounts

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning after 1 January 2016 (unless otherwise stated) and have not been applied in preparing these consolidated financial statements.

- IFRS 2 – Classification and Measurement of Share Based Payment Transactions (effective January 2018)
- IFRS4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective January 2018)
- IFRS 9 – Financial Instruments (effective 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective from 1 January 2018)
- IFRS 16 – Leases (effective from 1 January 2019)

2.2 Adoption of new and revised standards (continued)

- IAS 7 – Disclosure Initiative
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- IAS40 – Transfers of Investment Property (effective January 2018)
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration (effective January 2018)

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.

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.

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2017.

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 and the Joint operation in the USA and Canada all have December year ends, the Group uses management accounts to the end of March to prepare the Group accounts.

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

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional and the Group's presentational currency.

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

2.6 Financial instruments

a) 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.

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

The Group has the following non-derivative financial assets:

b) 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.

c) 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.

2.7 Goodwill
Goodwill arising on the acquisition of an entity represents the excess of the costs of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal. Goodwill arising before the date of transition to IFRS, on 1 April 2004, has been retained at the previous UK GAAP amounts, subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

2.8 Other intangible assets

Drug registrations, patents and licences

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

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

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

All drug registrations and licences have previously been amortised on a straight-line basis over their useful economic life of 10 years. However, following the granting of Aivlosin's first marketing authorisation in the USA in July 2012, which 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.

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.

2.9 Property, plant and equipment and depreciation

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

Plant and machinery	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.

2.10 Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each year end, to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the impairment loss if any. The recoverable amount is the higher of its fair value and its value in use. For intangible assets with an indefinite useful life, an impairment test is performed at each year end.

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

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

2.11 Investment property
The 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 valuation less any accumulated impairment and 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.

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

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

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

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

2.13 Interest in joint operations
A joint operation 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 accounts for its interest in joint operations using proportional consolidation, as it has rights to substantially all of the economic benefits of the assets and obligations for the liabilities shown in these financial statements relating to those operations.

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

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

2.15 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.

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.

2.16 Inventories
Inventories (including property under development) 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, less any costs which would be incurred in completing the goods and rendering them ready for sale.

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

2.18 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-subsidiaries. The amounts are small and are recognised on an accruals basis.

2.24 Pensions

Defined Contribution Scheme

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

Defined Benefit Scheme

The regular cost of providing retirement pensions and related benefits is charged to the income statement over the employees' service lives on the basis of a constant percentage of earnings. 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 is funded by loans from the Group, with its assets comprising shares in the Company. The Group recognises the assets and liabilities of the Trust in its own accounts and the carrying value of the Company's shares held by the Trust are recorded as a deduction in total equity until such a time as the shares vest unconditionally to employees.

2.25 Share-based payments (continued)

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

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

2.26 Taxation

Tax expense for the period comprises current and deferred tax.

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the year end. Tax expenses are recognised in the income statement or statement of comprehensive income according to the treatment of the transactions which give rise to them.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2.27 Equity

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

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

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

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 (minority) interest

For each business combination, the Group elects to measure any non-controlling interest in the acquiree either at fair value or at their proportionate share of the acquiree's identifiable net assets 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.

(c) Pension scheme
The Group maintains one defined benefit pension scheme which has been accounted for according to the provisions of IAS19. Although the assumptions were determined by a qualified actuary, any change in those assumptions may materially impact the financial position and results of the Group. Details of the assumptions used can be found in note 21 of the financial statements.

(d) Share-based payments
The charge to the Income Statement in respect of share-based payments has been externally calculated using management's best estimates of the amount of options expected to vest and various other inputs to the Black-Scholes model, as disclosed in note 22. Any variation in those assumptions may have a material impact on the Group's future results and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

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, the Far East, Latin America, North America and the Middle East and Africa.

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

	Corporate/ U.K. £000's	Europe £000's	Far East £000's	Latin America £000's	North America £000's	Middle East and Africa £000's	Total £000's
Year ended 31 March 2017							
Total segmental revenue	1,265	7,986	43,041	10,554	21,521	1,621	85,988
Inter-segment revenue	-	-	(8,982)	(3,109)	(12,475)	-	(24,566)
Revenue from external customers	1,265	7,986	34,059	7,445	9,046	1,621	61,422
Sale of goods	1,265	7,986	34,059	7,445	9,046	1,399	61,200
Royalties	-	-	-	-	-	222	222
	1,265	7,986	34,059	7,445	9,046	1,621	61,422
Adjusted EBITDA	(1,420)	2,025	11,142	1,512	3,151	599	17,009
Total assets	27,612	13,954	39,452	15,907	12,987	3,845	113,757
Year ended 31 March 2016							
Total segmental revenue	1,202	6,943	29,024	11,372	16,287	1,693	66,521
Inter-segment revenue	-	-	(6,128)	(4,067)	(9,188)	-	(19,383)
Revenue from external customers	1,202	6,943	22,896	7,305	7,099	1,693	47,138
Sale of goods	1,202	6,943	22,896	7,305	7,099	1,535	46,980
Royalties	-	-	-	-	-	158	158
	1,202	6,943	22,896	7,305	7,099	1,693	47,138
Adjusted EBITDA	(1,269)	1,388	6,913	1019	2,275	369	10,695
Total assets	20,429	12,589	32,451	15,882	11,059	4,553	96,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

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:

	2017 £000's	2016 £000's
Adjusted EBITDA for reportable segments	17,009	10,695
Depreciation	(264)	(242)
(Losses)/Profits on disposal of fixed assets	(37)	2
Amortisation	(3,088)	(2,681)
Impairment of intangible assets	(297)	-
Share-based payment charges	(678)	(326)
Finance income	784	201
Share of associate's results	23	25
Reversal of impairment re associate	-	30
Profit before tax on continuing activities	13,452	7,704

4. Other income

	2017 £000's	2016 £000's
Management charges	166	155
Rental income	145	177
Sundry income	68	5
	379	337

Sundry income in the year relates to the gain on the sale of the property acquired for development in the previous year. The group used some of its surplus cash reserves to fund the £1.33m cost of the project and received £1.4m on the sale of the property. This represents a much larger return to shareholders than was available from bank deposits over the same period.

5. Result from operating activities

	2017 £000's	2016 £000's
Result from operating activities is stated after charging/(crediting)		
Cost of inventories recognised as an expense	30,990	25,994
Employee benefits expenses	8,103	6,034
Amortisation of intangible assets	3,088	2,681
Impairment of intangible assets	297	-
Depreciation (notes 12 &13)	264	242
Loss/(profit) on disposal of assets	37	(2)
Loss on foreign exchange transactions	55	361
Research and development	36	20
Operating lease rentals	638	480
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts	17	17
For the audit of the Company's subsidiaries	41	36
Fees payable for audit of the Company's subsidiaries pursuant to legislation	9	8

	2017 £000's	2016 £000's
Earnings due to shareholders before interest, tax, depreciation, amortisation, share-based payments and foreign exchange differences		
Profit from operating activities	12,645	7,448
Depreciation	264	242
Loss/(Profit) on disposal of fixed assets	37	(2)
Amortisation	3,088	2,681
Impairment of intangible assets	297	-
Share-based payments	678	326
	17,009	10,695
Foreign exchange differences	55	361
	17,064	11,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

6. Finance income

	2017 £000's	2016 £000's
Finance income		
Interest received on short term bank deposits	103	67
Foreign exchange differences on bank balances	681	141
	784	208
Finance costs		
Interest paid	-	(7)
	-	(7)
	784	201

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.

	2017 Earnings £000's	2017 Weighted average number of shares 000	2017 Per share amount (pence)	2016 Earnings £000's	2016 Weighted average number of shares 000	2016 Per share amount (pence)
Earnings attributable to ordinary shareholders on continuing operations after tax	10,565	64,638	16.35	6,037	62,170	9.71
Dilutive effect of share options	-	718	(0.18)	-	988	(0.15)
Fully diluted earnings per share	10,565	65,356	16.17	6,037	63,158	9.56

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 138,246 (2016: 1,521,594).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

8. Taxation

	2017 £000's	2016 £000's
Current tax year		
Foreign corporation tax on profits for the year	1,183	693
Withholding tax on intercompany dividend	61	42
Research and development tax credits claimed	(255)	(98)
Deferred tax		
Origination and reversal of temporary differences	469	403
Due to change in effective rate	(5)	(45)
Income tax charge	1,453	995

	2017 £000's	2016 £000's
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	13,452	7,704
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 20%	2,690	1,541
Effects of:		
Non deductible expenses	557	358
Non chargable credits	(742)	(291)
Withholding tax on inter-company dividends	61	42
Enhanced allowance on research and development expenditure	(1,078)	(764)
Different tax rate for foreign subsidiaries	214	111
Reduced effective deferred tax rate	(5)	(45)
Unused tax losses carried forward	2	43
Patent box claim	(275)	-
Other adjustments	29	-
Income tax charge	1,453	995

	2017 %	2016 %
Applicable tax rate per UK legislation	20.00	20.00
Effects of:		
Non deductible expenses	4.14	4.65
Non chargable credits	(5.51)	(3.77)
Withholding tax on inter-company dividends	0.45	0.54
Enhanced allowance on research and development expenditure	(8.02)	(9.92)
Different tax rate for foreign subsidiaries	1.59	1.44
Reduced effective deferred tax rate	(0.04)	(0.58)
Unused tax losses caried forward	0.02	0.56
Patent box claim	(2.05)	-
Other adjustments	0.22	-
Effective tax rate	10.80	12.92

Deferred tax balances at the year end have been measured at 18%, which was expected to be the rate in force when they become payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

9. Profit for the financial year

	2017 £000's	2016 £000's
Parent Company's profit for the financial year	5,144	91

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

10. Dividends

	2017 £000's	2016 £000's
Dividend for the period ended 31 March 2015 of 4.75p per ordinary share	-	3,020
Dividend for the period ended 31 March 2016 of 5.7p per ordinary share	3,675	-
Dividend waived by Employee Benefit Trust	(8)	(80)
	3,667	2,940

The Board is declaring a dividend of 7.1 pence per share in respect of the year ended 31 March 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

11. Intangible fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and license costs	Total
	£000's	£000's	£000's	£000's
Cost				
At 1 April 2015	17,930	1,442	53,356	72,728
Additions - internally generated	-	-	5,885	5,885
Additions- acquired separately	-	-	473	473
Foreign exchange movements	-	-	(2)	(2)
At 1 April 2016	17,930	1,442	59,712	79,084
Additions - internally generated	-	-	8,238	8,238
Contributions from outside parties	-	-	(307)	(307)
At 31 March 2017	17,930	1,442	67,643	87,015
Amortisation				
At 1 April 2015	-	615	26,453	27,068
Charge for the year	-	72	2,609	2,681
Foreign exchange movements	-	-	(2)	(2)
At 1 April 2016	-	687	29,060	29,747
Charge for the year	-	72	3,016	3,088
Impairment for the year	-	-	297	297
At 31 March 2017	-	759	32,373	33,132
Net Book Value				
At 31 March 2017	17,930	683	35,270	53,883
At 31 March 2016	17,930	755	30,652	49,337
At 31 March 2015	17,930	827	26,903	45,660

The amortisation and impairment charges are 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 6 to 17 years.

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

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

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 £78 million (2016: £67 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 £51 million more than the carrying value and no impairment would be necessary.

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

	£000's
Aivlosin	33,723
Ecomectin	1,473
Others	74
	35,270

Aivlosin is a highly effective antibiotic that treats a range of specific enteric (gut) and respiratory diseases in pigs and poultry, ensuring a rapid return to health. In addition to the welfare benefits, healthy animals gain weight faster, digest food more efficiently and get to market earlier which all bring economic benefit to the farmer. Substantial ongoing product development covering more formulations, species and diseases is expected to substantially further increase its revenue generating potential. The remaining amortisation period is from 6 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 value in use over carrying value is over £6 million (2016: £12 million).

Fair value calculated as 10 times the current cash generated by the registrations gives an even higher value of £127m and this higher figure determines the recoverable amount, so management has again concluded that no impairment is necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

11. Intangible fixed assets (Continued)

A review of individual projects has identified that an impairment in the year of £297,000 (2016: £nil) would be appropriate.

12. Property, plant and equipment

Group	Land and Buildings (freehold)	Plant and machinery	Fixtures, fittings and equipment	Motor Vehicles	Total
	£000's	£000's	£000's	£000's	£000's
Cost or valuation					
At 1 April 2015	650	1,427	631	86	2,794
Revaluation in the year	80	-	-	-	80
Additions	-	285	79	-	364
Foreign exchange movements	-	(23)	-	-	(23)
Disposals	-	(31)	-	(33)	(64)
At 1 April 2016	730	1,658	710	53	3,151
Additions	-	47	155	63	265
Foreign exchange movements	-	116	-	6	122
Disposals		(280)	-	(47)	(327)
At 31 March 2017	730	1,541	865	75	3,211
Depreciation					
At 1 April 2015	18	653	442	62	1,175
Charge for the year	10	157	62	9	238
Revaluation adjustment	(28)	-	-	-	(28)
Foreign exchange movements	-	(9)	3	-	(6)
Disposals	-	(29)	-	(32)	(61)
At 1 April 2016	-	772	507	39	1,318
Charge for the year	13	166	78	7	264
Foreign exchange movements	-	51	2	-	53
Disposals	-	(252)	-	(37)	(289)
At 31 March 2017	13	737	587	9	1,346
Net Book Value					
At 31 March 2017	717	804	278	66	1,865
At 31 March 2016	730	886	203	14	1,833
At 1 April 2015	632	774	189	24	1,619

The freehold property at 78 Coombe Road, New Malden was valued on 11 May 2016 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 £730,000 by means of applying a 7.5% 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

12. Property, plant and equipment (continued)

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

The value of the freehold property would have been recorded at £280,000 (2016: £284,000) on a historical cost basis giving rise to the current revaluation surplus of £360,000 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 £114,000 (2016: £115,000) of depreciation of production equipment in the 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	**£000's**	**£000's**	**£000's**	**£000's**
At 1 April 2015	650	149	26	825
Additions	-	6	-	6
Revaluation in the year	80	-	-	80
At 1 April 2016	730	155	26	911
Additions	-	8	-	8
Disposals	-	-	(26)	(26)
At 31 March 2017	730	163	-	893
Depreciation				
At 1 April 2015	18	145	22	185
Charge for the year	10	2	4	16
Revaluation adjustment	(28)	-	-	(28)
At 1 April 2016	-	147	26	173
Charge for the year	12	3	-	15
Revaluation adjustment	-	-	(26)	(26)
At 31 March 2017	12	150	-	162
Net Book Value				
At 31 March 2017	718	13	-	731
At 31 March 2016	730	8	-	738
At 1 April 2015	632	4	4	640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

13. Investment property

Group and Company

	Land and Buildings (freehold) £000's	Total £000's
Cost /Revaluation		
At March 2015, March 2016 and March 2017	189	189
Depreciation		
At March 2015,	-	-
Charge for the year ended March 2016	4	4
At March 2016 and March 2017	4	4
Net Book Value		
At 31 March 2017	185	185
At 31 March 2016	185	185
At 1 April 2015	189	189

The property in Western Road, Mitcham was valued at £189,000 as at 31 March 2015 by Mr R. Sworn of Kelion Sworn Chartered Surveyors, London W1. This property was previously the Head Office of Lawrence plc (now ECO Animal Health Group plc) and is occupied by a charity.

The value of the investment property would have been recorded at £139,000 on a historical cost basis giving rise to the current revaluation surplus of £36,000 net of deferred tax provision. This balance is not distributable to shareholders.

14. Fixed asset investment

Group

	Investment in Associate (Equity) £000's	Unlisted investments (Cost) £000's	Total £000's
At March 2015	-	9	9
Reversal of previous impairments	30	-	30
Share of associate's result for the year	25	-	25
At March 2016	55	9	64
Share of associate's result for the year	23	-	23
Foreign exchange differences	10	-	10
At March 2017	88	9	97

Company

	Unlisted investments (subsidiaries) £000's	Total £000's
Cost or fair value		
At March 2015, 2016 and 2017	21,273	21,273
Impairment		
At March 2015, 2016 and 2017	1,191	1,191
Net Book Value		
At March 2015, 2016 and 2017	20,082	20,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

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	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, S. de R. L. de C. V.	Mexico	Ordinary	100
ECO Animal Health de Argentina S.A.	Argentina	Ordinary	100
ECO Animal Health Malaysia Sdn. Bhd	Malaysia	Ordinary	100
ECO Animal Health India Private Ltd	India	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.	Distribution of animal drugs
ECO Animal Health USA Corp.	Distribution of animal drugs
Interpet LLC	Non-trading
ECO Animal Health de Mexico, S. de R. L. de C. V.	Distribution of animal drugs
ECO Animal Health de Argentina S.A.	Non-trading
ECO Animal Health Malaysia Sdn. Bhd	Non-trading
ECO Animal Health India Private Ltd	Non-trading

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 2017 £000's	Profit/(loss) for the year 2017 £000's	Equity 2016 £000's	Profit/(loss) for the year 2016 £000's
ECO Animal Health Limited	18,871	10,809	13,062	6,692
ECO Animal Health Southern Africa (Pty) Limited	234	18	217	(121)
Zhejiang ECO Biok Animal Health Products Ltd	8,857	2,926	6,531	551
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	1,102	(261)	1,060	9
ECO Animal Health Japan Inc.	1,106	90	867	73
ECO Animal Health de Mexico, S. de R. L. de C. V.	(317)	(8)	(290)	(97)
ECO Animal Health USA Corp.	27	42	(11)	105

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 formation have 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.
ECO Animal Health USA Corp.
ECO Animal Health de Mexico, S. de R. L. de C. V.

Joint Operations

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

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

14. Fixed asset investments (continued)

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

The group's holdings in each of the joint operations' share capital is given in the table below:

Pharmgate Animal Health Canada Inc	Holding (shares)	Shares in Issue	Holding %
Common shares	100	200	50
Class A shares	100	100	100
Class B shares	-	100	-

Pharmgate Animal Health USA LLC	Holding (shares)	Shares in Issue	Holding %
Common shares	100	200	50
Class A shares	100	100	100
Class B shares	-	100	-

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 operation.

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

	Pharmgate LLC		Pharmgate Animal Health Canada Inc	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Current assets	935	1,483	461	494
Current liabilities	(907)	(1,461)	(461)	(493)
Sales	6,145	4,224	2,462	2,681
Expenses	(1,285)	(892)	(274)	(247)

Associated Company

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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14. Fixed asset investments (continued)

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

	2017 £000's	2016 £000's
Investments (share of net assets)		
At 1 April 2016	55	-
Share of results for the year	23	25
Reversal of previous impairment	-	30
Foreign exchange movement	10	-
At 31 March 2017	88	55

15. Inventories

	Group		Company	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Raw materials and consumables	14,503	9,824	-	-
Finished goods and goods for resale	4,493	4,373	-	-
Work in progress	679	472	-	-
Property under development	-	925	-	925
	19,675	15,594	-	925

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £30,894,000 (2016: £25,994,000).

16. Trade and other receivables

	Group		Company	
	2017 £000's	2016 £000's	2017 £000's	2016 £000's
Trade receivables	14,912	12,036	-	-
Amounts owed by group undertakings	-	-	46,043	41,002
Amounts owed by joint operations	390	490	-	-
Other receivables	286	610	22	348
Prepayments and accrued income	570	493	67	59
	16,158	13,629	46,132	41,409

16. Trade and other receivables (continued)

As at 31 March 2017, trade receivables of £1,936,000 (2016: £2,373,000) due to the Group and £nil (2016: £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 2017 £000's	Group 2016 £000's	Company 2017 £000's	Company 2016 £000's
Up to 3 months past due	1,548	1,621	-	-
3 to 6 months past due	382	709	-	-
Over 6 months past due	6	43	-	-
	1,936	2,373	-	-

As at 31 March 2017, trade receivables of £501,000 (2016: £453,000) 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 2017 £000's	Group 2016 £000's	Company 2017 £000's	Company 2016 £000's
Current debt	9	-	-	-
Up to 3 months past due	31	109	-	-
3 to 6 months past due	131	167	-	-
Over 6 months past due	330	177	-	-
	501	453	-	-

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

Group	2017 £000's	2016 £000's
Balance at 1 April	453	276
Provided in the year (net of recoveries)	48	194
Written off in the year	-	(17)
Balance at 31 March	501	453

16. Trade and other receivables (continued)

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

	Group		Company	
	2017	2016	2017	2016
	£000's	£000's	£000's	£000's
Pounds Sterling	574	987	46,132	41,409
Euros	3,883	3,062	-	-
U S Dollars	7,184	5,442	-	-
Chinese RMB	1,624	1,195	-	-
Brazilian Real	846	748	-	-
Japanese Yen	644	563	-	-
Canadian dollars	441	839	-	
Other currencies	962	793	-	-
	16,158	13,629	46,132	41,409

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

17. Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following:

	Liabilities		Net	
	2017	2016	2017	2016
	£000's	£000's	£000's	£000's
Drug registration expenditure	(2,785)	(2,337)	(2,785)	(2,337)
Freehold property	(79)	(89)	(79)	(89)
Investment property	(8)	(8)	(8)	(8)
Plant and equipment	(43)	(27)	(43)	(27)
Tax losses carried forward	1,888	1,888	1,888	1,888
Amount (payable) after more than one year	(1,027)	(573)	(1,027)	(573)

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

	Drug registration expenditure	Freehold property	Investment property	Total
	£000's	£000's	£000's	£000's
At 1 April 2016	(476)	(89)	(8)	(573)
(Charge) for the year through income statement	(464)	-	-	(464)
Credit for the year through revaluation reserve	-	10	-	10
At 31 March 2017	(940)	(79)	(8)	(1,027)

17. Deferred tax (continued)

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% withholding tax (reduced to 5% in respect of dividends paid out of profits made in 2015 or after). The deferred tax liability in respect of this has not been recognised.

Company	2017 Freehold property £000's	2017 Investment property £000's	2017 Total £000's	2016 Freehold property £000's	2016 Investment property £000's	2016 Total £000's
At 1 April	(89)	(8)	(97)	(66)	(9)	(75)
Movement in the year through revaluation reserve	10	-	10	(23)	1	(22)
At 31 March	(79)	(8)	(87)	(89)	(8)	(97)

No charge or credit (2016: no charge or credit) was recognised in the Company's income statement for the year. A credit of £10,000 (2016: charge of £22,000) 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.

	Group 2017 £000's	Group 2016 £000's	Company 2017 £000's	Company 2016 £000's
Cash and cash equivalents	20,602	15,665	8,684	7,109
Net funds per cash flow	20,602	15,665	8,684	7,109

19. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	£000's	£000's	£000's	£000's
Trade payables	11,132	8,281	115	83
Amounts due to joint operation	-	87	-	-
Other payables	1,790	961	403	85
Accruals and deferred income	811	1,044	8	61
	13,733	10,373	526	229

20. Borrowings

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.

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 £269,000 (2016: £452,000).

Defined Benefit Pension Scheme
The Group operates a defined benefit scheme in the UK for ex-employees only. A full actuarial valuation was carried out at 6 April 2012 and updated 31 March 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2017	1 April 2016
Discount rate	2.8%	3.50%
Rate of increase in pension payment	2.25%	1.95%
Inflation assumption with a maximum of 5% p.a.	3.25%	2.95%

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

Post retirement mortality is based on the mortality table known as S2NMA for males and S2NFA for females with reference to member's years of birth. Allowance has been made for the improvement in mortality experienced recently and expected in the future by using 100% of the CMI's 2016 improvement table, subject to a minimum improvement rate of 1.25% (2016: 1.25%) for males and 1% (2016: 1%) for females. The previous figures used S1NMA/S1NFA, CMI 2015 and the same long term rates.

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

Defined Contribution Pension Scheme

Under these mortality assumptions, the expected future lifetime for a member retiring at age 65 at the year end would be 22.6 years for males (2016: 22.4 years) and 24.3 years for females (2016: 24.4 years). For members retiring in 20 years time, the expectation of life would be 23.9 years for males (2016: 24 years) and 25.5 years for females (2016: 25.9 years).

The weighted average term of the liabilities is 23 years (2016: 16 years).

The scheme is exposed to a number of risks including:

1. Interest rate risk: Movements in the discount rate used could affect the present value of the defined benefit pension obligations.

2. Longevity risk: Changes in the estimated mortality rates of former employees could affect the present value of the defined benefit pension obligations.

3. Investment risk: Variations in the actual return from the scheme's investments could affect the scheme's ability to meet its future pension obligations.

Results	**2017**		**2016**	
	£000's	**£000's**	**£000's**	**£000's**
Assets at start of year	2,715		2,985	
Defined benefit obligation at start of year	(2,431)		(2,782)	
Net asset at 1 April		284		203
Expected return on assets	95		95	
Interest cost	(85)		(89)	
		10		6
(Loss) on asset return	(165)		(42)	
Experience (loss)/gain	(300)		13	
Loss/(Gain) on changes in assumptions	(18)		56	
Statement of other comprehensive income		(483)		27
Employer contributions gross	76		55	
Expenses paid by trustees	(8)		(7)	
		68		48
Net (liability)/asset at 31 March 2017		(121)		284
Actual assets at end of year		2,314		2,715
Actual defined benefit obligation at end of year		(2,435)		(2,431)

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

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

Reconciliation of changes in the asset value during the year

	2017		2016	
	£000's	£000's	£000's	£000's
Fair value of assets at 1 April	2,715		2,985	
Expected return on assets	95		95	
(Loss) on asset return	(165)		(42)	
Employer contributions (gross)	76		55	
Expenses paid by trustees	(8)		(7)	
(Decrease) in secured pensioners' value due to scheme experience	(247)		(371)	
Benefits paid	(152)		-	
Fair value of assets at 31 March 2016		2,314		2,715

Reconciliation of changes in the liability value during the year

	2017		2016	
	£000's	£000's	£000's	£000's
Defined benefit obligation at 1 April	2,431		2,782	
Interest cost	85		89	
Experience loss/(gain) on liabilities	300		(13)	
Loss on changes in assumptions	18		(56)	
(Decrease) in secured pensioners' value due to scheme experience	(247)		(371)	
Benefits paid	(152)		-	
Defined benefit obligation at 31 March 2016		2,435		2,431

The expected contribution to be paid by the employer during the next accounting year is £59,000.

Year ended 31 March	2017	2016	2015	2014	2013
	£000's	£000's	£000's	£000's	£000's
Fair value of plan assets	2,314	2,715	2,985	2,680	2,760
Present value of defined benefit obligation	2,435	2,431	2,782	2,478	2,631
(Deficit)/Surplus in plan	(121)	284	203	202	129
Experience (losses)/gains on plan liabilities	(300)	13	2	4	(31)

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21. Pension and other post-retirement benefit commitments (continued)
Defined benefit obligation – sensitivity analysis

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

Actuarial assumption	Reasonably Possible Change	(Decrease)/Increase in Defined Benefit Obligation			
		2017	£000's	2016	£000's
Discount rate	(+/- 1%)	(25)	30	(107)	138
Members' life expectancy	(+/- 1year)	7	(7)	26	(27)

The company has given a floating charge dated 1 December 2006 over all of its assets to the trustees of the pension fund to secure all present and future obligations and liabilities to the pension fund.

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:

	2017 £000's	2016 £000's
Total expense arising from equity settled share-based transactions	678	356

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	
	2017 000's	2017 WAEP £	2017 000's	2017 WAEP £	2016 000's	2016 WAEP £	2016 000's	2016 WAEP £
Outstanding at 1 April	5,694	2.41	552	2.05	3,642	1.82	2,603	2.00
Granted during the period	1,272	4.35	-	-	3,029	2.83	-	-
Expired/cancelled during the period	(41)	2.37	-	-	(29)	1.95	-	-
Exercised during the period	(1,332)	1.94	(552)	2.05	(948)	1.52	(2,051)	1.99
Outstanding at 31 March	5,593	2.96	-	-	5,694	2.41	552	2.05
Exercisable at 31 March	474	1.84	-	-	836	1.79	552	2.05

The average share price during the year was 456.85p (2016: 294.62p).

22. Share-based payments (continued)

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 2017 had a weighted average share price of £2.96 (2016: £2.41) and a weighted average contractual life of 5.6 years (2016: 5.7 years).

Eco Animal Health Group plc Executive Share Option Scheme

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

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.

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:

22. Share-based payments (continued)

Date of grant	Unapproved	Approved	Exercise price (pence)	Expiry date
03 March 2008		34,410	108.50	03 March 2018
06 August 2009		22,000	135.00	06 August 2019
11 October 2011		25,300	186.50	11 October 2021
11 October 2011	95,000		186.50	11 October 2018
09 July 2012	175,000		222.50	09 July 2018
09 October 2013		47,040	196.00	09 October 2023
09 October 2013	74,960		196.00	09 October 2020
07 August 2014		76,300	161.50	07 August 2024
07 August 2014	174,200		161.50	07 August 2021
13 February 2015		113,800	200.50	13 February 2025
13 February 2015	474,200		200.50	13 February 2022
16 April 2015		4,000	239.00	16 April 2025
16 April 2015	41,000		239.00	16 April 2022
26 August 2015		135,650	265.00	26 August 2025
26 August 2015	1,680,350		265.00	26 August 2022
18 December 2015	700,000		312.50	18 December 2022
18 January 2016		10,200	315.00	18 January 2026
18 January 2016	362,800		315.00	18 January 2023
17 February 2016		24,600	312.50	17 February 2026
17 February 2016	400		312.50	17 February 2023
01 March 2016		9,600	312.50	01 March 2026
01 March 2016	40,400		312.50	01 March 2023
12 September 2016		26,950	432.50	12 September 2026
12 September 2016	445,050		432.50	12 September 2023
15 September 2016		12,750	435.00	15 September 2026
15 September 2016	777,250		435.00	15 September 2023
11 October 2016		6,000	492.50	11 October 2026
11 October 2016	4,000		492.50	11 October 2023
	5,044,610	548,600		

ECO Animal Health Group plc Joint Share Ownership Plan

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.

22. Share-based payments (continued)

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 2017 was 500.0p with a range in the year of 340.0p to 517.5p.

No shares were issued under the Joint Share Ownership Plan during the year or the previous year and no shares are currently held under the terms of the plan.

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.

	2017	2016	2015	2014	2013
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	1.50%	1.50%	2.0-2.3%	1.4-1.9%	1.40%
Risk free rate (average)	1.00%	1.00%	1.00%	0.5-1.2%	0.50%
Volatility of share price	20%	20%	15%	20%	25%
Weighted average fair value (pence)	61.4	43.0	19.2	29.1	38.7

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

23. Share capital

	2017 £000's	2016 £000's
Authorised		
68,100,000 Ordinary shares of 5p each	3,405	3,405
10,790 Deferred ordinary shares of 10p each	1	1
32,334 Convertible preference shares of £1 each	32	32
	3,438	3,438
Allotted, called up and fully paid		
65,422,706 (2016: 64,090,446) Ordinary shares of 5p each	3,271	3,205

During the year the Company sold 24,311 of its own shares out of treasury at an average price of £4.39, realising a gain of £47,000 which has been credited to share premium.

During the year 1,332,260 shares were issued at a premium of £2,516,000 as a result of the exercise of options by employees. (2016: 948,025 shares at a premium of £1,392,000).

24. Non-controlling (minority) interests

	2017 £000's	2017 £000's	2016 £000's	2016 £000's
Balance at 1 April		3,202		3,029
Share of subsidiary's profit for the year	1,434		672	
Share of foreign exchange gain/(loss) on net investment	293		(97)	
		1,727		575
Share of dividend paid by subsidiary		(587)		(402)
Balance at 31 March		4,342		3,202

25. Treasury share reserve

	2017 £000's	2016 £000's
Balance at 1 April	1,144	5,217
Repaid on disposal of jointly owned shares	1,134	4,073
Balance written off to income statement	10	-
Balance at 31 March	-	1,144

Treasury share reserve consisted of £1,144,000, being the cost of 552,360 shares in the Company held by the Group's JSOP. These shares were sold during the year and the cost was repaid to the group.

26. Other reserves

Group and Company	Capital redemption reserve £000's	Reserve for share-based payments £000's	Total £000's
At 31 March 2015	106	1,669	1,775
Share-based payments	-	326	326
Transfer to retained earnings on expiry of options	-	(73)	(73)
At 1 April 2016	106	1,922	2,028
Share-based payments	-	678	678
Transfer to retained earnings on expiry of options	-	(257)	(257)
At 31 March 2017	106	2,343	2,449

The only material other 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 operation listed below:

	At 1 April 2016 £000's	Movement in the year £000's	At 31 March 2017 £000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	645	304	949
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	(499)	303	(196)
ECO Animal Health Japan Inc.	(89)	148	59
Eco Animal Health USA Corp.	(16)	(3)	(19)
ECO Animal Health de Mexico, S. de R. L. de C. V.	(25)	(19)	(44)
ECO Animal Health Southern Africa (pty) Ltd.	-	-	-
Pharmgate LLC	2	4	6
Pharmgate Canada LLC	-	-	-
Foreign currency differences attributable to owner credited directly to reserves.	18	737	755

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2017

27. Financial commitments
At 31 March 2017 the Group had minimum commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2017	2016	2017	2016
	£000's	£000's	£000's	£000's
Expiry date:				
Within one year	489	462	72	84
Between the second and fifth year	986	764	105	102
In over five years	2,285	1,777	-	-
	3,760	3,003	177	186
Minimum expected sublease rental receipts:				
Within one year	53	140	-	-
Between two and five years	-	53	-	-
	53	193	-	-

28. Capital commitments
The group had no authorised capital commitments as at 31 March 2017 (2016: Nil).

29. Directors' emoluments

	2017	2016
	£000's	£000's
Emoluments for qualifying services	846	569
Company pension contributions to money purchase schemes	22	187
Share-based payments	385	204
Benefits in kind	26	24
	1,279	984

During the year the directors exercised 706,060 (2016: 27,640) share options realising a gain of £1,827,000 (2016: £50,000) and disposed of interests in 487,360 shares (2016: 1,956,930 shares) held under the joint share ownership plan realising gains of £1,044,000 (2016: £1,952,000).

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2016: 4). No directors accrued benefits under defined benefit schemes for this or the previous year.

The highest paid director received £578,000 (2016: £412,000) including £174,000 (2016: £86,000) of share-based payments and £10,000 (2016: £80,000) of pension contributions.

30. Employees

Number of employees

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

	2017 Number	2016 Number
Directors	7	7
Production and development	65	64
Administration	41	42
Sales	88	85
	201	198

Employment costs (including amounts capitalised)

	2017 £000's	2016 £000's
Wages and salaries	9,171	6,902
Share-based payments	678	326
Social security costs	749	641
Other pension costs	281	456
	10,879	8,325

31. Related party transactions

During the year P Lawrence and his family received dividends to the value of £606,000 (2016: £541,000). At the year end ECO Animal Health Group plc owed P A Lawrence and members of his family a total of £229,000 (2016: £64,000). No interest was paid in respect of these balances which are payable on demand.

The other directors and their families received dividends to the value of £3,000 (2016: £8,000).

During the year the Group paid £434,000 to Emmelle Construction Limited, a company in which P A Lawrence is a Director and shareholder, in respect of work done on a property acquired by the Group for renovating. In the previous year £55,000 was paid to Emmelle Developments in respect of this property but this amount was credited during the current year.

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 £40,000 (2016: £36,000) were charged.

During the year, the Group provided the services of two employees to Emmelle Construction Limited, a company in which P A Lawrence is a Director and shareholder. Fees of £43,000 were charged. In the prior year these employees were provided to C-Corp Limited and fees of £43,000 were charged to that company.

The company historically operated a current account with Mr Peter Lawrence, the chairman, to help fund the cash requirements of the business. During the month of April 2016, the company made the following advances to him: 6 April 2016 £10,853, 14 April 2016 £63,624. Other advances arising between 6 April 2016 and 14 April 2016 of less than £10,000 amounted to £19,871. The total amount advanced at this time was £94,347 which was repaid to the company by Mr Lawrence on 15 April 2016. During the months of October and November 2016 the company made the following further advances to Mr Lawrence: 19 October 2016 £921,305, 31 October 2016 £30,299. Other advances arising between 20 October and 8 November of less than £10,000: £18,528. The maximum amount advanced to Mr Lawrence during this time was £921,305 as several amounts were also credited to his loan account during this period. Mr Lawrence repaid the balance outstanding on 10 November 2016. No interest was payable in respect of these advances which were inadvertently made without the prior approval of the company's shareholders, in the last case due to an unexpected delay in the transfer of his funds to the company. The director's loan account has subsequently been closed.

Throughout the remainder of the year the company was indebted to Mr Lawrence, often considerably so, as reflected in the amount owed to him at the balance sheet date of £229,126 (2016: £63,047). The maximum amount owed to Mr Lawrence during the year was £3,042,883 being largely attributable to the sale of some of his shares. No interest was charged by Mr Lawrence in respect of amounts owed to him by the company.

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 £253,000 (2016: £190,000) and charged interest of £635,000 (2016: £600,000) to the Company. Both of these charges were made through the inter-company account and were eliminated on consolidation.

During the year Zhejiang ECO Biok Animal Health Products Limited paid dividends of £45,000 to ECO Animal Health Group plc (2016: £32,000) and £566,000 to ECO Animal Health Limited (2016: £386,000).

During the year ECO Animal Health Group plc received a dividend of £5,000,000 from ECO Animal Health Limited. (2016: £Nil).

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 foreign currency overdraft facility which has been extended to them jointly.

Key management compensation

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

	2017 £000's	2016 £000's
Salaries and short term benefits	872	593
Retirement benefits	22	187
Share-based payments	385	204
	1,279	984

The number of directors for which retirement benefits are accruing is 4 (2016: 4).

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, however as the group has no borrowings, interest rate risk is not currently considered significant.

Capital and liquidity risk

The Group manages its capital to ensure continuity as a going concern whilst maximising returns through the optimisation of debt and equity. As part of this, the Board considers the cost and risk associated with each class of capital. The capital structure of the Group consists of cash and cash equivalents in note 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 2017 the Group was contractually obliged to make repayments as detailed below:

Within one year or on demand	2017 £000's	2016 £000's
Trade payables	11,132	8,281
	11,132	8,281

32. Financial instruments (continued)

Credit risk (continued)

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 its Joint operation in Canada and is subject to currency exposure on transactions undertaken during the year. The Group does some simple economic hedging of receivables when the Board feels it is appropriate to do so and foreign exchange differences on retranslation of foreign monetary items are taken to the income statement.

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

				Chinese	Japanese	Brazilian	Canadian	
2017	**US Dollar**	**Euros**	**Rand**	**RMB**	**Yen**	**Real**	**Dollar**	**Other**
Sterling equivalent (000's)	5,199	5,234	134	1,564	729	1,105	789	719
2016								
Sterling equivalent (000's)	2,793	3,164	225	2,799	605	821	1,008	498

32. Financial instruments (Continued)

Foreign currency of Group operations (continued)
At 31 March 2017 the Group was mainly exposed to the Dollar, Euro, the Chinese RMB, the Japanese Yen, the Brazilian Real and the Canadian Dollar. 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 2017. A positive number indicates the decrease in profit which would arise from a 10 per cent weakening of the foreign currency concerned.

	2017 £000's	2016 £000's
U S Dollar	473	254
Euro	476	288
Chinese RMB	142	254
Japanese Yen	66	55
Brazilian Real	100	75
Canadian Dollar	72	92

Analysis of financial instruments by category

Group

2017	Loans and receivables £000's	Total £000's
Investments	97	97
Trade and other receivables (excluding prepayments)	15,588	15,588
Cash and cash equivalents	20,602	20,602

2016	Loans and receivables £000's	Total £000's
Investments	64	64
Trade and other receivables (excluding prepayments)	13,136	13,136
Cash and cash equivalents	15,665	15,665

32. Financial instruments (Continued)

Foreign currency of Group operations (continued)

Company

2017	**Loans and receivables £000's**	**Total £000's**
Trade and other receivables (excluding prepayments)	45,779	45,779
Cash and cash equivalents	8,684	8,684

2016	**Loans and receivables £000's**	**Total £000's**
Trade and other receivables (excluding prepayments)	41,350	41,350
Cash and cash equivalents	7,109	7,109

All financial liabilities in the Group's and Company's statements of financial position are classified as held at amortised cost for both the current and previous year.

33. Post balance sheet event

The Company paid a dividend of £1,635,000 on 7th April 2017.