

ECO ANIMAL HEALTH GROUP PLC

SCRIP DIVIDEND SCHEME

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take you should immediately consult your accountant, solicitor, bank manager, stock broker or other independent adviser authorised under the Financial Services and Markets Act 2000 or if you are not in the United Kingdom, another appropriately authorised independent adviser. If you sold or transferred all or some of your Ordinary Shares, you should, without delay, consult the stockbroker or other agent through whom the sale or transfer was effected for advice on the action you should take.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Ex-dividend date for the Final Dividend	24 September 2008
Record date for the Final Dividend	26 September 2008
FINAL DATE FOR RECEIPT BY THE COMPANY OF FORMS OF ELECTION	5.00 pm on 31 October 2008
Dividend payment date, expected first day of dealings in the new Ordinary Shares on AIM and CREST accounts credited with new Ordinary Shares	7 November 2008
Dispatch of definitive share certificates	1 December 2008

Registered office:

78 Coombe Road
New Malden
Surrey
KT3 4QS
Registered in England and Wales No. 1818170

ECO ANIMAL HEALTH GROUP PLC

(a company incorporated in England and Wales and registered with number 1818170)

RULES OF THE SCRIP DIVIDEND SCHEME ('THE SCHEME')

1. Terms

The Scheme, which was introduced in March 2008 and is conditional upon approval by shareholders of the Company ("shareholders") at the Annual General Meeting convened for 17 September 2008 of the resolution authorising the Directors to offer shareholders the option to take dividends in ordinary shares instead of cash, will apply in respect of proposed 2008 final dividend and any interim dividend payable in respect of the year ending on 31 March 2009.

Shareholders on the register of members of the Company ("register") as at the close of business on the record date for the relevant dividend (other than those shareholders referred to below) will be able to elect to receive new ordinary shares of 5 pence each in the capital of the Company ("Ordinary Shares") in respect of all or part of their holdings of Ordinary Shares (see paragraph 3 below) as an alternative to receiving the dividend declared or proposed at the relevant time per Ordinary Share in cash ("Scrip Dividend").

The new Ordinary Shares will be issued subject to the Memorandum and Articles of Association of the Company and will rank equally with the existing issued Ordinary Shares in all respects. Completion of the allotments under the Scheme is subject to admission of the new Ordinary Shares to trading on the Alternative Investment Market of the London Stock Exchange plc ("AIM") becoming effective. In the unlikely event that this condition is not met, the Scheme will be cancelled and dividends will be paid in cash to all shareholders.

The Scheme may be amended, suspended or terminated at the discretion of the Directors, in which case shareholders will normally be advised. In the case of an amendment, your instructions in respect of the Scheme will remain valid under the amended terms unless the Company is notified in writing by you to the contrary.

2. Average Quotation

For the purposes of the Scheme and pursuant to the authority of the shareholders referred to in paragraph 1 above, the 'Average Quotation' is 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 at the close of business on the five business days commencing on the ex-dividend date of the relevant dividend.

3. Basis of allotment

Your entitlement to new Ordinary Shares is based on:

- (i) the Average Quotation (as defined in paragraph 2 above);
- (ii) the declared amount of cash dividend payable per Ordinary Share; and
- (iii) the number of Ordinary Shares held by you on the record date.

The formula used for calculating your entitlement is as follows:

Number of Ordinary Shares held at the record date x cash dividend per Ordinary Share + any residual dividend entitlement brought forward = maximum dividend available for Scrip Dividend

Maximum dividend available = maximum number of new Ordinary Shares (rounded down to the
Average Quotation nearest whole number)

You may elect to receive new Ordinary Shares in respect of all or part of your holding of Ordinary Shares. No fraction of an Ordinary Share will be issued and, as a result, if you elect to receive the maximum number of new Ordinary Shares in lieu of your cash dividend, a residual dividend entitlement may arise. This residual dividend entitlement will be carried forward (without interest) to the next dividend (see Example 1 which is based on the 2008 interim dividend).

If you wish to receive a specific number of new Ordinary Shares, you may calculate the number of existing Ordinary Shares in respect of which you need to elect for the Scrip Dividend as follows:

$$\frac{\text{Number of new Ordinary Shares you wish to receive} \times \text{Average Quotation}}{\text{Cash dividend amount in pence per Ordinary Share}} = \text{Number of Ordinary Shares in respect of which you elect to receive new Ordinary Shares (rounded down to the nearest whole number)}$$

If you elect to receive only part of your dividend as new Ordinary Shares, you will receive the balance in cash. Any residual dividend entitlement relating to that portion of your existing shareholding in respect of which you have elected to receive a Scrip Dividend will be carried forward (without interest) to the next dividend (see Example 2 which is based on the 2008 interim dividend).

4. Payment of residual dividend entitlements and examples

Residual dividend entitlements will be carried forward (without interest) and taken into account in determining your entitlement to new Ordinary Shares pursuant to the next Scrip Dividend offered by the Company pursuant to the Scheme and in respect of which you elect to participate. Otherwise, it will be payable in cash (without interest) if you:

- dispose of your entire holding; or
- are paid the next dividend in respect of the whole of your shareholding in cash; or
- revoke your standing instructions to receive Scrip Dividends; or
- so request in writing to the Company.

Example 1

If you have 1,000 Ordinary Shares and the declared cash dividend was £0.017 per Ordinary Share, your maximum entitlement to new Ordinary Shares will be calculated as follows:

Your cash dividend (1,000 x £0.017)	£17.00
Plus residual dividend entitlement brought forward (say)	£ 1.00
Maximum dividend available	<u>£18.000</u>
Number of new Ordinary Shares = £18.00	= 17.875 = 17 new Ordinary Shares
£ 1.007	
Total cost of 17 new Ordinary Shares at the Average Quotation = 17 x £1.007	£17.119
Plus residual dividend entitlement carried forward (£18.00 – £17.119)	<u>£0.881</u>
	<u>£18.00</u>

Example 2

If you have 1,000 Ordinary Shares and a residual dividend entitlement brought forward of, say, £1.00, your maximum entitlement if you elect to have your dividend entitlement satisfied entirely in new Ordinary Shares will be 17 new Ordinary Shares, as shown in Example 1. Should you wish to elect for new Ordinary Shares on only 500 of your existing 1,000 Ordinary Shares, you should insert the number 500 in the box in Section B(i) of the Form of Election which will be sent to you following the relevant record date. The number of new Ordinary Shares and cash amount due to you would then be calculated as follows:

Your cash dividend (1,000 × £0.017)	£17.00
Plus residual dividend entitlement brought forward (say)	£ 1.00
Maximum dividend available	<u>£18.00</u>
500 existing Ordinary Shares in respect of which you wish to receive new Ordinary Shares (500 × £0.017)	£8.50
Plus residual dividend entitlement brought forward (say)	£1.00
Total available to elect for new Ordinary Shares	<u>£9.50</u>
Number of new Ordinary Shares = $\frac{£9.50}{£ 1.007}$ = 9.43 = 9 new Ordinary Shares	
Total cost of 9 new Ordinary Shares at the Average Quotation = 9 × £1.007	£9.063
Plus residual entitlement to be carried forward to next dividend (£9.50 – £9.063)	£0.437
Plus balance of maximum dividend available to be paid in cash (£18.00 – £9.50)	<u>£8.50</u>
Maximum dividend available	<u>£18.00</u>

In addition to the 9 new Ordinary Shares, you will receive a cash amount of £8.50 and £0.437 will be carried forward (without interest) to your next dividend.

5. How to participate in the Scheme

- (i) **If you have already given standing instructions to receive new Ordinary Shares under the Scheme**, you will be sent after the record date of the relevant dividend an entitlement advice. You need take no further action unless you wish to revoke your standing instructions or to elect to receive a smaller number of new Ordinary Shares. If you do not formally revoke your standing instructions by 5.00 pm on the final return date stated on the entitlement advice, you will receive the number of new Ordinary Shares shown on the entitlement advice.

If you do not wish to receive new Ordinary Shares, a letter revoking the standing instructions to receive Scrip Dividends must be received by the Company at the address given on the entitlement advice by 5.00 pm on the final return date stated on the entitlement advice. A cash dividend will then be paid on your entire holding of Ordinary Shares. If, however, you wish to receive new Ordinary Shares in respect of only part of the relevant dividend, please ask the Company for a Form of Election in time to return it to them by 5.00 pm on the final return date stated on the entitlement advice

- (ii) **If you have not previously given standing instructions to receive new Ordinary Shares under the Scheme and you wish to receive new Ordinary Shares in lieu of a cash dividend on one occasion only**, an election to participate in the Scheme must be made on the Form of Election. A Form of Election will be issued after the record date of the relevant dividend to shareholders registered as at the record date and should be read in conjunction with this letter. If you wish to elect to receive the maximum entitlement to new Ordinary Shares for the relevant dividend, you may do so by inserting an 'X' in the box in Section A(i) of the Form of Election. If you wish to elect to receive a smaller number of Ordinary Shares than the maximum entitlement, you should complete Section B of the Form of Election. To be valid in respect of the relevant dividend, a Form of Election must be completed correctly, signed and received by the Company at the address given on page 2 of the Form of Election, by 5.00 pm on the final return date stated on the Form of

Election.

- (iii) **If you have not previously given standing instructions to receive new Ordinary Shares under the Scheme and you wish to receive the maximum entitlement to new Ordinary Shares automatically for all dividends to which the Scheme applies**, you may do so by inserting an 'X' in the box in Section A(ii) of the Form of Election. If you insert an 'X' in both the box in Section A(i) and A(ii) you will be deemed to have marked the box in Section A(ii) only. To be valid in respect of the relevant dividend, a Form of Election must be completed correctly, signed and received by the Company at the address given on page 2 of the Form of Election, by 5.00 pm on the final return date stated on the Form of Election.

Completing Section A(ii) of the Form of Election will ensure that you receive your maximum entitlement to new Ordinary Shares offered in lieu of the relevant dividend and for subsequent dividends. Your standing instructions may be revoked in respect of a particular dividend by giving signed notice in writing at any time to the Company on or before the final date for receipt of Forms of Election in respect of that dividend. However, such revocation will take effect in respect of an offer of Ordinary Shares in lieu of a cash dividend only if the notice is received before the relevant final return date. Your standing instructions will lapse automatically if at any time you cease to hold any Ordinary Shares.

SHAREHOLDERS WITH A SHAREHOLDING AS AT THE RECORD DATE OF AN INSUFFICIENT NUMBER OF SHARES TO ISSUE ONE ORDINARY SHARE, AND WHO GIVE AN ELECTION TO RECEIVE A SCRIP DIVIDEND, WILL NOT RECEIVE ANY NEW ORDINARY SHARES ON THIS OCCASION AND WILL HAVE THEIR DIVIDEND ENTITLEMENT RELATING TO THOSE ORDINARY SHARES CARRIED FORWARD (WITHOUT INTEREST).

6. Overseas shareholders

No person receiving a copy of this document or a Form of Election in any jurisdiction outside the United Kingdom ('UK') may treat the same as offering a right to elect to receive new Ordinary Shares unless such offer could lawfully be made to such person without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. It is the responsibility of any person outside the UK who wishes to receive new Ordinary Shares under the Scheme to comply with the laws of the relevant jurisdiction(s), including the obtaining of any governmental or other consents and compliance with all other formalities. It is also the responsibility of any person who receives new Ordinary Shares in lieu of a cash dividend to comply with any restrictions on the resale of the Ordinary Shares which may apply outside the UK.

7. Issue of share certificates and admission of new Ordinary Shares to AIM

Application will be made to the London Stock Exchange plc for the new Ordinary Shares to be admitted to trading on AIM.

Existing Ordinary Shares on the register may be held either in certificated form, or in uncertificated form through CREST. Where a shareholder has holdings of Ordinary Shares in both certificated and uncertificated form, each holding will be treated separately for the purpose of calculating entitlements to new Ordinary Shares.

Definitive share certificates for the new Ordinary Shares issued under the Scheme in respect of holdings in certificated form are expected to be mailed to shareholders entitled thereto at their risk in accordance with the timetable issued by the Company in respect of the relevant dividend. New Ordinary Shares issued under the Scheme in respect of holdings of Ordinary Shares which are in uncertificated form will also be issued in uncertificated form. The Company will arrange for the relevant shareholders' stock accounts in CREST to be credited with the appropriate numbers of new Ordinary Shares on the payment date.

Dealings in the new Ordinary Shares are expected to begin on the payment date of the relevant dividend.

8. If you have sold or transferred your Ordinary Shares

If you sold or transferred all or some of your Ordinary Shares on or before the ex dividend date (the date on which the Ordinary Shares eligible for the relevant dividend were last quoted cum-dividend), but

those Ordinary Shares are nevertheless included in the number shown in box 1 on your Form of Election you should, without delay, consult the stockbroker or other agent through whom the sale or transfer was effected for advice on the action you should take.

9. Taxation

The precise tax consequences for a shareholder receiving a cash dividend or electing to receive new Ordinary Shares in lieu of a cash dividend will depend upon the shareholder's own individual circumstances. The following is a general outline of the tax consequences for shareholders resident or (if individuals) ordinarily resident in the UK for taxation purposes based on current UK law and practice and does not cover the position of certain categories of shareholder, such as collective investment schemes, insurance companies and persons who hold or acquire Ordinary Shares in the course of a trade.

This summary of the taxation treatment is not exhaustive. If you are in any doubt as to your tax position, you should consult your professional adviser before taking any action.

(i) *Cash dividends*

UK resident individuals

Individual shareholders, who are resident in the UK for tax purposes, will generally be subject to income tax on the aggregate amount of the dividend and associated tax credit. For example, on a cash dividend of £90 an individual would be treated as having received dividend income equal to both the £90 dividend received and the associated tax credit of £10 and as having paid income tax of £10.

Individual shareholders who are liable to income tax at the starting rate or basic rate only will have no further tax to pay, as the tax liability will be fully extinguished by the associated tax credit.

Individual shareholders who are not liable to income tax are not able to recover the associated tax credit.

Individual shareholders subject to income tax at the higher rate will be liable to tax at a rate of 32.5 per cent. on the aggregate of the dividend and the associated tax credit. For example, if a higher rate tax payer were to receive a dividend of £90, he/she would for income tax purposes be treated as receiving dividend income of both the £90 dividend received and the associated tax credit of £10. The related tax liability would be £32.50. However, the associated tax credit of £10 would be set against the tax liability, leaving the individual with net tax to pay of £22.50.

UK resident trustees

Trustees of discretionary trusts, which are usually liable to pay income tax at the rate of 40 per cent., may be required to account for additional tax on UK dividend income at 32.5 per cent. of the aggregate amount of dividend received and the associated tax credit, against which the effective 10 per cent. tax credit may be offset.

UK resident companies

Corporate shareholders (other than certain insurance companies and companies which hold Ordinary Shares on trading account) are not liable to corporation tax or income tax in respect of dividends received from the Company.

UK resident gross funds/charities

There is no entitlement, for either a gross fund or charity, to a tax credit and consequently no claim to recover the tax credit will be possible.

(ii) *Scrip dividends*

UK resident individuals

The tax consequences of electing to receive new Ordinary Shares in lieu of a dividend are similar to those of receiving cash dividends.

Individual shareholders who elect to receive new Ordinary Shares in lieu of a cash dividend will be treated as having received income of an amount which, when reduced by income tax at the starting rate (currently 10 per cent.) is equal to the 'cash equivalent' which would have been received had they not elected to receive new Ordinary Shares. For example if a shareholder elected to receive new Ordinary Shares in lieu of a £90 cash dividend, they would for UK tax purposes be treated as receiving income of £100 and as having paid tax of £10.

Individual shareholders who are liable to income tax at the starting rate or basic rate only will have no further tax to pay. Individual shareholders liable to tax at the higher rate will be liable to pay additional tax at the rate of 22.5 per cent. of the aggregate of the cash equivalent and associated tax credit (which equates to £22.50 in the example above).

For income tax purposes, HM Revenue & Customs will substitute the market value of the Ordinary Shares on the first day they are admitted to trading on AIM for the 'cash equivalent' if the difference between the cash dividend and the market value equals or exceeds 15 per cent. of the market value.

For capital gains tax purposes the new Ordinary Shares will be treated as a separate holding. The base cost of these Ordinary Shares will equal the 'cash equivalent'. If the difference between the cash dividend and the market value equals or exceeds 15 per cent. of the market value on the first day that the Ordinary Shares are admitted to trading on AIM, then the base cost will be the market value.

UK resident trustees

Trustees of discretionary trusts liable to account for income tax on the income of the trust will be treated as having received gross income equal to the 'cash equivalent' as described above. Any tax liability will be calculated in line with the cash dividend treatment described above (tax at a rate of 32.5 per cent. being partially offset by the effective 10 per cent. tax credit).

UK resident companies

Corporate shareholders will not be liable to corporation tax on the receipt of new Ordinary Shares. For capital gains tax purposes the base cost of these Ordinary Shares will be nil.

UK resident gross funds/charities

There is no entitlement, for either a gross fund or charity, to a tax credit and consequently no claim to recover the tax credit will be possible.

Residual dividend entitlement

Under current legislation, a UK resident shareholder will not be subject to UK tax on any amount carried forward as a residual dividend entitlement until either a new Ordinary Share or cash is received. The tax treatment of the new Ordinary Share will be the same as that of any other new Ordinary Share issued at the same time pursuant to the Scheme. Any payment in cash will be taxed as a cash dividend.

10. General

Whether or not it is to a particular shareholder's advantage to elect to receive new Ordinary Shares in lieu of a cash dividend is a matter for individual decision by such shareholder. The Company cannot accept any responsibility for such decision.

No acknowledgement of receipt of a Form of Election will be issued.

The Scheme (including any election(s) and authorisation(s) given by any shareholder) is governed by and its terms are to be construed in accordance with English law. By electing to receive new Ordinary Shares the shareholder agrees to submit to the jurisdiction of the English courts in relation to the Scheme.

Further copies of these Rules and replacement Forms of Election may be obtained from the Company.

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