Issued by Citigate Dewe Rogerson Ltd, Birmingham
Date: Tuesday, 1 September 2009

Dechra® Pharmaceuticals PLC

("Dechra")

An International Veterinary Pharmaceutical Business

Preliminary Results for the year ended 30 June 2009

	Year ended June 2009	Year ended June 2008	
• Revenue	**£350.0m**	£304.4m	+15%
• Adjusted operating profit*	**£25.0m**	£19.1m	+30%
• Operating profit	**£17.7m**	£14.1m	+26%
• Adjusted profit before taxation*	**£23.4m**	£16.9m	+39%
• Profit before tax	**£16.1m**	£11.7m	+38%
• Adjusted earnings per share*			
Basic	**25.61p**	20.81p	+23%
Diluted	**25.40p**	20.64p	+23%
• Earnings per share			
Basic	**17.27p**	14.20p	+22%
Diluted	**17.13p**	14.09p	+22%
• Dividend			
Final	**6.10p**	5.50p	+11%
Total	**9.10p**	8.25p	+10%
• Net borrowings	**£15.5m**	£27.0m	

- Good increase in revenue and profitability by both divisions
- Strong cash generation and low gearing
- New international product launches
- New development opportunities initiated
- International veterinary markets continue to grow
- Group performance remains in line with the Board's expectations

* adjusted for amortisation of acquired intangibles and exceptional costs.

Enquiries:

Ian Page, Chief Executive
Simon Evans, Group Finance Director
Dechra Pharmaceuticals PLC
Today: +44(0) 207 638 9571
Mobile: + 44(0) 7775 642222 (IP) or
Mobile: + 44(0) 7775 642220 (SE)
Thereafter: +44(0) 1782 771100
www.dechra.com
corporate.enquiries@dechra.com

Fiona Tooley
Keith Gabriel
Citigate Dewe Rogerson
Today: +44(0) 207 638 9571
Mobile: +44(0) 7785 703523 (FMT) or
Mobile: +44(0) 7770 788624 (KG)
Thereafter: +44(0) 121 362 4035

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2009

STATEMENT BY THE CHAIRMAN, MICHAEL REDMOND

Introduction

I am pleased to report an increase in revenue and profitability at both our Pharmaceutical and Services Divisions. Furthermore, the Group has made progress in its pharmaceutical strategy with key products licensed and launched in the US, Canada and the EU and new product development opportunities identified.

Financial Highlights

Group revenue increased 15.0% from £304.4 million to £350.0 million.

Adjusted operating profit increased by 30.5% to £25.0 million (2008: £19.1 million). Adjusted profit before taxation rose 38.9% to £23.4 million (2008: £16.9 million). Operating profit after deducting exceptional costs and amortisation of acquired intangibles was £17.7 million (2008: £14.1 million). Profit before taxation on the same basis was £16.1 million (2008 £11.7 million).

Adjusted basic earnings per share was 25.61 pence, up 23.1% from the 20.81 pence achieved in 2008. Earnings per share after exceptional costs and amortisation of acquired intangibles was 17.27 pence (2008: 14.20 pence).

Total cash investment in product development was £4.2 million (2008: £3.7 million), of which £3.4 million was charged to the income statement (2008: £2.4 million). In addition, a payment of £470,000 was made to acquire technology for our product development programme. This has been shown as an exceptional cost due to its size and infrequency.

During the year, Group cash flow was strong with cash flow from operations being 156.0% of operating profit (2008: 114.1%). Group net borrowings were reduced by £11.5 million in the year from £27.0 million at 30 June 2008 to £15.5 million at 30 June 2009. This was despite an adverse currency impact of £1.5 million. The Group has committed bank facilities totalling £52.5 million.

Net debt to EBITDA on an adjusted basis was 0.57 times (2008: 1.3 times). Interest cover on adjusted operating profit was 16.0 times (2008: 8.4 times).

Dividend

In line with our progressive dividend policy and our confidence in the business, the Directors are recommending an increase in the final dividend to 6.10 pence per share (2008: 5.50 pence per share). This, together with the interim dividend of 3.00 pence per share (2008: 2.75 pence per share), makes a total dividend for the year of 9.10 pence per share (2008: 8.25 pence per share), a 10.3% increase.

The total dividend is covered 2.8 times by profit after taxation but after adding back amortisation of acquired intangibles.

The final dividend, which is subject to Shareholder approval at our Annual General Meeting to be held on Friday 6 November 2009, will be paid on 11 December 2009 to Shareholders on the Register at 13 November 2009.

continued...

People
On behalf of the Board and all our Shareholders I welcome all new employees to the Group. I would also like to thank all employees for their hard work, dedication and innovation in contributing to our successful year.

Prospects
Despite the current uncertain economic outlook, the majority of the markets in which we trade continue to show growth although at a slower rate than historically. Within the UK, current market growth has been as a result of price inflation rather than volume growth, with livestock products outperforming the companion animal sector. The Group's current performance, however, is in line with the Board's expectations. The Group will be enhanced by new product launches and by growth from our existing portfolio. Additionally we are realising good month on month growth from *Vetoryl*® within the USA and our European specialist pet diets business is exceeding our expectations. We therefore remain confident in our future.

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2009

BUSINESS REVIEW BY THE CHIEF EXECUTIVE, IAN PAGE

The Business and its Markets

Dechra Pharmaceuticals PLC ("Dechra") operates under two Divisions, Pharmaceuticals and Services. The Pharmaceuticals Division operates internationally and is unique in having its sole area of specialisation in companion animal products. The Services Division serves UK veterinary practices in both the companion animal and livestock sectors.

The Group's strategy is:

- To sustain growth from our core businesses;
- To deliver medium to long-term growth through the development, both organically and by way of acquisition, of our branded veterinary pharmaceutical portfolio of both novel and generic products;
- To formulate and develop specialist pet diets;
- To license and market key products into international markets.

The Group employs 1,024 people, an increase of 54 in the financial year, and operates out of 11 countries.

The veterinary market for companion animal products has grown strongly over the last ten years. Veterinary care is the fastest growing sector of the pet industry. Key drivers within the companion animal market are the increasing medical and surgical capabilities of veterinary surgeons, increased life expectancy of pets and ultimately the consumers' passion for their animals.

The North American, Western European and Japanese markets are the most established companion animal markets in the world, with pet ownership in over 50% of households and with a high level of spend per animal. The following chart provides details of companion animal populations in the markets in which Dechra currently has a sales and marketing operation:

Companion Animal Populations in Dechra Territories

Territory	Dogs (millions)	Cats (millions)	Horses (millions)
USA	75	82	10
France	8	10	1
UK and Ireland	8	8.4	1
Spain	5.5	4	0.6
Scandinavia	2.1	3.1	0.5
Netherlands	2	4	0.4

continued...

Dechra currently sells products in other countries through marketing partners and has new products in registration in several other important companion animal markets, the most significant of which are detailed below:

Companion Animal Populations in Important Non-Subsidiary Countries

Territory	Dogs (millions)	Cats (millions)	Horses (millions)
Japan	12.5	12	0.1
Italy	6.9	6.1	0.3
Canada	6	8	1
Germany	5.3	7.9	1
Australia	3.7	2.4	1.2

Growth in the UK veterinary market, which still represents the majority of Dechra's overall sales, has consistently outperformed the Retail Prices Index over the last ten years. The UK market, as with most other international markets in which we trade, has continued to demonstrate growth throughout the current recession, albeit at a slower rate than historical trends.

Product Development

Strategy

The Group focuses on solid organic growth within its Pharmaceuticals and Services Divisions; however, the key strategic focus, which is now delivering excellent growth and will provide significant revenues in the future, is through the development and acquisition of our own branded veterinary product portfolio of novel and generic pharmaceuticals and specialist pet diets and the marketing of these key products into international markets. Our product development is focused in two areas:

- On prescription only veterinary medicines for dogs, cats and horses. Most of our projects utilise existing pharmaceutical entities that are typically used within the human market and therefore the majority of product creation is development and not research based.
- On therapeutic pet diets for dogs and cats. Products are formulated and trialled to provide optimum nutrition for animals diagnosed with various medical conditions.

Development Achievements

There have been a number of major achievements in the year, the most significant of which being full FDA approval for *Vetoryl* and *Felimazole*®. In June 2009 we also received supplemental approval to market a low dose range extension for 10mg *Vetoryl* capsules for the US. Further details on our marketing activities are disclosed later in this review.

Vetoryl has also received approval within Australia and Canada. Marketing through our partners in these territories, Dermcare and Vetoquinol, will commence imminently following shipment of initial stock from our manufacturer, *Dales*® Pharmaceuticals.

We have achieved registration of *Malaseb*® through the Mutual Recognition procedure for Scandinavia, Holland and Ireland. Application for approval for the remaining EU territories has been submitted and marketing is planned for Quarter 3 of the new financial year.

continued...

A new therapeutic canine diet was also developed and marketed to aid the treatment of osteoarthritis in dogs. The product, known as Joint Diet, has been approved by opinion leaders.

Dechra has a proven track record of delivering licensed products by working closely with regulatory authorities and by complying with the highest standards. Increased investment in product development has been made throughout the year being reported, and as reported in the Half Year Financial Report and the Pre-Close Update, the Directors are planning for a further significant increase in development spend of £2.5 million in the new financial year.

Product Pipeline

Within the year four new chemical entities have received internal approval for development. Two of these products were subject to Dechra in-licensing technology, the details of which were provided in announcements made on 27 March 2009 and 3 June 2009. A fifth product, *Equidone*® for equine fescue toxicosis, was licensed in December 2007 from Equi-Tox and is in the regulatory phase in the US.

A number of generic products and diets are also under development. The main projects are outlined below. The charts show the approximate percentage completion of the key stages of the development process.

New Chemical Entities

Species	**Therapeutic Category**	**Manufacturing**	**Safety**	**Efficacy**	**Regulatory**
Equine	Endocrine	100%	100%	100%	25%
Equine	Lameness	100%		25%	
Canine	Endocrine	50%		25%	
Feline	Endocrine	50%			
Equine	Respiratory	25%		25%	

Generics

Species	**Therapeutic Category**	**Manufacturing**	**Bioequivalence**	**Regulatory**
Canine	Urinary Disease	100%	100%	50%
Canine/Feline	Antibiotic	100%	100%	25%
Canine/Feline	Pain Management	75%		
Canine	Dermatological	50%		
Canine	Cardiac	25%		

Diets

- Four of our canine diets are at an advanced stage of development to create second generation products.
- A novel product has also been formulated and test production is expected imminently prior to commencement of palatability and efficacy trials.
- Our hydrolysed feline diets have been developed to improve palatability. Production is planned for Quarter 3 of the new financial year with the launch anticipated in Quarter 4.

continued...

The products outlined above will compete in cumulative global markets in excess of £100 million. All the new chemical entities will have a clinical advantage over the current licensed products and therefore should perform strongly once approved. Furthermore, additional product opportunities, generics, range extensions and diets, are currently under review.

Development Team

We have a highly skilled development team of 24 people located in the UK, Denmark and the US. With the impending trial work required to complete the projects outlined, we are continuing to invest globally in experienced personnel.

The new pharmacovigilance monitoring and reporting system implemented last year has now been fully validated allowing electronic submission of data to the EU regulatory agencies.

Pharmaceuticals Division

Our Pharmaceuticals Division comprises Dechra Veterinary Products Europe ("DVP EU"), Dechra Veterinary Products USA ("DVP USA"), and *Dales* Pharmaceuticals ("*Dales*").

Dechra Veterinary Products EU

DVP EU, located in Shrewsbury, England and Uldum, Denmark employs 207 people. The business markets and sells our own branded, licensed veterinary products within ten European countries and manages the relationships with our worldwide marketing partners.

Sales Structure

France	16	Holland	6
UK	14	Norway	5
Spain	8	Finland	4
Denmark	5	Portugal	1
Sweden	5	Eire	1

Following the successful integration of the *VetXX*® business, acquired in January 2008, we are seeing the benefits from the enlarged business and are now focussed on identified growth opportunities. All our international businesses have been re-branded to "DVP". The transfer of products into Dechra livery continues and should be completed prior to the end of 2009. We are currently in the process of developing an IT strategy for the enlarged international business with Oracle having been identified as our preferred ERP solution.

continued...

Pharmaceuticals
European pharmaceutical sales increased by 49.5% (8.9% on a like for like basis). During the year two major products were launched; *Malaseb* in Denmark, Holland, Sweden and Finland, with the rest of Europe planned for Quarter 3 of the new financial year. *Felimazole* 2.5mg was launched in France, Holland and Germany following its approval in April 2009. Launch in other European territories is planned for Quarter 2 of the new financial year. The original 5mg presentation of *Felimazole*, which was originally marketed by Janssen Animal Health, returns to Dechra at the beginning of 2010. Current sales of 5mg *Felimazole* to Janssen are £877,000, from which we will realise the benefit of the marketing margin currently taken by Janssen. *Felimazole* sales in the UK have fallen by 11.9% within the year due to the introduction of a competitor product. We have stabilised our market share at approximately 60% in a market which continues to grow. *Felimazole* remains a novel product in the EU. Sales of *Vetivex®*, our range of critical care fluids, have also slightly declined as they came under competitive pressure. Initiatives have been introduced to reverse this trend. All other major pharmaceutical product groups across Europe have demonstrated growth.

Diets
Specific® diet sales grew by 6.5% on a like for like basis. This performance was assisted by excellent market penetration of our allergy diets launched in 2008 and by the introduction of a canine joint diet launched in May 2009. Both are recognised as the best products in their category in the market.

The validation and transfer of a number of products to a new manufacturer is underway, with the new source expected to produce commercial batches by the end of the 2009 calendar year. Our new manufacturing partner offers numerous benefits including improved quality control, more modern flexible packaging opportunities and nitrogen flushing to improve freshness. Furthermore, they will provide important formulation, development and palatability testing support as we continue to expand and improve the range.

The range of diets has been launched in Germany by our marketing partner Selectavet. Initial indications have been encouraging. *Specific* has also been launched in Turkey by Asvet. Dechra is in the process of acquiring a 40% share of Asvet for a nominal sum in return for providing improved credit facilities, marketing and technical support.

<u>Dechra Veterinary Products USA</u>
This business has been considerably strengthened throughout the year and now employs 18 people, 9 of which are in sales. We are continuing to recruit sales personnel to further strengthen the team.

Following its approval in December 2008, *Vetoryl* was launched into the US market in January 2009. Initial sales of the product, of $2.24 million, were slightly below our expectations; however, our longer term expectations for this product have not changed.

Prior to *Vetoryl's* launch, a significant market had developed for Trilostane, the active principal ingredient in *Vetoryl.* In the US, State regulated compounding pharmacies are able to prepare product where there is a clinical need in animals where no licensed alternative exists. Despite this activity becoming illegal once *Vetoryl* was approved by the FDA, it is apparent that it is still continuing at a high level. Although the FDA support our case it has no jurisdiction over the pharmacies which are controlled by State laws. This is a high profile issue within the US veterinary market which is coming under increasing scrutiny as ourselves and other animal health companies increase pressure for the activities of compounders to be better regulated.

continued...

Our representatives, however, are having a high success rate in converting veterinary practices to the use of *Vetoryl*. Furthermore, we have held 25 regional presentations which have been attended by over 1,000 veterinary surgeons. The feedback from meeting attendees was that their future preferred treatment will be *Vetoryl*. Furthermore, two major corporate groups, who own over 1,000 clinics, have both approved *Vetoryl* for use.

In June 2009 we received supplemental approval for *Vetoryl* 10mg capsules. The 10mg strength, which will be launched in September 2009, will provide flexible dosing options for all sizes of dogs and will strengthen our position against the compounding pharmacies.

Marketing plans have been completed prior to the launch of 2.5mg and 5mg *Felimazole* coated tablets in September 2009. The initial response to the product from distributors has been very positive and forward orders have already been received.

Dales
Dales, located in Skipton, England, employing 206 people is a fully Medicines and Healthcare Regulatory Agency ("MHRA") approved pharmaceutical manufacturer with multi-competence in both scale and dose form. *Dales* manufactures the vast majority of our own branded licensed pharmaceutical products, which are marketed through DVP, but also derives approximately 50% of revenues from third party toll manufacture, predominantly for human pharmaceutical companies. This is Dechra's only significant source of revenue not derived from the veterinary market.

Dales has continued its excellent performance demonstrated last year with increased production of our own licensed products and from further growth in third party sales. Seven new products have been introduced from third party customers within the year and a five-year supply agreement has been signed with our biggest contract customer. *Fuciderm®*, one of our own key products where manufacturing was previously outsourced, will soon be produced in-house and is currently under validation.

The first phase in the introduction of lean manufacturing techniques has been completed during the year. By applying these techniques significant improvements in working practices and efficiencies have resulted. Average processing time for a batch of product has been reduced over the course of the year by 42% (from 55 days to 32 days).

A new purified water system has been installed and is close to completing the required validation prior to commercial use early in the new financial year.

The *Dales* management team have become closely involved in the manufacturing activities in Uldum, Denmark which came into the Group following the acquisition of *VetXX*. The first step towards implementing the new ERP system across DVP EU, as outlined earlier in this review, will be the implementation of Oracle at our Uldum manufacturing site. This should improve efficiency and create better synergies across our two manufacturing sites.

We are in the process of seeking FDA approval to manufacture products for the United States market. An FDA Project Team Leader was recruited in the year who has excellent previous experience. Progress is in line with our schedule as we look to apply for an FDA inspection in the first half of 2010.

continued...

Services Division

Our Services Division comprises National Veterinary Services ("*NVS*®"), NationWide Laboratories ("NWL") and Cambridge Specialist Laboratory Services ("CSLS").

NVS

NVS, located in Stoke-on-Trent, England, employing 483 people, is the UK market leader, as measured in terms of market share, in the supply and distribution of veterinary products to veterinary practices and other approved outlets. *NVS* competes with two major full line competitors on the UK mainland, Centaur Services and Dunlops, both of which are under American ownership.

NVS stocks a range of over 14,000 products including pharmaceuticals, pet products, consumables and accessories. *NVS* has also developed a range of IT solutions for veterinary practices which are branded *Vetcom*®. *Vetcom's* principle objective is to collect orders electronically. Throughout the year we have increased the number of orders received electronically and now approximately 85% of *NVS*' orders arrive automatically with no human input required. This is considered to be a major advantage to our customers and also contributes to our low operating costs. With over 35,000 invoiced lines per working day, significantly increased numbers of people would be required to handle this business manually. *NVS* distributes to 1,800 customers daily utilising its own fleet of vans and HGVs. The centralised inventory in Stoke-on-Trent is picked and packed throughout the afternoon and evening and then distributed overnight to nine trunking depots by HGVs on large trailers. Van drivers are then employed locally at these depots who distribute the goods to our customers.

NVS services both companion animal and livestock practices and agricultural merchants. As with other UK businesses within Dechra, *NVS* has grown in line with, and benefits from, the good year-on-year growth in the veterinary market. The market has seen growth of approximately 6.8% in the year, with growth in agricultural products being greater than in companion animal products. This growth is driven by both inflation and volume. Whilst volumes have continued to increase it has been at a lower rate than in previous years. The growth at *NVS* was achieved with improved operating efficiencies resulting in a strong performance from the business.

NVS has also benefited from our relationship with key corporate customers, who continue to outgrow the market, and by our flexibility in providing high levels of services to all practice types; our service level has consistently achieved over 99% throughout the period. New van routes have been added to cater for the additional growth and investment has been made in new tractor units for our overnight haulage of orders into the regional depots. This new fleet has provided the benefit of being more efficient in fuel utilisation. As reported in our Trading Update on 7 July 2009, following the continuing expansion of *NVS,* an opportunity has arisen to increase warehouse capacity at our central logistics facility. Additionally, we intend to go live on a new ERP system in the forthcoming financial year. We anticipate annualised additional costs to be approximately £1.0 million.

continued...

Laboratories

NWL operates out of three locations, Poulton-le-Fylde, Leeds and Swanscombe and employs 80 people. As first referral veterinary laboratories, they provide histology, pathology, haematology, chemistry and microbiology services to veterinary practices. Whilst a certain amount of simple chemistry is performed at veterinary practices, nearly all veterinary practices will outsource more advanced analytical tests, often requiring expert interpretation of results. We consider NWL to offer the highest level of service within this sector. We were the first veterinary laboratory to gain UKAS (United Kingdom Accreditation Service) approval. NWL also offers other services such as *Allervet®*, a pet and equine allergy testing programme. *Allervet* revenues have increased strongly during the year.

The Laboratories sales team has been restructured with the appointment of a new Sales Manager and two additional representatives. Towards the end of the period new accounts were being secured. We have upgraded clinical chemistry equipment at Leeds and Poulton and have also replaced the haematology equipment at Leeds. These new systems will improve speed and efficiency.

CSLS, located in Sawston, England employs seven people. It operates as a first and second referral laboratory, with a key area of expertise being endocrinology. The second referral work, i.e. providing services for NWL and some of NWL's competitors, is mainly derived from a key area of specialisation in radio-immuno assays. The business also provides precise assays which support the dosage regimes and patient monitoring of our key products, *Vetoryl* Capsules and *Felimazole* Tablets. Investment has been made in new custom laboratory facilities for CSLS who are due to relocate to this site early in the new financial year.

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2009

FINANCIAL REVIEW BY THE GROUP FINANCE DIRECTOR, SIMON EVANS

Group Performance

During the financial year being reported on, the global economy has suffered its worst recession since before the Second World War. Although not as badly impacted as many other industries, the veterinary market has not been immune from the effects of this recession. Within the UK, the veterinary market grew by 6.8%, well below the 10.0% recorded for the preceding year. The overall market growth figure was boosted by a robust performance from the livestock sector. In contrast, many companion animal veterinary practices have seen a reduction in volumes.

Against this backdrop, the focus of the Group from a financial perspective has been to achieve efficiency improvements and reduce working capital to release cash into the business without compromising the quality of our customer service.

The following review focuses on adjusted figures (before amortisation of acquired intangibles and exceptional items) as the Directors believe that these give a clearer indication of underlying performance.

Group revenue increased by 15.0% to £350.0 million whilst adjusted operating profit was up by 30.5% to £25.0 million. Adjusted pre-tax profit, at £23.4 million, was ahead of last year by 38.9%.

Pharmaceuticals Division

	2009 £'000	2008 £'000
Revenue		
Own branded pharmaceuticals	**49,000**	32,136
Diets	**22,716**	9,915
Third party contract manufacturing	**10,369**	8,677
Instruments, consumables and equipment	**3,105**	3,574
Total revenue	**85,190**	54,302
Adjusted operating profit	**15,340**	10,765
Adjusted operating margin	**18.0%**	19.8%

Total revenue of the Pharmaceuticals division increased by 56.9% compared to the prior period. This included the full year effect of Dechra Veterinary Products Holdings A/S (formerly *VetXX* Holdings A/S) acquired in January 2008. Like-for-like revenue growth was 16.5%.

Revenue from own branded pharmaceuticals continues to grow, driven this year in particular by the continued penetration of *Vetoryl* into new and existing markets. Global revenue from *Vetoryl* for the year reached £8.1 million, up 56.6% compared to the £5.1 million achieved in the prior year. Within this figure, revenues of $2.2 million (£1.4 million) were achieved in the USA following the launch in January 2009. Although these initial revenues were below our expectations, recent sell-out trends have been encouraging.

continued...

Equipalazone® also performed strongly with global revenue growing by 38.5% from £3.0 million to £4.2 million. Towards the end of the 2007/8 financial year, we regained the marketing rights for this product in France from our previous partner.

Global revenue for *Felimazole* was flat at £3.9 million with a reduction in the UK being offset by an increase in the remainder of Europe.

Diets performed strongly with a like-for-like increase of 6.5% compared with the prior year. This was particularly pleasing in the current economic environment as these are, to an extent, discretionary spend products. We have benefited in the current year from improvements to the range, maintaining our veterinary exclusive focus and ensuring that our range is competitively priced.

Revenue from third party contract manufacturing increased by 19.5% to £10.4 million due to increased production on both new and existing contracts.

Revenue from instruments, consumables and equipment fell by 13.1% to £3.1 million due to the loss of a distribution agreement.

Product development expenditure charged to the income statement was £3.4 million (excluding the payment of £470,000 to in-license technology for the research and development programme shown as an exceptional item) compared with £2.4 million last year, an increase of 42.6%. A further £0.8 million of expenditure was capitalised making a total cash spend for the year of £4.2 million compared with £3.7 million last year.

Adjusted operating profit for the division increased by 42.5% to £15.3 million. The like-for-like increase, including a full year of *VetXX* in the comparative figures, was 10.1%.

Adjusted operating margin fell slightly from 19.8% to 18.0%, reflecting a full year of the lower margin *VetXX* business.

Services Division

	2009	2008
	£'000	£'000
Revenue		
Veterinary wholesaling	**270,772**	253,973
Laboratories	**5,369**	5,390
Total revenue	**276,141**	259,363
Adjusted operating profit	**12,334**	10,693
Adjusted operating margin	**4.5%**	4.1%

Divisional revenue grew by 6.5% in the year with our veterinary wholesaling business, *NVS*, growing by 6.6%. This was marginally below the overall market growth because of the good performance of the livestock sector where *NVS* is relatively under-represented.

NVS achieved excellent efficiencies during the year enabling operating profit to grow by 17.1%. Revenue for the Laboratories for the year was flat with operating profit slightly lower than last year.

Unallocated Central Costs

Unallocated central costs increased from £2.3 million to £2.7 million which was principally salaries.

continued...

<u>Effect of Currency Movements</u>
The principal currencies, other than Sterling, that the Group transacts in are Euros, Danish Krone (which is pegged to the Euro), US Dollars and, to a lesser extent, Swedish and Norwegian Krone.

The volatility in exchange rates during the period being reported on, and particularly the devaluation of Sterling, has had an impact on the results of the Pharmaceuticals division as detailed below. The Services division has only very limited exposure to foreign currencies.

The devaluation of Sterling against the US Dollar has had a positive impact of approximately £200,000 on the operating profit of the Pharmaceuticals Division. The effect of the devaluation of Sterling against the Euro and Danish Krone is more complex. Although the Group has benefited on the translation of the results of DVP EU from Danish Krone to sterling, there has been a negative impact on purchasing costs. Overall, there was a negative impact on the current year's Pharmaceuticals Division operating profit of approximately £500,000.

Additionally, the Group has made a gain of £1.0 million on the retranslation of balance sheet items which is shown within finance income.

<u>Return on Capital Employed</u>
Return on capital employed reduced from 23.3% to 19.4%. This was due to the full year effect of the *VetXX* acquisition and the significant increase in the asset base arising therefrom.

<u>Net Finance Expense</u>
The net finance expense was £1.57 million compared with last year's figure of £2.29 million. Finance expense increased due to the full year effect of the increased borrowing levels taken on in January 2008 to partially fund the acquisition of *VetXX*. However, this was offset by a £1.0 million gain on the retranslation of foreign currency balances.

The net finance expense was covered 16.0 times by adjusted operating profit (2008: 8.4 times).

<u>Taxation</u>
The effective tax rate was 29.8% (2008: 28.9%) with the contributors to the higher than standard rate of 28% being differences in overseas tax rates and expenditure not allowable for tax purposes.

<u>Earnings per Share and Dividend</u>
Adjusted earnings per share increased by 23.1% to 25.61p.

The Board is proposing a final dividend of 6.10p per share which, when added to the interim dividend of 3.0p per share already paid, gives a total dividend for the year of 9.10p, a 10.3% increase over the 2008 figure of 8.25p.

The total dividend is covered 2.8 times by profit after tax after adding back amortisation of acquired intangibles (2008: 2.0 times). The increase in dividend cover is considered by the Board to be prudent in the current uncertain economic environment and the planned significant increase in product development costs.

continued...

Cash Flow

The strong focus on cash flow during the period has helped to achieve a cash conversion rate (defined as cash generated from operations as a percentage of operating profit) of 156.0% compared to 114.1% in the prior period. If amortisation of acquired intangibles is added back to operating profit, then the conversion rate was 112.5% (2008: 94.2%).

During the year, the Group made the final milestone payments relating to the acquisition of the rights to Trilostane (the active ingredient for *Vetoryl*) for animal health applications in the USA. Further capital investment was made in continuing to upgrade our *Dales* manufacturing facility. The Group also made a payment of £470,000 to in-license technology for the research and development programme. This item was expensed and is shown as an exceptional cost.

Financial Position at the Year End

	2009	2008
	£'000	£'000
Non-current assets		
Intangible assets	**89,565**	90,375
Property, plant and equipment	**8,040**	8,224
Deferred tax assets	**-**	1,053
	97,605	99,652
Working capital	**17,548**	17,284
Current tax liability	**(4,756)**	(2,824)
Deferred tax liabilities	**(14,184)**	(15,316)
Net borrowings	**(15,527)**	(26,997)
	80,686	71,799

The strong focus on the control of working capital during the year has meant that net working capital is broadly consistent with last year's level, despite the increased revenues.

Inventory was below last year's level in absolute terms with inventory days showing a significant improvement from 43 days to 39 days.

Receivable days also showed an improvement from 39 days to 37 days. There was a pleasing reduction of gross receivables overdue more than 30 days of £0.7 million whilst an additional impairment provision of £1.1 million has been recognised.

Net borrowings were reduced by £11.5 million in the year from £27.0 million at 30 June 2008 to £15.5 million at 30 June 2009 despite an adverse impact of £1.5 million due to the retranslation of borrowings in foreign currencies. As normal, due to the working capital cycle of the Group, we expect net borrowings to increase at the next reporting date of 31 December 2009.

The Group has committed bank facilities totalling £52.5 million; including an overdraft facility of £10 million renewable on 31 August 2010.

Consolidated Income Statement
for the year ended 30 June 2009

	Note	**2009 Adjusted £'000**	**2009 Amortisation of acquired intangibles and exceptional costs £'000**	**2009 Total £'000**	2008 Adjusted £'000	2008 Amortisation of acquired intangibles and exceptional costs £'000	2008 Total £'000
Revenue	2	**349,964**	**-**	**349,964**	304,371	-	304,371
Cost of sales		**(276,292)**	**-**	**(276,292)**	(250,771)	-	(250,771)
Gross profit		**73,672**	**-**	**73,672**	53,600	-	53,600
Distribution costs		**(15,981)**	**-**	**(15,981)**	(13,360)	-	(13,360)
Administrative expenses		**(32,720)**	**(7,303)**	**(40,023)**	(21,098)	(5,071)	(26,169)
Operating profit	2	**24,971**	**(7,303)**	**17,668**	19,142	(5,071)	14,071
Finance income	3	**3,211**	**-**	**3,211**	1,973	-	1,973
Finance expense	4	**(4,776)**	**-**	**(4,776)**	(4,262)	(77)	(4,339)
Profit before taxation		**23,406**	**(7,303)**	**16,103**	16,853	(5,148)	11,705
Income tax expense	6	**(6,647)**	**1,847**	**(4,800)**	(4,668)	1,281	(3,387)
Profit for the year attributable to equity holders of the parent		**16,759**	**(5,456)**	**11,303**	12,185	(3,867)	8,318
Earnings per share (pence)							
Basic	8			**17.27p**			14.20p
Diluted	8			**17.13p**			14.09p
Dividend per share (interim paid and final proposed for the year)	7			**9.10p**			8.25p

Consolidated Balance Sheet

	Note	As at 30 June 2009 £'000	2008 £'000
ASSETS			
Non-current assets			
Intangible assets	9	**89,565**	90,375
Property, plant & equipment	10	**8,040**	8,224
Deferred tax assets	11	**-**	1,053
Total non-current assets		**97,605**	99,652
Current assets			
Inventories	12	**31,534**	32,435
Trade and other receivables	13	**47,717**	47,445
Cash and cash equivalents	14	**26,817**	22,219
Total current assets		**106,068**	102,099
Total assets		**203,673**	201,751
LIABILITIES			
Current liabilities			
Borrowings	17	**(19,263)**	(21,218)
Trade and other payables	15	**(61,703)**	(62,596)
Current tax liabilities	16	**(4,756)**	(2,824)
Total current liabilities		**(85,722)**	(86,638)
Non-current liabilities			
Borrowings	17	**(23,081)**	(27,998)
Deferred tax liabilities	11	**(14,184)**	(15,316)
Total non-current liabilities		**(37,265)**	(43,314)
Total liabilities		**(122,987)**	(129,952)
Net assets		**80,686**	71,799
EQUITY			
Issued share capital	18	**656**	652
Share premium account		**62,437**	62,166
Hedging reserve		**(703)**	281
Foreign currency translation reserve		**4,686**	1,608
Merger reserve		**1,770**	1,770
Retained earnings		**11,840**	5,322
Total equity attributable to equity holders of the parent		**80,686**	71,799

Consolidated Statement of Changes in Shareholders' Equity for the year ended 30 June 2009

Year ended 30 June 2008	Issued Share capital £'000	Share premium account £'000	Hedging reserve £'000	Foreign currency translation reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 July 2007	528	28,041	(71)	-	1,770	240	30,508
Profit for the period	-	-	-	-	-	8,318	8,318
Fair value gains on derivative financial instruments	-	-	352	-	-	-	352
Exchange differences on translation of foreign operations	-	-	-	2,415	-	-	2,415
Net loss on hedge of net investment in foreign operations	-	-	-	(807)	-	-	(807)
Total recognised income and expense for the period	-	-	352	1,608	-	8,318	10,278
Dividends paid	-	-	-	-	-	(4,420)	(4,420)
Share-based payments	-	-	-	-	-	1,184	1,184
Shares issued	124	35,636	-	-	-	-	35,760
Share issue expenses	-	(1,511)	-	-	-	-	(1,511)
At 30 June 2008	652	62,166	281	1,608	1,770	5,322	71,799
Year ended 30 June 2009							
At 1 July 2008	652	62,166	281	1,608	1,770	5,322	71,799
Profit for the period	-	-	-	-	-	11,303	11,303
Fair value losses on derivative financial instruments	-	-	(1,024)	-	-	-	(1,024)
Exchange differences on translation of foreign operations	-	-	-	4,866	-	-	4,866
Net loss on hedge of net investment in foreign operations	-	-	-	(1,532)	-	-	(1,532)
Recycled to intangible assets	-	-	40	-	-	-	40
Recycled to income statement	-	-	-	(256)	-	-	(256)
Total recognised income and expense for the period	-	-	(984)	3,078	-	11,303	13,397
Dividends paid	-	-	-	-	-	(5,565)	(5,565)
Share-based payments	-	-	-	-	-	780	780
Shares issued	4	271	-	-	-	-	275
At 30 June 2009	656	62,437	(703)	4,686	1,770	11,840	80,686

Hedging Reserve
The hedging reserve represents the cumulative fair value gains or losses on derivative financial instruments for which hedge accounting has been applied.

Foreign Currency Translation Reserve
The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than sterling and exchange gains or losses on the translation of liabilities that hedge the Company's net investment in foreign subsidiaries.

Merger Reserve
The merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger relief has been applied in the financial statements of the Parent Company.

Consolidated Statement of Cash Flows

	Note	Year ended 30 June 2009 £'000	2008 £'000
Cash flows from operating activities			
Profit for the period		**11,303**	8,318
Adjustments for:			
Depreciation		**1,477**	1,291
Amortisation		**7,427**	3,230
(Gain)/loss on sale of property, plant and equipment		**(33)**	15
Finance income		**(3,211)**	(1,973)
Finance expense		**4,776**	4,339
Equity-settled share-based payment expense		**643**	603
Income tax expense		**4,800**	3,387
Operating cash flow before changes in working capital		**27,182**	19,210
Decrease/(increase) in inventories		**1,340**	(3,912)
Increase in trade and other receivables		**(593)**	(3,070)
(Decrease)/increase in trade and other payables		**(372)**	3,825
Cash generated from operations		**27,557**	16,053
Interest paid		**(3,996)**	(4,450)
Income taxes paid		**(3,227)**	(3,041)
Net cash from operating activities		**20,334**	8,562
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**42**	5
Interest received		**2,145**	1,648
Acquisition of subsidiaries		**-**	(65,151)
Purchase of property, plant and equipment		**(881)**	(694)
Capitalised development expenditure		**(785)**	(1,331)
Purchase of other intangible non-current assets		**(2,010)**	(92)
Net cash from investing activities		**(1,489)**	(65,615)
Cash flows from financing activities			
Proceeds from the issue of share capital		**288**	35,747
Share issue expenses		**-**	(1,511)
New borrowings		**-**	50,200
Expenses of raising new borrowings		**-**	(751)
Repayment of borrowings		**(5,658)**	(17,185)
Repayment of foreign currency borrowings		**(3,473)**	-
Dividends paid		**(5,565)**	(4,420)
Net cash from financing activities		**(14,408)**	62,080
Net increase in cash and cash equivalents		**4,437**	5,027
Cash and cash equivalents at start of period		**22,219**	17,222
Exchange differences on cash and cash equivalents		**161**	(30)
Cash and cash equivalents at end of period		**26,817**	22,219
Reconciliation of net cash flow to movement in net borrowings			
Net increase in cash and cash equivalents		**4,437**	5,027
Repayment of borrowings		**5,658**	17,185
New borrowings		**-**	(50,200)
New finance leases		**(248)**	(319)
Exchange differences on cash and cash equivalents		**161**	(30)
Retranslation of foreign borrowings		**1,821**	(616)
Other non-cash changes		**(359)**	929
Movement in net borrowings in the period		**11,470**	(28,024)
Net borrowings at start of period		**(26,997)**	1,027
Net borrowings at end of period	20	**(15,527)**	(26,997)

Notes to the Financial Statements
For the year ended 30 June 2009

1. Status of Accounts

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("adopted IFRS"). These financial statements have also been prepared in accordance with the Companies Act 1985 and 2006.

The Board of Directors approved the preliminary announcement on 1 September 2009.

2. Segmental Analysis

The Group's primary reporting segment is business divisions which correspond with the way the operating businesses are organised and managed within the Group and its secondary segment is geographical origin.

Segment results, assets and liabilities comprise those items directly attributable to particular segments as well as items which can reasonably be allocated to those segments. Inter-segment transactions are entered into applying normal commercial terms that would be available to third parties.

Unallocated items comprise mainly corporate assets, expenses, loans and borrowings together with the elimination of inter-segment transactions.

The composition of the segments is detailed in the Directors' Business Review section of this announcement.

continued...

BUSINESS SEGMENT

	Pharmaceuticals		Services		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue								
External customers	**74,099**	45,187	**275,865**	259,184	**-**	-	**349,964**	304,371
Inter-segment	**11,091**	9,115	**276**	179	**(11,367)**	(9,294)	**-**	-
Total revenue	**85,190**	54,302	**276,141**	259,363	**(11,367)**	(9,294)	**349,964**	304,371
Adjusted operating profit	**15,340**	10,765	**12,334**	10,693	**(2,703)**	(2,316)	**24,971**	19,142
Amortisation of acquired intangibles and exceptional costs	**(7,267)**	(5,035)	**(36)**	(36)	**-**	-	**(7,303)**	(5,071)
Operating profit	**8,073**	5,730	**12,298**	10,657	**(2,703)**	(2,316)	**17,668**	14,071
Finance income							**3,211**	1,973
Finance expense							**(4,776)**	(4,339)
Profit before taxation							**16,103**	11,705
Income tax expense							**(4,800)**	(3,387)
Profit for the year							**11,303**	8,318
Assets								
Intangible assets	**85,672**	86,468	**3,893**	3,907	**-**	-	**89,565**	90,375
Property, plant and equipment	**6,406**	6,401	**1,634**	1,823	**-**	-	**8,040**	8,224
Other assets	**39,449**	35,140	**87,858**	80,706	**185**	650	**127,492**	116,496
Cash offset	**-**	-	**-**	-	**(21,424)**	(13,344)	**(21,424)**	(13,344)
Total assets	**131,527**	128,009	**93,385**	86,436	**(21,239)**	(12,694)	**203,673**	201,751
Liabilities								
Borrowings	**(680)**	(506)	**(1,016)**	(1,418)	**(62,072)**	(60,636)	**(63,768)**	(62,560)
Other liabilities	**(12,131)**	(14,123)	**(47,591)**	(47,343)	**(20,921)**	(19,270)	**(80,643)**	(80,736)
Cash offset	**-**	-	**-**	-	**21,424**	13,344	**21,424**	13,344
Total liabilities	**(12,811)**	(14,629)	**(48,607)**	(48,761)	**(61,569)**	(66,562)	**(122,987)**	(129,952)
Net assets/(liabilities)	**118,716**	113,380	**44,778**	37,675	**(82,808)**	(79,256)	**80,686**	71,799
Other Segment Items								
Capital expenditure								
- intangible assets	**1,284**	77,238	**84**	295	**-**	-	**1,368**	77,533
- property, plant and equipment	**786**	3,448	**300**	232	**-**	-	**1,086**	3,680
Total capital expenditure	**2,070**	80,686	**384**	527	**-**	-	**2,454**	81,213
Share-based payments charge	**-**	-	**-**	-	**741**	759	**741**	759
Depreciation and amortisation	**8,326**	3,922	**578**	599	**-**	-	**8,904**	4,521

GEOGRAPHICAL SEGMENT

The following table shows revenue based on the geographical location of customers:

	2009	2008
	£'000	£'000
UK	**296,426**	277,463
Rest of Europe	**39,017**	20,460
USA	**11,434**	5,266
Rest of world	**3,087**	1,182
	349,964	304,371

continued...

The table below gives additional information in respect of segment revenue and segment operating profit, based on the geographical location of the business unit supplying the goods or services. Segment assets and capital expenditure are based on the geographical location of the assets and expenditure. Activities in the UK comprise all operating segments. Overseas operations comprise pharmaceuticals only.

	UK		USA		Denmark		Unallocated		Total	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue by geographical origin	**298,894**	280,847	**7,779**	4,566	**43,291**	18,958	**-**	-	**349,964**	304,371
Adjusted operating profit by geographical origin	**20,755**	18,357	**528**	450	**6,391**	2,651	**(2,703)**	(2,316)	**24,971**	19,142
Total assets	**129,641**	118,401	**4,916**	2,275	**90,355**	93,769	**(21,239)**	(12,694)	**203,673**	201,751
Capital expenditure										
- intangible assets	**1,281**	3,584	**-**	-	**87**	73,949	**-**	-	**1,368**	77,533
- property, plant and equipment	**963**	787	**33**	17	**90**	2,876	**-**	-	**1,086**	3,680
Total capital expenditure	**2,244**	4,371	**33**	17	**177**	76,825	**-**	-	**2,454**	81,213

3. Finance Income

	2009	2008
	£'000	£'000
Recognised in the income statement		
Finance income arising from:		
- Cash and cash equivalents	**1,854**	1,631
- Derivatives at fair value through profit or loss	**38**	325
- Loans and receivables	**291**	17
- Foreign exchange gains	**1,028**	-
	3,211	1,973

Finance income arising from derivatives at fair value through profit or loss relates to fair value gains on forward foreign currency contracts.

	2009	2008
	£'000	£'000
Recognised directly in equity		
Foreign currency translation differences for foreign operations	**4,866**	2,415
Net loss on hedge of net investment in foreign operations	**(1,532)**	(807)
Recycled to income statement*	**(256)**	-
Recognised in foreign currency translation reserve	**3,078**	1,608
Fair value (losses)/gains on interest rate floor and ceiling	**(1,423)**	446
Income tax credit/(expense) on above	**399**	(125)
Amount recycled to income statement	**-**	31
Amount recycled to intangible assets	**40**	-
Recognised in hedging reserve	**(984)**	352
Total recognised in equity	**2,094**	1,960

* Gains and losses previously included in equity as a result of net investment hedging are recycled to the income statement to the extent that the hedged item is disposed of.

continued...

4. Finance Expense

	2009 £'000	2008 £'000
Finance expense arising from:		
- Financial liabilities at amortised cost	**4,776**	4,281
- Derivatives at fair value through profit or loss	**-**	58
	4,776	4,339

Finance expense arising from derivatives at fair value through profit or loss relates to fair value losses on foreign currency options and interest rate floor and ceilings.

5. Adjusted Operating Profit and Profit before Taxation

Adjusted operating profit is calculated as follows:

	2009 £'000	2008 £'000
Operating profit	**17,668**	14,071
Amortisation of intangible assets acquired as a result of business combinations	**6,833**	2,975
Rationalisation costs arising following the acquisition of Dechra Veterinary Products Holdings A/S (formerly *VetXX* Holdings A/S)	**-**	2,096
Payment to acquire technology for research and development programme	**470**	-
Adjusted operating profit	**24,971**	19,142

Adjusted profit before taxation is calculated as follows:

	2009 £'000	2008 £'000
Profit before taxation	**16,103**	11,705
Amortisation of intangible assets acquired as a result of business combinations	**6,833**	2,975
Rationalisation costs arising following the acquisition of Dechra Veterinary Products Holdings A/S	**-**	2,096
Payment to acquire technology for research and development programme	**470**	-
Write-off of unamortised arrangement fees on borrowings refinanced as a result of the acquisition of Dechra Veterinary Products Holdings A/S	**-**	77
Adjusted profit before taxation	**23,406**	16,853

continued...

6. Income Tax Expense

		2009 £'000	2008 £'000
Current tax	– charge for current year	**5,707**	3,687
	– adjustment in respect of prior years	**(53)**	(29)
Total current tax expense		**5,654**	3,658
Deferred tax	– origination and reversal of temporary differences	**(1,008)**	(300)
	– adjustment in respect of prior years	**154**	29
Total deferred tax expense		**(854)**	(271)
Total income tax expense in the income statement		**4,800**	3,387

Of the current tax expense of £5,654,000 an amount of £139,000 (2008: £14,000) was in respect of foreign territories.

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax of 28% (2008: 28%). The differences are explained below:

	2009 £'000	2008 £'000
Profit before taxation	**16,103**	11,705
Tax at 28% (2008: 28%)	**4,509**	3,277
Effect of:		
- depreciation on assets not eligible for tax allowances	**53**	15
- disallowable expenses	**144**	45
- overseas trading losses	**39**	-
- utilisation of overseas losses	**-**	(137)
- under-recovery of deferred tax on share-based payments	**14**	-
- research and development tax credits	**(200)**	-
- differences on overseas tax rates	**140**	(5)
- reduction in tax rate used to calculate deferred tax liability	**-**	16
- adjustments in respect of prior years	**101**	-
- adjustments due to changes in tax rate	**-**	176
Total income tax expense	**4,800**	3,387

Additional current tax credits of £495,000 (2008: £266,000) and a deferred tax charge of £43,000 (2008: £265,000) have been recognised directly in equity.

continued...

7. Dividends

	2009	2008
	£'000	£'000
Final dividend paid in respect of prior year but not recognised as a liability in that year 5.50p per share (2008: 5.00p)	**3,600**	2,640
Interim dividend paid 3.00p per share (2008: 2.75p)	**1,965**	1,780
Total dividend 8.50p per share (2008: 7.75p) recognised as distributions to equity holders in the period	**5,565**	4,420
Proposed final dividend for the year ended 30 June 2009: 6.10p per share (2008: 5.50p)	**4,000**	3,600
Total dividend paid and proposed for the year ended 30 June 2009: 9.10p per share (2008: 8.25p)	**5,965**	5,380

In accordance with IAS10 'Events After the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2009 has not been accrued for in these financial statements. It will be shown as a deduction from equity in the financial statements for the year ending 30 June 2010.

The proposed final dividend for the year ended 30 June 2008 is shown as a deduction from equity in the year ended 30 June 2009.

8. Earnings per Share

Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent after taxation for each financial period by the weighted average number of ordinary shares in issue during the period.

	2009	2008
	Pence	Pence
Basic earnings per share		
- Adjusted basic	**25.61**	20.81
- Basic	**17.27**	14.20
Diluted earnings per share		
- Adjusted diluted	**25.40**	20.64
- Diluted	**17.13**	14.09

The calculations of basic and diluted earnings per share are based upon:		
	£'000	£'000
Earnings for adjusted basic and adjusted diluted earnings per share calculations	**16,759**	12,185
Earnings for basic and diluted earnings per share figures	**11,303**	8,318
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**65,431,902**	58,560,097
Impact of share options	**550,580**	464,486
Weighted average number of ordinary shares for diluted earnings per share	**65,982,482**	59,024,583

continued...

9. Intangible Assets

	Goodwill £'000	Software £'000	Development Costs £'000	Patent Rights £'000	Marketing Authorisations £'000	Acquired Intangibles £'000	Total £'000
COST							
At 1 July 2007	4,852	1,308	2,506	1,046	853	2,933	13,498
Additions	-	411	1,331	1,879	-	-	3,621
Acquisition through business combinations	14,397	94	261	-	-	59,160	73,912
Foreign exchange adjustments	595	3	10	-	-	2,375	2,983
At 30 June 2008 and 1 July 2008	19,844	1,816	4,108	2,925	853	64,468	94,014
Additions	-	273	785	310	-	-	1,368
Disposals	-	-	-	(452)	-	-	(452)
Foreign exchange adjustments	1,261	8	21	-	-	4,411	5,701
At 30 June 2009	**21,105**	**2,097**	**4,914**	**2,783**	**853**	**68,879**	**100,631**
AMORTISATION							
At 1 July 2007	-	149	233	-	-	27	409
Charge for the year	-	132	123	-	-	2,975	3,230
At 30 June 2008 and 1 July 2008	-	281	356	-	-	3,002	3,639
Charge for the year	-	216	267	111	-	6,833	7,427
At 30 June 2009	**-**	**497**	**623**	**111**	**-**	**9,835**	**11,066**
NET BOOK VALUE							
At 30 June 2009	**21,105**	**1,600**	**4,291**	**2,672**	**853**	**59,044**	**89,565**
At 30 June 2008 and 1 July 2008	19,844	1,535	3,752	2,925	853	61,466	90,375
At 30 June 2007	4,852	1,159	2,273	1,046	853	2,906	13,089

Development costs are internally generated. All other additions to intangible assets were acquired outside the Group and have been measured at cost or fair value at the time of acquisition.

The amortisation charge is recognised within administrative expenses in the income statement.

10. Property, Plant and Equipment

	Freehold land and buildings £'000	Short leasehold buildings £'000	Motor vehicles £'000	Plant and fixtures £'000	Total £'000
COST					
At 1 July 2007	13	2,628	433	8,584	11,658
Additions	-	144	-	678	822
Acquisition through business combinations	2,072	-	-	786	2,858
Disposals	-	-	(2)	(1,524)	(1,526)
Foreign exchange adjustments	84	-	-	32	116
At 30 June 2008 and 1 July 2008	2,169	2,772	431	8,556	13,928
Additions	-	160	-	926	1,086
Disposals	-	-	(230)	(17)	(247)
Foreign exchange adjustments	157	-	-	59	216
At 30 June 2009	**2,326**	**2,932**	**201**	**9,524**	**14,983**
DEPRECIATION					
At 1 July 2007	-	697	433	4,789	5,919
Charge for the year	61	154	-	1,076	1,291
Disposals	-	-	(2)	(1,504)	(1,506)
At 30 June 2008 and 1 July 2008	61	851	431	4,361	5,704
Charge for the year	135	168	-	1,174	1,477
Disposals	-	-	(230)	(8)	(238)
At 30 June 2009	**196**	**1,019**	**201**	**5,527**	**6,943**
NET BOOK VALUE					
At 30 June 2009	**2,130**	**1,913**	**-**	**3,997**	**8,040**
At 30 June 2008 and 1 July 2008	2,108	1,921	-	4,195	8,224
At 30 June 2007	13	1,931	-	3,795	5,739

continued...

11. Deferred Taxes

Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	2008	**2009**	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Intangible assets	**-**	-	**(15,391)**	(15,872)	**(15,391)**	(15,872)
Property, plant and equipment	**-**	-	**(521)**	(423)	**(521)**	(423)
Inventories	**520**	53	**-**	(72)	**520**	(19)
Receivables	**44**	-	**(142)**	(294)	**(98)**	(294)
Payables	**427**	248	**-**	-	**427**	248
Trading losses	**91**	1,309	**-**	-	**91**	1,309
Share-based payments	**788**	788	**-**	-	**788**	788
	1,870	2,398	**(16,054)**	(16,661)	**(14,184)**	(14,263)

Shown as:

	2009	2008
	£'000	£'000
Deferred tax assets	**-**	1,053
Deferred tax liabilities	**(14,184)**	(15,316)
	(14,184)	(14,263)

Deferred tax assets and liabilities are offset to the extent that there is a legally enforceable right to offset current tax assets against current tax liabilities.

12. Inventories

	2009	2008
	£'000	£'000
Raw materials and consumables	**3,493**	3,860
Work in progress	**412**	316
Finished goods and goods for resale	**27,629**	28,259
	31,534	32,435

13. Trade and Other Receivables

	2009	2008
	£'000	£'000
Trade receivables	**44,950**	43,741
Other receivables	**1,064**	1,207
Derivative financial instruments	**205**	689
Prepayments and accrued income	**1,498**	1,808
	47,717	47,445

continued...

14. Cash and Cash Equivalents

	2009	2008
	£'000	£'000
Cash at bank and in hand	**26,817**	4,657
Short-term deposits	**-**	17,562
	26,817	22,219

The short-term deposits are repayable on demand

15. Trade and Other Payables

	2009	2008
	£'000	£'000
Trade payables	**49,191**	50,177
Other payables	**4,643**	5,412
Derivative financial instruments	**977**	-
Other taxation and social security	**3,862**	3,894
Accruals and deferred income	**3,030**	3,113
	61,703	62,596

16. Current Tax Liabilities

	2009	2008
	£'000	£'000
Corporation tax payable	**4,756**	2,824

17. Borrowings

	2009	2008
	£'000	£'000
Current liabilities		
Bank loans and overdrafts	**18,648**	20,616
Finance lease obligations	**615**	602
	19,263	21,218
Non-current liabilities		
Bank loans	**22,500**	27,500
Finance lease obligations	**1,231**	1,507
Arrangement fees netted off	**(650)**	(1,009)
	23,081	27,998
Total borrowings	**42,344**	49,216

The Group's borrowing facilities comprise a term loan of £27.5 million repayable in equal instalments of £2.5 million each 30 June and 31 December, a £15 million revolving credit facility committed until 31 December 2012, an overdraft facility of £10 million renewable on 31 August 2010 and various finance lease obligations.

At the year end, the Group had the following unutilised borrowing facilities:

	2009	2008
	£'000	£'000
Bank overdraft facility	**10,000**	10,000

continued...

18. Share Capital

	Ordinary shares of 1p each			
	2009		2008	
	£'000	**No.**	£'000	No.
Authorised	**1,000**	100,000,000	1,000	100,000,000
Allotted, called up and fully paid at start of year	**652**	65,241,909	528	52,803,699
New shares issued	**4**	340,015	124	12,438,210
Allotted, called up and fully paid at end of year	**656**	65,581,924	652	65,241,909

On 8 January 2008, 11,624,544 New Ordinary Shares were issued by way of a Placing and Open Offer at a price of 303p per share to partially finance the acquisition of Dechra Veterinary Products Holdings A/S (formerly *VetXX* Holdings A/S). The gross proceeds raised were £35.2 million.

During the year, 340,015 New Ordinary Shares of 1p (2008: 813,666 New Ordinary Shares of 1p) were issued following the exercise of options under the Executive Incentive Plan and the Approved, Unapproved and SAYE Share Options Schemes. The consideration received was £275,000 (2008: £537,000). The holders of Ordinary Shares are entitled to receive dividends as declared or approved at General Meetings from time to time and are entitled to one vote per share at such meetings of the Company.

19. Share-based Payments

	2009	2008
	£'000	£'000
Equity-settled share-based transactions	**643**	603
Cash-settled share-based transactions	**98**	156
	741	759

The above charge to the Income Statement is included within administrative expenses.

20. Analysis of Net Borrowings

	2009	2008
	£'000	£'000
Bank loans and overdraft	**(40,498)**	(47,107)
Finance leases and hire purchase contracts	**(1,846)**	(2,109)
Cash and cash equivalents	**26,817**	22,219
Net borrowings	**(15,527)**	(26,997)

21. Contingency

The Danish tax authorities have opened an investigation into the tax return of Dechra Veterinary Products Holdings A/S (formerly *Vetxx* Holdings A/S) for the period ended 31 December 2005, a period prior to the acquisition of the company. They are seeking to reduce the tax losses arising in this year by DKK17.5 million. The Directors believe that there are strong arguments to resist this claim. However, should the dispute be lost, the deferred tax asset recognised on acquisition would be reduced by approximately £500,000.

continued...

22. Other Information

The financial information set out above does not constitute the company's statutory accounts for the years ended 30 June 2009 or 2008 but is derived from the 2009 accounts. Statutory accounts for 2008 have been delivered to the registrar of companies and those for 2009 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

23. Preliminary Statement

This Preliminary statement is not being posted to shareholders. The Report & Accounts for the year ended 30 June 2009 will be posted to shareholders shortly. Further copies will be available from the Company's Registered Office: Dechra House, Jamage Industrial Estate, Talke Pits, Stoke on Trent, ST7 1XW. Email: corporate.enquiries@dechra.com. Copies are also available on the Company website www.dechra.com.

24. Responsibility Statement

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 30 June 2009. Certain parts of that Report are not included with this announcement.

We confirm to the best of our knowledge:

a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) the management report, which comprises the Directors' Report and the Directors' Business Review, includes a fair review of the development and performance of the Business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the Board of Directors on 1 September 2009 and is signed on its behalf by:

Ian Page
Chief Executive Officer

Simon Evans
Group Finance Director

Trademarks

Trademarks appear throughout this document in italics. Dechra and the Dechra 'D' logo are registered Trademarks of Dechra Pharmaceuticals PLC.