ECO Animal Health Group plc

. . . applying science carefully

Report & Accounts 2008

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

Contents

www.ecoanimalhealthgroupplc.com

ECO
Animal Health Group plc

DIRECTORS:	Peter A Lawrence Marc D Loomes Julia Rosu Kevin Stockdale
SECRETARY:	Julia Rosu
REGISTRATION:	Registered in England number 1818170
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REGISTERED AUDITORS:	F W Stephens Third Floor 24 Chiswell Street London EC1Y 4YX
REGISTRARS:	Share Registrars Limited Suite E, First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL Tel: +44 (0) 1252 821390
BANKERS:	NatWest Mitcham Branch 282 London Road Mitcham Surrey CR4 2ZP
NOMINATED ADVISER AND BROKER:	Cenkos Securities plc 6,7,8 Tokenhouse Yard London EC2R 7AS

"I remain confident that ECO is increasingly well placed to establish itself as a major force in the animal health industry."

It is pleasing to report that we have made further good progress in the year to 31 March 2008 as we move towards our goal of becoming a major force in the global animal health industry.

Group turnover excluding discontinued operations was £16.5 million, over 12 per cent ahead of last year's result of £14.7 million. This was a particularly encouraging performance as the majority of sales are invoiced in US dollars, a currency which weakened by approximately five per cent against sterling during the year. The fall in the dollar masks the strength of our underlying performance. Profit before interest, tax, depreciation, share-based payments and other exceptional items was £2.24 million.

In order to achieve marketing authorisations within a competitive time frame, considerable expense is involved and during the year we raised £15.7 million (after expenses) from two share placings, principally with financial institutions. The first placing was in July 2007 and resulted in the issue of 2,718,500 new ordinary shares at 200 pence and the second placing in March 2008 resulted in the issue of a further 10,526,316 new ordinary shares at 100 pence. The placings, together with the scrip dividend alternative scheme, have greatly strengthened our cash position, which will be invested in the drug development programme to reduce times to approval. We are confident that we now have the cash resources to complete the development programme.

As expected, a number of new and important marketing authorisations were granted towards the end of the year and more should follow in the coming months. Achieving these marketing authorisations is the key to the future of the Company and reflects many years of planning, product development and field trials. Marketing authorisations bring real value to the Company, which is now entirely focussed on farm animal and pet health.

The Board recommends a final dividend of 5.45 pence (net) per share, making a total for the year of 7.15 pence (net) per share (2007: total dividend 7.15 pence). Shareholder approval will be sought at the annual general meeting on 17 September 2008 to pay the final dividend on 7 November 2008 to shareholders on the register on 26 September 2008. At an extraordinary general meeting held on 14 August 2007 shareholders approved a resolution allowing the Company to offer shareholders the choice of receiving shares as an alternative to the cash dividend. Holders of over 65 per cent of the Company's shares signed mandates opting for the share alternative for the interim dividend. The Board is most grateful to these shareholders for agreeing to reinvest their cash dividend in the Company and requests that they maintain their mandates as this will have a significant and long term beneficial effect on the Company and its drug development programme.

Erratic and disproportionate movements in the Company's share price, often on small trading volumes, have caused concern, particularly among private shareholders. The Company's shares are traded on AIM using the London Stock Exchange's Electronic Trading Service (SETS). This system was introduced originally in the main market to handle trades in very active and highly liquid stocks. We do not feel it is suited to small companies like ECO and we are pleased to report that on 17 June 2008 we left SETS and reverted to the previous market maker led system. Arrangements have been made for the Company's shares to be traded on PLUS markets in addition to AIM. We hope that these changes will reduce volatility in the Company's share price.

ECO Group

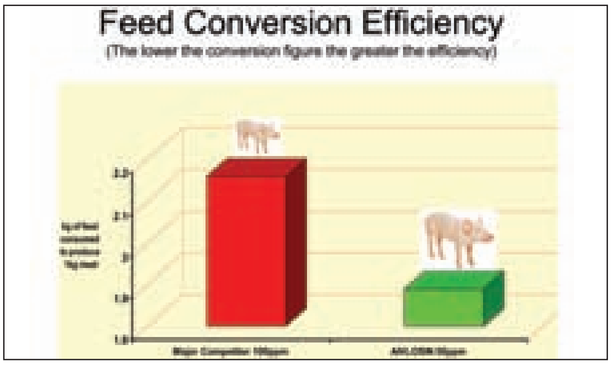
Our core animal health business continued to make good progress, with sales in US dollars some 11 per cent ahead of the previous year. Aivlosin®, our patented macrolide antibiotic, increased its global revenues by almost 30 per cent compared with the previous year and now comprises close to half of total ECO sales. This significant advance demonstrates the market's growing appreciation and understanding of the benefits of using Aivlosin® as a premium positioned drug. Aivlosin® sales outside of Europe and the USA increased by 38 per cent over the previous year. Sales in China, which has half the global pig population, were particularly strong.

Sales of Aivlosin® in Europe advanced five per cent over the level of last year, which was well below our expectations. We have carried out a detailed review of our distribution arrangements in Europe and made significant changes. ECO itself will now be responsible for selling Aivlosin® for pigs and poultry in the UK and Aivlosin® for poultry in France. The UK and France are the two largest poultry markets in Europe. Several new national distributors, selected for their local market knowledge of the pig or poultry industry have been appointed in other EU countries. We anticipate that sales of Aivlosin® will now improve as a result of these changes.

Considerable progress has been made during the last twelve months with the clinical programme in Europe to support a lower and even more cost effective dose rate for the treatment of ileitis, an enteric disease of pigs. Under the very strict EU rules, a higher than anticipated dose rate was approved for the treatment of this disease, which has had treatment cost implications in a cost sensitive market segment. It is anticipated that the reduction in the label dose rate will result in improved market penetration.

An application for the use of Aivlosin® for treating mycoplasmosis in poultry was approved by the European Commission after the year end. Sales should commence in EU member countries by September 2008, after the approval of labelling requirements in individual member states. Further important Aivlosin® poultry approvals were obtained in India, Turkey and a number of Middle Eastern countries during the financial year. A positive effect on sales is expected in those countries, which export poultry products to Europe. ECO is confident that it will shortly be granted a marketing authorisation in Japan for a new claim for pigs.

In the USA the Aivlosin® development programme has advanced well on all fronts and is progressing in accordance with our expectations; discussions with potential distributors are taking place. We remain confident that the granting of US approvals for Aivlosin® will start in two years time.



In order to further expand distribution of Aivlosin® in Brazil, which is a key market for pigs and poultry, ECO has established a locally registered Company and as a result, has been able to appoint another Aivlosin® distributor to complement the existing sales effort. These actions will have a positive effect on the quality of the business in this very large market.

Ecomectin®, our antiparasitic brand, achieved total sales slightly ahead of the previous year. New Ecomectin® marketing authorisations in Europe include a pig premix which addresses a market worth about £8 million at manufacturer level and provides a simple solution to the problem of accurately treating a large number of pigs simultaneously.

Sales of Ecomectin® Horse Paste have now commenced following its authorisation in a further sixteen countries of the European Union; the product is licensed for the treatment of adult and immature roundworms and bots in horses. The treatment of internal parasites in horses is the largest equine veterinary market segment in Europe with an estimated value in the region of £25 million. In Japan a marketing authorisation was obtained for Ecoheart, an Ecomectin® chewable tablet for dogs. Ecoheart prevents heartworm disease and is also effective in the treatment and control of roundworms and hookworms in dogs. Canine heartworm is potentially fatal and requires a monthly preventative treatment; it is one of the three key sectors in the companion animal market in Japan and is estimated to be worth in the region of £10 million at manufacturer level.

These formulations for horses and dogs mark ECO's entry into the valuable companion animal sector. Whilst advance orders and initial sales have been encouraging, the full impact of these Ecomectin® marketing authorisations will only be felt in the current year. In addition to the launch of the chewable dog tablet and horse paste, work has started on the formulation and development of other pet medications of potential major importance.

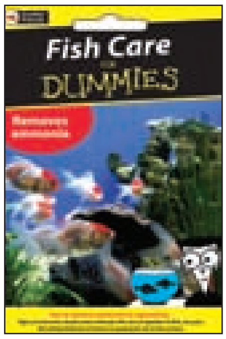
We have started research into further potential uses of Aivlosin® in production animals other than pigs and poultry. We are optimistic that the results of this research will, over time, offer ECO the opportunity to access new global markets. This is an exciting prospect.

ECO has broadened the scope of its collaborative research agreement with the Department of Pathology at Cambridge University in order to allow further investigation of new indications for Aivlosin®. A number of papers reporting this research have already appeared in scientific publications including The Pig Journal and The Journal of Virology. Related studies at Iowa State University have yielded significant preliminary results and were presented at the International Pig Veterinary Society Congress in Durban in June 2008. A confirmatory trial programme has started and field work to support these findings is already under way.

In April 2007 Zhejiang ECO Biok Animal Health Products Limited (ECO Biok), in China, became a subsidiary as we obtained a controlling interest; this strengthens ECO's position in this large and fast growing market. Sales in China, in US dollars, were more than double the level of the previous year, and exceeded our expectations. Exports of other finished products manufactured at ECO Biok's factory in Zhejiang province continue to increase.

Aquarium Products

This small, non-core US based division, formerly part of our Interpet operation, has secured the rights to the popular 'For Dummies' brand for ornamental fish medication. Consumers have responded well to the basics of fish keeping and the helpful Fish Care for Dummies range, which includes books and feed, has boosted fresh interest in this popular hobby. Aquarium Products remains the subject of discussions, which may lead to its sale.



People

We currently employ close to a hundred people in our 17 offices around the world; their hard work and dedication to growing our Company is never underestimated. Our people underpin the development of the Company and are committed to generating greater value for both our shareholders and themselves.

Outlook

Trading in the current year has started well and is in line with our expectations. The recent granting of further marketing authorisations around the world will impact positively on our performance in the coming months. I remain confident that ECO is increasingly well placed to establish itself as a major force in the animal health industry.

Peter Lawrence
Executive Chairman 25 July 2008

The directors present their report and financial statements for the year ended 31 March 2008.

DIRECTORS

The following directors have held office since 1 April 2007:

Peter A Lawrence	
Marc D Loomes	
Gavin F Casey	(Retired 31 December 2007)
Julia Rosu	(Appointed 3 August 2007)
Kevin Stockdale	(Appointed 3 August 2007)

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group in the year under review were those of manufacturers and suppliers of speciality chemicals, animal feed and animal health products.

A full review of the year, together with an indication of future developments, is given in the Chairman's statement on pages 2 and 3.

RESULTS AND DIVIDENDS

The consolidated income statement for the year is set out on page 7.

A final dividend of 5.45p per Ordinary share was paid on 5 November 2007 (2006: 5.45p per Ordinary share) and an interim dividend of 1.70p per Ordinary share was paid on 12 May 2008 for the six months ended 30 September 2007 (2006:1.70p per Ordinary share).

SUBSTANTIAL SHAREHOLDINGS

At 1 July 2008, the Company had been notified of the following holdings of 3 per cent or more of its issued share capital.

	Ordinary 5p shares	**%**
Schroder Investment Management Limited	10,376,353	22.80
P A Lawrence and family	10,110,376	22.22
Prudential plc	6,700,000	14.72
Artemis Investment Management Limited	3,147,149	6.92
Axa Framlington Investment Managers UK Limited	2,930,353	6.44
Hargreave Hale & Co	2,300,000	5.05
D Salmon and family	1,844,512	4.05
Vanguard International Explorer Fund	1,412,700	3.10

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 accounts.

DIRECTORS' INTERESTS

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

M D Loomes	2008: 583,750 at 108.5p
	2007: 403,750 at 238p which were replaced during the year
J Rosu	2008: 206,100 at 108.5p
K Stockdale	2008: 50,000 at 108.5p

DONATIONS

	2008	2007
	£	£
During the year the Group made the following payments:		
Charitable donations	**3,200**	363

CREDITORS PAYMENT POLICY

The Company 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 suppliers. Trade creditors at the year end amounted to 80 days (2007: 115 days) of average supplies for the year against terms agreed with our suppliers.

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 are implementing many of the recommendations which are relevant to a business the size of ECO Animal Health Group plc.

STOCKBROKERS

Cenkos Securities plc are the Company's nominated adviser and stockbrokers. The closing price per share on 31 March 2008 was 109p per share (2007: 226.25p). During the year the Company's average share price was 179.62p.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 proper accounting records which 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 1985 and Article 4 of the IAS regulations. 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.

STATEMENT OF DISCLOSURE TO AUDITOR

(a) so far as the directors are aware, there is no relevant audit information of which the Group'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 Group's auditors are aware of that information.

On behalf of the Board

Peter A Lawrence
Director
25 July 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ECO ANIMAL HEALTH GROUP plc (FORMERLY LAWRENCE PLC)

We have audited the Group and Parent Company financial statements of ECO Animal Health Group plc for the year ended 31 March 2008, which comprise the consolidated income statement, the consolidated and Company balance sheet, the consolidated cash flow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on page 5, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS regulations. We also report to you whether in our opinion the information in the Directors' report and Chairman's statement are consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report and the Chairman's statement and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

— the Group financial statements give a true and fair view in accordance with IFRS as adopted by the European Union of the state of the Company's and the Group's affairs as at 31 March 2008 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and as regards the Group financial statements, Article 4 of the IAS Regulations; and

— the information given in the Directors' report and Chairman's statement is consistent with the financial statements.

F W Stephens
Chartered Accountants
Registered Auditors

Third Floor
24 Chiswell Street
London
EC1Y 4YX

25 July 2008

For the Year Ended 31 March 2008

	Note	**£**	**2008 £**	£	2007 £ (as restated)
REVENUE	3				
Continuing operations		**14,748,776**		14,702,667	
Acquisitions		**1,732,325**		—	
Discontinued operations		**—**		3,593,165	
			16,481,101		18,295,832
Cost of sales	4		**(10,802,988)**		(12,367,047)
GROSS PROFIT			**5,678,113**		5,928,785
Administrative expenses	4		**(6,151,158)**		(5,438,472)
Other operating income	4		**152,387**		432,275
OPERATING (LOSS)/PROFIT	5				
Continuing operations		**(777,657)**		427,438	
Acquisitions		**456,999**		—	
Discontinued operations		—		495,150	
			(320,658)		922,588
(Adjustment to)/profit on sale of division	6		**(315,115)**		2,895,875
Amounts written off investments	7		**—**		(40,449)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST			**(635,773)**		3,778,014
Other interest receivable and similar income			**40,258**		89,667
Interest payable and similar charges	8		**(414,668)**		(476,624)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			**(1,010,183)**		3,391,057
Tax on (loss)/profit on ordinary activities	10		**313,767**		(571,286)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			**(696,416)**		2,819,771
ATTRIBUTABLE TO:					
Equity holders of the parent			**(783,973)**		2,819,771
Minority interests			**87,557**		—
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			**(696,416)**		2,819,771

			2008		2007 (as restated)
EARNINGS PER SHARE		**Basic**	**Diluted**	Basic	Diluted
Continuing operations	13	**(2.36p)**	**(2.36p)**	—	—
Discontinued operations		**—**	**—**	9.04p	8.99p
		(2.36p)	**(2.36p)**	9.04p	8.99p

For the Year Ended 31 March 2008

GROUP	Share Capital £	Premium Account £	Revaluation Reserve £	Other Reserves £	Retained Earnings £	**Total 2008 (as restated) £**
BALANCE AS AT 1 APRIL 2007	1,559,011	21,367,211	256,237	548,231	11,453,162	**35,183,852**
Prior year adjustment	—	—	—	—	1,021,112	**1,021,112**
Balance restated as at 1 April 2007	1,559,011	21,367,211	256,237	548,231	12,474,274	**36,204,964**
Profit/(loss) for the year	—	—	—	—	(783,973)	**(783,973)**
Dividends	—	—	—	—	(2,435,660)	**(2,435,660)**
Arising from issue of shares in the year	697,241	15,728,143	—	—	—	**16,425,384**
Foreign currency translation differences	—	—	—	—	(488,376)	**(488,376)**
Actuarial losses on pension scheme assets	—	—	—	—	(80,400)	**(80,400)**
Share-based payments	—	—	—	257,390	—	**257,390**
Write-back of depreciation	—	—	(2,890)	—	—	**(2,890)**
	2,256,252	37,095,354	253,347	805,621	8,685,865	**49,096,439**

	Total 2008 (as restated) £	Minority Interest £	Total Equity (as restated) £
BALANCE AS AT 1 APRIL 2007	**35,183,852**	2,475	35,186,327
Prior year adjustment	**1,021,112**	—	1,021,112
Balance restated as at 1 April 2007	**36,204,964**	2,475	36,207,439
Arising on consolidation	**—**	511,901	511,901
Profit/(loss) for the year	**(783,973)**	87,557	(696,416)
Dividends	**(2,435,660)**	—	(2,435,660)
Arising from issue of shares in the year	**16,425,384**	—	16,425,384
Foreign currency translation differences	**(488,376)**	44,705	(443,671)
Actuarial losses on pension scheme assets	**(80,400)**	—	(80,400)
Share-based payments	**257,390**	—	257,390
Write-back of depreciation	**(2,890)**	—	(2,890)
	49,096,439	646,638	49,743,077

As at 31 March 2008

	Note	Group		Company	
		2008	2007	**2008**	2007
		£	£	**£**	£
			(as restated)		
NON-CURRENT ASSETS					
Intangible assets	14	**34,798,363**	32,140,520	**—**	—
Property, plant and equipment	15	**1,348,663**	942,883	**656,460**	665,384
Investments	16	**280,550**	778,822	**20,986,556**	21,462,912
		36,427,576	33,862,225	**21,643,016**	22,128,296
CURRENT ASSETS					
Inventories	17	**3,825,724**	3,356,703	**—**	—
Trade and other receivables	18	**8,354,376**	9,257,171	**20,432,139**	18,149,518
Deferred tax asset	19	**228,127**	185,282	**—**	—
Other taxes and social security		**150,703**	—	**143,665**	—
Cash and cash equivalents	20	**6,143,189**	935,911	**5,122,408**	778,005
		18,702,119	13,735,067	**25,698,212**	18,927,523
CURRENT LIABILITIES					
Trade and other payables	21	**(3,523,613)**	(5,320,398)	**(237,332)**	(2,336,936)
Short term borrowings		**(79,043)**	(3,863,769)	**(79,043)**	(3,863,769)
Current portion of long term borrowings		**(557,862)**	(210,033)	**(557,862)**	(210,033)
Corporation tax		**(357,755)**	(630,541)	**(294,858)**	(471,038)
Other taxes and social security		**(82,783)**	(91,853)	**(59,137)**	(82,411)
Dividends		**(599,608)**	(532,661)	**(599,608)**	(532,661)
NET CURRENT ASSETS		**13,501,455**	3,085,812	**23,870,372**	11,430,675
TOTAL ASSETS LESS CURRENT LIABILITIES		**49,929,031**	36,948,037	**45,513,388**	33,558,971
NON-CURRENT LIABILITIES					
Long term borrowings	22	**(185,954)**	(630,098)	**(185,954)**	(630,098)
Long term provisions	23	**—**	(110,500)	**—**	(110,500)
		49,743,077	36,207,439	**45,327,434**	32,818,373
EQUITY					
Called up share capital	25	**2,256,252**	1,559,011	**2,256,252**	1,559,011
Share premium account	26	**37,095,354**	21,367,211	**37,095,354**	21,367,211
Revaluation reserve	26	**253,347**	256,237	**253,347**	256,237
Other reserves	26	**805,621**	548,231	**805,621**	548,231
Retained earnings	26	**8,685,865**	12,474,274	**4,916,860**	9,087,683
	28	**49,096,439**	36,204,964	**45,327,434**	32,818,373
MINORITY INTERESTS	27	**646,638**	2,475	**—**	—
		49,743,077	36,207,439	**45,327,434**	32,818,373

Approved by the Board and authorised for issue on 25 July 2008

Peter A Lawrence
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

For the Year Ended 31 March 2008

	Note	2008 £	2007 £ (as restated)
(LOSS)/PROFIT FROM OPERATIONS		**(320,658)**	922,588
ADJUSTMENT FOR:			
Depreciation of plant and equipment		**217,735**	116,892
Amortisation of intangible assets		**2,168,558**	1,613,081
Actuarial pension losses		**(80,400)**	(54,000)
(Decrease) in pension provision		**(110,500)**	(227,500)
Share-based payments		**257,390**	224,014
Foreign exchange differences		**(443,671)**	271,264
OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL		**1,688,454**	2,866,339
(Increase)/decrease in inventories		**(97,090)**	269,553
Decrease in receivables		**525,734**	1,294,699
(Decrease)/increase in payables		**(2,291,786)**	1,219,453
CASH (ABSORBED BY)/GENERATED FROM OPERATIONS		**(174,688)**	5,650,044
Interest paid		**(414,668)**	(476,624)
Taxation		**(1,864)**	(51,210)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		**(591,220)**	5,122,210
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquired with subsidiary		**276,414**	—
Proceeds from sale of a division		**—**	3,031,786
Purchase of property, plant and equipment		**(141,914)**	(56,582)
Costs of acquiring drug registrations		**(4,551,891)**	(4,969,912)
Interest received		**40,258**	89,667
NET CASH (USED IN) INVESTING ACTIVITIES		**(4,377,133)**	(1,905,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares		**16,425,384**	98,250
(Repayment) of bank borrowings		**(444,144)**	(2,452,398)
Dividends paid		**(2,368,712)**	(2,177,454)
		13,612,528	(4,531,602)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	35,36	**8,644,175**	(1,314,433)
Cash and cash equivalents at the start of the period		**(3,137,891)**	(1,823,458)
Cash and cash equivalents at the end of the period		**5,506,284**	(3,137,891)

The accompanying accounting policies and notes form an integral part of these financial statements.

For the Year Ended 31 March 2008

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have previously been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. Following new accounting standards the Group has for the first time presented its annual report and accounts in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union.

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported 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 a 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.

1.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2008. Profit or losses on intra-Group transactions are eliminated in full on consolidation.

1.3 REVENUE

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 GOODWILL

Goodwill arising on consolidation is included in the balance sheet of the accounts as an asset at cost less impairment. In previous years goodwill has been amortised over the economic life of the asset, subject to an impairment review in line with UK GAAP. However, for 2008 in line with International Financial Reporting Standards, goodwill has not been amortised but has instead been subject to an impairment review.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed.

The recoverable amount is calculated as a multiple of Earnings Before Interest and Taxation using a multiple at the lower end of the range that would normally be applied to businesses within the same sector.

In further accordance with International Financial Reporting Standards, the 2007 comparative income statement and balance sheet results have had that year's goodwill amortisation added back to provide a like for like comparison. A reconciliation between the 2007 published results and the 2007 comparative results in these accounts appears in note 2.

1.5 INTANGIBLE NON-CURRENT ASSETS

Drug registrations are included at cost and amortised on a straight-line basis over their estimated useful economic life of 10 years.

1.6 RESEARCH AND DEVELOPMENT

Research expenditure is written off to the income statement in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit.

1.7 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Non-current assets 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:

1 ACCOUNTING POLICIES — continued

Freehold property	2% on valuation
Long leasehold property	on valuation over the remaining term of the lease
Plant and machinery	20% on cost
Alterations to premises	10% on cost
Fixtures, fittings & equipment	20% on cost
Motor Vehicles	25% on cost

The directors changed the accounting policy in respect of land and buildings in the last financial statements and decided to revalue the properties on a regular basis to give a true and fair view in the accounts. The asset will continue to be written off over its estimated useful life.

1.8 LEASING

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

1.9 INVESTMENTS

Fixed asset investments are stated at cost less provisions for diminution in value.

1.10 INVENTORIES

Inventories are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

1.11 CONTRIBUTIONS TO PENSION SCHEMES

Defined Contribution Scheme

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

Defined Benefit Scheme

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme are disclosed as an asset or liability in the balance sheet in accordance with IAS 19.

1.12 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.13 FOREIGN CURRENCY TRANSLATION

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net reserves in subsidiaries are taken directly to reserves. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets, they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the income statement.

1.14 FINANCIAL INSTRUMENTS

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the income statement in the financial period to which it relates.

1.15 SHARE-BASED PAYMENTS

For equity-settled share-based payment transactions the Group, in accordance with IFRS 3, measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments shall be measured at grant date, using the Black–Scholes method. The expense is apportioned over the vesting period of the financial instrument and is based on the number which are expected to vest and the fair value of those financial instruments at the date of grant. If the equity instruments granted vest immediately, the expense is recognised in full.

2 FIRST TIME ADOPTION OF IFRS

As mentioned in note 1, following new accounting standards the Group has for the first time presented its annual report and accounts in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The reconciliations required under IFRS1 for the first time adoption are set out below:

Reconciliation of equity reported under UK GAAP to equity reported under IFRS

	As at 1 April 2006 (First day of comparative period)	As at 31 March 2007 (Last day of comparative period)
Equity reported under UK GAAP	34,848,808	35,183,852
Amortisation of goodwill for the year ended 31 March 2007 not required under IFRS	—	1,021,112
Equity reported under IFRS	34,848,808	36,204,964

Reconciliation of profit for the year ended 31 March 2007

	Reported under UK GAAP	Effect of transition to IFRS	Restated results under IFRS
Revenue	18,295,832	—	18,295,832
Cost of operations	(18,394,356)	1,021,112	(17,373,244)
Group operating profit	(98,524)	1,021,112	922,588
Profit on sale of a division	2,895,875	—	2,895,875
Amounts written off investments	(40,449)	—	(40,449)
Net finance costs	(386,957)	—	(386,957)
Profit on ordinary activities before taxation	2,369,945	1,021,112	3,391,057
Taxation	(571,286)	—	(571,286)
Profit for the financial year	1,798,659	1,021,112	2,819,771

3 REVENUE

The total revenue of the Group for the year has been derived from its principal activity.

Segmental analysis by geographical area
The analysis by geographical area of the Group's turnover and (loss)/profit before taxation is set out as below:

Turnover

	2008	2007
	£	£
Geographical segment		
Europe	3,845,629	5,304,928
Rest of the World	12,635,472	12,990,904
	16,481,101	18,295,832

(Loss)/profit before taxation

	2008	2007
	£	£
Geographical segment		
Europe	(200,779)	3,186,022
Rest of the World	(809,404)	205,035
	(1,010,183)	3,391,057

It has not been possible to disclose the Group's assets and liabilities by geographical area as they are centrally held.

4 COST OF SALES AND NET OPERATING EXPENSES

	2008			2007		
	Continuing	**Acquisitions**	**Total**	Continuing (as restated)	Dis-continued	Total (as restated)
	£	**£**	**£**	£	£	£
Cost of sales	**9,706,351**	**1,096,637**	**10,802,988**	9,889,482	2,477,565	12,367,047
Administrative expenses	**5,702,163**	**448,995**	**6,151,158**	4,818,022	620,450	5,438,472
Other operating income	**(127,470)**	**(24,917)**	**(152,387)**	(432,275)	—	(432,275)
	15,281,044	**1,520,715**	**16,801,759**	14,275,229	3,098,015	17,373,244

5 OPERATING (LOSS)/PROFIT

	2008	2007
Operating (loss)/profit is stated after charging:	**£**	£
Auditors' remuneration		
— audit services	**43,000**	45,000
— non audit services	**11,343**	11,757
R & D expenditure	**31,041**	15,781
Operating lease rentals	**100,358**	100,611
Foreign exchange loss	**23,036**	—

For the Year Ended 31 March 2008

6 ADJUSTMENT TO PROFIT ON SALE OF DIVISION

The financial statements for 2007 reported a profit on the sale of the Group's Agil trading division, in the amount of £2,895,875. This profit was based on management's best estimate of the total consideration received, some of which was deferred, and depended on the recovery of certain old debtor balances. The management now believe it would be prudent to fully provide for the remaining unprovided balances and have therefore included this provision in the current financial statements.

7 AMOUNTS WRITTEN OFF INVESTMENTS

	2008	2007
	£	£
Amounts written off non-current asset investments:		
— Diminution in value	**—**	40,449

8 INTEREST PAYABLE

	2008	2007
	£	£
On bank loans and overdrafts	**408,631**	453,624
Other interest	**6,037**	23,000
	414,668	476,624

9 EQUITY-SETTLED SHARE-BASED PAYMENTS

The measurement requirements of IFRS 2 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:

	2008	2007
	£	£
Total expense arising from equity-settled share-based transactions	**257,390**	224,000

The share-based payment plan is described below.

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.

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 he is bound to retire in accordance with the terms of his contract of employment, the option may be exercised within a period of six months after the option holders so ceasing, although the Board may at its discretion extend this period by up to 36 months after the date of cessation.

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

The fair value of share options granted is estimated at the date of grant using the Black Scholes pricing model, taking into account all the terms and conditions upon which the options were granted.

9 EQUITY-SETTLED SHARE-BASED PAYMENTS — continued

Movements in Issued Share Options during the Year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period:

	2008	**2008 WAEP £**	2007	2007 WAEP £
Outstanding at the beginning of the period	2,852,165	2.41	2,265,825	2.88
Granted during the period	2,527,760	1.19	1,757,340	2.38
Forfeited /cancelled during the period	2,008,360	2.37	1,131,000	3.34
Exercised during the period	—	—	40,000	1.44
Outstanding at the period end	3,371,565	1.51	2,852,165	2.41
Exercisable at the end of the period	555,325	2.38	523,325	1.89

The maximum aggregate number of shares over which options may currently be granted cannot exceed 10% of the nominal share capital of the Company on the grant date.

The options outstanding at 31 March 2008 had a weighted average share price of £1.51, and a weighted average remaining contractual life of 6.7 years.

Inputs to the Valuation Model

The fair value of share options granted prior to 31 March 2007 were estimated at the time of grant using a trinomial pricing model, taking into account all the terms and conditions upon which the options were granted. For options granted 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 respective models:

	2008	2007
Expected dividend yield	**5.00%**	5.00%
Expected volatility	**25.00%**	25.00%
Contractual life of the options	**7–10 years**	7–10 years
Weighted average risk free interest rate	**4.66%**	4.66%
Weighted average fair value	**£0.171**	£0.42

The expected volatility was estimated by reference to the historical volatility of the Company's share price. The risk free rate of return is estimated as the yield on zero coupon UK government bonds of a term consistent with the contractual life of the options granted.

For the Year Ended 31 March 2008

10 TAXATION

	2008	2007
	£	£
		(as restated)
Domestic current year tax		
U.K. corporation tax	**—**	660,000
Adjustment for prior years	**(270,922)**	(134,156)
Current tax (credit)/charge	**(270,922)**	525,844
Deferred tax		
Origination and reversal of timing differences	**(42,845)**	45,442
	(313,767)	571,286
Factors affecting the tax (credit)/charge for the year		
(Loss)/profit on ordinary activities before taxation	**(1,010,183)**	3,391,057
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30% (2007: 30%)	**(303,055)**	1,017,317
Effects of:		
Non deductible expenses	**118,801**	1,750
Depreciation add back	**25,025**	25,646
Capital allowances	**(14,569)**	(16,883)
Relief for enhanced expenditure	**(459,790)**	(422,978)
Other tax adjustments	**362,666**	(79,008)
Current (credit)/charge	**(270,922)**	525,844

Deferred tax unprovided for in the financial statements is set out below. All amounts have been provided for according to the provisions of IAS 12.

Unprovided deferred tax for gains rolled over into new assets is £51,252 (2007: £51,252).

11 (LOSS)/PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the holding Company's income statement has not been included in these financial statements. The (loss)/profit for the financial year is as follows:

	2008	2007
	£	£
Holding Company's (loss)/profit for the financial year	**(1,751,076)**	1,752,602

For the Year Ended 31 March 2008

12 DIVIDENDS PAID AND PROPOSED

	2008 **£**	2007 £
Final dividend for the period ended 31 March 2006 of 5.45p per ordinary share	**—**	1,697,687
Interim dividend for the period ended 31 March 2007 of 1.7p per ordinary share	**—**	530,064
Final dividend for the period ended 31 March 2007 of 5.45p per ordinary share	**1,847,481**	—
Interim dividend for the period ended 31 March 2008 of 1.7p per ordinary share	**588,179**	—
	2,435,660	2,227,751

13 EARNINGS PER SHARE

Basic earnings per share is calculated upon the result of the continuing activities for the financial year shown in the income statement divided by the weighted average number of shares in issue during the year.

Diluted earnings per share takes into account the dilutive effect of share options.

		2008			2007	
	Earnings £'000	**Weighted average number of shares '000**	**Per share amount (pence)**	Earnings £'000 (as restated)	Weighted average number of shares '000	Per share amount (pence)
Basic earnings per share						
Earnings attributable to ordinary shareholders on continuing operations	**(784)**	**33,199**	**(2.36)**	—	33,199	0.00
Dilutive effect of securities options on continuing operations	**—**	**24**	**—**	—	24	0.00
	(784)	**33,223**	**(2.36)**	—	33,223	0.00

For the Year Ended 31 March 2008

14 INTANGIBLE NON-CURRENT ASSETS

Group

	Goodwill (as restated) £	Development Costs £	Total (as restated) £
Cost			
At 1 April 2007	20,258,054	18,802,536	39,060,590
Arising on consolidation of subsidiary	—	262,186	262,186
Additions	94,257	4,551,891	4,646,148
At 31 March 2008	**20,352,311**	**23,616,613**	**43,968,924**
Amortisation			
At 1 April 2007	2,575,436	5,365,746	7,941,182
Prior year adjustment	(1,021,112)	—	(1,021,112)
As restated at 1 April 2007	1,554,324	5,365,746	6,920,070
Arising on consolidation of subsidiary	—	81,933	81,933
Charge for the year	—	2,168,558	2,168,558
At 31 March 2008	**1,554,324**	**7,616,237**	**9,170,561**
Net book value			
At 31 March 2008	**18,797,987**	**16,000,376**	**34,798,363**
At 31 March 2007	18,703,730	13,436,790	32,140,520

An impairment review has indicated that goodwill is not impaired.

For the Year Ended 31 March 2008

15 PROPERTY, PLANT AND EQUIPMENT

Group

	Freehold property £	Long leasehold property £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost or valuation					
At 1 April 2007	650,000	15,532	311,755	522,051	1,499,338
Arising on consolidation of subsidiary	—	—	584,043	—	584,043
Additions	—	—	93,395	48,519	141,914
Disposals	—	(15,532)	—	—	(15,532)
At 31 March 2008	**650,000**	**—**	**989,193**	**570,570**	**2,209,763**
Depreciation					
At 1 April 2007	13,000	15,532	185,108	342,815	556,455
Arising on consolidation of subsidiary	—	—	99,552	—	99,552
Charge for the year	13,000	—	141,412	66,213	220,625
On disposals	—	(15,532)	—	—	(15,532)
At 31 March 2008	**26,000**	**—**	**426,072**	**409,028**	**861,100**
Net book value					
At 31 March 2008	**624,000**	**—**	**563,121**	**161,542**	**1,348,663**
At 31 March 2007	637,000	—	126,647	179,236	942,883

The freehold property was valued on 21 June 2007 by Mr R. L. Sworn of Kelion Sworn, Chartered Surveyors and Valuers, London W1. The freehold property was valued at £650,000 with value in use. The property will continue to be revalued on a regular basis.

The value of the freehold property would have been recorded at £370,655 on a historical cost basis. The current revaluation surplus is £253,347.

For the Year Ended 31 March 2008

15 PROPERTY, PLANT AND EQUIPMENT — continued

Company

	Freehold property £	Long leasehold property £	Fixtures, fittings & equipment £	Total £
Cost or valuation				
At 1 April 2007	650,000	180	118,099	768,279
Additions	—	—	13,353	13,353
Disposals	—	(180)	—	(180)
At 31 March 2008	**650,000**	**—**	**131,452**	**781,452**
Depreciation				
At 1 April 2007	13,000	180	89,715	102,895
On disposals	—	(180)	—	(180)
Charge for the year	13,000	—	9,277	22,277
At 31 March 2008	**26,000**	**—**	**98,992**	**124,992**
Net book value				
At 31 March 2008	**624,000**	**—**	**32,460**	**656,460**
At 31 March 2007	637,000	—	28,384	665,384

16 NON-CURRENT ASSET INVESTMENTS

Group

	Unlisted investments £
Cost or valuation	
At 1 April 2007	819,271
Consolidation adjustment on acquisition of Eco Biok	(538,721)
At 31 March 2008	**280,550**
Provisions for diminution in value	
At 1 April 2007	40,449
Consolidation adjustment on acquisition of Eco Biok	(40,449)
At 31 March 2008	—
Net book value	
At 31 March 2008	**280,550**
At 31 March 2007	778,822

16 NON-CURRENT ASSET INVESTMENTS — continued

The Group acquired a controlling interest in Zhejiang Eco Biok Animal Health Products Limited (Eco Biok) with effect from 1 April 2007 and has therefore included the results and net assets of that Company into the consolidated financial statements for the first time. Prior to the date of acquisition the Group held a 49% stake in Eco Biok and had carried the investment at lower of cost or net realisable value. The assets acquired and consideration paid are detailed below:

	Book Value £	Fair Value Adjustment £	Fair value £
Patents and registrations	180,210	—	180,210
Property, plant and equipment	484,492	—	484,492
Inventories	440,190	(68,178)	372,012
Trade and other receivables	88,757	—	88,757
Cash and cash equivalents	276,414	—	276,414
Trade and other payables	(484,981)	—	(484,981)
	985,082	(68,178)	916,904
Less: Minority interests	(482,690)	—	(482,690)
Group share of net assets acquired	502,392	(68,178)	434,214
Goodwill acquired			125,597
Total cost of acquisition			559,811

Satisfied by:

	£
Elimination of existing investment	499,179
Cash paid for controlling interest	60,632
	559,811

In addition, the Group set up a Brazilian subsidiary, Eco Animal Health do Brasil Ltda, in order to obtain better control over its drug registrations in that area and also to better exploit the potential of that region.

Company	**Unlisted investments £**
Cost or valuation	
At 1 April 2007	21,462,912
Additions	60,590
At 31 March 2008	**21,523,502**
Provisions for diminution in value	
At 1 April 2007	—
Charge for the year	536,946
At 31 March 2008	**536,946**
Net book value	
At 31 March 2008	**20,986,556**
At 31 March 2007	21,462,912

16 NON-CURRENT ASSET INVESTMENTS — continued

HOLDINGS OF MORE THAN 20%

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			
Eco Animal Health Limited	Great Britain	Ordinary	100
Eco Animal Health (Europe) Limited	B.V.I.	Ordinary	100
Eco Group Limited	B.V.I.	Ordinary	100
Eco Animal Health Southern Africa (Pty) Limited	South Africa	Ordinary	100
Petlove Limited	Great Britain	Ordinary	91
Interpet LLC	USA	Ordinary	100
Zhejiang Eco Biok Animal Health Products Limited	P.R. of China	Ordinary	51
Eco Animal Health do Brasil Ltda	Brazil	Ordinary	100

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

	Principal activity
Eco Animal Health Limited	Manufacture of animal drugs
Eco Animal Health (Europe) Limited	Holding Company for Eco Animal Health Limited
Eco Group Limited	Holding Company for Eco Animal Health (Europe) Limited
Eco Animal Health Southern Africa (Pty) Limited	Manufacture of animal drugs
Petlove Limited	Non-trading
Interpet LLC	Manufacture of pet products
Zhejiang Eco Biok Animal Health Products Limited	Manufacture of animal drugs
Eco Animal Health do Brasil Ltda	Distribution of animal drugs

17 INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Raw materials and consumables	**2,864,305**	2,308,467	**—**	—
Finished goods and goods for resale	**961,419**	1,048,236	**—**	—
	3,825,724	3,356,703	**—**	—

18 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Trade receivables	**8,096,018**	8,045,856	**—**	67,771
Amounts owed by Group undertakings	**—**	—	**20,358,332**	17,107,394
Other receivables	**139,155**	859,538	**59,978**	813,681
Prepayments and accrued income	**119,203**	351,777	**13,829**	160,672
	8,354,376	9,257,171	**20,432,139**	18,149,518

For the Year Ended 31 March 2008

19 DEFERRED TAX

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Balance at 1 April 2007	**185,282**	—	**—**	—
Movement in the year	**42,845**	185,282	**—**	—
Balance at 31 March 2008	**228,127**	185,282	**—**	—

The deferred tax balance is a result of timing differences between the Company's Research and Development expenditure between the years 2002 to 2005 and the enhanced tax relief thereon which is given over a period of ten years.

20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short term deposits held by the Group companies. The carrying amount of these assets approximate to their fair value.

21 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Trade payables	**2,801,960**	4,589,880	**53,158**	2,143,601
Other payables	**379,916**	225,470	**70,046**	—
Accruals and deferred income	**341,737**	505,048	**114,128**	193,335
	3,523,613	5,320,398	**237,332**	2,336,936

22 NON-CURRENT LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
Bank loans	**185,954**	630,098	**185,954**	630,098
Analysis of loans				
Wholly repayable within five years	**185,954**	630,098	**185,954**	630,098
Loan maturity analysis				
In more than one year but not more than two years	**185,954**	210,033	**185,954**	210,033
In more than two years but not more than five years	**—**	420,065	**—**	420,065
Included within creditors are the following amounts secured by a debenture on the assets of the Group:				
Bank loans and overdrafts	**822,859**	4,703,900	**822,859**	4,703,900

For the Year Ended 31 March 2008

23 LONG TERM PROVISIONS

Pension obligations	Group 2008 £	Group 2007 £	Company 2008 £	Company 2007 £
Balance at 1 April 2007	**110,500**	338,000	**110,500**	338,000
Contributions paid to pension schemes	**(110,500)**	(227,500)	**(110,500)**	(227,500)
Balance at 31 March 2008	**—**	110,500	**—**	110,500

24 PENSION COSTS

Defined Contribution Pension Scheme

The Group operates a defined contribution pension scheme for the benefit of certain directors and senior employees. The assets of the defined contribution scheme are held separately from the Group and independently administered by an insurance Company. The pension cost charge represents contributions payable to the fund in the year and amounted to £30,124 (2007: £111,736).

Defined Benefit Pension Scheme

The Group operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 6 April 2003 and updated to 31 March 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2008	At 31 March 2007
Rate of increase in salaries	**—**	4.3%
Discount rate	**6.2%**	5.3%
Rate of increase in pensions in payment	**3.1%**	3.1%
Inflation assumption	**3.4%**	3.1%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008 £'000	Long-term rate of return expected at 31 March 2007	Value at 31 March 2007 £'000
Deposit administration contract	**6.00%**	**533**	6.00%	751
Annuities	**6.20%**	**1,835**	5.30%	1,716
Total market value of assets		**2,368**		2,467
Present value of scheme liabilities		**(2,325)**		(2,625)
Surplus/(deficit) in scheme		**43**		(158)
Related deferred tax (liability)/asset		**(13)**		48
		30		(110)

24 PENSION COSTS — continued

Analysis of amount recognised in statement of total recognised gains and losses

	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	**261**	13
As per cent of scheme assets	**11%**	0.5%
Experience gains and losses arising on the scheme liabilities	**(8)**	12
As per cent of present value of scheme liabilities	**1.5%**	0.5%
Changes in assumptions underlying the present value of the scheme liabilities	**(233)**	255
As per cent of present value of scheme liabilities	**10.0%**	9.71%
Actuarial loss recognised in statement of total recognised gains and losses	**20**	280
As per cent of present value of scheme liabilities	**0.86%**	10.67%
Analysis of amount charged to operating profit		
Current service cost	**6**	33
Analysis of the amount credited to other finance costs/income		
Expected return on pension scheme assets	**130**	123
Interest on pension scheme liabilities	**(126)**	(139)
	4	(16)
Movement in deficit during the year		
Deficit in scheme at beginning of year	**(158)**	(483)
Movement in year:		
Current service costs	**(6)**	(33)
Contributions	**266**	110
Loss on settlements/curtailments	**(33)**	—
Net returns on assets	**4**	(16)
Actuarial (losses)/gains	**(20)**	271
Expenses paid by scheme	**(10)**	(7)
Surplus/(deficit) in scheme at end of the year	**43**	(158)

For the Year Ended 31 March 2008

25 SHARE CAPITAL

	2008 £	2007 £
Authorised		
68,100,000 Ordinary shares of 5p each (2007: 40,000,000)	**3,405,000**	2,000,000
10,790 deferred Ordinary shares of 10p each	**1,079**	1,079
32,334 convertible preference shares of £1 each	**32,334**	32,334
	3,438,413	2,033,413
Allotted, called up and fully paid		
45,125,040 Ordinary shares of 5p each	**2,256,252**	1,559,011

During the year 13,944,816 Ordinary shares of 5p were issued at a premium of £15,728,143.

26 STATEMENT OF MOVEMENTS ON RESERVES

Group	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Retained earnings (as restated) £
Balance at 1 April 2007	21,367,211	256,237	548,231	11,453,162
Prior year adjustment	—	—	—	1,021,112
Balance as restated at 1 April 2007	21,367,211	256,237	548,231	12,474,274
Loss for the year	—	—	—	(783,973)
Foreign currency translation differences	—	—	—	(488,376)
Premium on shares issued during the year	15,728,143	—	—	—
Dividends paid	—	—	—	(2,435,660)
Depreciation written back	—	(2,890)	—	—
Movement during the year	—	—	257,390	—
Actuarial losses on pension scheme	—	—	—	(80,400)
Balance at 31 March 2008	**37,095,354**	**253,347**	**805,621**	**8,685,865**

Other reserves	£
Capital redemption reserve	
Balance at 1 April 2007 and at 31 March 2008	**105,829**
Share option reserve	
Balance at 1 April 2007	442,402
Other reserve movement	257,390
Balance at 31 March 2008	**699,792**

26 STATEMENT OF MOVEMENTS ON RESERVES — continued

Company	Share premium account £	Revaluation reserve £	Other reserves (see below) £	Retained earnings £
Balance at 1 April 2007	21,367,211	256,237	548,231	9,087,683
Loss for the year	—	—	—	(1,751,076)
Foreign currency translation differences	—	—	—	96,313
Premium on shares issued during the year	15,728,143	—	—	—
Dividends paid	—	—	—	(2,435,660)
Depreciation written back	—	(2,890)	—	—
Movement during the year	—	—	257,390	—
Actuarial gains or losses on pension scheme	—	—	—	(80,400)
Balance at 31 March 2008	**37,095,354**	**253,347**	**805,621**	**4,916,860**

Other reserves	£
Capital redemption reserve	
Balance at 1 April 2007 and at 31 March 2008	**105,829**
Share option reserve	
Balance at 1 April 2007	442,402
Other reserve movement	257,390
Balance at 31 March 2008	**699,792**

27 MINORITY INTERESTS

	2008 £	2007 £
Balance at 1 April 2007	**2,475**	2,475
Arising on consolidation of subsidiary	**511,901**	—
Share of subsidiary's profit for the year	**87,557**	—
Share of foreign exchange gain on net investment	**44,705**	—
	646,638	2,475

For the Year Ended 31 March 2008

28 RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

Group	**2008** £	2007 (as restated) £
(Loss)/profit for the financial year	**(783,973)**	2,819,771
Dividends	**(2,435,660)**	(2,227,751)
	(3,219,633)	592,020
Other recognised gains and losses	**(568,776)**	444,764
Proceeds from issue of shares	**16,425,384**	98,250
Cost of share options granted	**257,390**	224,013
Write-back of depreciation	**(2,890)**	(2,891)
Net addition to shareholders' funds	**12,891,475**	1,356,156
Opening total equity	**36,204,964**	34,848,808
Closing total equity	**49,096,439**	36,204,964

Company	**2008** £	2007 £
(Loss)/profit for the financial year	**(1,751,076)**	1,752,602
Dividends	**(2,435,660)**	(2,227,751)
	(4,186,736)	(475,149)
Other recognised gains and losses	**15,913**	447,369
Proceeds from issue of shares	**16,425,384**	98,250
Cost of share options granted	**257,390**	224,013
Write-back of depreciation	**(2,890)**	(2,891)
Net addition to shareholders' funds	**12,509,061**	291,592
Opening total equity	**32,818,373**	32,526,781
Closing total equity	**45,327,434**	32,818,373

29 CONTINGENT LIABILITIES

Group

There were no contingent liabilities at 31 March 2008 and 31 March 2007.

30 FINANCIAL COMMITMENTS

At 31 March 2008 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2008	2007	**2008**	2007
	£	£	**£**	£
Expiry date:				
Within one year	**20,491**	—	**1,639**	6,215
Between two and five years	**105,845**	123,345	**34,219**	15,358
In over five years	**25,698**	—	**—**	—
	152,034	123,345	**35,858**	21,573

31 CAPITAL COMMITMENTS

The Group had no authorised capital commitments as at 31 March 2008 (2007: Nil).

32 DIRECTORS' EMOLUMENTS

	2008	2007
	£	£
Emoluments for qualifying services	**237,220**	216,000
Company pension contributions to money purchase schemes	**1,675**	—
	238,895	216,000

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2007: Nil).

Non-executive directors' fees arising from the services of P A Lawrence to Baronsmead VCT plc, Baronsmead AIM VCT plc, Noble AIM VCT plc, Higher Nature Limited and Kiotech International plc amounted to £85,202 (2007: £82,202) and were paid to the Company.

33 EMPLOYEES

Number of employees

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

	2008 Number	2007 Number
Directors	**4**	4
Production and development	**29**	32
Admin and distribution	**33**	22
Sales	**29**	13
	95	71

Employment costs	**2008 £**	2007 £
Wages and salaries	**1,564,325**	1,719,747
Social security costs	**132,460**	265,130
Other pension costs	**76,631**	6,156
	1,773,416	1,991,033

34 RELATED PARTY TRANSACTIONS

Group and Company

At the balance sheet date, 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 £69,199 (2007: £1,593,585). This amount represents dividends reinvested into the Company.

During the year the Group provided management services to Kiotech International plc, a Company in which P A Lawrence is a director and holds share options. Fees charged were £37,500 (2007: £37,500).

During the year the Group provided the services of a representative to C-Corp Limited, a Company in which P A Lawrence is a director and shareholder. No fees were charged during the year (2007: £6,000).

During the year the Group made sales to Eco Biok on an arm's length basis to the value of £632,158 (2007: £166,700). At the end of the year there was an inter-Company balance owing from this Company of £481,063 (2007: £257,666). Since Eco Biok is a subsidiary of Eco Animal Health Group plc, these transactions and balances have been eliminated on consolidation.

For the Year Ended 31 March 2008

35 ANALYSIS OF NET FUNDS/(DEBT)

	1 April 2007 £	Cash flow £	Other non-cash changes £	**31 March 2008 £**
Net cash:				
Cash at bank and in hand	935,911	5,207,278	—	**6,143,189**
Bank overdrafts	(4,073,802)	3,436,897	—	**(636,905)**
	(3,137,891)	8,644,175	—	**5,506,284**
Debts falling due after one year	(630,098)	444,144	—	**(185,954)**
Net (debt)/funds	(3,767,989)	9,088,319	—	**5,320,330**

36 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 £	2007 £
Increase/(decrease) in cash in the year	**8,644,175**	(1,314,433)
Cash outflow from decrease in debt	**444,144**	2,452,396
Movement in net funds/(debt) in the year	**9,088,319**	1,137,963
Opening net debt	**(3,767,989)**	(4,905,952)
Closing net funds/(debt)	**5,320,330**	(3,767,989)

For the Year Ended 31 March 2008

37 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 main risks arising from the Group's financial statements are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The policies have remained unchanged since 1 April 2002.

It is and has been throughout the year under review, the Group policy that no trading in financial instruments shall be undertaken.

Short-term receivables and payables
Short-term receivables and payables have been excluded from all the following disclosures, other than the currency risk disclosure.

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 sterling flotation facilities of £79,043 (2007: £4,073,802) and a South African Rand loan of R12,000,000 (2007: R12,000,000). The South African Rand bears an interest rate which is the aggregate of (a) 1.5% per annum and (b) the rate at which the bank is offered deposits in South African Rand by the leading banks in the London Interbank Market two business days before the start of each repayment period.

Liquidity risk
The Group ensures short-term flexibility through the use of the overdraft facilities. The Board does not at present consider that it is necessary to adopt a detailed borrowings policy as there are sufficient funds available within the current facilities. The maturity of liabilities is shown in note 22. The committed undrawn borrowing facilities of the Group were £250,000 (2007: £1,426,198).

Currency risk
The Group has an overseas subsidiary which operates in South Africa and whose revenues and expenses are denominated exclusively in rand. In order to protect the Group's sterling balance sheet from the movements in the rand/sterling exchange rates, the Group finances its net investments in this subsidiary by means of a South African Rand borrowing. Gains and losses arising from this borrowing are recognised in the consolidated statements of changes in equity.

The Group operates in overseas markets particularly through its subsidiaries in China and Brazil and is subject to currency exposure on transactions undertaken during the year. The Group does not hedge any transactions, and foreign exchange differences on retranslation of foreign assets and liabilities are taken to the income statement.

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

Functional currency of Group operations	US Dollar	Euro	South African Rand	Other
2008				
Sterling equivalent £'000	**5,286**	**1,767**	**(350)**	**565**
2007				
Sterling equivalent £'000	1,233	86	(832)	53

The Company has no financial assets other than debtors and cash at the bank. Any Group bank overdrafts are repayable on demand and are included in the balance sheet as a creditor due in less than one year. The balance sheet values of financial assets and liabilities are not materially different to their fair values.

Year Ended 31 March 2008

Notice is hereby given that the Annual General Meeting of ECO Animal Health Group plc will be held at 78 Coombe Road, New Malden, Surrey, KT3 4QS on 17 September 2008 at 11 am for the following purposes:

1. To receive and adopt the report of the directors and the Group financial statements for the 12 months ended 31 March 2008, together with the report of the auditors.
2. To approve the payment of a dividend of 5.45 pence per ordinary share payable on 7 November 2008 to shareholders on the register on 26 September 2008 in cash, or at the election of a shareholder by the issue of new Ordinary shares.
3. To appoint the auditors, F W Stephens, and to authorise the directors to determine their remuneration.
4. That the directors of the Company from time to time be and they are hereby authorised to offer the holders of Ordinary shares of 5p each in the capital of the Company ("Ordinary Shares") (subject to such exclusions, restrictions or other arrangements as the directors may, in their absolute discretion, consider necessary or desirable in relation to any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory) the right to elect to receive new Ordinary Shares instead of cash in respect of all or part of the final dividend for the year ended 31 March 2008 and all other dividends declared up to the beginning of the next Annual General Meeting of the Company ("Scrip Dividend") and that the "average quotation" of an Ordinary Share for the purpose of the Scrip Dividend shall be the average of the middle market quotations for a fully paid Ordinary Share as derived from the Daily Official List of the London Stock Exchange plc on the close of business on the five business days commencing on the ex dividend date of the relevant dividend.
5. That in substitution for the authority granted to the directors pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 14 August 2007, the directors be generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 (2) of the Act) up to an aggregate nominal amount of £2,250,000 provided that this authority shall expire on the day preceding the fifth anniversary of the date of this resolution save the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. All authorities previously conferred under section 80 of the Act are revoked, but such revocation shall not have retrospective effect.

To consider and, if thought fit, to pass Resolutions 6 and 7 as Special Resolutions.

6. That, subject to the passing of and pursuant to the passing of the Resolution numbered 5 in the notice containing this Special Resolution, and in substitution for the authority granted to the directors pursuant to a Special Resolution passed at the extraordinary general meeting of the Company held on 14 August 2007, the directors be empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) for cash pursuant to the authority given pursuant to Resolution 5 above as if subsection (1) of Section 89 of the Act did not apply to any such allotment provided that the authority conferred by Resolution 5 above and by this Resolution 6 shall expire twelve months from the passing of this Special Resolution or, if sooner, at the Company's next annual general meeting (save that the Company may, before the expiry of such authority, make offers or arrangements requiring relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or arrangements as if the authority conferred had not expired) and provided that the disapplication of Section 89 of the Act effected by this Resolution 6 is limited to the allotment of equity securities up to an aggregate nominal value of £113,757.
7. That the Company adopt new Articles of Association which, *inter alia*, take into account more changes arising from the Companies Act 2006 and which appear in the shareholders' section on the Company's website.
8. To transact any other business.

By order of the Board

Julia Rosu
Secretary
New Malden
11 August 2008

ECO
Animal Health Group plc

FORM OF PROXY

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

I/We . . . . of . . . .

(Please complete in BLOCK CAPITALS)

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

. . . . of . . . .

failing whom the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf on any resolution proposed at the Annual General Meeting of the Company to be held on 17 September 2008 at 11 am and in particular to vote on the resolutions to be proposed thereat in the manner indicated below.

RESOLUTIONS	FOR	AGAINST	VOTE WITHHELD
1. To receive the Directors' Report and financial statements for the 12 months ended 31 March 2008.			
2. To approve the payment of a dividend of 5.45p per Ordinary Share on 7 November 2008 to shareholders on the register on 26 September 2008.			
3. To appoint F W Stephens as auditors of the Company and to authorise the directors to determine their remuneration.			
4. To authorise the directors to offer the holders of Ordinary shares the right to elect to receive new Ordinary shares instead of cash in respect of all or part of the final dividend for the year ended 31 March 2008 and all other dividends declared up to the beginning of the next Annual General Meeting.			
5. To allow the Board to allot unissued shares up to an aggregate nominal value of £2,250,000.			
6. To allow the Board to allot equity securities for cash up to a nominal value of £113,757 being 5 per cent of the current issued share capital.			
7. To adopt updated Articles of Association.			

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

Date: . . . . Signature . . . .

NOTES:

1. Any member entitled to attend and vote at the AGM is entitled to appoint one or more proxies (who need not be a member of the Company) of his own choice to attend, vote and speak on his/her behalf. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.
2. If you wish to appoint a proxy other than the Chairman of the meeting, please insert the name and address of your proxy (who need not be a member of the Company).
3. **This form of proxy must be lodged at the Company's Registered Office at 78 Coombe Road, New Malden, Surrey, KT3 4QS not less than 48 hours before the time appointed for the holding of the meeting.**
4. In the case of a corporation, this form of proxy must be executed under seal or under the hand of a duly authorised officer of the corporation.
5. In the case of joint holders, the vote of the senior who tends a vote whether in person or by proxy shall be accepted to the exclusion of votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the Register of Members in respect of the joint holdings.
6. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion.
7. Any alterations to this form of proxy should be initialled.

Second fold

AFFIX
STAMP

ECO Animal Health Group plc
78 Coombe Road
New Malden
Surrey
KT3 4QS

First fold

Third fold
and tuck in flap opposite