ECO Animal Health Group plc

Annual report and accounts 2018

ECO

Animal Health Group plc

... applying science carefully

2 July 2018

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

Results for the year ended 31 March 2018

ECO ANIMAL HEALTH REPORTS ANOTHER STRONG PERFORMANCE

HIGHLIGHTS

Financials
- 9.4% increase in sales to £67.2m (2017: £61.4m)
- 12% increase in operating profit to £14.1m (2017: £12.6m)
- 15% increase in adjusted EBITDA to £19.6m (2017: £17.1m)
- 30% increase in dividend to 9.2p (2017: 7.1p)
- Strong cash generation from operations leaving net cash of £21.3 million at year end (2017: £20.6)

Operations
- Aivlosin® sales up almost 14%
- Approval of Water Soluble Granule formulation for Swine Respiratory Disease (SRD) in North America
- Approvals for poultry laying eggs were obtained in Egypt, Malaysia, the Philippines, Turkey, Ukraine and Argentina with a zero withdrawal period
- Continued investment in new routes to market, product development, to broaden our range to include biologicals, people and stockholding to support future growth

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

"The year has started well with a strong and growing order book. As the global animal health industry continues to consolidate, we are actively seeking to acquire or develop drugs that fit comfortably in our portfolio and serve our specialised markets. ECO's sound balance sheet and consistent cash generation place the company in a strong position to take advantage of any opportunity that may arise. I look forward with confidence to reporting another set of impressive results in 2019".

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

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS AND ADVISORS

Directors	Peter Lawrence	Non Executive Chairman
	Marc Loomes	Chief Executive
	Kevin Stockdale	Finance Director
	Brett Clemo	Executive Director
	Julia Trouse	Executive Director
	Andrew Jones	Non Executive Director (appointed 1 December 2017)
	Anthony Rawlinson	Non Executive Director

Secretary
Julia Trouse

Company Number
1818170

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Registered auditors
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Third Floor
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Nominated Adviser And Broker
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ECO ANIMAL HEALTH GROUP PLC

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CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

I am pleased to report that ECO Animal Health Group has delivered another set of record results for the year to 31 March 2018.

ECO manufactures and distributes essential medications to the expanding global animal protein production industry. The Group's patented flagship medication, Aivlosin®, is used for the treatment of economically important diseases of pigs and poultry, amongst the two largest growing segments of this vital industry. The overall and desired beneficial effect to reduce the level of antibiotics used in the production of food of animal origin plays directly to the demands of consumers and the regulatory authorities and to Aivlosin®'s strengths, which is used in low, yet effective doses for short periods under the strict control of veterinarians.

During the year under review ECO continued to secure further important marketing authorisations. The opportunity to supply Aivlosin® in several new markets, for the treatment of chickens that lay eggs, together with the recently obtained marketing authorisations in North America for the treatment of swine respiratory disease (SRD), provide us with a strong platform for continuing growth.

We recently announced a new joint venture, based in Ireland, with our American partners, Pharmgate LLC. This arrangement will allow us to licence and sell Pharmgate's North American approved swine vaccines in many important territories and also to develop new products. This represents the commencement of further broadening of our product range to include vaccines, which is a new and very large market opportunity for ECO.

Financial performance

Our Key Performance Indicator is EBITDA, the earnings before interest, tax, depreciation, amortisation and impairment, foreign exchange and share based payments, which increased by almost 15 per cent to £19.6m (2017:17.1m). An explanation of how EBITDA is calculated, why management feel it is the most appropriate measure of performance for the business and the rationale for each adjustment can be found in note 5 to the accounts. Sales for the year rose 9.4 per cent to £67.2 m (2017: £61.4m) and continue to reflect our policy of concentrating on the sale of higher margin, non-generic medications. Profit before tax advanced to a record £13.9 m (2017: £13.5m). The tax and minority charge rose by £1.7m in the year. This reflects principally two factors, further strong profit growth achieved by our subsidiary in China and the growing profit contribution from our US operation. Earnings per share were 14.2 pence per share (2017:16.3 pence), reflecting the minority charges and tax. Cash generated from operations advanced again to £15.8m (2017: £13.1m). The cash is used to support our planned expansion by investing in technology, research and development and to purchase stock. I highlighted last year, that there had been a significant margin enhancement due to the consequences of the Brexit vote. It was therefore encouraging to note that gross profit advanced to £32.2m (2017: £30.3m) as margins were broadly unchanged despite the strengthening of sterling, compared to last year, against the US Dollar and a basket of other currencies. The board is pleased to declare an interim dividend of 6 pence per share to be paid on 17 October 2018 to shareholders on the register on 28 September 2018. The total dividend for the year of 9.2 pence per share is almost 30 percent above the level of last year (2017:7.1 pence). Our progressive dividend policy demonstrates the board's continuing confidence in the future profitable growth of the business.

ECO, as a fast-growing public company, is determined that its shareholders and followers have access to a wide range of information about the company and its governance. This disclosure is recommended by the respected Quoted Company Alliance and is included in this document. The information can also be reviewed on our website (www.ecoanimalhealthGroupplc.com) under the Investor Relations tab and AIM Rule 26 tab in particular.

Marketing and Development

ECO currently holds several hundred marketing authorisations worldwide and sells its products in almost seventy countries. This investment, which totals over ninety million pounds, provides a significant barrier to potential competition and underpins the continuing commercial success of the company.

ECO received a marketing authorisation from the European Medicines Agency (EMA) in 2016 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. The regulatory files associated with this approval, an important step in the development of Aivlosin®, have been submitted in a number of key global egg producing countries. During the period under review approvals were obtained in Egypt, Malaysia, the Philippines, Turkey, Ukraine and Argentina (with the latter two countries also approving the water-soluble granule formulation for pigs).

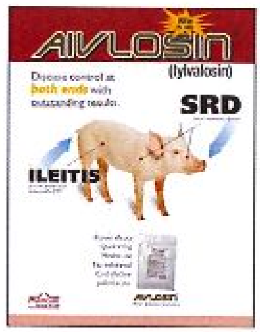
These licenses, together with the important North American approvals for the use of Aivlosin® 625 mg/g water soluble granules for SRD associated with a number of important bacterial respiratory pathogens of swine, have the potential to generate significant earnings.

We have continued to make significant investments in our product development project pipeline. This includes the roll out of existing approvals into new geographies and new disease indications for pigs, poultry, all of which should offer continuing growth opportunities for sales of our patented medication. We have also begun investing in staff and product development in sectors of production animal health, most notably vaccines (biologicals) in which we have previously not been present.

Operations

Worldwide revenue grew by 9.4 per cent to £67.2m (2017: £61.4 m) driven by strong performances in almost all major geographic areas. Sales of Aivlosin®, our patented flagship product for the treatment of economically important diseases of pigs and poultry, increased by almost 14 per cent compared with the same period last year. Aivlosin® is prescribed under strict veterinary control at low, yet efficacious, dose rates for short duration treatments of specified diseases. It meets all current guidelines for the responsible use of antimicrobials, which when used appropriately, help to promote animal welfare and food safety while importantly, reducing the amount of antibiotics used in farming.

Sales in the USA rose 35 per cent in sterling, compared with the same period last year, reflecting strong growth of the Aivlosin® water soluble granule formulation for use in swine suffering from enteric (gut) diseases. In July, the Center for Veterinary Medicine (CVM) of the US Food and Drug Administration (FDA) approved this formulation for a new label indication. This was for the control of SRD associated with Bordetella bronchiseptica, Haemophilus parasuis, Pasteurella multocida, and Streptococcus suis, which are important bacterial respiratory pathogens. In Canada, sales were 20 per cent ahead of the prior year with the SRD application being approved by the Veterinary Drugs Directorate of Health Canada in December 2017.



Revenue growth in South East Asia was particularly strong advancing 23 per cent. The new licenses for laying birds with a zero-withdrawal period is a significant advantage to egg producers, who as a result are not required to destroy eggs laid while birds are being treated. This product benefit underpins our development of closer relationships with major poultry producers, particularly those in the key egg producing markets of South East Asia. Marketing authorisations for this use are still outstanding for India, Japan and China which, in time, will become valuable contributors to profits.

Japan posted solid Aivlosin® sales growth, reflecting our development of closer ties with key customers in this more mature market.

Operations (continued)

Sales of Aivlosin® in China by our subsidiary, Zhejiang ECO Biok Animal Health Products, grew by just over 10 per cent during a period of softer pork prices and in advance of strategic initiatives to target poultry producers. Net profit in China increased by more than 61 per cent over the same period last year, once again reflecting the effectiveness of our overall strategy.

The excellent performance of Aivlosin® across the majority of geographies was tempered by continuing weakness in some Latin American markets, particularly in Brazil, where sales were down over 25 per cent. This disappointing performance was mainly due to slow regulatory responses and a generally weak economic environment. There are currently some signs of recovery in Brazil which should lead to improving sales in the coming months. Sales in Mexico, on the other hand, were extremely strong reflecting our increased focus on key accounts by our local management.

Margins on the sales of Ecomectin®, our range of differentiated antiparasitic formulations for ruminants, pigs and horses, continued to hold up well. Strong sales growth in Mexico was a feature of this performance. Sales of other products in ECO's portfolio made significant progress, rising nearly 17 per cent, with China and Mexico outstanding.

People

On behalf of all investors I again would like to thank our 200 staff members, based in thirteen offices worldwide, for the contribution they are making to the growth and success of ECO. Their professionalism, conscientiousness and hard work enable ECO to face the future with confidence.

Outlook

The year has started well with a strong and growing order book. As the global animal health industry continues to consolidate, we are actively seeking to acquire drugs that fit comfortably in our portfolio and serve our specialised markets. ECO's sound balance sheet and consistent cash generation place the company in a strong position to take advantage of any opportunity that may arise. I look forward with confidence to reporting another set of impressive results in 2019.

Peter A Lawrence

Chairman

29 June 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Financial

Group sales in the year to 31 March 2018 rose by over 9% to £67.2m. Sales of our flagship, patented, therapeutic (disease treating) drug, Aivlosin®, also rose by over 13.6% in sterling compared to the previous year.

EBITDA (Earnings before interest, tax, depreciation, amortisation and impairment, share based payments and foreign exchange movements) is our main key performance indicator (as explained more fully in note 5 to the accounts), and the EBITDA increased almost 15% to almost £19.6m, another new record for the company.

Group cash at the year-end was £21.3m.

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	**2018**	**2017**	**2016**
Revenue £mil	67.2	61.4	47.1
Gross Profit £mil	32.2	30.3	21
Gross Margin %	47.9	49.4	44.6
EBITDA £m (see note 5 to the accounts)	19.6	17.1	11.1
Cash balances, net of borrowing £m	21.3	20.6	15.7
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 is 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 70 countries and is exposed to movements in currency. We do not convert sales receipts in major currencies so that they can be used to purchase raw materials and services in those currencies. 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 and by developing new applications and products.

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 70 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 £2,106,000 on 12th April 2018 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.

Peter Lawrence
Chairman
29 June 2018

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Corporate Governance Report

The purpose of the Board is to ensure that the business is managed for the long-term benefit of all shareholders, whilst at the same time having regard for employees, customers, suppliers and our impact on the environment and the communities in which we operate.

We apply corporate governance standards that are appropriate and relevant to our culture, status, profile, size and circumstances. As required by AIM Rules, from 28 September 2018, the Company will comply with the new QCA Corporate Governance Code.

The Board

The Board's primary role is to enhance shareholders' long-term interests by:

- Determining the Group's overall strategy and direction;
- Establishing and maintaining controls, audit processes and risk management policies to ensure they counter identified risks and that the Group operates efficiently and that there is effective corporate governance;
- Approving budgets and reviewing performance relative to those budgets and approving the financial statements;
- Approving material agreements and non-recurring projects;
- Approving senior appointments, in particular Board appointments; and
- Reviewing and approving remuneration policies.

Board composition and board changes in the year

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

As at 31 March 2018, the Board comprised a non-executive chairman, four executive directors and two independent non-executive directors. A short biography of each director in office at the end of the year is set out below. During the year, David Danson, a non-executive director retired from the Board after 9 years of service and Dr Andrew Jones, an independent non-executive director, was appointed to the Board.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Board composition and board changes in the year (continued)

Peter Lawrence MSc, BSc, DIC, ACGI Non-Executive Chairman YOB 1948	Peter Lawrence founded the company in 1972. He took it public in 1986 under a BES and was the second company introduced to AIM in 1995. He joined the board of Amberley Group plc, a fully listed company, in 1994 and since has been a director and chairman of four fully listed VCTs and Anpario plc (formerly Kiotech International) which he took to AIM. He was also a director of Higher Nature Ltd, which was VCT backed and also Alga-technologies which is also private equity backed. He was awarded AIM Entrepreneur of the Year in 2005 and brings a wealth of experience not only in business and employee motivation but also Corporate Governance and City experience. As Chairman, he has led the company and seen its capitalisation grow from £9m to over £400m through sales, acquisitions, fund raisings and mergers. Peter became Non- Executive Chairman in January 2018.

Marc Loomes BVSc, MRCVS Chief Executive Appointed 1December 2005 YOB 1961	Marc joined ECO Animal Health in 2004, becoming MD is 2005 and CEO in 2010. Marc, a qualified veterinarian and Member of the Royal College of Veterinary Surgeons, has extensive international senior management experience of the animal health and crop protection industries obtained with blue chip multi-national companies in South Africa, Germany, Switzerland and the UK. He brings the ability to balance strategic vision and operational delivery to the business.

Brett Clemo BA (Hons) Executive Director Appointed 1 December 2009 YOB 1962	Brett joined ECO Animal Health in 2006 as Director of Global Operations, he was appointed to the Board in 2009 and became Head of China and Japan in 2010. He has over 30 years' experience in the life science sector in ICI, AstraZeneca and Syngenta and has held a number of senior international roles across Engineering, Manufacturing, Supply Chain and General Management. He is a results orientated team leader who brings a wealth of experience in business processes and strategy.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Board composition and board changes in the year (continued)

Kevin Stockdale BSc ACA Finance Director Appointed 3 August 2007 YOB 1965	Kevin qualified as a Chartered Accountant in 1990 and was Finance Director of Interpet Ltd responsible for the audited accounts of Lawrence PLC while Interpet was a subsidiary company in the Group. Interpet was sold in 2004 and Kevin remained with it as Finance Director. He rejoined the Group in September 2007 as Finance Director. Kevin has been a qualified Chartered Accountant for over 25 years, initially in practice but has spent more than 20 of those years in the companion animal and animal health industries. The initial training and the subsequent experience have left him in a position to report accurately on the Group's current and projected performance and identify potential accounting, commercial and regulatory issues relating to the matters under discussion.

Julia Trouse Executive Director and Company Secretary Appointed 19 May 2004 YOB 1966	Julia joined the Group in 1993 as Financial Controller of Petworld Superstores Ltd and became Group Financial Controller of the Company in 1999 and Company Secretary of the Group in 2004. She joined the board in August 2007. Julia has a wealth of management accounting experience and internal auditing. She is also on the Board of Zhejiang ECO Biok Animal Health Products Ltd in China and ECO Animal Health Japan Inc and is the Group's Internal Auditor.

Anthony Rawlinson ACA BA (Hons) Independent Non-Executive Director Appointed 1 January 2015 YOB 1957	Tony is a Chartered Accountant with over 30 years' corporate finance experience advising smaller quoted companies. After spending 14 years at Henry Ansbacher & Co and Strand Partners, he founded Dowgate Capital Advisers in 2001 and led its growth and development. He was also Chairman of its AIM quoted parent company, Dowgate Capital, which was sold to a competitor in a recommended transaction in 2009. In 2010 he co-founded Cairn Financial Advisers LLP, a Nominated Adviser to a number of AIM companies and a corporate advisory firm.

Board composition and Board changes in the year (continued)

Andrew Jones PhD, BSc (Hons) Independent Non-Executive Director Appointed 1 December 2017 YOB 1960	Andrew has over 32 years of experience in international life science-based businesses including Syngenta AG., Arysta Lifesciences Inc. and Phoqus Pharmaceuticals Plc. During this time, he worked in product development, international sales and marketing, merger and acquisition and general management. He currently runs his own consulting company, Trioza Limited, which provides strategic advice to the animal health, crop protection and seeds sectors. Andrew has a BSc degree and PhD in agricultural biology. Andrew brings substantial strategic marketing and business development experience and skills to the business.

The composition of the Board is monitored by the Nominations Committee. The Board is satisfied that it has an effective and appropriate balance of skills and experience. The Board is also satisfied that it has a suitable balance between independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and constructively challenge other directors where appropriate.

Tony Rawlinson and Dr Andrew Jones, both Non-Executive Directors, are considered to be independent of the management and are free to exercise independence of judgement.

The Board has established procedures to identify and monitor potential or actual conflicts of interest.

The Board has also established procedures to ensure AIM Rules are complied with and that there is close liaison with the Company's Nominated Adviser, N+1 Singer.

All Directors are subject to reappointment by shareholders at the first Annual General Meeting following their appointment and thereafter by rotation.

Internal controls and risk management

The Board is responsible for the Group's system of internal controls and for the reviewing its effectiveness. 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 but not absolute assurance against material misstatement or loss.

Internal controls and risk management (continued)

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. The Group's cashflow is also monitored by management.

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

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

Board responsibilities

Role of the Non-Executive Chairman and Chief Executive

There is a clear division of responsibility between the Non-Executive Chairman and the Chief Executive. The Chairman is responsible for running the business of the board and for ensuring appropriate strategic focus and direction. The Chief Executive is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Group.

Role of the Independent Directors

The role of the Independent Non-Executive Directors includes questioning and challenging the Executive Directors and assisting where possible in developing strategic proposals, reviewing and commenting on the integrity of the Company's financial reporting systems and the information they provide; recommending appropriate standards of corporate governance; reviewing internal control systems; ensuring that risk management systems are robust and reviewing corporate performance and ensuring that performance is reported to shareholders.

Board and Committee meetings

The Board has a formal schedule of matters reserved for its decisions. There are a minimum of 4 full board meetings spread across each year which tie in as far as possible with the Group's financial reporting and trading calendars. Additional meetings are held as required. The table below sets out directors' attendance at board meetings and board committee meetings during the year ended 31 March 2018.

Board and Committee meetings (continued)

The Board and its committees receive appropriate and timely information prior to each meeting. A formal agenda is produced for each meeting and board committee papers are distributed several days before meetings take place. Any director can challenge proposals with decisions being taken after discussion. Any director can ask for a concern to be noted in the minutes of the meeting which are circulated to all directors. Specific actions arising from meetings are agreed by the Board or relevant committee and then followed up by management.

Directors have access to advice or services needed to enable them to carry out their roles and duties.

	PLC board meetings		Committee meetings					
			Audit		Remuneration		Nominations	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Peter Lawrence	4	4	-	-	1	1	1	1
Marc Loomes	4	4	-	-	1	1	1	1
Brett Clemo	4	4	-	-	-	-	1	1
Julia Trouse	4	4	-	-	-	-	-	-
Kevin Stockdale	4	4	-	-	-	-	-	-
David Danson	3	3	1	1	-	-	-	-
Tony Rawlinson	4	4	2	2	1	1	1	1
Andrew Jones	1	1	1	1	1	1	1	1

The Board delegates specific responsibilities to three board committees, as shown below.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Board Committees

The Board is supported by the Audit, Remuneration and Nominations Committees, each of which has access to information, resources and advice that it deems necessary, at the company's cost, to enable the committee to discharge its duties. These duties are set out in the Terms of Reference of each committee which are available at www.ecoanimalhealthgroupplc.com .

The Audit Committee is comprised of Tony Rawlinson and Dr Andrew Jones, both Independent Non-Executive Directors. The responsibilities of the Audit Committee and their report for the year are set out below on pages 15 to 16.

The Remuneration Committee is comprised of Dr Andrew Jones, Tony Rawlinson, Peter Lawrence and Marc Loomes. The Nominations Committee decided that it is helpful to have the CEO present to provide advice on remuneration practices in the industry. He does not attend discussions that relate to his own remuneration. The responsibilities of the Remuneration Committee and their report for the year are set out below on pages 16 to 17. Details of the Group's remuneration policy and how that policy was implemented during the year are set out on page 16 to 17.

The Nominations Committee comprises Peter Lawrence, Marc Loomes, Brett Clemo, Dr Andrew Jones and Tony Rawlinson. The responsibilities of the Nominations Committee and their report for the year are set out below on pages 17 to 18.

Communication with shareholders

The Board is committed to communicating openly with shareholders to ensure that its strategy and performance are clearly understood. The Board communicates with shareholders through the Annual Report and the Interim Statement, trading and other announcement made on RNS and at the Annual General Meeting where the board encourages investors to participate. The Company also maintains a website www.ecoanimalhealthgroupplc.com which contains information on the Group's business and corporate information. Following the announcement of the Company's half year and full year results the Chairman and Chief Executive, together with other directors, make presentations to institutional shareholders, private client brokers and investment analysts. Periodic meetings are held with existing and prospective institutional and other investors. The Company's brokers also produce research notes on the Company from time to time.

Corporate Governance Code

The Company is traded on the AIM market of the London Stock Exchange and as such complies with the AIM Rules for Companies. We apply corporate governance standards that are appropriate and relevant to our culture, status, profile, size and circumstances. As required by AIM Rules, from 28 September 2018, the Company will apply the new QCA Corporate Governance Code.

High standards of Corporate Governance are a key priority of the Board.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 MARCH 2018

Modern Slavery Act 2015 Statement

Our Policy

ECO Animal Health Group Plc (ECO) is opposed to slavery and human trafficking in any part of our business or our supply chain. We are therefore committed to ensuring that we have suitable procedures and actions in place to identify and prevent these practices. This statement is also shown on the Group's website.

Our Business

ECO develops, licences and markets pharmaceutical products for global animal health markets. ECO is a public company trading on the AIM market of the London Stock Exchange and is headquartered in the UK employing approximately 200 people across 13 global offices. It is a semi-virtual company making extensive use of contract research organisations and third party manufacturers to conduct our research and produce our products. We sell in almost 70 countries via subsidiaries, joint ventures, or 3rd party distributors.

Our Supply Chains

All of ECO's supply chains operate within the heavily regulated pharmaceutical sector and must comply with the Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP) requirements to ensure that our products are consistently produced, controlled and shipped according to quality standards. National regulators undertake regular inspections and ECO conducts its own investigations of its suppliers and third party manufactures to ensure continued GMP compliance.

As part of our compliance with the Group's Anti-slavery and human trafficking policy, the following steps have been taken:

- Mapping the supply chains and identified that the areas of high risk that are associated with the elements of the supply chain which are located in China.

- Training a number of ECO staff to undertake audits of suppliers and third-party manufacturers to be able to identify potential risk areas in the supply chains and alert the Global Operations Director to any concerns.

- Undertaking audits at 4 of the higher risk API suppliers and third party manufactures in China. During the audits, no evidence of modern day slavery practices have been identified.

- Alerting all current suppliers and third party manufacturers of the Group's Modern Day Slavery Policy and demanding confirmation of their local compliance.

- Ensuring all new supplier contracts are evaluated for compliance with the Modern Slavery Act 2015.

Audit Committee Report

The Audit Committee comprises Tony Rawlinson (Chairman) and Dr Andrew Jones who succeeded David Danson when he retired from the board on 1 December 2017.

The Audit Committee meets at least twice a year, linked to the timing of the publication of the Group's interim and final results. The Audit Committee also meets on an ad hoc basis when necessary.

Terms of reference of the Audit Committee

The Audit Committee operates within specific terms of reference which include:

- Considering the appointment of external auditors
- Reviewing the relationship with external auditors
- Reviewing the financial reporting and internal control procedures
- Reviewing the management of financial matters and focusing upon the independence and objectivity of the external auditors
- Reviewing the consistency of accounting policies both on a year to year basis and across the Group

The Audit Committee can call for information from the management committee and consults with the external auditors directly when they are required to do so.

Report of the Committee

The Audit Committee has met with the external auditors during the course of the year to monitor progress and discuss any issues arising.

Since Kreston Reeves have been in place as the Company's auditors for many years, the Committee decided to initiate a review and seek tenders from alternative audit firms. In addition to the incumbent audit firm, two other firms made proposals and presented to the Audit Committee and members of the Board in May 2018. The Committee was keen to ensure that any new firm appointed was able to demonstrate that it had the global reach and experience appropriate for a business of the nature and size of the Group and would be more beneficial to the company. The process is ongoing and the Committee will make a decision on this matter later in the Summer.

The Committee has also initiated a review of the Company's financial controls and procedures which is ongoing and will report further on this in next year's Corporate Governance Report.

The Board decided to upgrade the Company's accounting systems and install a new SAGE ERP X3 accounting system. This has involved a significant amount of extra work and expense, but it is pleasing to report that the bulk of the implementation work has been completed and the new system is operating effectively. The new system is cloud based and integrates our business processes including purchasing, manufacturing controls and real time inventory with sales and financial management. The new system will speed up the financial reporting processes and reports for the Board's review.

The Company decided to join the QCA during the year and are taking full advantage of the publications and forums provided for the benefit of the Company.

Audit Committee Report (continued)

Priorities for the year ahead

Priorities for the coming year will be to complete the review of auditors and the financial controls and procedures review. The Board has decided that the auditors will undertake a review of the interim accounts prior to Board approval.

Remuneration Committee Report

The Remuneration Committee is comprised of Andrew Jones (Chairman), Tony Rawlinson, Peter Lawrence and Marc Loomes.

Role of the Remuneration Committee

The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Company the pay, benefits and other terms of service of the executive directors of the Company and the broad pay strategy with respect to senior Company employees.

Remuneration Policy

The objective of the Company's remuneration policy is to facilitate the recruitment and retention of executives of an appropriate calibre, to ensure that the senior executives of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Strategic alignment

The Remuneration Committee is satisfied that the pay that can be earned is appropriate for a company of comparable size and complexity, at each level of performance. The delivery of the Company's short term corporate goals is incentivised by offering a cash-settled bonus linked to the achievement of pre-defined levels of EBITDA, which is the key metric the Board considers in monitoring corporate performance. Long term value generation is underpinned by an incentive plan normally based on share options. All of the Executive Directors have significant exposure to the Company's share price through shares and options over the Company's shares.

Remuneration in practice

The remuneration that the Company offers to its Executive Directors continues to be based on four principal components:

1. Basic Salaries and Other Compensation – Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in comparable businesses of similar size and complexity and other AIM-traded companies. Other Compensation includes the provision of company cars (or a salary alternative), private medical and critical illness insurance.

2. Short-term incentives – Bonuses are payable to staff (including the Executive Directors) according to the achievement by the Group of certain predetermined profit targets. The amount of bonus payable on achievement of the target is set at the level felt appropriate to provide the necessary incentive, with appropriate adjustments to the bonus payable in the event of over- or under-achievement against those targets. In addition, bonuses are adjusted for personal performance and the amount of bonus paid can also reflect any substantial periods of absence or unavailability of the employee.

Remuneration Committee Report (continued)

3. Long-term incentives – The Company operates a share option scheme covering all permanent employees under which share options are normally granted once in each year, or in some circumstances can be granted on promotion. Options vest on the third anniversary of the date of grant, approved options can then be exercised until the tenth anniversary of grant and unapproved options until the seventh anniversary of grant. The exercise price of the options is set at the market value of the Company's shares at the time of grant, so that the individual only benefits if there has been share price growth. The share option scheme is overseen by the Remuneration Committee which determines the terms under which eligible individuals may be invited to participate, including the level of awards. The scheme utilises HMRC approved options to the extent possible and tax unapproved options thereafter. The number of share options issued over the last 10 years has exceeded the guideline ceiling of 10% of issued share capital in a rolling 10 year period recommended by the Investment Association. In order to work towards meeting the recommendation, the Remuneration Committee therefore decided not to issue share options to Board Directors in the 2017-18 financial year, but instead awarded an additional cash bonus in lieu of options. In future, the Company plans to use a cash based "phantom" share option scheme for Board Directors until the number of share options issued falls within the 10% guideline. The phantom scheme will aim to replicate the terms and rules of the existing share option share scheme, but any gains will be realised through payment of a cash bonus rather than through sale of shares.

4. Pensions – There is a compulsory government contribution scheme for all executive directors and employees. In addition, Kevin Stockdale has a defined contribution arrangement in place. Benefits in kind are not pensionable.

Directors' Service Contracts

All Executive Directors are employed under service contracts. The services of all Executive Directors may be terminated by the Company or individual giving 12 months' notice. The Non-Executive Directors are retained under Letters of Appointment.

Directors' Share Options

Details of share options held by directors are set out in the Director's report.

Nominations Committee Report

The Nominations Committee comprises Peter Lawrence, Marc Loomes, Brett Clemo, Dr Andrew Jones and Tony Rawlinson.

The Nomination Committee reviews the Board's structure, size and composition and manages appointments to the Board. The committee this year, continued to focus on succession planning for the Board, by reviewing the Directors' skills and experience and identifying areas to consider for future appointments. This Committee's approach recognises its crucial role in ensuring the Company has an effective and well-balanced Board.

Role of the Nominations Committee

The Nominations Committee operates within specific terms of reference which include:

- regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the board;
- giving full consideration to succession planning;
- keeping under review the leadership needs of the organisation;
- being responsible for identifying and nominating for the approval of the board, candidates to fill board vacancies as and when they arise;
- reviewing the results of the board performance evaluation process that relate to the composition of the board;
- formulating plans for succession for both executive and non-executive directors;
- nominating membership of the audit and remuneration committees;
- the re-election by shareholders of directors under the annual re-election provisions of the retirement by rotation provisions in the company's Articles of Association;
- any matters relating to the continuation in office of any director at any time including the appointment or removal of any director to executive or other office;

The Nominations Committee can call for information from the management committee and consults with the external specialists directly if they are required to do so.

The Committee met once in the year after formation of the Committee in December, to discuss the Board's current skills and experience and to discuss succession planning.

As the Group has grown, the Board has recognised the increasing burden and reliance placed on the finance team. To alleviate this, the Board is pleased to announce the appointment of Jonathan Pickard ACA on 4 June 2018. Jonathan's role is Group Financial Controller. In addition, Andrew Buglass was appointed a Director of ECO Animal Health Limited with effect from the 31st May 2018. Andrew is the Group's Global Sales Director.

Priorities for the year ahead

The Committee will continue to discuss succession planning of the Board and to continue to review the diversity and mix of skills to identify any skills gaps.

Our opinion remains that we are satisfied with the performance of the Board, its sub-committees and that of individual Directors and the Chairman.

In accordance with the Articles of Association and best practice, all Directors will be submitted for re-election on a rotation basis.

By order of the Board

Julia Trouse
Director and Company Secretary
29 June 2018

DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and financial statements for the year ended 31 March 2018.

Directors
The following directors have held office since 1 April 2017:

Peter Lawrence	Non- Executive Chairman
Marc Loomes	Chief Executive
Kevin Stockdale	Finance Director
Brett Clemo	Executive Director
Julia Trouse	Executive Director
David Danson	Non-Executive Director (Retired 1 December 2017)
Anthony Rawlinson	Non-Executive Director
Andrew Jones	Non-Executive Director (Appointed 1 December 2017)

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 31.

The profit for the year after tax was £11,647,000 (2017: £11,999,000). The directors have declared a dividend of 6p per share making a total for the year of 9.2p (2017: 7.10p).

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

Substantial shareholdings
At 24 April 2018, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary shares	Per cent
Old Mutual Global Investors	8,928,322	13.51
Axa Investment Managers	7,225,667	10.93
P A Lawrence and family	6,948,477	10.51
Schroder Investment Management Limited	5,950,300	9.00
M & G Investment Management	5,710,750	8.64
Aberdeen Standard Investments	3,375,250	5.11
Hargreave Hale	3,242,578	4.91
Liontrust Asset Management	2,585,124	3.91

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 of 5p each as follows:

	Option price (pence per share)	2018	*2017*
M D Loomes	435.0	400,000	*400,000*
	312.5	350,000	*350,000*
	265.0	400,000	*400,000*
	200.5	100,000	*100,000*
	161.5	-	*30,000*
B Clemo	435.0	150,000	*150,000*
	312.5	250,000	*250,000*
	265.0	250,000	*250,000*
	200.5	60,000	*60,000*
	161.5	-	*20,000*
K Stockdale	435.0	120,000	*120,000*
	312.5	50,000	*50,000*
	265.0	150,000	*150,000*
	200.5	40,000	*40,000*
	161.5	-	*12,500*
J Trouse	435.0	120,000	*120,000*
	312.5	50,000	*50,000*
	265.0	150,000	*150,000*
	200.5	40,000	*40,000*
	161.5	-	*12,500*
A Rawlinson	265.0	30,000	*30,000*
	200.5	30,000	*30,000*

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

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

	Salaries and Other Compensation	Retirement Benefits	Share Based Payments	Total	Salaries and Other Compensation	Retirement Benefits	Share Based Payments	Total
		2018				2017		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
M D Loomes	594	10	196	800	394	10	174	578
J Trouse	189	-	56	245	117	-	50	167
K Stockdale	184	5	56	245	90	11	49	150
B Clemo	319	-	107	426	240	-	102	342
D Danson	15	-	4	19	16	-	4	20
A Rawlinson	16	-	6	22	16	-	6	22
A Jones	7	-	-	7	-	-	-	-
	1,324	15	425	1,764	873	21	385	1,279

The salaries and other compensation for Executive Directors in the latest financial year includes the payment of an additional cash bonus in lieu of an option grant, as explained in the Remuneration Committee Report.

Directors' insurance
The Company maintains directors' and officers' liability insurance for the benefit of its directors which remained in place at 31 March 2018 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
N+1 Singer were the Company's nominated advisor and stockbrokers at the year end. Peel Hunt is the joint broker. The closing share price on 31 March 2018 was 531.0p per share (2017: 500.0p). During the year the average share price was 587.34p (2017: 456.85p).

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 2018

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

....
Peter Lawrence
Non-Executive Chairman
29 June 2018

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC
FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of ECO Animal Health Group plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union in accordance with the provisions of the Companies Act 2006.

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 2018 and of the Group's profit for the year then ended;***
- ***have been properly prepared in accordance with IFRSs adopted by the European Union; and***
- ***have been prepared in accordance with the requirements of the Companies Act 2006.***

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ***the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or***
- ***the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.***

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC FOR THE YEAR ENDED 31 MARCH 2018

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

We performed a full scope audit on the main components of the business representing 81% of the Group's revenue and 98% of the Group's net assets.

Our audit approach is consistent with the previous year.

Key audit matters

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition	
The Group has two main sources of revenue; (a) Direct sales of animal pharmaceutical products into UK, European and global markets. The Group's flagship patented product continuing to be Aivlosin® which accounted for 76% of total Group Sales. The Group recognised these sales on despatch of the goods, at which point the risks and rewards of ownership is substantially transferred to the buyer. (b) Sundry income is primarily from the profit on sale of assets and rents receivable. These are recognised on an accruals basis. We have focused on these income streams due to their value and the potential for misstatement of revenue whether caused by fraud or error.	We discussed the revenue recognition policies with management and independently with sales staff clarifying any discrepancies. For direct product sales a sample of order numbers were traced through to sale invoice and ledger confirming the treatment of VAT and exchange rate differences for each. In addition, a comprehensive analytical review was undertaken comparing reported sales in the year to both prior period and budgeted monthly sales development. An analysis by significant geographical sales markets was also performed with explanations for performance ensured as consistent with other audit evidence obtained.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Ownership and valuation of intangibles	
Goodwill arose on the acquisition of subsidiaries and is included within the consolidated statement of financial position at cost less impairment. There is historical capitalised goodwill on the balance sheet totalling £17.9m in relation to this. The Group also retain distribution rights as well as drug registrations, patents and capitalised license costs. For internally generated and externally acquired assets the Group recognises these at cost less accumulated depreciation and impairment losses. For assets acquired as part of a business combination these are recognised at fair value. Drug registrations, patents and licences are amortised over a useful economic life of between 10 and 20 years, with distribution rights being amortised over 20 years.	A breakdown of the goodwill by company was obtained and agreed to the nominal ledger and expectations. A comparison of the goodwill amount and the historical profitability / net assets figure of each company was undertaken and an initial assessment of any required impairment was noted. The directors provided a paper on the impairment of goodwill taking into account forecasts for a period of 5 years looking at the profitability along with any potential impairment. Sensitivity analysis was undertaken on the forecasts to stress test different levels of revenue drop. Prior budgets and forecasts were compared to actual results and any inaccuracies in turnover or profits were also used to stress test the forecasts provided. The assumptions applied to generate the 5 year forecasts were reviewed and audited to help determine the accuracy of these forecasts. Schedules for other intangible assets were obtained and agreed to nominal ledger and expectation, useful economic lives assigned were reviewed to confirm as reasonable with amortisation charges recalculated. Assets were also assessed for indicators of impairment and forecasts were obtained and reviewed to vouch assumption that assets will continue to generate income for the Group.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of share options	
The Group operates an executive share option Scheme, with approved and unapproved share Options granted to directors and employees who Devote at least 25 hours per week to the Performance of duties or employment. The exercise price of the options is equal to the market price of the shares at the date of grant, with the options vesting after three years. For instances of an option holder ceasing employment during this time for any reason the option can be exercised 6 months after date of cessation with approval of the Board. We have focused on this area due to the increased complexity of accounting and exposure to higher risk accounting estimates in calculating such a scheme.	The share based payments report was obtained and the qualifications and experience of the valuer assessed. Sensitivity analysis was undertaken on the report's assumptions to stress test different levels of leaver rates to review for potentially material variances. The charge to the income statement was agreed to the audited report and it was confirmed all necessary disclosures were included in the accounts.
Valuation and existence of inventory	
The Group held inventories of £17.7m at year end, this being in relation to raw materials and consumables £13.0m and finished pharmaceutical products £4.6m. Such inventories are valued at the lower of cost and net realisable value; cost being determined using the first-in-first-out method. The cost of finished goods comprises raw materials as well as direct labour and other costs. The net realisable value is taken to be selling price for the product in the ordinary course of business. We have focused on this area due to the value of Inventories held, and the fact that there was judgment involved in estimating the value of obsolete items.	Stocktakes were attended at selected sites with material levels of inventory. A sample of stock was also selected for substantive valuation testing, confirming that inventory was held at the lower of cost and net realisable value. Third parties who have completed stock takes were assessed to confirm their competence and reliability of their results. Variance testing was performed where stock sheets at year end were agreed to stock listing obtained. A sample of the final March 2018 and first April 2018 sales were reviewed to determine correct cut-off was applied. Inventory in transit was also reviewed to confirm it was accurately recorded as such at the year end.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

Our scoping considerations for the Group audit were based both on financial information and risk. In addition to Eco Animal Health Group PLC the below subsidiaries were subject to a statutory or limited assurance audits:

Eco Animal Health Limited (statutory audit)

Zhejiang Eco BIOK Animal Health Products, Limited (statutory audit)

Pharmgate Animal Health LLC (statutory audit)

ECO Animal Health do Brasil Comercio de Productos Veterinarios (limited assurance)

ECO Animal Health (USA) Corporation (limited assurance)

Remaining subsidiaries deemed immaterial to the Group and were not subject to audit procedures.

Our application of materiality

Overall Group Materiality	£692,000 (2017: £610,000)
How we determined it	5% of Group profit before tax
Rationale for benchmark	Given the Group is AIM listed the number of users and the level of interest in the financial statements is expected to be higher than average. Therefore, the significance of balances is expected to be greater and consequently 5% of profit before tax has been assessed as the most appropriate basis for materiality.

We reported all audit differences found in excess of performance materiality of £484,400 to the directors and the management board.

For each Group company within the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across each Group company was between £430,000 and £20,200. The scope of our audit was influenced by our application of materiality as we set certain quantitative thresholds for performance materiality and use these thresholds as a consideration tool to help to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

We determined component materiality for the parent company to be 1% of net assets and for each of the trading Group companies between 1-2% of turnover based upon the companies' principal activities and risk profile. Performance materiality was set in the range of 70-80% of component materiality.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP PLC
FOR THE YEAR ENDED 31 MARCH 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 22), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our Report

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

Stephen Tanner BSc (Econ) FCA (Senior Statutory Auditor)
For and on behalf of Kreston Reeves LLP
Statutory Auditors and Chartered Accountants
London
29 June 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £000's	2017 £000's
Revenue	2,3	**67,201**	**61,422**
Cost of sales		(34,986)	(31,103)
Gross profit		**32,215**	**30,319**
Other income	4	436	379
Administrative expenses		(18,539)	(18,053)
Profit from operating activities	5	**14,112**	**12,645**
Finance income	6	138	784
Finance costs	6	(385)	-
Net finance (cost)/income		**(247)**	**784**
Share of profit of associate	14	7	23
		7	**23**
Profit before income tax		13,872	13,452
Income tax (charge)	8	(2,225)	(1,453)
Profit for the year		**11,647**	**11,999**
Profit attributable to:			
Owners of the parent company		9,315	10,565
Non-controlling interest	24	2,332	1,434
Profit for the year		**11,647**	**11,999**
Earnings per share (pence)	7	14.19	16.35
Diluted earnings per share (pence)	7	14.06	16.17
Earnings before Interest, Tax, Depreciation, Amortisation, Share Based Payments and Foreign Exchange Differences	5	19,571	17,064

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £000's	2017 £000's
Profit for the year		**11,647**	**11,999**
Other comprehensive (losses)/income (net of related tax effects):			
Items that will or may be reclassified to profit/(loss) in future periods:			
Foreign currency translation differences		(372)	1,030
Items that will not be reclassified:			
Defined benefit plan actuarial (losses)	21	(15)	(483)
Deferred tax on revaluations		-	10
Other comprehensive (losses)/income for the year		**(387)**	**557**
Total comprehensive income for the year		**11,260**	**12,556**
Attributable to:			
Owners of the parent company		9,028	10,829
Non-controlling interest	24	2,232	1,727
		11,260	**12,556**

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 37 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

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 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
Profit for the year									
Other comprehensive income:	-	-	-	-	-	9,315	9,315	2,332	11,647
Foreign currency differences	-	-	-	-	-	(272)	(272)	(100)	(372)
Actuarial (losses) on pension scheme assets	-	-	-	-	-	(15)	(15)	-	(15)
Total comprehensive income for the year	-	-	-	-	-	9,028	9,028	2,232	11,260
Transactions with owners recorded directly in equity									
Contributions by and distributions to owners									
Issue of shares in the year	20	693	-	-	-	-	713	-	713
Share-based payments	-	-	-	-	778	-	778	-	778
Transfers on expiry of options	-	-	-	-	(404)	404	-	-	-
Dividends relating to 2017	-	-	-	-	-	(4,660)	(4,660)	(1,389)	(6,049)
Transactions with owners	20	693	-	-	374	(4,256)	(3,169)	(1,389)	(4,558)
Balance as at 31 March 2018	3,291	58,847	-	664	2,823	34,085	99,690	5,185	104,875

ECO ANIMAL HEALTH GROUP PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

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 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
Profit for the year	-	-	-	-	-	76	76
Other comprehensive income:							
Actuarial (losses) on pension scheme assets	-	-	-	-	-	(15)	(15)
Total comprehensive income for the year	-	-	-	-	-	61	61
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	20	693	-	-	-	-	713
Share-based payments	-	-	-	-	778	-	778
Transfers on expiry of options	-	-	-	-	(404)	404	-
Dividends relating to 2016	-	-	-	-	-	(4,660)	(4,660)
Transactions with owners	20	693	-	-	374	(4,256)	(3,169)
Balance as at 31 March 2018	3,291	58,847	-	395	2,823	7,189	72,545

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170)
AS AT 31 MARCH 2018

	Notes	Group 2018 £000's	Group 2017 £000's	Company 2018 £000's	Company 2017 £000's
Non-current assets					
Intangible assets	11	57,631	53,883	-	-
Property, plant and equipment	12	1,866	1,865	716	731
Investment property	13	200	185	200	185
Investments	14	98	97	20,077	20,082
Amounts due from subsidiary company	16	-	-	46,326	-
		59,795	**56,030**	**67,319**	**20,998**
Current assets					
Inventories	15	17,663	19,675	-	-
Trade and other receivables	16	17,193	16,158	213	46,132
Income tax recoverable		113	395	-	-
Other taxes and social security		1,160	897	518	694
Cash and cash equivalents	18	21,261	20,602	4,959	8,684
Total current assets		**57,390**	**57,727**	**5,690**	**55,510**
Liabilities					
Trade and other payables	19	(10,715)	(13,733)	(234)	(526)
Income tax		(152)	(238)	-	-
Other taxes and social security		(108)	(447)	(98)	(103)
Dividends		(42)	(39)	(42)	(39)
Current liabilities		**(11,017)**	**(14,457)**	**(374)**	**(668)**
Net current assets		**46,373**	**43,270**	**5,316**	**54,842**
Total assets less current liabilities		**106,168**	**99,300**	**72,635**	**75,840**
Non current liabilities					
Provisions					
Deferred tax	17	(1,293)	(1,027)	(90)	(87)
Dilapidations on property leases		-	(100)	-	(100)
TOTAL ASSETS LESS TOTAL LIABILITIES		**104,875**	**98,173**	**72,545**	**75,653**
EQUITY					
Issued share capital	23	3,291	3,271	3,291	3,271
Share premium account		58,847	58,154	58,847	58,154
Revaluation reserve		664	664	395	395
Other reserves	26	2,823	2,449	2,823	2,449
Retained earnings		34,065	29,293	7,189	11,384
		99,690	93,831	72,545	75,653
Non-controlling interests	24	5,185	4,342	-	-
TOTAL EQUITY		**104,875**	**98,173**	**72,545**	**75,653**

Approved by the Board and authorised for issue on 29 June 2018

Peter Lawrence
Director

The notes on pages 37 to 82 form part of these financial statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	Group 2018 £000's	Group 2017 £000's	Company 2018 £000's	Company 2017 £000's
Cashflows from operating activities					
Profit before income tax		13,872	13,452	89	5,148
Adjustment for:					
Net finance cost/(income)	6	247	(784)	(911)	(927)
Depreciation	12 & 13	297	264	17	15
Revaluation of investment property		(15)	-	(15)	-
Loss/(Profit) on disposal of non-current assets		-	37	-	(8)
Amortisation of intangible assets	11	3,428	3,086	-	-
Impairment of intangible assets		-	297	-	-
Pension payments	21	(39)	(76)	(39)	(76)
Share of associate's results	14	(7)	(23)	-	-
Impairment of investments	14	-	-	5	-
Share based payments	22	778	678	778	678
Operating cash flows before movements in working capital		**18,561**	**16,933**	**(76)**	**4,830**
Change in inventories		2,012	(4,082)	-	925
Change in receivables		(1,298)	(3,195)	(231)	(5,394)
Change in payables		(3,432)	3,445	(373)	123
Cash generated from/(absorbed by) operations		**15,843**	**13,101**	**(680)**	**484**
Finance costs		(14)	-	(3)	-
Income tax		(1,763)	(1,286)	(11)	(4)
Net cash from/(absorbed by) operating activities		**14,066**	**11,815**	**(694)**	**480**
Cash flows from investing activities					
Acquisition of property, plant and equipment	12	(324)	(265)	(2)	(8)
Disposal of property, plant and equipment		1	-	-	8
Purchase of intangibles (net of contributions from outside parties)	11	(7,176)	(7,931)	-	-
Finance income	6	138	103	914	927
Net cash (used in)/from investing activities		**(7,361)**	**(8,093)**	**912**	**927**
Cash flows from financing activities					
Proceeds from issue of share capital and sale of jointly owned and treasury shares		713	3,834	713	3,834
Dividends paid		(6,046)	(4,252)	(4,656)	(3,666)
Net cash (used in)/from financing activities		**(6,333)**	**(418)**	**(3,943)**	**168**
Net increase/(decrease) in cash and cash equivalents		1,372	3,304	(3,725)	1,575
Foreign exchange movements		(713)	1,633	-	-
Balance at 1 April 2017		20,602	15,665	8,684	7,109
Balance at 31 March 2018	18	**21,261**	**20,602**	**4,959**	**8,684**

A net debt reconciliation has not been included as the Group held no debt in 2018 or 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 2017, 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 7 – Disclosure Initiative
- IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- IFRS 12 – Amendments under 2014-16 Cycle of Annual Improvements.

The following new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning after 1 January 2018 (unless otherwise stated) and have not been applied in preparing these consolidated financial statements.

- IFRS 2 – Classification and Measurement of Share Based Payment Transactions
- IFRS 4 – Applying IFRS9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases (effective from 1 January 2019)
- IFRS 40 – Transfers of Investment Property
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRS 1 and IAS 28 – Amendments under 2014-16 Cycle of Annual Improvements

2.2 Adoption of new and revised standards (continued)

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 with the exception of IFRS16 – Leases. It is anticipated that this will increase the assets and liability totals included in the financial statements by a maximum of approximately £3.6m. Net assets will not be materially affected and neither will the reported profit.

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

2.3 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2018.

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.

2.5 Foreign currency translation (continued)
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 cashflows from the asset expire, or it transfers the rights to receive the contractual cashflows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group has the following non-derivative financial assets:

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.

2.6 Financial instruments (continued)

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 cashflows.

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.

2.8 Other intangible assets (continued)

All drug registrations and licences have previously been amortised on a straight-line basis over their useful economic life of 10 years. However, following the granting of Aivlosin's first marketing authorisation in the USA in July 2012, which greatly increased the economic potential of the product, management revised their estimate of the useful life of the Aivlosin drug registrations only from 10 to 20 years and in accordance with IAS8 have amortised the remaining book value of the Aivlosin registrations over the remainder of the useful life of these registrations from that date.

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

A previously recognised impairment loss 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 fair value.

2.11 Investment property (continued)
The property is professionally valued by a qualified surveyor at least once every three years. Surpluses and deficits arising from the periodic valuations are taken to the income statement.

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

Investments 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 cashflows discounted at the effective interest rate adjusted for a risk premium. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised costs would have been had the impairment not been recognised.

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. The Group's share of the assets, liabilities, income, expenses and cashflows of jointly controlled entities are combined with the equivalent items in the results on a line by line basis.

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

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

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. From the accounting period beginning 1 April 2019 the distinction between operating leases and finance leases will be abolished. All leases will have to be treated as finance leases. This will increase the Group's assets and liabilities by a maximum figure of £3.6 million.

2.16 Inventories

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

Fair value 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.

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 2018

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.	Europe	Far East	Latin America	North America	Middle East and Africa	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Year ended 31 March 2018							
Total segmental revenue	1,147	8,246	47,421	10,924	26,203	1,536	95,477
Inter-segment revenue	-	-	(9,198)	(4,088)	(14,990)	-	(28,276)
Revenue from external customers	1,147	8,246	38,223	6,836	11,213	1,536	67,201
Sale of goods	1,147	8,246	38,223	6,836	11,213	1,329	66,994
Royalties	-	-	-	-	-	207	207
	1,147	8,246	38,223	6,836	11,213	1,536	67,201
Adjusted EBITDA	(2,614)	1,880	13,850	791	4,118	576	18,601
Total assets	24,429	14,499	46,675	15,609	12,179	3,794	117,185
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

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:

	2018 £000's	2017 £000's
Adjusted EBITDA for reportable segments	18,601	17,009
Depreciation	(298)	(264)
Revaluation of freehold property	15	-
(Losses) on disposal of fixed assets	-	(37)
Amortisation	(3,428)	(3,088)
Impairment of intangible assets	-	(297)
Share-based payment charges	(778)	(678)
Finance (costs)/income	(247)	784
Share of associate's results	7	23
Profit before tax on continuing activities	13,872	13,452

4. Other income

	2018 £000's	2017 £000's
Management charges	150	166
Rental income	58	145
Sundry income	228	68
	436	379

5. Result from operating activities

	2018 £000's	2017 £000's
Result from operating activities is stated after charging/(crediting)		
Cost of inventories recognised as an expense	34,887	30,990
Employee benefits expenses	8,567	8,103
Amortisation of intangible assets	3,428	3,088
Impairment of intangible assets	-	297
Depreciation (notes 12 &13)	298	264
Revaluation of investment property (note 13)	(15)	-
Loss/(profit) on disposal of assets	-	37
Loss on foreign exchange transactions	970	55
Research and development	81	36
Operating lease rentals	495	638
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	42	41
Fees payable for audit of the Company's subsidiaries pursuant to legislation	14	9

	2018 £000's	2017 £000's
Earnings before interest, tax, depreciation, amortisation and impairment, share-based payments and foreign exchange differences (EBITDA)		
Profit from operating activities	14,112	12,645
Depreciation	298	264
Revaluation of investment property	(15)	-
Loss/(Profit) on disposal of fixed assets	-	37
Amortisation	3,428	3,088
Impairment of intangible assets	-	297
Share-based payments	778	678
	18,601	17,009
Foreign exchange differences	970	55
	19,571	17,064

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

5. Result from operating activities (continued)

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

Item	Rationale for Adjustment
Depreciation and Amortisation	These items are a result of past investments and therefore, although they are correctly recorded as a cost of the business they do not reflect current or future cash outflows. Additionally, Depreciation and Amortisation calculations are subject to judgement regarding useful lives and residual values of particular assets and the adjustment removes the element of judgement.
Revaluation of Investment Property	These are subject to judgement and do not reflect cashflows.
Gains and losses on Disposal of Fixed Assets and Impairment of Intangibles	These items are viewed as adjustments to depreciation and amortisation and therefore the rationale for depreciation and amortisation applies.
Share Based Payments	This item is subject to judgement and will never be reflected in the Group's cashflows.
Foreign Exchange differences	Since the key driver of this figure is the revaluation of monetary assets denominated in foreign currency at the period end, which often reverse later, taking this figure out of the EBITDA figure removes volatility from the performance measure. Foreign exchange movements are largely outside of the Group's control so this gives a better measure of the Group's progress than statutory profit measures which include them.

6. Finance income

	2018 £000's	2017 £000's
Finance income		
Interest received on short term bank deposits	138	103
Foreign exchange differences on bank balances	-	681
	138	784
Finance costs		
Interest paid	(14)	-
Foreign exchange differences on bank balances	(371)	
	(385)	-
	(247)	784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2018

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.

	2018 Earnings	2018 Weighted average number of shares	2018 Per share amount	2017 Earnings	2017 Weighted average number of shares	2017 Per share amount
	£000's	000	(pence)	£000's	000	(pence)
Earnings attributable to ordinary shareholders on continuing operations after tax	9,315	65,646	14.19	10,565	64,638	16.35
Dilutive effect of share options	-	605	(0.13)	-	718	(0.18)
Fully diluted earnings per share	9,315	66,251	14.06	10,565	65,356	16.17

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 nil (2017: 138,246).

8. Taxation

	2018 £000's	2017 £000's
Current tax year		
Foreign corporation tax on profits for the year	1,852	1,183
Withholding tax on intercompany dividend	78	61
Research and development tax credits claimed in the year	(40)	(255)
Research and development tax credits - adjustment for prior year	69	-
Deferred tax		
Origination and reversal of temporary differences	266	469
Due to change in effective rate	-	(5)
Income tax charge	2,225	1,453

	2018 £000's	2017 £000's
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	13,872	13,452
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 19% (2017: 20%)	2,636	2,690
Effects of:		
Non deductible expenses	305	557
Non chargable credits	(397)	(742)
Withholding tax on inter-company dividends	78	61
Enhanced allowance on research and development expenditure	(736)	(1,078)
Different tax rate for foreign subsidiaries	451	214
Reduced effective deferred tax rate	-	(5)
Unused tax losses carried forward	90	2
Patent box claim	(202)	(275)
Other adjustments	-	29
Income tax charge	2,225	1,453

	2018 %	2017 %
Applicable tax rate per UK legislation	19.00	20.00
Effects of:		
Non deductible expenses	2.20	4.14
Non chargable credits	(2.86)	(5.51)
Withholding tax on inter-company dividends	0.56	0.45
Enhanced allowance on research and development expenditure	(5.31)	(8.02)
Different tax rate for foreign subsidiaries	3.25	1.59
Reduced effective deferred tax rate	-	(0.04)
Unused tax losses caried forward	0.65	0.02
Patent box claim	(1.45)	(2.05)
Other adjustments	-	0.22
Effective tax rate	16.04	10.80

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2018

8. Taxation (continued)

Future tax changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using a hybrid tax rate of 18%. This is reflected in the financial statements.

9. Profit for the financial year

	2018 £000's	2017 £000's
Parent Company's profit for the financial year	76	5,144

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

	2018 £000's	2017 £000's
Dividend for the year ended 31 March 2017 of 5.7p per ordinary share	4,660	-
Dividend for the period ended 31 March 2016 of 5.7p per ordinary share	-	3,675
Dividend waived by Employee Benefit Trust	-	(8)
	4,660	3,667

The Board is declaring a dividend of 9.2 pence per share in respect of the year ended 31 March 2018.

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 2016	17,930	1,442	59,712	79,084
Additions - internally generated	-	-	8,238	8,238
Contributions from outside parties	-	-	(307)	(307)
At 1 April 2017	17,930	1,442	67,643	87,015
Additions - internally generated	-	-	7,176	7,176
At 31 March 2017	17,930	1,442	74,819	94,191
Amortisation				
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 1 April 2017	-	759	32,373	33,132
Charge for the year	-	72	3,356	3,428
At 31 March 2018	-	831	35,729	36,560
Net Book Value				
At 31 March 2018	17,930	611	39,090	57,631
At 31 March 2017	17,930	683	35,270	53,883
At 31 March 2016	17,930	755	30,652	49,337

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 5 to 16 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 cashflow 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 cashflows 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 £106 million (2017: £78 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 £74 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	36,446
Ecomectin	2,111
Others	533
	39,090

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 5 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. The directors have conducted an impairment review in the current year by preparing cashflow 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, (which assume a remaining life of only 5 years) the excess of the value in use over carrying value is over £23 million (2017: £12 million).

Fair value calculated as 10 times the current cash generated by the registrations gives an even higher value of £159m and this higher figure determines the recoverable amount, so management has again concluded that no impairment is necessary.

12. Property, plant and equipment

Group	Land and Buildings (freehold)	Plant and machinery	Fixtures, fittings and equipment	Motor Vehicles	Total
	£000's	£000's	£000's	£000's	£000's
Cost or valuation					
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 1 April 2017	730	1,541	865	75	3,211
Additions	-	106	218	-	324
Foreign exchange movements	-	(31)	-	(9)	(40)
Disposals	-	(14)	-	(5)	(19)
At 31 March 2018	730	1,602	1,083	61	3,476
Depreciation					
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 1 April 2017	13	737	587	9	1,346
Charge for the year	13	154	119	12	298
Foreign exchange movements	-	(13)	-	(2)	(15)
Disposals	-	(14)	-	(5)	(19)
At 31 March 2018	26	864	706	14	1,610
Net Book Value					
At 31 March 2018	704	738	377	47	1,866
At 31 March 2017	717	804	278	66	1,865
At 31 March 2016	730	886	203	14	1,833

The freehold property at 78 Coombe Road, New Malden was valued on 11 May 2017 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 2018

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 £270,000 (2017: £280,000) 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 for £99,000 (2017: £114,000) 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 2016	730	155	26	911
Additions	-	8	-	8
Disposals	-	-	(26)	(26)
At 1 April 2017	730	163	-	893
Additions	-	2	-	2
At 31 March 2018	730	165	-	895
Depreciation				
At 1 April 2016	-	147	26	173
Charge for the year	12	3	-	15
Revaluation adjustment	-	-	(26)	(26)
At 1 April 2017	12	150	-	162
Charge for the year	13	4	-	17
At 31 March 2018	25	154	-	179
Net Book Value				
At 31 March 2018	705	11	-	716
At 31 March 2017	718	13	-	731
At 31 March 2016	730	8	-	738

13. Investment property

Group and Company

	Land and Buildings (freehold) £000's	Total £000's
Cost /Revaluation		
At March 2016 and March 2017	189	189
Revaluation in the year	11	11
At 31 March 2018	200	200
Depreciation		
At March 2016 and March 2017	4	4
Revaluation in the year	(4)	(4)
At 31 March 2018	-	-
Net Book Value		
At 31 March 2018	200	200
At 31 March 2017	185	185
At 31 March 2016	185	185

The property in Western Road, Mitcham was valued at £200,000 as at 31 March 2018 by Mr R. Sworn of Kellon 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 £136,000 on a historical cost basis. The current revaluation surplus is £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 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
Share of associate's result for the year	7	-	7
Foreign exchange differences	(6)	-	(6)
At March 2018	89	9	98

Company

	Unlisted investments (subsidiaries) £000's	Total £000's
Cost		
At March 2016, 2017	21,273	21,273
Written off in the year	(1,196)	(1,196)
	20,077	20,077
Impairment		
At March 2016 and 2017	1,191	1,191
Eliminated in the year	(1,191)	(1,191)
At March 2018	-	-
Net Book Value		
At March 2018	20,077	20,077
At March 2016 and 2017	20,082	20,082

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

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

Company	Registered office address	Country of registration or incorporation	Class	Shares held %
Subsidiary undertakings held by Company				
Zhejiang ECO Biok Animal Health Products Limited	Zhongguan Industrial Area, Deqing, Zhejiang Province	P. R. China	Ordinary	3
Shanghai ECO Biok Veterinary Drug Sale Company Ltd. (via Zhejiang ECO Biok Animal Products Ltd.)	Room 1502-3, Imago Plaza, No 99 Wuning Road, Ptro District, Shanghai 200063	P. R. China	Ordinary	3
Petlove Limited	78 Coombe Road, New Malden, Surrey, KT3 4QS	Great Britain	Ordinary	91
ECO Animal Health Limited	78 Coombe Road, New Malden, Surrey, KT3 4QS	Great Britain	Ordinary	100
ECO Animal Health USA Corp.	344 Nassau Street, Princeton, New Jersey 08540	U.S.A.	Ordinary	100
Interpet LLC	3775 Columbia Pike, Ellicott City, Maryland, 21043	U.S.A.	Ordinary	100
ECO Animal Health de Mexico, S. de R. L. de C. V.	Av Techologico Sur 134-4, Unidad Habitacional Moderna, Queretaro, 76030	Mexico	Ordinary	100
ECO Animal Health de Argentina S.A.	Calle 4 E 43/44 N: 581 P: 6 D:B La Plata, Buenos Aires, Argentina	Argentina	Ordinary	100
ECO Animal Health Malaysia Sdn. Bhd	10th Floor, Menara Hap Seng, No 1 & 3, Jalan P Ramlee, 50250 Kuala Lumpur	Malaysia	Ordinary	100
ECO Animal Health India Private Ltd	No.33/5, Second Floor, Mount Kailash Building, Meanee Avenue Road, Ulsoor, Bangalore, Karnataka 560042	India	Ordinary	100
ECO Animal Health Europe Ltd	6 Northbrook Road, Dublin 6, Eire	Republic of Ireland	Ordinary	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2018

Subsidiary undertakings held by the Group (continued)

ECO Animal Health de Mexico, S. de R. L. de C. V.	Av Techologico Sur 134-4, Unidad Habitacional Moderna, Queretaro, 76030	Mexico	Ordinary	100
ECO Animal Health de Argentina S.A.	Calle 4 E 43/44 N: 581 P: 6 D:B La Plata, Buenos Aires, Argentina	Argentina	Ordinary	100
ECO Animal Health Malaysia Sdn. Bhd	10th Floor, Menara Hap Seng, No 1 & 3, Jalan P Ramlee, 50250 Kuala Lumpur	Malaysia	Ordinary	100
ECO Animal Health India Private Ltd	No.33/5, Second Floor, Mount Kailash Building, Meanee Avenue Road, Ulsoor, Bangalore, Karnataka 560042	India	Ordinary	100
ECO Animal Health Europe Ltd	6 Northbrook Road, Dublin 6, Eire	Republic of Ireland	Ordinary	100

The 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
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
ECO Animal Health Europe 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 2018 £000's	Profit/(loss) for the year 2018 £000's	Equity 2017 £000's	Profit/(loss) for the year 2017 £000's
ECO Animal Health Limited	26,556	7,950	18,871	10,809
ECO Animal Health Southern Africa (Pty) Limited	258	23	234	18
Zhejiang ECO Biok Animal Health Products Ltd	10,576	4,758	8,857	2,926
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda.	525	(442)	1,102	(261)
ECO Animal Health Japan Inc.	1,081	36	1,106	90
ECO Animal Health de Mexico, S. de R. L. de C. V.	64	(39)	(317)	(8)
ECO Animal Health USA Corp.	142	122	27	42
ECO Animal Health India (Private Ltd)	-	(1)	1	-
ECO Animal Health Europe Ltd	-	-	-	-
ECO Animal Health Malaysia Sdn Bhd	(14)	(3)	(11)	(4)

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	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Current assets	1,155	935	616	461
Current liabilities	(1,130)	(907)	(615)	(461)
Sales	8,299	6,145	2,958	2,462
Expenses	(1,386)	(1,285)	(335)	(274)

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.

14. Fixed asset investments (continued)

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

	2018 £000's	2017 £000's
Investments (share of net assets)		
At 1 April 2017	88	55
Share of results for the year	7	23
Foreign exchange movement	(6)	10
At 31 March 2018	89	88

15. Inventories

	Group 2018 £000's	Group 2017 £000's	Company 2018 £000's	Company 2017 £000's
Raw materials and consumables	12,975	14,503	-	-
Finished goods and goods for resale	4,380	4,493	-	-
Work in progress	308	679	-	-
	17,663	19,675	-	-

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £34,887,000 (2017: £30,894,000).

16. Trade and other receivables

Non-current	Group 2018 £000's	Group 2017 £000's	Company 2018 £000's	Company 2017 £000's
Amounts owed by group undertakings	-	-	46,236	-

Current	Group 2018 £000's	Group 2017 £000's	Company 2018 £000's	Company 2017 £000's
Trade receivables	15,777	14,912	-	-
Amounts owed by group undertakings	-	-	-	46,043
Amounts owed by joint operations	361	390	-	-
Other receivables	488	286	186	22
Prepayments and accrued income	567	570	27	67
	17,193	16,158	213	46,132

16. Trade and other receivables (continued)

As at 31 March 2018, trade receivables of £4,020,000 (2017: £1,936,000) due to the Group and £nil (2017: £nil) due to the Company were past due but not impaired. These relate to long standing distributors with whom we have agreed settlement terms and with whom there is no history of default. The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	£000's	**£000's**	**£000's**	**£000's**
Up to 3 months past due	3,469	1,548	-	-
3 to 6 months past due	345	382	-	-
Over 6 months past due	206	6	-	-
	4,020	1,936	-	-

As at 31 March 2018, trade receivables of £470,000 (2017: £501,000) 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		Company	
	2018	**2017**	**2018**	**2017**
	£000's	**£000's**	**£000's**	**£000's**
Current debt	86	9	-	-
Up to 3 months past due	19	31	-	-
3 to 6 months past due	19	131	-	-
Over 6 months past due	346	330	-	-
	470	501	-	-

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

Group	**2018**	**2017**
	£000's	**£000's**
Balance at 1 April	501	453
Provided in the year (net of recoveries)	(5)	48
Written off in the year	(26)	-
Balance at 31 March	470	501

16. Trade and other receivables (continued)

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

	Group		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Pounds Sterling	805	574	213	46,132
Euros	3,420	3,883	-	-
U S Dollars	7,314	7,184	-	-
Chinese RMB	3,210	1,624	-	-
Brazilian Real	363	846	-	-
Japanese Yen	153	644	-	-
Canadian dollars	346	441	-	-
Mexican Pesos	1,457	827	-	-
Other currencies	125	135	-	-
	17,193	16,158	213	46,132

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	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Drug registration expenditure	(3,031)	(2,785)	(3,031)	(2,785)
Freehold property	(79)	(79)	(79)	(79)
Investment property	(11)	(8)	(11)	(8)
Plant and equipment	(60)	(43)	(60)	(43)
Tax losses carried forward	1,888	1,888	1,888	1,888
Amount (payable) after more than one year	(1,293)	(1,027)	(1,293)	(1,027)

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

	Drug registration expenditure	Freehold property	Investment property	Plant and machinery	Total
	£000's	£000's	£000's	£000's	£000's
At 1 April 2017	(897)	(79)	(8)	(43)	(1,027)
(Charge) for the year through income statement	(246)	-	(3)	(17)	(266)
At 31 March 2018	(1,143)	(79)	(11)	(60)	(1,293)

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 5% withholding tax. The deferred tax liability in respect of this has not been recognised.

Company	2018 Freehold property £000's	2018 Investment property £000's	2018 Total £000's	2017 Freehold property £000's	2017 Investment property £000's	2017 Total £000's
At 1 April	(79)	(8)	(87)	(89)	(8)	(97)
Charge for the year through income statement	-	(3)	(3)	-	-	-
Movement in the year through revaluation reserve	-	-	-	10	-	10
At 31 March	(79)	(11)	(90)	(79)	(8)	(87)

A charge of £3,000 (2017: no charge) was recognised in the Company's income statement for the year. No movement (2017: credit of £10,000) 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		Company	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Cash and cash equivalents	21,261	20,602	4,959	8,684
Net funds per cash flow	21,261	20,602	4,959	8,684

19. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Trade payables	8,860	11,132	33	115
Other payables	1,374	1,790	178	403
Accruals and deferred income	481	811	23	8
	10,715	13,733	234	526

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 £274,000 (2017: £269,000).

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 2015 and updated 31 March 2018 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2018	1 April 2017
Discount rate	2.4%	2.8%
Rate of increase in pension payment	2.05%	2.25%
Inflation assumption with a maximum of 5% p.a.	3.05%	3.25%

Mortality rates
No pre-retirement mortality is assumed (2017: pre-retirement mortality was based on the mortality table known as AMCOO for males and AFCOO for females and 70% of the mortality indicated by this table was taken).

Post retirement mortality is based on 100% of the SAPS "S2" normal tables, based on the members' year of birth, improving in line with CMI 2017 projections with a 1.25% long term trend rate. The previous year's figures were based on the mortality table known as S2NMA for males and S2NFA for females with reference to member's years of birth. Allowance was made for the improvement in mortality experienced recently and expected in the future by using 100% of the CMI's 2017 improvement table, subject to a minimum improvement rate of 1.25% for males and 1% for females.

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 22.1 years for males (2017: 22.6 years) and 24.1 years for females (2017: 24.3 years). For members retiring in 20 years time, the expectation of life would be 23.4 years for males (2017: 23.9 years) and 25.6 years for females (2017: 25.5 years).

The weighted average term of the liabilities is 10 years (2017: 23 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	**2018**		**2017**	
	£000's	**£000's**	**£000's**	**£000's**
Assets at start of year	2,314		2,715	
Defined benefit obligation at start of year	(2,435)		(2,431)	
Net (liability)/asset at 1 April		(121)		284
Expected return on assets	65		95	
Interest cost	(68)		(85)	
		(3)		10
(Loss) on asset return	(6)		(165)	
Experience (loss)	-		(300)	
(Loss) on changes in assumptions	(9)		(18)	
Statement of other comprehensive income		(15)		(483)
Employer contributions gross	39		76	
Expenses paid by trustees	-		(8)	
		39		68
Net (liability) at 31 March 2017		(100)		(121)
Actual assets at end of year		2,503		2,314
Actual defined benefit obligation at end of year		(2,603)		(2,435)

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

	2018		2017	
	£000's	£000's	£000's	£000's
Fair value of assets at 1 April	2,314		2,715	
Expected return on assets	65		95	
(Loss) on asset return	(7)		(165)	
Employer contributions (gross)	39		76	
Expenses paid by trustees	-		(8)	
Increase/(Decrease) in secured pensioners' value due to scheme experience	93		(247)	
Benefits paid	(1)		(152)	
Fair value of assets at 31 March 2018		2,503		2,314

Reconciliation of changes in the liability value during the year

	2018		2017	
Defined benefit obligation at 1 April	2,435		2,431	
Interest cost	68		85	
Experience loss on liabilities	-		300	
Loss on changes in assumptions	8		18	
Increase/(Decrease) in secured pensioners' value due to scheme experience	93		(247)	
Benefits paid	(1)		(152)	
Defined benefit obligation at 31 March 2018		2,603		2,435

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

Year ended 31 March	2018	2017	2016	2015	2014
	£000's	£000's	£000's	£000's	£000's
Fair value of plan assets	2,503	2,314	2,715	2,985	2,680
Present value of defined benefit obligation	2,603	2,435	2,431	2,782	2,478
(Deficit)/Surplus in plan	(100)	(121)	284	203	202
Experience (losses)/gains on plan liabilities	-	(300)	13	2	4

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			
		2018	£000's	2017	£000's
Discount rate	(+/- 1%)	(27)	32	(25)	30
Members' life expectancy	(+/- 1year)	7	(7)	7	(7)

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:

	2018 £000's	2017 £000's
Total expense arising from equity settled share-based transactions	778	678

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	
	2018 000's	2018 WAEP £	2018 000's	2018 WAEP £	2017 000's	2017 WAEP £	2017 000's	2017 WAEP £
Outstanding at 1 April	5,593	2.96	-	-	5,694	2.41	552	2.05
Granted during the period	365	6.20	-	-	1,272	4.35	-	-
Expired/cancelled during the period	-	-	-	-	(41)	2.37	-	-
Exercised during the period	(402)	1.77	-	-	(1,332)	1.94	(552)	2.05
Outstanding at 31 March	5,556	3.26	-	-	5,593	2.96	-	-
Exercisable at 31 March	910	1.97	-	-	474	1.84	-	-

The average share price during the year was 587.34p (2017: 456.85p).

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 2018 had a weighted average share price of £3.26 (2017: £2.96) and a weighted average contractual life of 4.8 years (2017: 5.6 years).

ECO Animal Health Group plc Executive Share Option Scheme

In accordance with the Executive Share Option Scheme, approved and unapproved share options are granted to 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
06 August 2009		12,000	135.00	06 August 2019
11 October 2011		11,000	186.50	11 October 2021
11 October 2011	75,000		186.50	11 October 2018
09 July 2012	100,000		222.50	09 July 2018
09 October 2013		27,340	196.00	09 October 2023
09 October 2013	55,660		196.00	09 October 2020
21 August 2014		40,000	161.50	07 August 2024
21 August 2014	45,100		161.50	07 August 2021
13 February 2015		97,950	200.50	13 February 2025
13 February 2015	446,050		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
21 September 2017		56,015	620.00	21 September 2027
21 September 2017	308,985		620.00	21 September 2024
	5,082,045	474,055		

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 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 2018 was 531.0p with a range in the year of 500.0p to 680.0p.

No shares are currently held under the terms of the Joint Share Ownership 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.

	2018	2017	2016	2015	2014
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	1.10%	1.50%	1.50%	2.0-2.3%	1.4-1.9%
Risk free rate (average)	1.00%	1.00%	1.00%	1.00%	0.5-1.2%
Volatility of share price	20%	20%	20%	15%	20%
Weighted average fair value (pence)	98.6	61.4	43.0	19.2	29.1

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.

23. Share capital

	2018 £000's	2017 £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		
65,824,816 (2017: 65,422,706) Ordinary shares of 5p each	3,291	3,271

During the year 402,110 shares were issued at a premium of £693,000 as a result of the exercise of options by employees. (2017: 1,332,260 shares at a premium of £2,516,000).

24. Non-controlling (minority) interests

	2018 £000's	2018 £000's	2017 £000's	2017 £000's
Balance at 1 April		4,342		3,202
Share of subsidiary's profit for the year	2,332		1,434	
Share of foreign exchange gain/(loss) on net investment	(100)		293	
		2,232		1,727
Share of dividend paid by subsidiary		(1,389)		(587)
Balance at 31 March		5,185		4,342

25. Treasury share reserve

	2018 £000's	2017 £000's
Balance at 1 April	-	1,144
Repaid on disposal of jointly owned shares	-	1,134
Balance written off to income statement	-	10
Balance at 31 March	-	-

26. Other reserves

Group and Company	Capital redemption reserve £000's	Reserve for share-based payments £000's	Total £000's
At 31 March 2016	106	1,922	2,028
Share-based payments	-	678	678
Transfer to retained earnings on expiry of options	-	(257)	(257)
At 1 April 2017	106	2,343	2,449
Share-based payments	-	778	778
Transfer to retained earnings on expiry of options	-	(404)	(404)
At 31 March 2018	106	2,717	2,823

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 2017 £000's	Movement in the year £000's	At 31 March 2018 £000's
In respect of:			
Zhejiang ECO Biok Animal Health Products Limited	949	(104)	845
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	(196)	(134)	(330)
ECO Animal Health Japan Inc.	59	(81)	(22)
ECO Animal Health USA Corp.	(19)	(7)	(26)
ECO Animal Health de Mexico, S. de R. L. de C. V.	(44)	58	14
ECO Animal Health Southern Africa (pty) Ltd.	-	-	-
Pharmgate LLC	6	(3)	3
Pharmgate Canada LLC	-	-	-
Foreign currency differences attributable to owner credited directly to reserves.	755	(271)	484

27. Financial commitments

At 31 March 2018 the Group had minimum commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2018	2017	2018	2017
	£000's	£000's	£000's	£000's
Expiry date:				
Within one year	452	489	68	72
Between the second and fifth year	926	986	113	105
In over five years	2,083	2,285	-	-
	3,461	3,760	181	177
Minimum expected sublease rental receipts:				
Within one year	-	53	-	-
	-	53	-	-

28. Capital commitments

The Group had no authorised capital commitments as at 31 March 2018 (2017: Nil).

29. Directors' emoluments

	2018	2017
	£000's	£000's
Emoluments for qualifying services	1,310	846
Company pension contributions to money purchase schemes	15	22
Share-based payments	425	385
Benefits in kind	14	26
	1,764	1,279

During the year the directors exercised 75,000 (2017: 706,060) share options realising a gain of £358,875 (2017: £1,827,000).

The highest paid director received £800,000 (2017: £578,000) including £196,000 (2017: £174,000) of share-based payments and £10,000 (2017: £10,000) of pension contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 MARCH 2018

30. Employees
Number of employees

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

	2018 Number	2017 Number
Directors	7	7
Production and development	73	65
Administration	45	41
Sales	82	88
	207	201

Employment costs (including amounts capitalised)

	2018 £000's	2017 £000's
Wages and salaries	9,971	9,171
Share-based payments	778	678
Social security costs	786	749
Other pension costs	286	281
	11,821	10,879

31. Related party transactions

During the year P Lawrence and his family received dividends to the value of £562,000 (2017: £606,000). At the year end ECO Animal Health Group plc owed P A Lawrence and members of his family £nil (2017: £229,000). Mr Lawrence's loan account was closed during the year.

The other directors and their families received dividends to the value of £1,000 (2017: £3,000).

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 (2017: £40,000) 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. ECO Animal Health Group plc's costs of £44,000 (2017: £43,000) were fully recharged to Emmelle Construction Limited during the year.

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 £374,000 (2017: £253,000) and charged interest of £900,000 (2017: £900,000) 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 £111,000 to ECO Animal Health Group plc (2017: £45,000) and £1,335,000 to ECO Animal Health Limited (2017: £566,000).

During the year ECO Animal Health Group plc received no dividend from ECO Animal Health Limited. (2017: £5,000,000).

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.

	2018 £000's	2017 £000's
Salaries and short term benefits	1,324	872
Retirement benefits	15	22
Share-based payments	425	385
	1,764	1,279

The number of directors for which retirement benefits are accruing is 3 (2017: 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.

32. Financial instruments (continued)

The main risks arising from the Group's use of financial instruments are capital and liquidity risk, credit risk and foreign currency risks and they are summarised below. The policies have remained unchanged throughout the year.

Capital and liquidity risk

The Group manages its capital to ensure continuity as a going concern whilst maximising returns through the optimisation of debt and equity. As part of this, the Board considers the cost and risk associated with each class of capital. The capital structure of the Group consists of cash and cash equivalents in note 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 2018 the Group was contractually obliged to make repayments as detailed below:

Within one year or on demand	2018 £000's	2017 £000's
Trade payables	8,860	11,132
	8,860	11,132

Credit risk is that of financial loss as a result of default by a counterparty on its contractual obligations. The Group's exposure to credit risk arises principally in relation to trade receivables from customers and on short term bank deposits. Customers' creditworthiness is wherever possible checked against independent rating databases and filing authorities or otherwise assessed on the basis of trade knowledge and experience. Exposure and customer credit limits are continually monitored both on specific debts and overall.

The credit risk in relation to short term bank deposits and derivatives is limited because the counterparties are banks with good credit ratings.

The Group operates in certain geographical areas which are from time to time subject to restrictions in the free movement of funds. 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, Mexico, 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.

32. Financial instruments (continued)

The table below shows the extent to which the Group companies have monetary assets and liabilities in currencies other than in Sterling:

Foreign currency of Group operations

2018	US Dollar	Euros	Rand	Chinese RMB	Japanese Yen	Brazilian Real	Canadian Dollar	Mexican Peso	Other
Sterling equivalent (000's)	8,025	4,163	178	7,659	448	723	1,506	1,531	(15)
2017									
Sterling equivalent (000's)	5,199	5,234	134	1,564	729	1,105	789	728	(9)

At 31 March 2018 the Group was mainly exposed to the Dollar, Euro, the Chinese RMB, the Japanese Yen, the Brazilian Real, the Canadian Dollar and the Mexican Peso. 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 2018. A positive number indicates the decrease in profit which would arise from a 10 per cent weakening of the foreign currency concerned.

	2018 £000's	2017 £000's
U S Dollar	730	473
Euro	378	476
Chinese RMB	696	142
Japanese Yen	41	66
Brazilian Real	66	100
Canadian Dollar	137	72
Mexican Peso	139	66

32. Financial instruments (Continued)

Analysis of financial instruments by category

Group

2018	Loans and receivables £000's	Total £000's
Investments	98	98
Trade and other receivables (excluding prepayments)	16,626	16,626
Cash and cash equivalents	21,261	21,261

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

Company

2018	Loans and receivables £000's	Total £000's
Trade and other receivables (excluding prepayments)	186	186
Cash and cash equivalents	4,959	4,959

2017	Loans and receivables £000's	Total £000's
Trade and other receivables (excluding prepayments)	46,065	46,065
Cash and cash equivalents	8,684	8,684

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 £ 2,106,000 on 12th April 2018.
The Company issued 261,300 new shares for total proceeds of £523,000 on the 4th and 11th April 2018 as a result of the exercise of employee options.