

ECO ANIMAL HEALTH GROUP PLC

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DIRECTORS AND ADVISORS

Directors

Peter Lawrence
Marc Loomes
Kevin Stockdale
Brett Clemo
Julia Trowse
David Danson
Julia Henderson

Chairman
Chief Executive
Finance Director
Executive Director
Executive Director
Non Executive Director
Non Executive Director

Secretary

Julia Trowse

Company Number

01818170

Registered office

78 Coombe Road
New Malden
Surrey
KT3 4QS

Registered auditors

Reeves & Co LLP
Third Floor
24 Chiswell Street
London
EC1Y 4YX

Registrars

Share Registrars Limited
Suite E, First Floor
9 Lion and Lamb Yard
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GU9 7LL

Bankers

NatWest plc
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Nominated Adviser and Broker

Cenkos Securities plc
6, 7, 8 Tokenhouse Yard
London
EC2R 7AS

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ECO ANIMAL HEALTH GROUP PLC

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ECO ANIMAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

I am pleased to report that ECO Animal Health Group has delivered another sound set of results for the year ended 31 March 2012. In the Interim Report issued in December 2011, I advised that the second half had started well with a significant increase in sales, I am pleased to report that this performance was maintained for the balance of the year. The results for the year have been achieved in a marketplace under considerable pressure from the ongoing global economic difficulties and it is particularly encouraging that the overall consumption of meat protein continues to grow and the animal health industry along with it.

The most important event affecting the future performance of the Group occurred after the year end when, in July 2012, the Center for Veterinary Medicine (CVM) of the US Food and Drug Administration (FDA) granted ECO a marketing authorisation in the United States for Avlosin® 625 mg/g water soluble granules for swine. This long awaited decision follows an enormous amount of product development and regulatory work by our staff for the US authorities and represents the culmination of a huge investment by the Group over the past decade. The significance of this initial approval cannot be over stated as it allows ECO to enter a market that is one third of the global market for its products, which until now was closed to the Group.

FINANCIAL

Group turnover increased by close to 5 per cent to £28.3 million (2011: £27.1 million) while in US dollar terms the increase was 7 per cent. The US dollar exchange rate against other major currencies has a significant influence on ECO's performance as a large portion of the Group's sales and purchases are in US dollars and the value of that currency influences the translation of our results into sterling. As a global business, it is inevitable that we are impacted by currency movements and we take steps, where appropriate, to hedge that risk. In the year under review, the US dollar weakened against sterling and the Group hedged its exposure about half way through the period, albeit at some initial expense, but this has subsequently proved to have been the correct course of action.

Profit after tax for the year increased by 31.8 per cent to over £2.6 million (2011: £2.0 million) and profit before interest and non cash charges of tax, depreciation and amortisation, share based payments, impairment, foreign exchange and minorities rose to £6.5 million (2011: £6.4 million). I believe that this measure is a truer reflection of the state of the business than profit before tax, because we are required to amortise or depreciate drug registration costs, rather than to assess them by the increase in their fair value. The depreciation figure alone in our financial statements leads to an understatement of the actual value of our marketing authorisations worldwide and therefore of the total return to shareholders. Further, the figure for share based payments (which we are required to recognise in the income statement as a measure of the non cash remuneration received by our employees in return for their efforts during the year) has a significant impact on our reported profit. The method of calculating the amount charged to the income statement is an inexact science and will vary from award to award, as market conditions change. This is because the value of any award can be based on a variety of complex assumptions, variables and models, which inevitably, are subject to review and will change as further data becomes available over time.

Diluted earnings per share advanced 41.6 per cent reaching 4.19 pence (2011: 2.96 pence). The Group continues to benefit from enhanced tax allowances associated with the costs of developing its drugs. As a result of this and the favourable resolution of tax enquiries relating to previous years, the Group continues to accumulate tax losses, which have served to reduce the necessary level of deferred tax provision when compared to prior years. As a result, the Group does not expect to have a liability in respect of UK Corporation Tax for some years. Cash generated from operations during the year exceeded £6 million and the Group was able to deliver net cash balance at the year end of £9.5 million, a slight increase on the previous year.

ECO ANIMAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

The Board is pleased to declare a dividend of 3.75 pence per share (2011: 3.00 pence) which is an increase of 25 per cent and reflects our continued confidence in the business and the anticipated further profit contribution from its product portfolio. This will be paid on 5 October 2012 to shareholders on the register on 31 August 2012. Once again, we are offering shareholders a scrip alternative to the cash dividend and remain grateful to the many shareholders who support us in this way and help to conserve cash within the Company.

OPERATIONS

Overall ECO sales were ahead by nearly 5 per cent in the year to 31 March 2012 and the increase in the second half of the year, over the equivalent period in 2011, was in excess of 11 per cent. This accelerating trend is encouraging and was achieved in tough global markets, where pricing pressures intensified during the year, reflecting the generally difficult environment. ECO responded rapidly to the changing market dynamics by introducing pricing strategies to retain and, where possible, grow, market shares.

We were particularly pleased to see a rise of 23 per cent in our turnover in Latin America, which delivered an increase in earnings of over 40 per cent from this important and fast growing region. The growth was driven principally by advances in Aivlosin® sales to Argentina and Venezuela, underpinned by continuing substantial sales in Brazil. ECO set up a new subsidiary in Mexico which should generate increased sales of Aivlosin® and other ECO products to the large and growing Mexican and Central American markets.

Further growth was driven by strong sales of Aivlosin® in China, India and Malaysia. Sales from our Chinese subsidiary, Zhejiang ECO Biok Animal Health Products Limited, also continued to grow, rising a further 7 per cent during the year. As this important business is currently focused on pigs, the next significant strategic step is to broaden its product offering by entering the poultry sector in China for which the company already holds a number of marketing authorisations. Aivlosin®'s excellent product performance in India, Malaysia and Turkey and its growing reputation, is leading to increased penetration in these rapidly developing markets for poultry.

The difficulties within the Eurozone, coupled with the decline in the value of the Euro against sterling and the US dollar, meant that the sterling value of turnover and earnings arising from within that area dropped back slightly. Substantial investment and progress has since been made that will support future Aivlosin® growth, including an adjustment in strategy with increased focus on key markets, employment of additional sales support staff, the appointment of a new distributor in France and obtaining an important new approval for Aivlosin® Water Soluble Granules for use in poultry in Turkey. The European markets remain important to ECO, although their potential is not as significant as those territories with faster growing animal production where in general our presence is strong.

We were also particularly encouraged by the growth in UK sales of over 30 per cent, reflecting the continued success of our direct-to-market strategy with Aivlosin®.

Although the initial signs of recovery in Japan were promising, following the natural disasters of March 2011, it is now apparent that the full impact of these cataclysmic events is taking longer to overcome than previously thought. Many farmers were put out of business either through flooding, nuclear contamination or logistical problems and the cumulative effect has caused our business there to suffer for much of the year. Confidence in the economy and particularly in local agriculture was badly damaged, but following a series of initiatives undertaken by our Ecopharma subsidiary, its sales have been showing signs of a firm recovery since the year end.

ECO ANIMAL HEALTH GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

Aivlosin® – North America

The last few months have been transformational in ECO's development of Aivlosin®. North America is an extremely important market for this product and access is dependent on obtaining the necessary regulatory approvals, which is a very lengthy, costly and exacting process. In November 2011 the Veterinary Drugs Directorate (VDD) of Health Canada granted a marketing authorisation for Aivlosin® 625 mg/g water soluble granules for pigs for the treatment of ileitis, an enteric (gut) disease in pigs. The Health Canada approval was the first in North America for Aivlosin®. Initial sales in Canada, which started in March 2012, have been very encouraging and the feedback from veterinarians is positive.

In July 2012, after years of trials and preparatory work by ECO's product development and regulatory specialists in the UK and North America, the US Food and Drug Administration (FDA) also granted ECO a marketing authorisation in the United States for Aivlosin® 625 mg/g water soluble granules for pigs for the treatment of ileitis. The FDA's approval is ECO's first in the United States and marks a very important step in the Group's continuing development of Aivlosin® as a global veterinary product. ECO established a joint venture sales and marketing company, Pharmgate Animal Health LLC, in the US in 2010 to prepare for the launch of Aivlosin®.

These approvals will, in due course, be followed by further authorisations for other formulations and indications.

PEOPLE

We now employ over 150 people in our 14 offices around the world and we are, as always, grateful to our dedicated, hard working team of highly qualified specialists who are making our Group a leading force in the global animal health markets.

OUTLOOK

We are confident that the long awaited marketing authorisations in the US and Canada will have a major positive effect on the development of ECO, although it will be some months before the product launches gain momentum. We do not expect a noticeable impact on our financial performance until next year. ECO is very well placed to further broaden its product ranges and its global spread will ensure that it capitalises on opportunities as they arise in all the Group's major markets. The Group is set for an exciting future and looks forward to maximising value for shareholders.

Peter Lawrence

Executive Chairman

19 July 2012

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2012

The directors present their report and financial statements for the year ended 31 March 2012

Directors

The following directors have held office since 1 April 2011

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

Principal activities

The principal activities of the Group in the year under review were those of manufacturers and suppliers of animal health products

Results and dividends

The consolidated income statement for the year is set out on page 12

The profit for the year after tax was £2,626,926 (2011 £1,993,803) The directors have declared a dividend of 3 75p per share (2011 3 00p)

Substantial shareholdings

At 2 May 2012, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital

	Ordinary shares	Per cent
P A Lawrence and family	11,208,536	20 34
Schroder Investment Management Limited	10,849,114	19 68
Prudential plc	7,845,158	14 23
Axa Investment Managers SA	3,979,022	7 22
Artemis	3,621,983	6 57
Appleby Trust (Jersey) Limited	2,603,290	4 72
Hargreave Hale & Co	2,350,000	4 26

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2012

Group research and development activities

The Group is continually researching into and developing new products and markets. Details of expenditure incurred and written off during the year are shown in the notes to the financial statements. Following the recent approval of our first marketing authorisation for Aivlosin® in the USA, the Group remains committed to obtaining further authorisations of its Aivlosin® products in the USA and Canada and also other key territories such as Korea and Russia. Submissions have been made to the relevant authorities and approvals are expected in the future, although the exact timing remains outside the Group's control.

Review of the business and future developments

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

Principal risks and uncertainties

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

Competition

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

Dependence on key customers and suppliers

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

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

Timing of product registrations

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

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2012

Going concern

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

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

Market value of freehold land and buildings

The Group's freehold land and buildings situated at 78 Coombe Road, New Malden, were independently valued by an appropriately qualified person in April 2010. The market value of the property at that date was £650,000. The property at Western Road was acquired at open market value of £156,550 during the year and has not been subsequently revalued.

Key performance indicators

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

A summary of the KPIs is as follows:

	2012	2011
	£	£
Financial		
Revenue	28,322,177	27,078,262
Gross profit	10,817,951	10,712,925
Gross margin %	38.20	39.56
Earnings due to shareholders before interest, tax, depreciation, amortisation, share-based payments, foreign exchange differences and minorities	6,519,723	6,370,109
Cash balances, net of borrowings	9,509,732	9,418,341

Non-financial

Health and safety – major accidents reported to the board in the year

Nil

Nil

There are no other major non-financial KPIs.

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2012

Directors' interests

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

M D Loomes	2012	27,640 at £1 085	100,000 at £1 47	150,000 at £1 50	50,000 at £1 61
	2011	583,750 at £1 085	100,000 at £0 85	100,000 at £1 47	150,000 at £1 50
J Trowse	2012	7,640 at £1 085	70,000 at £1 47	75,000 at £1 50	20,000 at £1 61
	2011	206,100 at £1 085	50,000 at £0 85	70,000 at £1 47	75,000 at £1 50
K Stockdale	2012	27,640 at £1 085	70,000 at £1 47	75,000 at £1 50	20,000 at £1 61
	2011	50,000 at £1 085	50,000 at £0 85	70,000 at £1 47	75,000 at £1 50
B Clemo	2012	27,640 at £1 085	40,000 at £1 47	75,000 at £1 50	35,000 at £1 35
	2011	60,000 at £1 085	50,000 at £0 85	40,000 at £1 47	75,000 at £1 50
D Danson	2012	30,000 at £0 85			
	2011	30,000 at £0 85			
J Henderson	2012	35,000 at £1 35			
	2011	35,000 at £1 35			

Directors' emoluments

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

	2012	2011
	£	£
P A Lawrence	1,131	1,154
M D Loomes	304,766	266,565
J Trowse	118,075	126,522
K Stockdale	126,769	115,670
B Clemo	176,482	162,112
D Danson	15,447	15,903
J Henderson	23,658	22,532
	<u>766,328</u>	<u>710,459</u>

Directors' insurance

The Company maintains directors' and officers' liability insurance for the benefit of its directors which remained in place at 31 March 2012 and throughout the preceding year

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2012

Financial instruments

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

Employees

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

Donations

	2012	2011
	£	£
Charitable donations- Charities Aid Foundation	3,500	3,620

Creditor payment policy

The Group agrees terms and conditions for its business transactions with its suppliers and payments are made on these terms, subject to the terms and conditions being met by the suppliers. The Parent Company has no supplies of goods. Trade payables for the Parent and its UK subsidiary at the year end amounted to 108 days (2011: 114 days) of average supplies for the year.

Internal financial control

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

Corporate governance

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

Stockbrokers

Cenkos Securities plc are the Company's nominated advisor and stockbrokers. The closing share price on 31 March 2012 was 207p per share (2011: 216p). During the year the average share price was 214.5p (2011: 187p).

Auditors

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

ECO ANIMAL HEALTH GROUP PLC

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2012

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

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

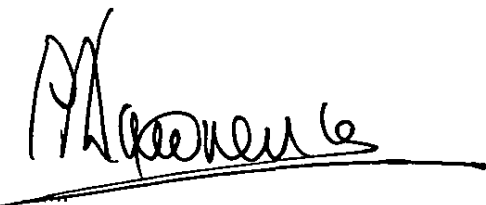
The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure to auditors

So far as each of the directors are aware,

- (a) there is no relevant audit information of which the Company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the board



Peter Lawrence
Director
19 July 2012

ECO ANIMAL HEALTH GROUP PLC

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

We have audited the financial statements (the "financial statements") of ECO Animal Health Group plc for the year ended 31 March 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and company statements of financial position, the Consolidated and company statements of changes in equity, the Consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended,
- the Group's financial statements have been properly prepared in accordance with IFRSs adopted by the European Union,
- the Parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

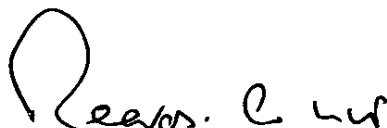
ECO ANIMAL HEALTH GROUP PLC

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

Matters on which we are required to report by exception

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

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



James O'Brien FCA
Senior Statutory Auditor
For and on behalf of;
Reeves and Co LLP
Statutory Auditors
Chartered Accountants
London
Date. 19 July 2012

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

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 £
Revenue	2,3	28,322,177	27,078,262
Cost of sales		<u>(17,504,226)</u>	<u>(16,365,337)</u>
Gross profit		10,817,951	10,712,925
Other income	4	760,062	178,961
Administrative expenses		<u>(9,373,175)</u>	<u>(8,422,529)</u>
Profit from operating activities	5	2,204,838	2,469,357
Finance income	6	130,931	73,116
Finance costs	6	<u>(15,427)</u>	<u>(250,857)</u>
Net finance income/(expense)		115,504	(177,741)
Profit before income tax		2,320,342	2,291,616
Income tax credit/(charge)	8	<u>306,584</u>	<u>(297,813)</u>
Profit for the year		2,626,926	1,993,803
Profit attributable to:			
Owners of the parent company		2,217,627	1,590,781
Minority interest	24	<u>409,299</u>	<u>403,022</u>
Profit for the year		2,626,926	1,993,803
Basic and diluted earnings per share (pence)	7	2012	2011
Post tax earnings per share		4.24	3.07
Diluted earnings per share (pence)		4.19	2.96

The consolidated income statement has been prepared on the basis that all operations are continuing operations

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 £	2011 £
Profit for the year		2,626,926	1,993,803
Other comprehensive income:			
Foreign currency translation differences		200,872	203,229
Defined benefit plan actuarial (losses)/gains	21	(151,000)	14,000
Revaluation of investments		(2,828)	61,594
Transfer on disposal of investment		(58,766)	-
Revaluation of freehold property		-	52,000
Deferred tax on revaluations		14,782	(87,373)
Other comprehensive income for the year		3,060	243,450
Total comprehensive income for the year		2,629,986	2,237,253
Attributable to:			
Owners of the parent company		2,140,405	1,754,161
Minority interest	24	489,581	483,092
		2,629,986	2,237,253

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

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

ECO ANIMAL HEALTH GROUP PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

CONSOLIDATED	Attributable to the owners of the Parent								
	Share Capital	Share premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	Total	Minority Interest	Total Equity
	£	£	£	£	£	£	£	£	£
Balance as at 31 March 2010	2,580,637	45,487,897	-	519,319	1,141,591	4,569,844	54,299,288	1,400,296	55,699,584
Profit for the year	-	-	-	-	-	1,590,781	1,590,781	403,022	1,993,803
Other comprehensive income	-	-	-	-	-	-	-	-	-
Foreign currency differences	-	-	-	-	-	123,159	123,159	80,070	203,229
Actuarial losses on pension scheme assets	-	-	-	-	-	14,000	14,000	-	14,000
Revaluation of investment	-	-	-	61,594	-	-	61,594	-	61,594
Revaluation of freehold property	-	-	-	52,000	-	-	52,000	-	52,000
Deferred taxation	-	-	-	(87,373)	-	-	(87,373)	-	(87,373)
Total comprehensive income for the year	-	-	-	26,221	-	1,727,940	1,754,161	483,092	2,237,253
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Issue of shares in the year	29,121	781,203	-	-	-	-	810,324	-	810,324
Share-based payments	-	-	-	-	303,504	-	303,504	-	303,504
Transfers on expiry of options	-	-	-	-	(114,865)	114,865	-	-	-
Dividends relating to 2010	-	-	-	-	-	(1,190,888)	(1,190,888)	(92,801)	(1,283,689)
Transactions with owners	29,121	781,203	-	-	188,639	(1,076,023)	(77,060)	(92,801)	(169,861)
Balance as at 31 March 2011	2,609,758	46,269,100	-	545,540	1,330,230	5,221,761	55,976,389	1,790,587	57,766,976
Profit for the year	-	-	-	-	-	2,217,627	2,217,627	409,299	2,626,926
Other comprehensive income	-	-	-	-	-	-	-	-	-
Foreign currency differences	-	-	-	-	-	120,590	120,590	80,282	200,872
Actuarial losses on pension scheme assets	-	-	-	-	-	(151,000)	(151,000)	-	(151,000)
Revaluation of investment	-	-	-	(2,828)	-	-	(2,828)	-	(2,828)
Transfer on disposal of investment	-	-	-	(58,766)	-	-	(58,766)	-	(58,766)
Deferred taxation	-	-	-	14,782	-	-	14,782	-	14,782
Total comprehensive income for the year	-	-	-	(46,812)	-	2,187,217	2,140,405	489,581	2,629,988
Transactions with owners recorded directly in equity	-	-	-	-	-	-	-	-	-
Contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Issue of shares in the year	146,202	4,587,817	-	-	-	-	4,734,019	-	4,734,019
Share-based payments	-	-	-	-	290,890	-	290,890	-	290,890
Transfers on expiry of options	-	-	-	-	(96,989)	96,989	-	-	-
Dividends relating to 2011	-	-	-	-	-	(1,567,595)	(1,567,595)	(388,581)	(1,956,176)
Cancellation of share premium account	-	(13,250,000)	-	-	3,250,000	10,000,000	-	-	-
Treasury reserve arising from issue of jointly owned shares	-	-	(5,217,580)	-	-	-	(5,217,580)	-	(5,217,580)
Transactions with owners	146,202	(8,662,183)	(5,217,580)	-	3,443,901	8,529,394	(1,760,266)	(388,581)	(2,148,847)
Balance as at 31 March 2012	2,755,960	37,606,917	(5,217,580)	498,728	4,774,131	15,938,372	56,356,528	1,891,587	58,248,115

ECO ANIMAL HEALTH GROUP PLC

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2012

COMPANY	Attributable to the owners of the Parent						Total
	Share Capital	Share premium Account	Treasury Reserve	Revaluation Reserve	Other Reserves	Retained Earnings	
	£	£	£	£	£	£	£
Balance as at 31 March 2010	2,580,637	45,487,897	-	250,457	1,141,591	4,902,393	54,362,975
Profit for the year	-	-	-	-	-	1,353,391	1,353,391
Other comprehensive income	-	-	-	-	-	-	-
Actuarial losses on pension scheme assets	-	-	-	-	-	14,000	14,000
Revaluation of investment	-	-	-	61,594	-	-	61,594
Revaluation of freehold property	-	-	-	52,000	-	-	52,000
Deferred taxation	-	-	-	(87,372)	-	-	(87,372)
Total comprehensive income for the year	-	-	-	26,222	-	1,367,391	1,393,613
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	29,121	781,203	-	-	-	-	810,324
Share-based payments	-	-	-	-	303,504	-	303,504
Transfer to retained earnings re expired options	-	-	-	-	(114,865)	114,865	-
Dividends relating to 2010	-	-	-	-	-	(1,190,888)	(1,190,888)
Transactions with owners	29,121	781,203	-	-	188,639	(1,076,023)	(77,060)
Balance as at 31 March 2011	2,609,758	46,269,100	-	276,679	1,330,230	5,193,761	55,679,528
Profit for the year	-	-	-	-	-	739,303	739,303
Other comprehensive income	-	-	-	-	-	-	-
Actuarial losses on pension scheme assets	-	-	-	-	-	(151,000)	(151,000)
Revaluation of investment	-	-	-	(2,828)	-	-	(2,828)
Transfer on disposal of investment	-	-	-	(58,766)	-	-	(58,766)
Deferred taxation	-	-	-	14,782	-	-	14,782
Total comprehensive income for the year	-	-	-	(46,812)	-	588,303	541,491
Transactions with owners recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares in the year	146,202	4,587,817	-	-	-	-	4,734,019
Share-based payments	-	-	-	-	290,890	-	290,890
Transfers on expiry of options	-	-	-	-	(96,989)	96,989	-
Dividends relating to 2011	-	-	-	-	-	(1,567,595)	(1,567,595)
Cancellation of share premium account	-	(13,250,000)	-	-	3,250,000	10,000,000	-
Treasury reserve arising from issue of jointly owned shares	-	-	(5,217,580)	-	-	-	(5,217,580)
Transactions with owners	146,202	(8,662,183)	(5,217,580)	-	3,443,901	8,529,394	(1,760,266)
Balance as at 31 March 2012	2,755,960	37,606,917	(5,217,580)	229,867	4,774,131	14,311,458	54,460,753

ECO ANIMAL HEALTH GROUP PLC

STATEMENTS OF FINANCIAL POSITION (CO. NUMBER: 01818170) AS AT 31 MARCH 2012

	Notes	Group		Company	
		2012	2011	2012	2011
		£	£	£	£
Non-current assets					
Intangible assets	11	39,109,147	38,636,816	-	-
Property, plant and equipment	12	1,268,063	1,277,586	662,599	655,611
Investment property	13	154,773	-	154,773	-
Investments	14	8,738	350,888	20,082,240	20,393,834
		<u>40,540,721</u>	<u>40,265,290</u>	<u>20,899,612</u>	<u>21,049,445</u>
Current assets					
Inventories	15	4,417,317	4,803,929	-	-
Trade and other receivables	16	10,755,390	9,642,817	28,912,983	28,625,161
Income tax recoverable		15,921	355,667	-	213,622
Other taxes and social security		292,182	94,712	229,630	3,588
Cash and cash equivalents	18	14,002,422	9,471,537	9,793,239	6,243,597
Total current assets		<u>29,483,232</u>	<u>24,368,662</u>	<u>38,935,852</u>	<u>35,085,968</u>
Liabilities					
Trade and other payables	19	(6,705,991)	(5,795,322)	(734,166)	(226,588)
Short-term borrowings	20	(4,492,690)	(53,196)	(4,492,690)	(53,196)
Income tax		(58,084)	(77,529)	-	-
Other taxes and social security		(157,572)	(76,699)	(44,143)	(54,628)
Dividends		(31,122)	(32,369)	(31,122)	(32,369)
Current liabilities		<u>(11,445,459)</u>	<u>(6,035,115)</u>	<u>(5,302,121)</u>	<u>(366,781)</u>
Net current assets		<u>18,037,773</u>	<u>18,333,547</u>	<u>33,633,731</u>	<u>34,719,187</u>
Total assets less current liabilities		<u>58,578,494</u>	<u>58,598,837</u>	<u>54,533,343</u>	<u>55,768,632</u>
Non current liabilities					
Deferred tax	17	(330,379)	(831,861)	(72,590)	(89,104)
TOTAL ASSETS LESS TOTAL LIABILITIES		<u>58,248,115</u>	<u>57,766,976</u>	<u>54,460,753</u>	<u>55,679,528</u>
EQUITY					
Issued share capital	23	2,755,960	2,609,758	2,755,960	2,609,758
Share premium account		37,606,917	46,269,100	37,606,917	46,269,100
Treasury reserve	25	(5,217,580)	-	(5,217,580)	-
Revaluation reserve		498,728	545,540	229,867	276,679
Other reserves	26	4,774,131	1,330,230	4,774,131	1,330,230
Retained earnings		15,938,372	5,221,761	14,311,458	5,193,761
		<u>56,356,528</u>	<u>55,976,389</u>	<u>54,460,753</u>	<u>55,679,528</u>
Minority interests	24	1,891,587	1,790,587	-	-
TOTAL EQUITY		<u>58,248,115</u>	<u>57,766,976</u>	<u>54,460,753</u>	<u>55,679,528</u>

Approved by the Board and authorised for issue on 19 July 2012

Peter Lawrence Director
The notes on pages 18 to 62 form part of these financial statements



ECO ANIMAL HEALTH GROUP PLC

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Notes	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Cashflows from operating activities					
Profit before income tax		2,320,342	2,291,616	732,074	1,352,597
Adjustment for					
Net finance costs/(income)		(115,504)	177,741	(398,154)	(406,817)
Depreciation	12 & 13	98,219	88,543	21,932	20,859
Amortisation of intangible assets	11	3,593,365	3,239,948	-	-
Pension payments	21	(64,000)	(59,000)	(64,000)	(59,000)
Pension operating costs	21	3,000	2,000	3,000	2,000
Share based payments	22	290,890	303,504	290,890	303,504
Profit on disposal of investment		(28,210)	-	(58,766)	-
Operating cash flows before movements in working capital		6,098,102	6,044,352	526,976	1,213,143
Change in inventories		386,612	893,380	-	-
Change in receivables		(1,396,043)	(421,077)	(599,864)	772,301
Change in payables		991,542	2,158,550	497,093	146,407
Cash generated from operations		6,080,213	8,675,205	424,205	2,131,851
Finance costs		(90,356)	(54,169)	(89,831)	(52,866)
Income tax		140,185	(155,860)	219,119	(742)
Net cash from operating activities		6,130,042	8,465,176	553,493	2,078,243
Cash flows from investing activities					
Disposal of investment		308,766	-	308,766	-
Acquisition of property, plant and equipment	12	(140,457)	(151,257)	(27,143)	(3,766)
Acquisition of investment property	13	(156,550)	-	(156,550)	-
Purchase of drug registrations	11	(4,063,647)	(4,269,988)	-	-
Finance income		126,931	73,116	483,985	459,683
Net cash used in investing activities		(3,924,957)	(4,348,129)	609,058	455,917
Cash flows from financing activities					
Proceeds from issue of share capital		4,390,913	305,995	4,390,913	305,995
Dividends paid		(1,614,317)	(776,145)	(1,225,736)	(683,344)
Purchase of own shares		(5,217,580)	-	(5,217,580)	-
Net cash used in financing activities		(2,440,984)	(470,150)	(2,052,403)	(377,349)
Net (decrease)/increase in cash and cash equivalents		(235,899)	3,646,897	(889,852)	2,156,811
Foreign exchange movements		327,290	(131,405)	-	-
Balance at 1 April 2011		9,418,341	5,902,849	6,190,401	4,033,590
Balance at 31 March 2012	18	9,509,732	9,418,341	5,300,549	6,190,401

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2012

1. General information

Eco Animal Health Group plc ("the company") and its subsidiaries (together "the group") manufacture and supply animal health products globally

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

2 Summary of significant accounting policies

2.1 Basis of preparation

The group has presented its annual report and accounts in accordance with International Financial reporting Standards (IFRS), as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of financial statements, in conformity with IFRS as adopted by the European Union, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

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

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

2.2 Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations to existing standards are mandatory for the first time for the accounting period ended 31 March 2012

		Effective from
IFRIC 19 (issued 2009)	"Extinguishing Financial Liabilities with Equity Instruments"	01 July 2010
IFRS 1 (amended 2010)	"Limited Exemption from Comparative IFRS Disclosures for first time Adoptors"	01 July 2010
IFRS 3	"Measurement of non-controlling interests"	01 July 2010
IFRIC 14 (amended 2009)	"Prepayments of a Minimum Funding Requirement"	01 January 2011
IAS 24 (revised 2009)	"Related Party Disclosures"	01 January 2011
IAS 34	"Significant events and transactions"	01 January 2011
IFRIC 13	"Fair value of award credit"	01 January 2011

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.3 Adoption of new and revised standards (continued)

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

		Effective from
IFRS 1 (amended 2010)	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	01 July 2011
IFRS 7 (amended 2010)	Financial Instruments Disclosures"	01 July 2011
IAS12 (amended 2012)	"Deferred Tax Recovery of Underlying Assets"	01 January 2012
IFRS 9 (issued 2009)	"Financial Instruments"	01 January 2013
IFRS 10 (issued 2011)	"Consolidated Financial Statements"	01 January 2013
IFRS 11 (issued 2011)	"Joint arrangements"	01 January 2013
IFRS 12 (issued 2011)	"Disclosure of Interests in Other Entities"	01 January 2013
IFRS 13 (issued 2011)	"Fair Value Measurement"	01 January 2013
IAS 1 (issued 2011)	"Presentation of other items of Comprehensive Income"	01 July 2012
IAS 19	"Employee Benefits (Revised)"	01 January 2013

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

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

2.4 Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2012.

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, plus costs directly attributable to the acquisition. Identifiable assets acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value the difference is recognised directly in the income statement.

Accounting policies have been changed where material to ensure consistency with the policies adopted by the Group. Although the subsidiaries in Brazil and China have December year ends, the Group uses management accounts to the end of March to prepare the Group accounts. Subsidiaries are wholly consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

2.7 Financial instruments

Non-derivative financial assets

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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

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

The Group has the following non-derivative financial assets:

Loans and receivables

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

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

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

Non-derivative financial liabilities

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

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

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

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

2.8 Goodwill

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

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

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.9 Other intangible assets

Drug registrations, patents and licences

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

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

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

All drug registrations and licences are amortised on a straight-line basis over their useful economic life of 10 years.

Distribution rights

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

2.10 Property, plant and equipment and depreciation

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

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

Freehold land and buildings are stated at valuation less depreciation. The property is professionally valued by a qualified surveyor at least once every three years. Surpluses and deficits arising from the periodic valuations are taken to the revaluation reserve in the statement of financial position and are recognised in the statement of comprehensive income for the year. Depreciation is provided at a rate calculated to write off the valuation less estimated residual value over the remaining useful life of the building at a rate of 2 per cent per annum. Land is not depreciated.

2.11 Impairment of non-financial assets

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

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

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.12 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at its cost less any accumulated impairment and depreciation.

2.13 Leasing

The Group leases certain property, plant and equipment.

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

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

2.14 Inventories

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

2.15 Trade receivables

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

2.16 Investments

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

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

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

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.17 Interest in joint ventures

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

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

2.18 Cash and cash equivalents

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

2.19 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

2.20 Bank borrowings and loans

Interest-bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs (which equate to fair value). Finance charges including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

2.21 Trade payables

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

2.22 Provisions

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

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group

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

The Group also receives interest, 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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

Defined Benefit Scheme

The regular cost of providing retirement pensions and related benefits is charged to the income statement over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the income statement and the contributions paid to the scheme are disclosed as an asset or liability in the statement of financial position in accordance with IAS 19. Actuarial gains or losses are taken directly to equity in the statement of comprehensive income.

2.25 Share-based payments

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

The Group issues equity-settled share-based payments to certain employees in exchange for services from those employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant of such equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions (with a corresponding movement in equity).

The Group's Employee Benefit Trust ("the Trust") was set up on 6 October 2011 to administer the Group's Joint Share Ownership Plan (JSOP). The trust was funded by loans from the Group, with its assets comprising shares in the Company. The Group recognised the assets and liabilities of the Trust in its own accounts and the carrying value of the Company's shares held by the Trust were recorded as a deduction in total equity until such a time as the shares vest unconditionally to employees.

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

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

2.26 Taxation

Tax expense for the period comprises current and deferred tax.

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted, or substantially enacted, by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

2.27 Equity

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

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

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

2.28 Dividend distribution

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

2.29 Critical accounting estimates and judgements

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

(a) Estimated impairment value of intangible assets

The Group tests annually whether intangible assets with indefinite life have suffered any impairment. Other intangible assets are reviewed for impairment when an indication of potential impairment exists. Impairment provisions are recorded as applicable based on directors' estimates of recoverable values. Details of the impairment reviews performed can be found in note 11 of the financial statements.

(b) Income taxes

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

Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises assets and liabilities based on estimates of the final agreed position. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) Pension scheme

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

(d) Share-based payments

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

3. Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the business from a geographical perspective. Geographically, management considers the performance in the UK and Europe, China, Japan and the Indian subcontinent, Latin America and the rest of the world. The segment information provided to the Board for the year ended 31 March 2012 is as follows,

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

	U K £	Europe £	China, Japan and the Indian subcontinent £	Latin America £	Rest of the world £	Total £
Year ended 31 March 2012						
Total segmental revenue	760,235	4,201,343	11,546,943	11,791,871	4,644,930	32,945,322
Inter-segment revenue	-	-	(2,421,888)	(2,196,659)	(4,598)	(4,623,145)
Revenue from external customers	760,235	4,201,343	9,125,055	9,595,212	4,640,332	28,322,177
Sale of goods	760,235	4,201,343	9,125,055	9,595,212	4,325,068	28,006,913
Royalties	-	-	-	-	315,264	315,264
	760,235	4,201,343	9,125,055	9,595,212	4,640,332	28,322,177
Adjusted EBITDA	(846,287)	1,103,737	1,934,133	2,636,392	1,359,337	6,187,312
Total assets	15,285,976	9,464,789	20,078,286	16,556,570	8,638,332	70,023,953
Year ended 31 March 2011						
Total segmental revenue	567,921	4,344,378	12,198,318	10,095,787	4,433,739	31,640,143
Inter-segment revenue	-	-	(2,218,332)	(2,343,549)	-	(4,561,881)
Revenue from external customers	567,921	4,344,378	9,979,986	7,752,238	4,433,739	27,078,262
Sale of goods	567,921	4,344,378	9,979,986	7,752,238	4,091,730	26,736,253
Royalties	-	-	-	-	342,009	342,009
	567,921	4,344,378	9,979,986	7,752,238	4,433,739	27,078,262
Adjusted EBITDA	(935,268)	1,416,463	2,481,290	1,849,331	1,289,536	6,101,352
Total assets	11,843,501	9,446,879	20,182,417	14,721,730	8,439,425	64,633,952

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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

	2012	2011
	£	£
Adjusted EBITDA for reportable segments	6,187,312	6,101,352
Depreciation	(98,219)	(88,543)
Amortisation	(3,593,365)	(3,239,948)
Share-based payment charges	(290,890)	(303,504)
Finance income/(expense)	115,504	(177,741)
Profit before tax	<u>2,320,342</u>	<u>2,291,616</u>

4. Other income

This includes an amount of £550,000 received in compensation for a claim against a former adviser relating to tax losses not claimed within the statutory time limit

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

5. Result from operating activities

	2012 £	2011 £
Result from operating activities is stated after charging		
Cost of inventories recognised as an expense	17,504,226	16,365,337
Employee benefits expenses	2,967,640	2,879,736
Amortisation of intangible assets	3,593,365	3,239,948
Depreciation	98,219	88,543
Loss on foreign exchange transactions	332,411	268,757
Research and development	37,561	29,245
Operating lease rentals	178,625	146,221
Fees payable to the Company's auditor for the audit of the parent Company and Group annual accounts	18,000	18,000
Fees payable for audit of the Company's subsidiaries pursuant to legislation	27,000	27,000
	2012 £	2011 £
Earnings due to shareholders before interest, tax, depreciation, amortisation, share-based payments and foreign exchange differences.		
Profit from operating activities	2,204,838	2,469,357
Depreciation	98,219	88,543
Amortisation	3,593,365	3,239,948
Share-based payments	290,890	303,504
	6,187,312	6,101,352
Foreign exchange differences	332,411	268,757
	6,519,723	6,370,109
Minorities	(409,299)	(403,022)
	6,110,424	5,967,087

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

6. Finance cost/income

	2012 £	2011 £
Finance costs		
Interest paid	(90,356)	(54,169)
Foreign exchange differences on bank loans and overdrafts	74,929	(196,688)
Finance income		
On short term bank deposits	130,931	73,116
Net finance income/(expense)	115,504	(177,741)

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

	2012			2011		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	000	(pence)	£'000	000	(pence)
Earnings attributable to ordinary shareholders on continuing operations after tax	2,218	52,333	4 24	1,590	51,873	3 07
Dilutive effect of share options	-	553	(0 05)	-	1,860	(0 11)
Fully diluted earnings per share	2,218	52,886	4 19	1,590	53,733	2 96

Dilutive 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 1,233,950.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

8. Taxation

	2012 £	2011 £
Current tax year		
Foreign corporation tax on profits for the year	189,527	189,248
Adjustment for prior years	(9,411)	(14,205)
Current tax	<u>180,116</u>	<u>175,043</u>
Deferred tax		
Origination and reversal of temporary differences	(486,700)	122,770
Income tax(credit)/charge	<u>(306,584)</u>	<u>297,813</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>2,320,342</u>	<u>2,291,616</u>
	2012 £	2011 £
Profit on ordinary activities before taxation multiplied by the applicable rate of UK corporation tax of 26% (2011 28%)	603,289	641,652
Effects of		
Non deductible expenses	148,535	73,425
Non chargeable credits	(453,659)	(113,993)
Enhanced allowance on research and development expenditure	(742,797)	(153,062)
Lower tax rate for Chinese subsidiary	(116,428)	(153,561)
Unused tax losses carried forward	263,899	-
Other tax adjustments	(9,423)	3,352
Income tax charge	<u>(306,584)</u>	<u>297,813</u>
	2012 %	2011 %
Applicable tax rate per UK legislation	26 00	28 00
Effects of		
Non deductible expenses	6 40	3 20
Non chargeable credits	(19 55)	(4 97)
Enhanced allowance on research and development expenditure	(32 01)	(6 68)
Lower tax rate for Chinese subsidiary	(5 02)	(6 70)
Unused tax losses carried forward	11 37	-
Other tax adjustments	(0 40)	0 15
Effective tax rate	<u>(13 21)</u>	<u>13 00</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

9 Profit for the financial year

	2012	2011
	£	£
Parent Company's profit for the financial year	739,303	1,353,391

10. Dividends

	2012	2011
	£	£
Dividend for the period ended 31 March 2010 of 2 3p per ordinary share	-	1,190,888
Dividend for the period ended 31 March 2011 of 3 0p per ordinary share	1,567,595	-
	1,567,595	1,190,888

The Board is declaring a dividend of 3 75 pence per share in respect of the year ended 31 March 2012. A scrip dividend alternative will be offered.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

11. Intangible fixed assets

Group	Goodwill	Distribution rights	Drug registrations, patents and licence costs	Total
Cost	£	£	£	£
At 1 April 2010	17,930,495	1,034,860	31,127,251	50,092,606
Additions	-	-	4,269,988	4,269,988
Foreign exchange movements	-	-	63,209	63,209
At 1 April 2011	17,930,495	1,034,860	35,460,448	54,425,803
Additions	-	-	4,063,647	4,063,647
At 31 March 2012	17,930,495	1,034,860	39,524,095	58,489,450
Amortisation				
At 1 April 2010	-	315,726	12,233,313	12,549,039
Charge for the year	-	55,318	3,184,630	3,239,948
At 1 April 2011	-	371,044	15,417,943	15,788,987
Charge for the year	-	51,743	3,541,622	3,593,365
Foreign exchange movements	-	-	(2,049)	(2,049)
At 31 March 2012	-	422,787	18,957,516	19,380,303
Net Book Value				
At 31 March 2012	17,930,495	612,073	20,566,579	39,109,147
At 31 March 2011	17,930,495	663,816	20,042,505	38,636,816
At 1 April 2010	17,930,495	719,134	18,893,938	37,543,567

The amortisation charge is included within administrative expenses on the income statement

Distribution rights are amortised over their estimated useful life of 20 years and reviewed for impairment when any indication of potential impairment exists. The remaining amortisation period at the date of the financial statements was 11 years.

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

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

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

11. Intangible fixed assets (Continued)

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

The Group prepares cash flow forecasts derived from the most recent financial budgets and projections that are approved by management for the year ahead and then extrapolates them assuming a 3% annual growth rate which is well below the current performance of the existing business. The directors believe that the long term growth rate assumed does not exceed the average long term growth rate for the relevant markets. The exception to this rule is ECOpharma Inc. In this case the directors believe that a 5 percent growth rate in sales and margin for the second to fifth years, followed by a 3 per cent growth rate thereafter is appropriate.

Management estimates discount rates using the pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU's. In the current year management estimated the applicable rate to be 11%. Despite general economic conditions, management considers that there is adequate headroom when comparing the net present value of the cash flows to the carrying value of goodwill to conclude that no impairment is necessary this year. On current assumptions the excess of recoverable amount over carrying value is over £35 million.

Management believes that the most significant assumption in the calculation of value in use is the estimated growth rate. However, even if the growth rate were to be zero, the recoverable amount would still be over £16 million more than the carrying value and no impairment would be necessary. This assumes an earnings multiple of 10 on the current budgeted results in estimating fair value which has been derived from historical data.

Drug registrations and licences are amortised over their estimated useful lives of 10 years, which is the directors' estimate of the time it would take to develop a new product allowing for the Group's patent protection and the exclusivity period which comes with certain registrations. Given the economic climate the directors have conducted an impairment review in the current year by preparing cash flow projections for the year ahead and extrapolating the results for the remaining life of the registrations assuming zero growth and an 11% discount rate to establish value in use. On the current assumptions the excess of the recoverable amount over carrying value is more than £18 million. The calculations have also shown that on current budget figures a 5 year life is more than enough to justify the current carrying value of these registrations. Moreover, fair value calculated as 10 times the current cash generated by the registrations gives an even higher result, so management has again concluded that no impairment is necessary.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

12 Property, plant and equipment

Group	Land and Buildings (freehold)	Plant and machinery	Fixtures, fittings and equipment	Motor Vehicles	Total
Cost or valuation	£	£	£	£	£
At 1 April 2010	650,000	762,411	535,296	-	1,947,707
Additions	-	93,456	15,590	42,211	151,257
Foreign exchange movements	-	280,133	-	-	280,133
At 1 April 2011	650,000	1,136,000	550,886	42,211	2,379,097
Additions	-	6,117	74,749	59,591	140,457
Foreign exchange movements	-	43,660	-	-	43,660
At 31 March 2012	650,000	1,185,777	625,635	101,802	2,563,214
Depreciation					
At 1 April 2010	52,000	359,139	448,434	-	859,573
Charge for the year	9,400	29,058	42,125	7,960	88,543
Foreign exchange movements	-	203,463	(151)	2,083	205,395
Revaluation adjustment	(52,000)	-	-	-	(52,000)
At 1 April 2011	9,400	591,660	490,408	10,043	1,101,511
Charge for the year	9,400	33,433	37,597	16,012	96,442
Foreign exchange movements	-	97,190	8	-	97,198
At 31 March 2012	18,800	722,283	528,013	26,055	1,295,151
Net Book Value					
At 31 March 2012	631,200	463,494	97,622	75,747	1,268,063
At 31 March 2011	640,600	544,340	60,478	32,168	1,277,586
At 1 April 2010	598,000	403,272	86,862	-	1,088,134

The freehold property at 78 Coombe Road, New Malden was valued on 28 April 2010 by Mr R Sworn of Kelion Sworn Chartered Surveyors and Valuers, London, W1. The fair value in use of the freehold property was determined at £650,000 by means of applying a 7.5% 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

12. Property, plant and equipment (continued)

The value of the freehold property would have been recorded at £328,743 (2011 £340,049) on a historical cost basis giving rise to the current revaluation surplus of £229,867. This balance is not distributable to shareholders.

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

Company	Land and Buildings (freehold)	Fixtures, fittings and equipment	Motor Vehicles	Total
Cost or valuation	£	£	£	£
At 1 April 2010	650,000	139,751	-	789,751
Additions	-	3,766	-	3,766
At 31 March 2011	650,000	143,517	-	793,517
Additions	-	677	26,466	27,143
At 31 March 2012	650,000	144,194	26,466	820,660
Depreciation				
At 1 April 2010	52,000	117,047	-	169,047
Charge for the year	9,400	11,459	-	20,859
Revaluation adjustment	(52,000)	-	-	(52,000)
At 1 April 2011	9,400	128,506	-	137,906
Charge for the year	9,400	9,084	1,671	20,155
At 31 March 2012	18,800	137,590	1,671	158,061
Net Book Value				
At 31 March 2012	631,200	6,604	24,795	662,599
At 31 March 2011	640,600	15,011	-	655,611
At 1 April 2010	598,000	22,704	-	620,704

The freehold property at 78 Coombe Road, New Malden was valued on 28 April 2010 by Mr R Sworn of Kelion Sworn Chartered Surveyors and Valuers, London, W1. The fair value in use of the freehold property was determined at £650,000 by means of applying a 7.5% 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.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

12. Property, plant and equipment (continued)

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

The value of the freehold property would have been recorded at £328,743 (2011 £340,049) on a historical cost basis giving rise to the current revaluation surplus of £229,867 This balance is not distributable to shareholders

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

13 Investment property

Group and Company	Land and Buildings (freehold)	Total
	£	£
Cost		
Additions	156,550	156,550
At 31 March 2012	156,550	156,550
Depreciation		
Charge for the year	1,777	1,777
At 31 March 2012	1,777	1,777
Net Book Value		
At 31 March 2012	154,773	154,773
At 31 March 2011	-	-

The investment property was purchased at open market value during the year

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

14 Fixed asset investment Group

	Available for sale quoted assets at fair value	Unlisted investments	Total
	£	£	£
Cost or fair value			
At 1 April 2010	250,000	39,294	289,294
Revaluation in the year	61,594	-	61,594
At 31 March 2011	311,594	39,294	350,888
Revaluation in the year	(2,828)	(30,556)	(33,384)
Disposals	(308,766)	-	(308,766)
At 31 March 2012	-	8,738	8,738
Net Book Value			
At 31 March 2012	-	8,738	8,738
At 31 March 2011	311,594	39,294	350,888
At 1 April 2010	250,000	39,294	289,294

The available for sale asset (the holding in Anpario plc (formerly Kiotech International plc)) was sold during the year

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

14. Fixed asset investments (continued)

Company	Available for sale quoted assets at fair value	Investments in subsidiary undertakings at cost	Total
Cost or fair value	£	£	£
At 1 April 2010	250,000	21,273,502	21,523,502
Revaluation in the year	61,594	-	61,594
At 31 March 2011	311,594	21,273,502	21,585,096
Revaluation in the year	(2,828)	-	(2,828)
Disposals	(308,766)	-	(308,766)
At 31 March 2012	-	21,273,502	21,273,502
Impairment			
At 1 April 2010, 2011 and 2012	-	1,191,262	1,191,262
Net Book Value			
At 31 March 2012	-	20,082,240	20,082,240
At 31 March 2011	311,594	20,082,240	20,393,834
At 1 April 2010	250,000	20,082,240	20,332,240

The available for sale asset (the holding in Anpario plc (formerly Kiotech International plc)) was sold during the year

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

14. Fixed asset investments (continued)

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

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

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

	Principal activity
ECO Animal Health Limited	Distribution of animal drugs
ECO Animal Health Southern Africa (Pty) Limited	Non-trading
Petlove Limited	Non-trading
Zhejiang ECO Biok Animal Health Products Limited	Manufacture of animal drugs
Shanghai ECO Biok Veterinary Drug Sale Company Ltd	Distribution of animal drugs
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	Distribution of animal drugs
ECOPharma Inc	Distribution of animal drugs
ECO Animal Health USA Corp	Non-trading
Interpet LLC	Non-trading
ECO Animal Health de Mexico	Distribution of animal drugs
ECO Argentina S A	Non-trading

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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	Profit/loss for the year	Equity	Profit/loss for the year
	2012	2012	2011	2011
	£	£	£	£
ECO Animal Health Limited	3,345,471	2,068,100	1,277,371	1,237,171
Zhejiang ECO Biok Animal Health Products Ltd	3,855,323	835,305	3,649,202	822,493
ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	(129,901)	(197,683)	41,893	(45,195)
ECOPharma Inc	671,451	(98,253)	758,461	224,171
ECO Animal Health de Mexico	9,233	9,093	-	-

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

During the year ECO Animal Health (Europe) Limited was taken out of the group structure and dissolved

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

Zhejiang ECO Animal Health Products Limited and ECO Animal Health do Brasil Comercio de Produtos Veterinarios Ltda both have 31 December year ends. The Group receives management accounts for the three months to 31 March for these subsidiaries for use in preparing the consolidated financial statements. ECOPharma Inc has changed its year end to March with effect from 31 March 2012.

ECO Argentina S A which holds neither assets nor liabilities and which has not traded since its formation has been excluded from consolidation.

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

The Group has also entered into a new 50% joint venture, Pharmgate Animal Health Canada Inc, to distribute its newly licensed products into Canada.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

14. Fixed asset investments (continued)

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

	Pharmgate LLC		Pharmgate Animal Health Canada Inc	
	2012	2011	2012	2011
	£	£	£	£
Current assets	31,803	20,439	16,377	-
Current liabilities	(9,851)	(4,751)	(14,705)	-
Sales	-	-	5,644	-
Margins	-	-	4,599	-
Expenses	(100,153)	100,153	-	-

15. Inventories

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Raw materials and consumables	2,279,354	2,935,528	-	-
Finished goods and goods for resale	2,137,963	1,868,401	-	-
At 31 March 2012	4,417,317	4,803,929	-	-

The cost of inventories recognised as an expense and included in cost of sales in the period amounted to £17,504,226 (2011 £16,635,337)

16. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade receivables	9,616,990	9,015,511	-	-
Amounts owed by group undertakings	-	-	28,418,185	28,184,995
Other receivables	768,301	391,384	226,630	281,542
Prepayments and accrued income	370,099	235,922	268,168	158,624
	10,755,390	9,642,817	28,912,983	28,625,161
Non current	100,225	128,224	28,373,610	28,313,219
Current	10,655,165	9,514,593	539,373	311,942
	10,755,390	9,642,817	28,912,983	28,625,161

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

16. Trade and other receivables (continued)

As at 31 March 2012, trade receivables of £2,102,528 (2011 £1,324,362) due to the Group and £nil (2011 £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	
	2012	2011	2012	2011
	£	£	£	£
Up to 3 months past due	1,731,377	1,238,808	-	-
3 to 6 months past due	286,649	33,021	-	-
Over 6 months past due	84,502	52,533	-	-
	<u>2,102,528</u>	<u>1,324,362</u>	<u>-</u>	<u>-</u>

As at 31 March 2012, trade receivables of £32,379 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	
	2012	2011	2012	2011
	£	£	£	£
Current	-	1,379	-	-
Up to 3 months past due	-	27,622	-	-
3 to 6 months past due	-	26,478	-	-
Over 6 months past due	32,379	68,869	-	-
	<u>32,379</u>	<u>124,348</u>	<u>-</u>	<u>-</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

16. Trade and other receivables (continued)

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

Group	Group 2012 £
Balance at 1 April	124,348
Recovered in the year	(75,605)
Written off in the year	(16,364)
Balance at 31 March	<u>32,379</u>

The directors are pleased to note that the active management of the Latin American accounts provided for in 2009 as a result of the economic conditions at that time, has resulted in a positive outcome in almost all cases and that the remaining general provision in respect of this region could be released during the year

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Pounds Sterling	776,993	633,540	28,780,350	28,478,774
Euros	2,857,514	2,806,327	-	-
U S Dollars	5,513,412	4,070,628	132,633	146,387
Chinese RMB	411,957	544,793	-	-
Brazilian Real	357,576	606,322	-	-
Japanese Yen	492,684	757,984	-	-
Other currencies	345,254	223,223	-	-
	<u>10,755,390</u>	<u>9,642,817</u>	<u>28,912,983</u>	<u>28,625,161</u>

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

17 Deferred tax

Group

Deferred tax assets and liabilities are attributable to the following

	Liabilities		Net	
	2012	2011	2012	2011
	£	£	£	£
Drug registration expenditure	(2,139,050)	(2,281,894)	(2,139,050)	(2,281,894)
Freehold property	(72,590)	(72,590)	(72,590)	(72,590)
Plant and equipment	(12,094)	(2,050)	(12,094)	(2,050)
Investments	-	(14,782)	-	(14,782)
Tax losses carried forward	1,893,355	1,539,455	1,893,355	1,539,455
Amount (payable) after more than one year	(330,379)	(831,861)	(330,379)	(831,861)

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

	Drug registration expenditure £	Freehold property £	Property, plant and equipment £	Investments £	Total £
At 31 March 2011	(742,439)	(72,590)	(2,050)	(14,782)	(831,861)
Credit/(charge) for the year through income statement	496,744	-	(10,044)	-	486,700
Movement through the year through revaluation reserve	-	-	-	14,782	14,782
At 31 March 2012	(245,695)	(72,590)	(12,094)	-	(330,379)

The tax losses carried forward are not expected to expire under current legislation

Any future dividend received from the Chinese subsidiary Zhejiang ECO Biok Animal Health Products Limited will be subject to a 10 per cent withholding tax. The deferred tax liability in respect of this has not been recognised

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

17. Deferred tax (continued)

Company

	Freehold property £	Property, plant and equipment £	Investments £	Total £
At 31 March 2011	(72,590)	(1,732)	(14,782)	(89,104)
Credit for the year through income statement	-	1,732	-	1,732
Movement through the year through revaluation reserve	-	-	14,782	14,782
At 31 March 2012	(72,590)	-	-	(72,590)

A credit of £1,732 (2011 credit of £1,536) was recognised in the Company's income statement for the year. A credit of £14,782 (2011 charge of £87,372) was recognised in the Company's Revaluation Reserve.

18. Cash and cash equivalents

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

	Note	Group		Company	
		2012 £	2011 £	2012 £	2011 £
Cash and cash equivalents		14,002,422	9,471,537	9,793,239	6,243,597
Overdrafts	20	(4,492,690)	(53,196)	(4,492,690)	(53,196)
Net funds per cash flow		9,509,732	9,418,341	5,300,549	6,190,401

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

19 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade payables	5,410,817	4,904,967	124,057	135,904
Other payables	887,400	514,654	565,651	69,025
Accruals and deferred income	407,774	375,701	44,458	21,659
	<u>6,705,991</u>	<u>5,795,322</u>	<u>734,166</u>	<u>226,588</u>

20. Borrowings

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

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Short term borrowings	<u>4,492,690</u>	<u>53,196</u>	<u>4,492,690</u>	<u>53,196</u>

Currency analysis of short term borrowings

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
U S Dollars	4,072,226	-	4,072,226	-
Euros	420,464	53,196	420,464	53,196
	<u>4,492,690</u>	<u>53,196</u>	<u>4,492,690</u>	<u>53,196</u>

The Group has no net overdraft facilities in place at the year end, although it has the facility to overdraw in specific currencies within a positive total cash balance. The interest rate for all currency overdrafts is 2.75 per cent over the relevant currency base rate.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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 £316,853 (2011 £201,994).

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme in the UK for ex-employees only. A full actuarial valuation was carried out at 6 April 2009 and updated 31 March 2012 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2012	1 April 2011
Discount rate	4.6%	5.5%
Rate of increase in pension payment	2.9%	3.4%
Inflation assumption with a maximum of 5% p.a.	2.9%	3.4%

Mortality rates

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

Post retirement mortality is based on the mortality table known as PCMAOO for males and PCFAOO for females. Allowance has been made for the improvement in mortality experienced recently and expected in the future by using 100% for males and 70% for females of the "Medium Cohort" improvement table, subject to a minimum improvement rate of 1.4% p.a. for males and 1.1% p.a. for females. To allow for the expected additional cost of purchasing annuities on retirement, only 60% of the mortality indicated by these projections has been taken into the calculations.

Expectation of life at retirement age of 65 is 25.2 (2011 25.1) years for males and 29.1 (2011 29.0) years for females. For members retiring in 20 years time, the expectation of life at age 65 would be 28.1 (2011 28.0) years for males and 31.3 (2011 31.2) years for females.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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

Results	2012		2011	
	£	£	£	£
Assets at start of year	2,684,000		2,592,000	
Defined benefit obligation at start of year	(2,596,000)		(2,575,000)	
Net asset at 1 April		88,000		17,000
Current service cost, including risk benefits	(3,000)		(2,000)	
		(3,000)		(2,000)
Expected return on assets	150,000		144,000	
Interest cost	(139,000)		(138,000)	
		11,000		6,000
(Loss)/gain on asset return	(26,000)		10,000	
Experience (loss)/gain	(5,000)		1,000	
(Loss)/gain on changes in assumptions	(120,000)		3,000	
Statement of other comprehensive income		(151,000)		14,000
Employer contributions gross	64,000		59,000	
Expenses paid by trustees	(7,000)		(6,000)	
		57,000		53,000
Net asset at 31 March 2012		<u>2,000</u>		<u>88,000</u>
Actual assets at end of year		2,959,000		2,684,000
Actual defined benefit obligation at end of year		<u>2,957,000</u>		<u>2,596,000</u>

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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

Reconciliation of changes in the asset value during the year

	2012		2011	
	£	£	£	£
Fair value of assets at 1 April	2,684,000		2,592,000	
Expected return on assets	150,000		144,000	
(Loss)/gain on asset return	(26,000)		10,000	
Employer contributions (gross)	64,000		59,000	
Death in service insurance premiums paid	(3,000)		(2,000)	
Expenses paid by trustees	(7,000)		(6,000)	
Increase/(decrease) in secured pensioners value due to scheme experience	97,000		(113,000)	
Fair value of assets at 31 March 2012	2,959,000		2,684,000	

Reconciliation of changes in the liability value during the year

Defined benefit obligation at 1 April	2,596,000	2,575,000
Interest cost	139,000	138,000
Experience loss/(gain) on liabilities	5,000	(1,000)
Loss/(gain) on changes in assumptions	120,000	(3,000)
Increase/(decrease) in secured pensioners value due to scheme experience	97,000	(113,000)
Defined benefit obligation at 31 March 2012	2,957,000	2,596,000

The expected contribution to be paid by the employer during the next accounting year is £59,000
This includes a provision of £3,000 for death in service risk premium, (2011 £5,000)

Year ended 31 March	2012	2011	2010	2009	2008
Present value of defined benefit obligation	2,959,000	2,596,000	2,575,000	2,227,000	2,325,000
Fair value of plan assets	2,957,000	2,684,000	2,592,000	2,224,000	2,368,000
Surplus/(deficit) in plan	2,000	88,000	17,000	(3,000)	43,000
Experience (loss)/gains on plan liabilities	(5,000)	1,000	9,000	3,000	8,000

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

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

	2012 £	2011 £
Total expense arising from equity settled share-based transactions	290,890	303,504

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	
	2012	2012 WAEP £	2012	2012 WAEP £	2011	2011 WAEP £
Outstanding at 1 April	4,007,390	1.23	-	-	3,307,390	1.14
Granted during the period	456,500	1.87	2,603,290	2.00	985,000	1.48
Expired/cancelled during the period	-	-	-	-	(30,000)	1.39
Exercised during the period	(1,206,040)	1.03	-	-	(255,000)	1.09
Outstanding at 31 March	3,257,850	1.39	2,603,290	2.00	4,007,390	1.23
Exercisable at 31 March	1,129,350	1.11	-	-	1,905,390	1.12

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 2012 had a weighted average share price of £1.39 and a weighted average contractual life of 5.2 years.

Eco Animal Health Group plc Executive Share Option Scheme

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

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

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

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

22. Share-based payments (continued)

If the option holder ceases employment for any other reason, the option may not be exercised unless the Board permits. The approved and unapproved options will be forfeited where they remain unexercised at the end of their respective contractual lives of ten and seven years. An analysis of the expiry dates of the outstanding options is given below.

Date of grant	Unapproved	Approved	Exercise price (pence)	Expiry date
06 August 2003		10,000	202.50	06 August 2013
25 October 2005	10,000		340.00	25 October 2012
20 February 2006		11,880	252.50	20 February 2016
10 August 2006		12,600	238.00	10 August 2016
03 March 2008		490,900	108.50	03 March 2018
03 March 2008	443,970		108.50	03 March 2015
18 September 2008		35,000	85.00	18 September 2018
18 September 2008	115,000		85.00	18 September 2015
30 April 2009		55,550	147.00	30 April 2019
30 April 2009	481,450		147.00	30 April 2016
06 August 2009		22,000	135.00	06 August 2019
06 August 2009	103,000		135.00	06 August 2016
24 December 2009		29,350	155.00	24 December 2019
24 December 2009	10,650		155.00	24 December 2016
12 April 2010	375,000		150.00	12 April 2017
20 May 2010		115,100	140.00	20 May 2020
20 May 2010	389,900		140.00	20 May 2017
13 September 2010	90,000		161.00	13 September 2017
11 October 2011		154,100	186.50	11 October 2021
11 October 2011	302,400		186.50	11 October 2018
	<u>2,321,370</u>	<u>936,480</u>		

ECO Animal Health Group plc Joint Share Ownership Plan

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

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

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

The market price of the shares at 31 March 2012 was 207.5p with a range in the year of 185p to 245p.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

22. Share-based payments (continued)

Inputs to the Valuation Model (for options and jointly owned shares)

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

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

	2012	2011	2010	2009	2008
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	1.00%	4.50%	5.00%	4.50%	5.00%
Risk free rate	2.00%	2.00%	2.40%	4.19%	4.66%
Volatility of share price	27%	45%	40%	30%	25%
Weighted average fair value of options	41.0p	37.78p	32.6p	16.8p	18.7p

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.

Under the terms of the Group's Joint Share Ownership Plan (JSOP) on 6 October 2011, the Group issued a part interest in 1,819,290 Ordinary shares of 5p each to the Executive Directors at a price of 194p per share as an effective modification to existing benefits under the Group's Unapproved Share Option Scheme.

As part of this transaction the Directors exercised 1,039,290 of vested options and agreed that a further 780,000 of unvested options would be effectively capped at the 6 October 2011 market price of 194p by means of a partial waiver of these options. The jointly owned shares and the capped options are therefore treated as one instrument when looking at the overall limit on outstanding share options and jointly owned shares.

On 21 October 2011, the Group issued a part interest in a further 784,000 Ordinary shares of 5p each to the Executive Directors and certain other senior employees below board level as an alternative to unapproved options. These shares were issued at a price of 214p per share and have a vesting period of three years.

The fair value of the part interest in the jointly owned shares was calculated using a Black-Scholes model with the same assumptions as those used for the options issued during the year. The weighted average fair value of each jointly owned share issued during the year was 26.15 pence.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

23 Share capital

	2012 £	2011 £
Authorised		
68,100,000 Ordinary shares of 5p each	3,405,000	3,405,000
10,790 Deferred ordinary shares of 10p each	1,079	1,079
32,334 Convertible preference shares of £1 each	32,334	32,334
	<u>3,438,413</u>	<u>3,438,413</u>
Allotted, called up and fully paid		
55,119,201 (2011 52,195,172) Ordinary shares of 5p each	<u>2,755,960</u>	<u>2,609,758</u>

During the year a further 173,989 shares were issued at a premium of £334,406 as a result of the take up of the scrip dividend option and 1,206,040 more shares were issued at a premium of £1,182,451 as a result of the exercise of options by employees. In addition, 1,544,000 shares were issued as a result of the Group's new share ownership scheme at a premium of £3,070,960.

During the year the Company obtained a court order authorising the cancellation of £10,000,000 of the total share premium. This amount was transferred to the credit of the Company's retained earnings in accordance with the resolution approved by the shareholders at the Annual General Meeting on 2 September 2011. At the same time an amount of £3,250,000 was transferred from the Share Premium Account to a non-distributable Special Reserve for the protection of creditors. This transfer will be reversed when all creditors outstanding as at the date of the court order have been paid or alternatively, when a further £3,250,000 has been credited to the Share Premium Account as a result of the issue of equity.

24. Minority interests

	2012 £	2012 £	2011 £	2011 £
Balance at 1 April		1,790,587		1,400,296
Share of subsidiary's profit for the year	409,299		403,022	
Share of foreign exchange gain on net investment	<u>80,282</u>		<u>80,070</u>	
		489,581		483,092
Share of dividend paid by subsidiary		<u>(388,581)</u>		<u>(92,801)</u>
Balance at 31 March		<u>1,891,587</u>		<u>1,790,587</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

25. Treasury share reserve

	2012 £	2011 £
Balance at 1 April	-	-
Arising in the year	5,217,580	-
Balance at 31 March	<u>5,217,580</u>	<u>-</u>

Treasury share reserve includes £5,217,580 (2011: £nil), being the cost of 2,603,290 shares in the Company held by the Group's JSOP

26. Other reserves

Group and Company	Capital redemption reserve £	Special reserve £	Reserve for share- based payment £	Total £
At 1 April 2010	105,829	-	1,035,762	1,141,591
Share-based payments	-	-	303,504	303,504
Transfer to retained earnings on expiry of options	-	-	(114,865)	(114,865)
At 31 March 2011	105,829	-	1,224,401	1,330,230
Share-based payments	-	-	290,890	290,890
Transfer to retained earnings on expiry of options	-	-	(96,989)	(96,989)
Transfer on reduction of share premium for protection of creditors	-	3,250,000	-	3,250,000
At 31 March 2012	<u>105,829</u>	<u>3,250,000</u>	<u>1,418,302</u>	<u>4,774,131</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

26. Other reserves (continued).

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

	At 1 April 2011 £	Movement in the year £	At 31 March 2012 £
In respect of			
Zhejiang Eco Biok Animal Health Products Limited	325,638	83,555	409,193
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	2,281	25,891	28,172
ECOpharma Inc	49,254	11,243	60,497
ECO Animal Health Southern Africa (pty) Ltd	38	(131)	(93)
Interpet LLC	2,245	84	2,329
Pharmgate LLC	(629)	(52)	(681)
Foreign currency differences attributable to owner credited directly to reserves		<u>120,590</u>	

27 Financial commitments

At 31 March 2012 the Group had minimum commitments under non-cancellable operating leases as follows

	Land and Buildings		Motor vehicles	
	2012 £	2011 £	2012 £	2011 £
Expiry date				
Within one year	10,377	-	4,988	3,168
Between two and five years	536,971	713,846	62,136	67,244
In over five years	<u>2,197,631</u>	<u>2,293,625</u>	<u>-</u>	<u>-</u>
	<u>2,744,979</u>	<u>3,007,471</u>	<u>67,124</u>	<u>70,412</u>

28. Capital commitments

The group had no authorised capital commitments as at 31 March 2012 (2011 Nil)

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

29 Directors' emoluments

	2012 £	2011 £
Emoluments for qualifying services	386,008	439,520
Company pension contributions to money purchase schemes	183,024	94,074
Share-based payments	174,979	157,288
Benefits in kind	22,317	19,577
	<u>766,328</u>	<u>710,459</u>

During the year the directors exercised 1,059,290 (2011 nil) share options realising a gain of £968,243 (2011 £nil)

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2011 3). No directors accrued benefits under defined benefit schemes for this or the previous year.

The highest paid director received £304,766 (2011 £266,565) including share-based payments and £120,854 (2011 £79,220) of pension contributions.

30 Employees

Number of employees

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

	2012 Number	2011 Number
Directors	7	7
Production and development	49	47
Administration	34	39
Sales	55	51
	<u>145</u>	<u>144</u>

Employment costs (including amounts capitalised)

	2012 £	2011 £
Wages and salaries	3,628,585	3,512,002
Share-based payments	290,890	303,504
Social security costs	329,837	277,724
Other pension costs	319,853	203,994
	<u>4,569,165</u>	<u>4,297,224</u>

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

31. Related party transactions

At the year end ECO Animal Health Group plc owed P A Lawrence, a director of ECO Animal health Group plc and members of his family a balance amounting to £512,337 (2011 £62,886)

During the year, the Group provided management services to Anpario plc (formerly Kiotech International plc), a company in which P A Lawrence is a Director and holds share options Fees of £26,000 (2011 £26,000) were charged

During the year, the Group provided the services of two employees to C-Corp Limited, a company in which P A Lawrence is a Director and shareholder Fees of £48,970 (2011 £44,279) were charged

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

Subsidiary companies	Sales	Year end receivables 2012	Sales	Year end receivables 2011
	£	£	£	£
Zhejiang Eco Biok Animal Health Products Limited	1,854,311	558,361	1,119,737	541,705
Eco Animal Health do Brasil Comercio de Produtos Veterinarios Ltda	2,196,659	1,250,962	2,343,549	1,371,550
Ecopharma Inc	567,577	344,499	1,098,594	337,958
ECO Animal Health de Mexico	-	175,411	-	-
ECO Animal Health USA Corp	-	22,633	-	-

Interest and management charges from Parent to the other Group companies

During the year the Company made management charges on an arm's length basis to ECO Animal Health Limited amounting to £195,598 (2011 £187,222) and charged interest of £397,298 (2011 £304,705) to the Company Both of these charges were made through the inter-company account and were eliminated on consolidation

ECO Animal Health Limited also made management charges on an arm's length basis to ECOpharma Inc amounting to £32,316 (2011 £85,828) The whole transaction was eliminated on consolidation

ECO Animal Health Limited also paid £109,011 (2011 £100,153) of management charges to ECO Animal Health USA Corp which were that company's share of the expenses incurred by Pharmgate LLC prior to commencement of sales in the USA This transaction was eliminated on consolidation

During the year ECO Animal Health Limited paid no dividend (2011 £1,500,000) to ECO Animal Health Group plc

During the year Zhejiang ECO Biok Animal Health Products Limited paid dividends of £31,085 (2011 £7,425) to ECO Animal Health Group plc and £373,356 (2011 £89,164) to ECO Animal Health Limited Both amounts were eliminated on consolidation

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

31. Related party transactions (continued)

During the year P Lawrence and his family received dividends in the form of cash and shares to the value of £333,185 (2011 £252,934), and the other directors and their families received dividends in the form of cash and shares to the value of £895 (2011 £662)

During the year the Company acquired at open market value a freehold property from C-Corp Limited of which P A Lawrence is a Director and Shareholder, for a total cost of £156,550 including 1% stamp duty

Joint Ventures

During the year ECO Animal Health Limited made sales on an arm's length basis of £4,515 to ECO Animal Health Canada LLC This balance remained outstanding at the year end

Key management compensation

The group regards the directors as its key management

	2012	2011
	£	£
Salaries and short term benefits	461,639	507,343
Retirement benefits	183,024	94,074
Share-based payments	174,979	157,288
	<u>819,642</u>	<u>758,705</u>

32. Financial instruments

The Group uses financial instruments comprising borrowings, cash and liquid resources and various items, such as trade receivables, trade payables etc that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Group's operations The directors are responsible for the overall risk management

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

Interest rate risk

The Group finances its operations through a mixture of retained earnings and bank borrowings At the year end the interest rate exposure of the Group arose on currency overdraft facilities of £4,492,690 (2011 £53,196), details of which are shown in the note below on capital and liquidity risk IFRS7 requires the disclosure of a sensitivity analysis that details the effects on the Group's profit or loss and other equity of reasonably possible fluctuations in market rates This sensitivity analysis has been determined based on exposure at the year end date If interest rates had been 1 per cent higher or lower and all other variables were held constant the Group's profit would have decreased/increased by a maximum of £44,926

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

32. Financial instruments (Continued)

Capital and liquidity risk

The Group manages its capital to ensure continuity as a going concern whilst maximising returns through the optimisation of debt and equity. As part of this, the Board considers the cost and risk associated with each class of capital. The capital structure of the Group consists of debt which includes the borrowings disclosed in note 20, cash and cash equivalents in note 18 and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the Group's statement of changes in equity.

Liquidity risk is managed by maintaining adequate reserves and banking facilities with continuous monitoring of the latest developments by management.

At 31 March 2012 the Group was contractually obliged to make repayments as detailed below:

	2012 £	2011 £
WITHIN ONE YEAR OR ON DEMAND		
Bank overdrafts	4,492,690	53,196
Trade payables	5,410,817	4,904,967
	<u>9,903,507</u>	<u>4,958,163</u>

Credit risk

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

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

Currency risk

The Group operates in overseas markets particularly through its subsidiaries in China, Brazil and Japan and is subject to currency exposure on transactions undertaken during the year. The Group does some hedging of receivables when the Board feels it is appropriate to do so and foreign exchange differences on retranslation of foreign monetary items are taken to the income statement.

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

32. Financial instruments (Continued)

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

Foreign currency of Group operations

	US Dollar	Euros	Rand	Chinese RMB	Japanese Yen	Brazilian Real	Other
2012							
Sterling equivalent (000's)	(1,930)	2,141	266	2,790	438	794	192
2011							
Sterling equivalent (000's)	4,508	2,410	204	2,867	165	835	52

At 31 March 2012 the Group was mainly exposed to the U S Dollar, the Euro, the Chinese RMB and the Brazilian Real. The following table details the effect of a 10 per cent movement in the exchange rate of these currencies against sterling when applied to outstanding monetary items denominated in foreign currency as at 31 March 2012. A positive number indicates the decrease in profit which would arise from a 10 per cent weakening of the foreign currency concerned.

	2012 £'000	2011 £'000
U S Dollar	(175)	410
Euro	195	219
Chinese RMB	254	261
Brazilian Real	72	76

ECO ANIMAL HEALTH GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 MARCH 2012

32. Financial instruments (Continued)

Analysis of financial instruments by category

Group

	Loans and receivables £	Available for sale £	Total £
2012			
Investments	8,738	-	8,738
Trade and other receivables (excluding prepayments)	10,385,291	-	10,385,291
Cash and cash equivalents	14,002,422	-	14,002,422
2011			
Investments	43,461	311,594	355,055
Trade and other receivables (excluding prepayments)	9,406,895	-	9,406,895
Cash and cash equivalents	9,594,403	-	9,594,403

Company

	Loans and receivables £	Available for sale £	Total £
2012			
Trade and other receivables (excluding prepayments)	28,644,815	-	28,644,815
Cash and cash equivalents	9,793,239	-	9,793,239
2011			
Investments	-	311,594	311,594
Trade and other receivables (excluding prepayments)	28,466,537	-	28,466,537
Cash and cash equivalents	6,243,597	-	6,243,597

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