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5 April 2012

For immediate release

DECHRA® PHARMACEUTICALS PLC

PROPOSED ACQUISITION OF EUROVET ANIMAL HEALTH B.V. FOR €135 MILLION AND 3 FOR 10 RIGHTS ISSUE TO RAISE £60 MILLION

The Board of Dechra Pharmaceuticals PLC (**"Dechra"** or the **"Company"**) is pleased to announce that the Company has agreed terms to conditionally acquire the entire issued share capital of Eurovet Animal Health B.V. (**"Eurovet"** or the **"Target"**), the pharmaceutical business of A.U.V. Holding B.V. (**"AUV"** or the **"Parent"**), for a total cash consideration of €135 million (approximately £112.5 million[1]), on a debt-free, cash-free basis (the **"Acquisition"**). The Acquisition will be funded with the proceeds of a fully underwritten rights issue to raise approximately £60 million (£58.2 million net of underwriting commissions) (the **"Rights Issue"**) and debt pursuant to the terms of a new debt facility (the **"Facility Agreement"**). The Rights Issue will be made on the basis of 3 New Ordinary Shares for every existing 10 Ordinary Shares at a price of 300 pence per New Ordinary Share, representing a discount of 29.6 per cent. to the theoretical ex-rights price of 426.15 pence per Ordinary Share (**"TERP"**), based on a Closing Price of 464 pence per Ordinary Share on 4 April 2012, being the latest practicable date prior to the publication of this announcement.

Eurovet is a Continental European veterinary pharmaceuticals business based in the Netherlands, which operates in both the companion animal pharmaceuticals and farm animal pharmaceuticals markets. For the year ended 31 December 2011, Eurovet's sales were €76.8 million (approximately £64.0 million[1]) and EBITDA[2] was €12.8 million (approximately £10.7 million[1]). Eurovet has highly complementary products,

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[1] Based on an exchange rate of €1 : £0.83325
[2] Stated before parent company management charge of €1.4 million

geographies, manufacturing competencies and is similar in structure to Dechra Veterinary Products. It has sales and marketing operations in the Netherlands, Germany, Belgium, Denmark and the UK, and supplies partners in over 40 countries in the EU and worldwide. The Acquisition enables Dechra to accelerate its strategic objectives and is expected to be earnings enhancing in the first full year of ownership and materially earnings enhancing thereafter after synergies but excluding one-off costs of integration[3].

In agreeing the transaction with Dechra as the preferred bidder, the AUV and Eurovet management teams expressed a desire to select the right strategic partner, with a shared vision for product innovation, customer focus and growth, to help take Eurovet to its next stage of development.

The directors of Dechra (the **"Directors"**) believe the combination of Dechra and Eurovet has compelling strategic and synergistic benefits:

(a) Revenue synergies and margin uplift through marketing of Dechra's products via Eurovet's direct sales force in Germany rather than Dechra's current third party distributor;

(b) accelerated growth of Eurovet's companion animal products and associated margin enhancement from marketing the portfolio through Dechra's well established EU subsidiary network;

(c) greater sales and marketing support for all products from an enlarged combined sales team;

(d) completely complementary range of companion animal products provides an enhanced offering to customers;

(e) provides Dechra with access to the large livestock market, accelerating a key strategic objective and presenting a significant opportunity in which it has not previously participated;

(f) realisation of cost savings at the Enlarged Group, especially in the UK, Denmark and the Netherlands, through rationalisation of some personnel and facilities;

(g) manufacturing synergies through better utilisation of combined facilities, with extra capacity within Eurovet;

(h) complementary capabilities, with the production of Liquids being the only crossover, broadens the Enlarged Group's competencies to include expertise in premixed and high volume powders;

(i) known global shortage of sterile suppliers makes Eurovet's modern, sterile facility an attractive addition to Dechra's estate;

[3] This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of Dechra will necessarily be greater than the historic published figures.

(j) significant accounts and back office synergies that can be implemented across the Enlarged Group once the proposed new Oracle IT system goes live in Q2, 2013; and

(k) Enlarged Group will benefit from the extensive knowledge and experience of Eurovet's management team.

The Rights Issue has been fully underwritten by Investec Bank plc and will raise approximately £60 million (£58.2 million net of underwriting commissions).

Due to its size, the Acquisition requires the approval of Shareholders, which will be sought at a General Meeting, which is expected to be convened on or around 14 May 2012. The Rights Issue will not be conditional on such approval being granted or the successful completion of the Acquisition. The Rights Issue is expected to open for acceptance, and dealings commence in the New Ordinary Shares, nil paid, on or around 30 April 2012. Should the Acquisition fail to complete, the Directors will liaise with Shareholders to determine the most appropriate manner in which to return the proceeds of the Rights Issue.

Commenting on the Acquisition, Dechra's Group Chief Executive, Ian Page said:

"*This is a great opportunity to build on the strong foundation we have created for our pharmaceuticals business, Dechra Veterinary Products. The combined management teams are very excited by the prospects the enlarged Group will create.*

"By bringing Eurovet to the Group we will strengthen our European presence; will increase our product portfolio; improve our manufacturing capabilities and strengthen our management team. Furthermore, the acquisition accelerates our strategic objectives."

AUV's Chief Executive, Tony Griffin said:

"*We are delighted to select Dechra as the preferred bidder, we believe we have the right strategic partner with the shared vision to take Eurovet to its next stage of development.*"

The preceding summary should be read in conjunction with the full text of the following announcement and its appendices.

A meeting for analysts and institutional investors will be held today at 9.30 a.m. at the offices of Investec Bank plc, 2 Gresham Street, London EC2V 7QP.

The Prospectus is expected to be published on or around 27 April 2012. The Prospectus will set out the detailed timetable of the Rights Issue and the Acquisition. Each of the times and dates in the table below and used throughout this announcement are indicative only, and therefore may be subject to change.

INDICATIVE TIMETABLE

Announcement of the Acquisition and Rights Issue	5 April 2012
Expected Rights Issue Record Date	25 April 2012
Expected publication and posting of the combined Prospectus and Circular, Provisional Allotment Letters, the Notice of General Meeting and Form of Proxy	27 April 2012
Admission and commencement of dealings in Nil Paid Rights	8.00 a.m. on 30 April 2012
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on 30 April 2012
Expected time and date of General Meeting	9.00 a.m. on 14 May 2012
Expected latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 15 May 2012
Expected dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	By 8.00 a.m. on 16 May 2012
Expected completion of the Acquisition	23 May 2012

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The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters and the Existing Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, ("Securities Act") and may not be offered, sold or transferred, directly or indirectly, within the United States unless such securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. There will be no public offer of any securities of the Company in the United States.

This announcement has been prepared in accordance with English law, the Listing Rules, the Prospectus Rules and the Disclosure Rules and Transparency Rules and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England.

The distribution of this announcement in jurisdictions other than the United Kingdom may be affected by the laws of relevant jurisdictions. Therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom will need to inform themselves about, and observe any applicable requirements.

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for, any securities in Dechra or any other entity. Any such offer will be made solely by means of a combined prospectus and circular to be published in due course and any supplement or amendment thereto and any acquisition of securities in Dechra should be made solely on the basis of the information contained in such combined prospectus and circular.

Neither the content of the Company's website (or any other website) nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this announcement.

This announcement contains (or may contain) certain forward-looking statements with respect to certain of Dechra's current expectations and projections about future events. These statements, which sometimes use words such as "anticipate", "believe", "intend", "estimate", "expect", “will”, “shall”, “may”, “aim”, “predict”, “should”, “continue” and words of similar meaning and/or other similar expressions that are predictions of or indicate future events and/or future trends, reflect the Directors' beliefs and expectations at the date of this announcement and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement.

Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and, except as required by applicable law, neither Dechra nor Investec assumes any responsibility or obligation to update publicly or review any of the forward-looking statements contained herein. You should not place undue reliance on forward-looking statements, which speak only as of the date of this announcement.

No statement in this announcement is or is intended to be a profit forecast or to imply that the earnings of Dechra for the current or future financial years will necessarily match or exceed the historical or published earnings of Dechra. This announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire, nor shall there be any sale of, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters and the Existing Ordinary Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters and the Existing Ordinary Shares have not been, and will not be, registered with any regulatory authority of any state within the United States. No money, securities or other consideration is being solicited and, if sent in response to the information herein, will not be accepted.

DECHRA PHARMACEUTICALS PLC

PROPOSED ACQUISITION OF EUROVET ANIMAL HEALTH B.V. FOR €135 MILLION AND 3 FOR 10 RIGHTS ISSUE TO RAISE £60 MILLION

1. Introduction

The Board of Dechra Pharmaceuticals PLC is pleased to announce that the Company has agreed terms to conditionally acquire the entire issued share capital of Eurovet, the pharmaceutical business of AUV, for a total cash consideration of €135 million (approximately £112.5 million[4]), on a debt-free, cash-free basis. The Acquisition will be funded with the proceeds of a fully underwritten rights issue to raise approximately £60 million (£58.2 million net of underwriting commissions) and debt pursuant to the terms of a new debt facility. The Rights Issue will be made on the basis of 3 New Ordinary Shares for every existing 10 Ordinary Shares at a price of 300 pence per New Ordinary Share, representing a discount of 29.6 per cent. to the TERP of 426.15 pence per Ordinary Share, based on a Closing Price of 464 pence per Ordinary Share on 4 April 2012, being the latest practicable date prior to the publication of this announcement.

Eurovet is a Continental European veterinary pharmaceuticals business based in the Netherlands, which operates in both the companion animal pharmaceuticals and farm animal pharmaceuticals markets. For the year ended 31 December 2011, Eurovet's sales were €76.8 million (approximately £64.0 million[4]) and EBITDA[5] was €12.8 million (approximately £10.7 million[4]). Eurovet has highly complementary products, geographies, manufacturing competencies and is similar in structure to Dechra Veterinary Products, with foreign operations in Germany, Belgium, Denmark and the United Kingdom. The Acquisition enables Dechra to accelerate its strategic objectives and is expected to be earnings enhancing in the first full year of ownership and materially earnings enhancing thereafter, after expected synergies but excluding one-off costs of integration[6].

Due to its size, the Acquisition requires the approval of Shareholders, which will be sought at a General Meeting, which is expected to be convened on or around 14 May 2012. The Rights Issue will not be conditional on such approval being granted or the successful completion of the Acquisition. The Rights Issue is expected to open for acceptance, and dealings commence in the new ordinary shares, nil paid, on or around 30 April 2012. Should the Acquisition fail to complete, the Directors will liaise with Shareholders to determine the most appropriate manner in which to return the proceeds of the Rights Issue.

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[4] Based on an exchange rate of €1 : £0.83325

[5] Stated before parent company management charge of €1.4 million

[6] This should not be construed as a profit forecast or interpreted to mean that the future earnings per share, profits, margins or cash flows of Dechra will necessarily be greater than the historic published figures

2. Background to and reasons for the Acquisition

2.1 Strategic Rationale

The Directors have followed the progress of Eurovet with interest for some time and have a good understanding of the business, its strategy and its opportunities. As such, the Directors believe that the combination of Dechra and Eurovet has clear strategic and value enhancing benefits, as well as accelerating a number of Dechra's core strategic objectives, and have entered into agreement with AUV to conditionally acquire the entire issued share capital of Eurovet, following a formal disposal process. In choosing Dechra as the preferred bidder, the AUV and Eurovet management teams expressed a desire to select the right strategic partner, with a shared vision for product innovation, customer focus and growth, to help take Eurovet to its next stage of development.

Eurovet has direct sales and marketing operations in the Netherlands, Germany, Belgium, Denmark and the UK. Outside these territories, Eurovet uses an international distributor network to market its products. The Acquisition would give Dechra a strong direct presence in the German market, where its products are currently marketed via a third party distributor, with associated revenue and margin benefits. The combination of the two businesses is also expected to strengthen considerably Dechra's presence in Denmark, the Netherlands and Belgium, where an enlarged sales team should provide greater sales and marketing support across the whole combined product portfolio. Similarly, there is an opportunity to drive sales of Eurovet's companion animal products via Dechra's well established European subsidiary network.

The combined companion animal portfolio is entirely complementary, with no overlap in product, resulting in an enhanced customer product offering and significant cross-selling opportunities from within the existing combined client base. The Acquisition also enables Dechra to accelerate one of its key strategic objectives by accessing significant opportunities in the large farm animal market, a market in which Dechra has previously declined product opportunities due to its lack of critical mass. Demand for farm animal pharmaceutical products is driven by the strength of farming globally, especially the increased demand for meat from developing countries. In the year ended 31 December 2011, farm animal products made up 62 per cent. of Eurovet's sales. The Directors are aware of concern in Europe regarding antibiotics in the food chain, which has been linked to MRSA and other similar resistant infections in humans and animals[7]. The Directors believe that continuing initiatives to stem the development of resistant infections by overuse of preventative antibiotics and the promotion of effective, targeted

[7] *"Action plan against the rising threats from Antimicrobial Resistance"*, Communication from the Commission to the European Parliament and the Council, November 2011

veterinary pharmaceuticals as cost-effective cures, while a potential risk, will also benefit Eurovet's antibiotic product suite for farm animals.

Eurovet has a proven track record in delivering value added and affordable products to market, having registered 12 products in the past few years, whilst maintaining a strong differentiated generic product pipeline, with several products at an advanced stage of development, including six already in registration. Eurovet's product pipeline will drive the growth and enhance the focus of the pharmaceutical division within the Enlarged Group. On the manufacturing side, Eurovet has four competencies: (a) sterile liquids; (b) powders; (c) medicated premixes; and (d) liquids. The liquids competency is the only duplicated activity between Eurovet and Dechra, but with the *Dales®* site nearing capacity, all Eurovet capacity will be used for future growth. The Enlarged Group will enjoy operational efficiencies and margin uplift from better utilisation of the combined facilities, including bringing the currently outsourced production of Eurovet's two key tablet products, *Forthyron®* and *Cardisure®* in-house at *Dales*. Given the number of problems Dechra has experienced over the last two years in outsourced sterile products, it will be a significant advantage to have an in-house, modern sterile facility.

2.2 Synergies

The Directors believe the combination of Dechra and Eurovet has clear strategic and value enhancing benefits:

(a) Revenue synergies and margin uplift through marketing of Dechra's products via Eurovet's direct sales force in Germany rather than Dechra's current third party distributor;

(b) accelerated growth of Eurovet's companion animal products and associated margin enhancement from marketing the portfolio through Dechra's well established EU subsidiary network;

(c) realisation of cost savings at the Enlarged Group, especially in the UK, Denmark and the Netherlands through rationalisation of some personnel and facilities;

(d) manufacturing synergies through better utilisation of combined facilities, with extra capacity within Eurovet's estate;

(e) significant accounts and back office synergies that can be implemented across the Enlarged Group once the proposed new Oracle IT system goes live in Q2, 2013; and

(f) Enlarged group will benefit from the extensive knowledge and experience of Eurovet's management team.

Annualised synergies of €6 million are expected to be delivered within three years, with a minimum of €2 million expected to be realised in the first full year.

3. The Enlarged Group’s strategy going forward and dividend

Following Completion, the Enlarged Group's strategy will be unchanged, namely to continue to develop a high growth, cash generative, specialist veterinary products business to compete in a global market. A combination of Dechra and Eurovet is directly in line with and significantly accelerates this strategy.

The Board of Dechra intends to continue with their progressive dividend policy, which will take into account the discount element of the Rights Issue. All New Ordinary Shares issued under the Rights Issue will be entitled to future dividends paid by the Company.

4. Summary information on Dechra

Dechra is an international pharmaceutical business focused on the veterinary market, with its key area of specialisation being in the development and marketing of companion animal products. The Company's headquarters are in Stoke-on-Trent and it currently employs approximately 1,010 staff, operates out of 14 countries and exports products globally.

Dechra operates under two divisions, Pharmaceuticals and Services, and through four segments, as follows:

Product development

The Product Development and Regulatory Team develops and licenses Dechra’s own branded veterinary product portfolio of novel and generic pharmaceuticals and specialist pet diets.

Dechra's product development segment is concentrated in three areas:

(a) Prescription only veterinary medicines for dogs, cats and horses in underserved markets;
(b) therapeutic pet diets for dogs and cats. Products are formulated and trialled to provide optimum nutrition for animals diagnosed with various medical conditions; and
(c) unlicensed medicines, shampoos and supplements for dogs, cats and horses.

European Pharmaceuticals: Dechra Veterinary Products EU (“DVP EU”) and Dales Pharmaceuticals (“Dales”)

DVP EU sells and markets Dechra's branded veterinary products and specialist pet foods to veterinary professionals in 13 European countries and also manages the relationships with Dechra's worldwide marketing partners.

Dales is a licenced manufacturer of veterinary and human pharmaceuticals for DVP EU and third party customers.

US Pharmaceuticals: Dechra Veterinary Products US ("DVP US")

DVP US sells Dechra's branded endocrine, ophthalmic, dermatological and equine products into North America. Dechra's business is based in Kansas City, USA and employs 33 people, 22 of whom are field based sales representatives.

Services: National Veterinary Services ("NVS®"), NationWide Laboratories ("NWL") and Cambridge Specialist Laboratory Services ("CSLS")

NVS 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* 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.

NWL is a first referral veterinary laboratory. NWL provides histology, pathology, haematology, chemistry and microbiology services to veterinary practices. CSLS provides secondary referral services with Dechra's key area of expertise being endocrinology.

CSLS is a primary and secondary referral specialist veterinary immunoassay laboratory.

For the year ended 30 June 2011, Dechra reported audited revenues of £389.2 million (2010: £369.4 million) and an underlying operating profit of £31.8 million (2010: £28.2 million). For the six months ended 31 December 2011, Dechra reported unaudited revenues of £209.5 million (2010: £192.2 million) and an underlying operating profit of £16.2 million (2010: £14.5 million).

5. Information on Eurovet

Eurovet is the pharmaceutical business of A.U.V. Holding B.V., a veterinary services business based in the Netherlands. It is headquartered in Bladel, the Netherlands, and operates in both the companion and farm animal markets. It was borne out of the Vetimex Production and Trade Association, including the Farvet Laboratories export department, which was established in 1978 and was taken over by AUV in 1996, the same year as the Eurovet brand name was created as a Benelux veterinary pharmaceutical own label. In 2001, the Eurovet, *Vetimex* and *Farvet* brands were amalgamated to form Eurovet Animal Health B.V.. In 2005 Eurovet bought Albrecht GmbH, which at the time sold own label companion animal products to over 9,000 veterinarians in Germany. Eurovet farm animal products were added to the German portfolio, creating a comprehensive pharmaceutical offering for both target markets in Germany. In 2010, Eurovet acquired Danish pharmaceutical company ScanimalHealth ApS, which gave it direct access to the Scandinavian market. In the same year, it set up a greenfield operation based in Cambridge, UK.

Product development

Eurovet is an expert in developing, registering, producing and marketing added value, own label companion and farm animal veterinary pharmaceutical medicines. In the year ended 31 December 2011, Eurovet's sales by product split was approximately 62 per cent. farm animal, 33 per cent. companion animals and 5 per cent. instruments. They have been exceptionally successful in registering veterinary products in Europe using mutual recognition and decentralised registration procedures, having brought twelve new products to market over the past few years.

Eurovet has a proven track record in developing ideas to registered products. New projects are based almost exclusively on existing molecules and differentiated generics, with the focus on new applications for existing active ingredients, new or improved drug administration methods, new indications, shorter withdrawal periods and improved animal-friendly formulations. As a result, Eurovet has a broad range of added value companion animal and farm animal products, both in terms of function and delivery method, driven by diverse specialisms and knowledge within their 16 strong internal R&D team and the 16 further pharmacists, chemists, veterinarians and analysts based in external laboratories worldwide. For the year ended 31 December 2011, R&D spend was 3.0 per cent. of net revenue.

Product overview

Eurovet currently has approximately 150 products, of which 110 are registered by Eurovet. Of these the main category is antibiotics for livestock, which are used to treat conditions once they have evolved rather than used as a premix preventative medicine.

The table below gives an overview of a selection of registered Eurovet products and those currently in the process of registration/development.

Animal	**Registered product**	**Product in registration/development**
Dog	*Cardisure*: chewable cardio tablets *Vomend*®: anti-vomit injectable *Comfortan*®: methadone injectable *Forthyron**: chewable tablets	Epilepsy tablets Injectable sedative Diuretic tablets Ketamine injectable
Cat	*Vomend*: anti-vomit injectable	Injectable sedative Hyperthyroid chewable tablets Ketamine injectable
Equine	N/A	Guaifesin: muscle relaxant (intravenous) Tensolvent: muscle treatment (ointment)

Animal	Registered product	Product in registration/development
Cattle	*Centidox*®*: 100 per cent. doxycycline water soluble powder *Octacilline*®*: amoxycycline water soluble powder	*Methoxasol*®: sulfa / TMP oral solution New antibiotic spray
Porcine	Bovocycline: uterus tabs	New antibiotic spray Pen Melk: ready to use injectable for mastitis treatment

* Existing product with new form of dosage

In terms of the products in registration and development, Eurovet has a substantial number of products due to come to market in the next three years across its target markets, with six already in the registration phase.

Locations

Eurovet's products are marketed in over 45 countries worldwide, with its own sales forces based in the Netherlands, Belgium, Germany, Denmark and the UK. Germany represents Eurovet's largest market by sales, representing 43 per cent. of 2011 sales.

Eurovet's main site is situated in Bladel, the Netherlands. It is here that the research & development, production and storage of its products are based. Bladel is a new sterile facility which was rebuilt following a fire in 2007 with the ability to produce oral liquids, premixes and high volume powders. Eurovet also has office space used for sales and other functions in Bladel, Aulendorf (Germany), Cambridge (UK) and Farum (Denmark).

Markets

The companion animal market in which Eurovet operates is identical to that of Dechra. The livestock products are predominantly sold through veterinarians and veterinary practices. However, direct sales are made into some pig and poultry farms that employ their own veterinarians.

Summary financial information

The summary financial information set out below has been extracted without material adjustment from Eurovet's historic financial information for the years ended 31 December 2009, 31 December 2010 and 31 December 2011, all of which were prepared in accordance with International Financial Reporting Standards. The full financial statements can be found in Appendix III of this announcement.

	Year ended 31 December		
	2009	**2010**	**2011**
	€ million	**€ million**	**€ million**
Revenue	63.2	70.3	76.8
Gross profit	32.3	35.1	38.9
% margin	51.1%	49.9%	50.6%
EBITDA[8]	11.8	11.6	12.8
Operating profit[8]	9.5	9.1	10.2
% margin	15.1%	12.9%	13.2%
Profit before tax[8]	8.8	8.4	9.6
Profit after tax	5.5	5.0	5.6
Gross assets	48.5	55.9	55.3
Net assets	22.8	27.9	30.7

Revenues grew by €13.6 million between 2009 and 2011. This was driven primarily by new product introductions and the ScanimalHealth acquisition in Denmark.

The gross profit margin remained broadly flat between 2009 and 2011, with a changing product mix offset by some specific product competition in Germany and the Danish acquisition. The reduction in the 2010 operating profit margin was caused primarily by the costs associated with the Danish acquisition and the UK start-up losses. The operating profit margin recovered in 2011 despite losses in the UK and one-off costs in manufacturing facilities.

Please see Appendix III for the full Eurovet Short Form Report

6. Management and employees

Eurovet has approximately 235 full time employees. The majority of the employees are involved with the production and the sales and marketing departments. In addition, there are a number of R&D personnel and support staff.

It is expected that the following senior management of Eurovet and the Chief Executive Officer of AUV will join the Enlarged Group:

[8] Stated before parent management charges of €1.4 million (2010: €1.1 million; 2009: €1.1 million)

Tony Griffin (49), ***Chief Executive Officer and member of Executive Board of AUV Group***

Tony joined AUV in 1993 as Director of Exports, having previously worked at Norbrook Laboratories and Moy Park. He was promoted to Managing Director of Eurovet in 1996 and in 2006 became CEO of the AUV Group. Tony is responsible for the development of medium and long term group strategy and policy, as well as having direct involvement in strategy for each of the business units. In addition, Tony takes charge of acquisition negotiations and implementation, as well as Group HR, initiation of management development and training plans, group finance and management reporting and the group's IT strategy and policy. The management teams of the Eurovet and the AUV veterinary services divisions report directly to Tony.

Jan Jaap Korevaar (55), ***Managing Director, Eurovet***

Jan Jaap joined Eurovet in 1996 as general manager of the Benelux sales organisation, having previously been international product manager (poultry vaccines), marketing manager of Benelux and Global BU manager of Swine / Cattle at Solvay Animal Health. In 2000, Jan Jaap was appointed Sales & Marketing director of Eurovet and in 2003 was put in charge of the acquisition and integration of Albrecht, with responsibility for reorganising operations. He currently has overall responsibility for Eurovet and reports directly to Tony.

Rob Joosten (53), ***R&D Director, Eurovet***

Rob began his career as a veterinary practitioner dealing with companion animals, including horses. In 1989, he joined Eurovet as registration officer with responsibility for veterinary services. In 1990 he was appointed as head of regulatory affairs and development, before being promoted to R&D director in 2009. Rob's current responsibilities include research and pharmaceutical development programmes covering the complete course, from product idea to marketing authorisations globally. Regulatory affairs and marketing authorisation maintenance, including pharmacovigilance. In addition to his role at Eurovet, Rob is the cofounder and R&D director of the European Group for Generic Veterinary Products (EGGVP) and regularly speaks at international conferences on various topics related to the veterinary medicinal product authorisation process in the European Union.

7. Key terms of the Acquisition

Dechra has conditionally agreed to acquire the entire issued share capital of Eurovet, on a debt-free, cash-free basis, for a total cash consideration of €135 million.

Please see Appendix IV for a summary of the key terms of the Acquisition and Facilities Agreements

8. Financing structure

The Acquisition is being funded through the Rights Issue and the new Facility Agreement.

The Facility Agreement was entered into on 4 April 2012 between the Company and a club of banks comprising Barclays Bank plc, Svenska Handelsbanken AB (PUBL), HSBC Bank plc and Lloyds TSB Bank plc under which a facility of £120.0 million was made available to, amongst other things, finance the Acquisition. The Facility Agreement includes a £55.0 million 4.5 year amortising term loan and a £65.0 million 4.5 year revolving credit facility and contains customary representations, warranties and covenants in favour of the Lenders. Interest payable under the Facility Agreement is LIBOR plus between 200bps to 325bps, depending upon the net leverage of the Group from time to time. The covenants include a maximum net debt to EBITDA multiple of 2.75x, reducing to a maximum 2.5x net debt to EBITDA for testing periods expiring after 30 June 2013; minimum debt service of 1.25x and minimum EBIT interest cover of 4.0x.

The debt facility has been credit approved and documented. The Enlarged Group's leverage immediately post the Acquisition is expected to be circa 2.3x pro forma net debt to EBITDA[9].

9. Principal terms of the Rights Issue

Under the terms of the Rights Issue, 20,040,653 New Ordinary Shares will be offered, by way of rights, to Qualifying Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders) at an Issue Price of 300 pence per New Ordinary Share, payable in full on acceptance by not later than 11.00 a.m. on 15 May 2012. The Rights Issue will raise approximately £60.1 million (£58.2 million net of underwriting commissions). The Rights Issue will be made on the following basis:

3 New Ordinary Shares for every 10 Existing Ordinary Shares

held by Qualifying Shareholders on the Record Date and so in proportion to any other number of existing Ordinary Shares then held, and otherwise on the terms and conditions to be set out in Prospectus and, in the case of Qualifying non-CREST Shareholders (other than, subject to certain exemptions, Excluded Overseas Shareholders only), the Provisional Allotment Letter.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after their date of issue.

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[9] Pro forma EBITDA based on Eurovet's EBITDA (before parent company management charge and converted at €1:£0.83325) for the year ended 31 December 2011 and Dechra's underlying EBITDA for the 12 months to 31 December 2011. Pro forma net debt is the total of Dechra's net debt as at 31 December 2011 of £46.1 million and the £57.6 million of debt used to acquire Eurovet.

New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number. Such fractional entitlements will be aggregated and, if possible, sold in the market. The net proceeds of such sales (after deduction of underwriting commissions) will be aggregated and will ultimately accrue for the benefit of the Company, save that Qualifying Shareholders will receive any proceeds in respect of a fractional entitlement in the event that such proceeds have a value of £5.00 or more. Holdings of existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue.

The Rights Issue is conditional, amongst other things, upon:

a) the Underwriting Agreement having become unconditional in all respects and not having been terminated in accordance with its terms; and

b) admission of the New Ordinary Shares, nil paid, becoming effective by not later than 8.00 a.m. on 30 April 2012 (or such later time and/or date as the Company and Investec may agree (being not later than 14 May 2012)).

Application will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on its main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares, nil paid, will commence on the London Stock Exchange at 8.00 a.m. on or around 30 April 2012.

The latest time and date for acceptance and payment in full of the New Ordinary Shares is expected to be 11.00 a.m. on or around 15 May 2012.

The Issue Price of 300 pence per New Ordinary Share represents:

a) a 29.6 per cent. discount to TERP (calculated by reference to the Closing Price of 464 pence per existing Ordinary Share on 4 April 2012, being the last business day prior to the announcement of the Rights Issue); and

b) a 35.3 per cent. discount to the Closing Price of 464 pence per Ordinary Share on 4 April 2012, being the last business day prior to the announcement of the Rights Issue

The Rights Issue is not conditional on the successful completion of the Acquisition. Should the Acquisition fail to complete, the Directors will liaise with Shareholders to determine the most appropriate manner in which to return the proceeds of the Rights Issue.

10. Current trading and prospects

(a) Dechra

On 21 February 2012, Dechra released its unaudited interim results for the six months ended 31 December 2011, in which it said:

"In the first six months of the financial year Dechra has delivered strong growth in its key strategic Pharmaceuticals segments. The main factors driving the performance in this period are the solid organic growth from our pharmaceutical products, the contribution from the two acquisitions made in the previous financial year and the benefit from the in-house marketing of Vetoryl®.

Good revenue growth was seen in our Services segment, however as previously reported gross margin remained under pressure and was reduced in the period due to product mix and increased discounting in a highly competitive market.

Overall the Group has performed to management's expectation during the period."

Since the date of the interim results, Dechra has continued to trade in line with the Board's expectations.

(b) Eurovet

For the year ended 31 December 2011, Eurovet reported revenues of €76.8 million (2010: €70.3 million) and an EBITDA[10] of €12.8 million (2010: €11.6 million). Since the start of the new financial year, Eurovet's trading has been above budget.

11. Restricted shareholders

The making or acceptance of the offer of Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters and/or New Ordinary Shares to persons resident or located in, or who have registered addresses in, countries other than the United Kingdom may be affected by the laws of the relevant jurisdiction. Such persons should consult appropriately qualified professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their rights.

It is the responsibility of all persons (including, without limitation, custodians, nominees and trustees) outside the United Kingdom who receive the Prospectus and/or a Provisional Allotment Letter and/or a credit of Nil Paid Rights to a stock account in CREST and wishing to accept the offer of New Ordinary Shares under the Rights Issue to satisfy themselves as to full observance of the laws of each relevant

[10] Stated before parent company management charge of €1.4 million (2010: €1.1 million)

territory in connection therewith, including the obtaining of all necessary governmental or other consents which may be required, the compliance with all other requisite formalities and payment of any issue, transfer or other taxes due in such territories.

The Prospectus will set out the restrictions applicable to Qualifying Shareholders who have registered addresses outside the UK, or are resident or located in countries other than the UK or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK or who hold Ordinary Shares for the account or benefit of any such person.

The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters and the Existing Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, ("Securities Act") and may not be offered, sold or transferred, directly or indirectly, within the United States unless such securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. There will be no public offer of any securities of the Company in the United States.

12. General Meeting

A general meeting of Dechra Pharmaceuticals PLC is expected to be held at 9.00 a.m. on or around 14 May 2012 at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke on Trent ST7 1XW to consider and, if thought fit, pass the following resolutions. Resolutions 1 and 3 will be proposed as ordinary resolutions and Resolution 2 will be proposed as a special resolutions.

The first resolution to be proposed at the General Meeting, which is an ordinary resolution, will grant the Directors authority to allot shares and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount representing approximately one third of the existing issued share capital of the Company following the Rights Issue. This authority will expire on the date of the Company's next annual general meeting, save that the Company may allot relevant securities after this authority ends if the allotment is made pursuant to an agreement or offer which is made before this authority ends; and

If the first resolution is passed, the second resolution, which is a special resolution, will empower the Directors to allot, pursuant to section 571 of the 2006 Act, equity securities of the Company for cash following the Rights Issue either (i) up to five per cent. of the Company's anticipated issued share capital immediately following the Rights Issue; or (ii) in connection with a rights issue, open offer or other pre-emptive offer, as if the statutory pre-emption rights in section 561(1) of the 2006 Act did not apply to such allotment. This authority will expire on the date of the Company's next annual general meeting, save that the Company may allot relevant securities after this authority ends if the allotment is made pursuant to an agreement or offer which is made before this authority ends; and

The third resolution to be proposed at the General Meeting, which is an ordinary resolution, will approve the Acquisition, on the terms and subject to the conditions of the agreements relating to the Acquisition, subject to such amendment, variation or waiver (provided such amendments, variations or waivers are not of a material nature) of the terms and conditions thereof as the Directors (or a committee consisting of one or more Directors which is duly constituted under the Company's articles of association (**"Committee"**)), shall, in their absolute discretion, think fit and subject to the foregoing, that the Directors (or the Committee as applicable) be authorised to take all necessary steps and to execute all documents and deeds as they may consider to be necessary, desirable or expedient to conclude, implement and give effect to the Acquisition or in connection therewith.

13. Working Capital

The Company is of the opinion that the Enlarged Group, taking into account its available bank facilities and the net proceeds of the Rights Issue, has sufficient working capital for its present requirements, that is, for at least the next 12 months.

14. Trademarks

Trademarks appear throughout this announcement in italics. Dechra and the Dechra “D” logo are registered trademarks of Dechra Pharmaceuticals PLC

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The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters and the Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as *amended, ("Securities Act") and may not be offered, sold or transferred, directly or indirectly, within the United States unless such securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. There will be no public offer of any securities of the Company in the United States.*

APPENDIX I

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The Prospectus is expected to be published on or around 27 April 2012. The Prospectus will set out the detailed timetable of the Rights Issue and the Acquisition. Each of the times and dates in the table below and used throughout this announcement are indicative only, and therefore may be subject to change.

INDICATIVE TIMETABLE

Announcement of the Acquisition and Rights Issue	5 April 2012
Expected Rights Issue Record Date	25 April 2012
Expected publication and posting of the combined Prospectus and Circular, Provisional Allotment Letters, the Notice of General Meeting and Form of Proxy	27 April 2012
Admission and commencement of dealings in Nil Paid Rights	8.00 a.m. on 30 April 2012
Existing Ordinary Shares marked “ex-rights” by the London Stock Exchange	8.00 a.m. on 30 April 2012
Expected time and date of General Meeting	9.00 a.m. on 14 May 2012
Expected latest time and date for acceptance, payment in full and registration of renunciation of Provisional Allotment Letters	11.00 a.m. on 15 May 2012
Expected dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	By 8.00 a.m. on 16 May 2012
Expected completion of the Acquisition	23 May 2012

APPENDIX II

DEFINITION AND GLOSSARY OF TECHNICAL TERMS

The following definitions and technical terms apply throughout this announcement, unless the context requires otherwise.

Acquisition	the proposed acquisition of Eurovet;
Admission	the proposed admission of the New Ordinary Shares by the UKLA to listing on the premium segment of the Official List and by the London Stock Exchange to trading nil paid on the main market of the London Stock Exchange;
Board	the board of Directors of the Company;
Business Day	A day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks are generally open for business in London;
certificated	where a share or other security is represented by a share certificate (that is, not in CREST);
Closing Price	the closing middle market price of a relevant share as derived of SEDOL on any particular day;
Completion	completion of the Acquisition;
CREST or **CREST Systems**	the paperless settlement procedure operated by EUROCLEAR, enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;
Dechra or the **Company**	Dechra Pharmaceuticals PLC;
Directors	the executive and non-executive directors of Dechra;
Eurovet	Eurovet Animal Health B.V., the veterinary pharmaceuticals business of AUV;
Enlarged Group	the Dechra Pharmaceuticals Group, as enlarged by the Acquisition and the Rights Issue proceeds (following completion of the Acquisition and

completion of the Rights Issue, respectively);

EPS	Earnings per share before goodwill, amortisation and exceptional items (including one-off costs associated with the integration of Eurovet);
Europe	the members of the European Union, Switzerland and Norway;
ex-rights date	the date on which the Company's Ordinary Shares begin trading without giving the holders of those Ordinary Shares the right to participate in the Rights Issue (expected to be on or around 8.00 a.m. on 30 April 2012);
Existing Ordinary Shares	the Ordinary Shares of 1 pence each in the capital of Dechra in issue immediately prior to the Rights Issue Record Date;
Form of Proxy	the form of proxy enclosed with the Prospectus for use in connection with the General Meeting;
FSA	the Financial Services Authority;
FSMA	the Financial Services and Markets Act 2000, as amended;
Fully Paid Rights	Rights to acquire the New Ordinary Shares, fully paid;
General Meeting	The general meeting of the Company, proposed to be held at Dechra House, Jamage Industrial Estate, Talke Pits, Stoke on Trent ST7 1XW at 9.00 a.m. on or around 14 May 2012 to approve the Resolutions;
Investec or the **Bank**	Investec Bank plc (which conducts its UK investment banking activities as Investec Investment Banking);
Listing Rules	the listing rules made by the FSA under section 73A of FSMA;
London Stock Exchange or **LSE**	London Stock Exchange plc;
New Ordinary Shares	the Ordinary Shares of 1 pence each, proposed to be issued by Dechra pursuant to the Rights Issue;
Nil Paid Rights	New Ordinary Shares in nil paid form, provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue;
Official List	the official list of the UKLA;

Overseas Shareholders	Qualifying Shareholders who are resident in, or citizens of, countries other than the United Kingdom;
Prospectus	the combined prospectus and circular expected to be published on 27 April 2012 by the Company;
Provisional Allotment Letters(s) or **PAL(s)**	the renounceable provisional letters relating to the Rights Issue to be issued to Qualifying non-CREST Shareholders other than certain Overseas Shareholders;
Qualifying CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in uncertificated form;
Qualifying non-CREST Shareholders	Qualifying Shareholders holding Ordinary Shares in certificated form;
Qualifying Shareholder(s)	Shareholder(s) on the Register of Members of the Company at the Record Date;
Record Date	expected to be on close of business on 25 April 2012
Regulatory Information Service	One of the regulatory information services authorised by the UKLA to receive, process and disseminate regulator information from listed companies;
Resolutions	the resolutions relating to the Acquisition that will be set out in the Notice of General Meeting and that are required to be approved by Shareholders;
Rights	the Nil Paid Rights and/or the Fully Paid Rights;
Rights Issue	the proposed issue of the New Ordinary Shares to Qualifying Shareholders by way of Rights on the terms and subject to the conditions set out in the Prospectus and, in the case of Qualifying non-CREST Shareholders only, the Provisional Allotment Letters;
Rights Issue Price	300 pence per New Ordinary Share;
Shareholder	any holder of Ordinary Shares;
Sponsor	Investec Investment Banking;

UKLA	the Financial Services Authority in its capacity as competent authority under FSMA;
uncertificated or **in uncertificated form**	in relation to a share or other security, a share or other security, title to which is recorded in the relevant register of the share or other security concerned as being held in uncertificated form (that is, in CREST) and title to which may be transferred by using CREST;
Underwriter	Investec;
Underwriting Agreement	the agreement dated 4 April 2012 between Dechra and Investec, pursuant to which Investec has conditionally agreed to underwrite the Rights Issue;
United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia, and all other areas subject to its jurisdiction; and

Reference to a **company** in this announcement shall be construed so as to include any company, corporation or other body corporate, wherever and however incorporated or established.

APPENDIX III

FINANCIAL INFORMATION ON EUROVET ANIMAL HEALTH B.V. WHICH CONSISTS OF THE FINANCIAL YEARS ENDED 31 DECEMBER 2009, 2010 AND 2011 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Financial information for the financial years ended 31 December 2009, 2010 and 2011

Consolidated income statement

	Note	2009 €000	2010 €000	**2011** **€000**
Revenue		63,191	70,301	**76,755**
Cost of sales	*1*	(30,873)	(35,243)	**(37,891)**
Gross profit		32,318	35,058	**38,864**
Operating expenses		(23,873)	(27,141)	**(30,119)**
Operating profit before parent company management charges		9,545	9,050	**10,161**
Parent company management charges		(1,100)	(1,133)	**(1,416)**
Operating profit		8,445	7,917	**8,745**
Finance income	*2*	99	144	**219**
Finance expense	*3*	(814)	(768)	**(805)**
Profit before taxation	*4*	7,730	7,293	**8,159**
Income tax expense	*6*	(2,259)	(2,269)	**(2,527)**
Profit for the year		5,471	5,024	**5,632**

Consolidated statement of comprehensive income

	2009 €000	2010 €000	**2011 €000**
Profit for the period	5,471	5,024	**5,632**
Other comprehensive income:			
Foreign currency translation differences for foreign operations	(5)	-	**(24)**
Actuarial gains and losses	217	119	**(98)**
Income tax relating to components of other comprehensive income	(55)	(30)	**25**
Total comprehensive income for the period	5,628	5,113	**5,535**

Consolidated statement of financial position
at 31 December

	Note	2009 €000	2010 €000	**2011 €000**
Assets				
Non current assets				
Intangible assets	*8*	12,587	17,051	**17,602**
Property, plant and equipment	*9*	12,381	12,113	**11,772**
Employee benefits	*18*	87	13	**-**
Deferred tax assets	*11*	-	35	**154**
Total non current assets		25,055	29,212	**29,528**
Current assets				
Inventories	*12*	10,231	14,659	**13,015**
Trade and other receivables	*13*	6,141	7,608	**7,432**
Cash and cash equivalents	*14*	7,088	4,380	**5,298**
Current tax asset		2	39	**-**
Total current assets		23,462	26,686	**25,745**
Total assets		48,517	55,898	**55,273**
Liabilities				
Current liabilities				
Borrowings	*17*	(4,107)	(1,788)	**(2,564)**
Trade and other payables	*15*	(10,498)	(12,521)	**(10,373)**
Current tax liabilities	*16*	(97)	(238)	**(463)**
Total current liabilities		(14,702)	(14,547)	**(13,400)**
Non current liabilities				
Borrowings	*17*	(9,968)	(12,239)	**(9,675)**
Employee benefits	*18*	-	-	**(289)**
Deferred tax liabilities	*11*	(1,016)	(1,168)	**(1,240)**
Total non current liabilities		(10,984)	(13,407)	**(11,204)**
Total liabilities		(25,686)	(27,954)	**(24,604)**
Net assets		22,831	27,944	**30,669**
Equity				
Issued share capital	*20*	31	31	**31**
Share premium account		1,574	1,574	**1,574**
Foreign currency translation reserve		(5)	(5)	**(29)**
Capital reserve		3,731	5,672	**6,444**
Retained earnings		17,500	20,672	**22,649**
Total equity		22,831	27,944	**30,669**

Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2009

Year ended 31 December 2009	**Issued share capital €000**	**Share premium account €000**	**Foreign currency translation reserve €000**	**Capital reserve €000**	**Retained earnings €000**	**Total €000**
At 1 January 2009	31	1,574	-	2,482	15,620	19,707
Profit for the period	-	-	-	-	5,471	5,471
Capital reserve transfer	-	-	-	1,249	(1,249)	-
Foreign currency translation differences for foreign operations, net of tax	-	-	(5)	-	-	(5)
Actuarial gains and losses	-	-	-	-	217	217
Income tax on other comprehensive income	-	-	-	-	(55)	(55)
Total comprehensive income	31	1,574	(5)	3,731	20,004	25,335
Transactions with owners						
Dividends paid	-	-	-	-	(2,504)	(2,504)
Total contributions by and distributions to owners	-	-	-	-	(2,504)	(2,504)
At 31 December 2009	31	1,574	(5)	3,731	17,500	22,831

Consolidated statement of changes in shareholders' equity *(continued)*
for the year ended 31 December 2010

Year ended 31 December 2010	**Issued share capital €000**	**Share premium account €000**	**Foreign currency translation reserve €000**	**Capital reserve €000**	**Retained earnings €000**	**Total €000**
At 1 January 2010	31	1,574	(5)	3,731	17,500	22,831
Profit for the period	-	-	-	-	5,024	5,024
Capital reserve transfer	-	-	-	1,941	(1,941)	-
Foreign currency translation differences for foreign operations, net of tax	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	119	119
Income tax on other comprehensive income	-	-	-	-	(30)	(30)
Total comprehensive income	31	1,574	(5)	5,672	20,672	27,944
Transactions with owners						
Dividends paid	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-
At 31 December 2010	31	1,574	(5)	5,672	20,672	27,944

Consolidated statement of changes in shareholders' equity *(continued)*
for the year ended 31 December 2011

Year ended 31 December 2011	Issued share capital €000	Share premium account €000	Foreign currency translation reserve €000	Capital reserve €000	Retained earnings €000	Total €000
At 1 January 2011	31	1,574	(5)	5,672	20,672	27,944
Profit for the period	-	-	-	-	5,632	5,632
Capital reserve transfer	-	-	-	772	(772)	-
Foreign currency translation differences for foreign operations, net of tax	-	-	(24)	-	-	(24)
Actuarial gains and losses	-	-	-	-	(98)	(98)
Income tax on other comprehensive income	-	-	-	-	25	25
Total comprehensive income	31	1,574	(29)	6,444	25,459	33,479
Transactions with owners						
Dividends paid	-	-	-	-	(2,810)	(2,810)
Total contributions by and distributions to owners	-	-	-	-	(2,810)	(2,810)
At 31 December 2011	**31**	**1,574**	**(29)**	**6,444**	**22,649**	**30,669**

Foreign Currency Translation Reserve

The foreign currency translation reserve contains exchange differences on the translation of subsidiaries with a functional currency other than Euro.

Capital Reserve

The capital reserve represents the carrying value of capitalised development costs of Eurovet Animal Health BV, the holding company of the Group. Legal requirements in the Netherlands require a separate capital reserve to be held equating to the carrying value of capitalised development costs. This reserve is non-distributable.

Consolidated statement of cash flows
for the years ended 31 December

	2009	2010	**2011**
	£000	£000	**£000**
Cash flows from operating activities			
Profit for the period	5,471	5,024	**5,632**
Adjustments for:			
Depreciation	1,095	1,256	**1,357**
Amortisation and impairment	1,203	1,254	**1,247**
Loss on sale of property, plant and equipment	-	9	**13**
Finance income	(99)	(144)	**(219)**
Finance expense	814	768	**805**
Income tax expense	2,259	2,269	**2,527**
Contributions to the pension scheme less than charge to operating profit	120	187	**194**
Operating cash flow before changes in working capital	10,863	10,623	**11,556**
Movement in inventories	563	(3,559)	**1,644**
Movement in trade and other receivables	(834)	(554)	**133**
Movement in trade and other payables	1,403	1,777	**(2,578)**
Cash generated from operating activities before interest and taxation	11,995	8,287	**10,755**
Interest paid	(752)	(672)	**(632)**
Income taxes paid	(2,482)	(2,078)	**(1,854)**
Net cash flow from operating activities	8,761	5,537	**8,269**
Cash flows from investment activities			
Interest received	-	15	**98**
Acquisition of subsidiaries	-	(3,072)	**-**
Purchase of property, plant and equipment	(1,461)	(2,139)	**(1,029)**
Capitalised development expenditure	(1,841)	(3,001)	**(1,799)**
Net cash outflow from investing activities	(3,302)	(8,197)	**(2,730)**
Cash flows from financing activities			
Repayment of borrowings	(7,320)	(2,947)	**(1,788)**
Drawdown of borrowings	4,628	2,899	**-**
Dividends paid to parent company	(2,504)	-	**(2,810)**
Net cash outflow from financing activities	(5,196)	(48)	**(4,598)**
Net movement in cash and cash equivalents	263	(2,708)	**941**
Cash and cash equivalents at start of period	6,830	7,088	**4,380**
Exchange differences	(5)	-	**(23)**
Cash and cash equivalent at end of period	7,088	4,380	**5,298**

Notes
(forming part of the financial statements)

1 Accounting policies

Eurovet Animal Health BV is a company domiciled in the Netherlands and is a wholly owned subsidiary of AUV Holding BV. The consolidated financial statements of the Eurovet Group for the year ended 31 December 2009, 31 December 2010 and 31 December 2011 comprise Eurovet Animal Health BV and its subsidiaries. The Eurovet Group ("The Group") subsidiaries are Farvet Laboratories BV in the Netherlands, Eurovet NV in Belgium, Albrecht GmbH in Germany, Eurovet Animal Health Limited in the United Kingdom and Scanimalhealth ApS and Scanoved ApS in Denmark.

(a) Basis of Preparation

The consolidated financial information for the three years ended 31 December 2011 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU that were effective for the year ended 31 December 2011.

The consolidated financial statements are presented in Euros, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention, except where International Financial Reporting Standards (as adopted by the EU) require an alternative treatment. The principal variations relate to derivative financial instruments and the fair value of pension scheme assets.

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control. All subsidiary undertakings have been consolidated.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The financial statements of all subsidiary undertakings are prepared to the same reporting date as the Company.

The preparation for consolidated financial statements in conformity with IFRSs requires the use of accounting estimates and for management to exercise its judgement in the process of applying the Group's accounting policies. These judgements and estimates are based on historical experience and management's best knowledge of the amounts, events or actions under review and the actual results may ultimately differ from these estimates. Areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are, where necessary, disclosed separately.

Critical Judgements in applying the Group's Accounting Policies and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements. The key sources of estimation uncertainty which may cause a material adjustment to the carrying amount of assets and liabilities are also discussed below:

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which they are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further detail on the assumptions used in determining value in use calculations is provided in note 10.

Impairment of Receivables

The Group has estimated impairment of receivables by assessing recoverability of amounts due on a customer by customer basis. As described in note 19, credit risk is not highly concentrated with the exception of veterinary wholesalers. If the receivables due from one of these large customers proved to be irrecoverable then an additional impairment provision may be required.

Capitalisation of Development Costs

The Group applies judgement when assessing the probability that regulatory approval will be achieved for development projects and that those projects are commercially viable. This enables management to ascertain whether the criteria for the capitalisation of development costs have been met.

1 Accounting policies *(continued)*

Post retirement benefit obligations and employee benefits

The surplus or deficit relating to the group's defined benefit plans is assessed annually in accordance with IAS 19 and after taking independent actuarial advice. The amount of the deficit is dependent on plan asset and liability values and the actuarial assumptions used.

The assumptions include asset growth rates, pension and salary increases, price inflation, discount rates used to measure actuarial liabilities and mortality rates.

Other employee benefits include jubilee and early retirement benefits. Such benefits are calculated by an independent actuary based on similar principles as for pension obligations.

(b) Foreign Currency Translation

(i) Functional and Presentational Currency

The consolidated financial statements are presented in Euros, which is the Group's presentational currency and are rounded to the nearest thousand. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(ii) Foreign Currency Translation

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

(iii) Foreign Operations

The assets and liabilities of foreign operations are translated into Euros at the closing rate at the reporting date. The income and expenses are translated into Euros at the average rate for the period being reported. Foreign currency differences are recognised in other comprehensive income in the foreign currency translation reserve, a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. On disposal of a foreign entity, accumulated exchange differences previously recognised in other comprehensive income are recognised in the income statement in the same period in which the gain or loss on disposal is recognised.

(c) Accounting for Financial Assets and Derivative Financial Instruments

The Group classifies its financial assets into the following categories: held for trading financial assets and loans and receivables. The classification depends on the purpose for which the assets are held.

Management determine the classification of its financial assets at initial recognition in accordance with IAS 39 Financial Instruments: Recognition and Measurement and re-evaluates this designation at every reporting date for financial assets other than those held at fair value through the income statement.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Gains and losses (both realised and unrealised) arising from changes in the value of financial assets held at fair value through the income statement are included in the income statement in the period in which they arise.

1 Accounting policies *(continued)*

(c) Accounting for Financial Assets and Derivative Financial Instruments *(continued)*

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Derivative Financial Instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange risks. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are remeasured to fair value at each reporting date.

Trade Receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement in operating expenses.

Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently at amortised cost.

Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(d) Property, Plant and Equipment

Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

1 Accounting policies *(continued)*

(d) Property, Plant and Equipment *(continued)*

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	20-25 years
Plant and fixtures	3-10 years

The residual value, if not insignificant, is reassessed annually.

(e) Intangible Assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2009, goodwill represents the difference between the cost of the acquisition and the fair value of the separable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2009 were not reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2009.

For acquisitions prior to 1 January 2009, costs directly attributable to business combinations formed part of the consideration payable when calculating goodwill.

Acquisitions after this date fall under the provisions of 'Revised IFRS 3 Business Combinations (2009)'. For these acquisitions, transaction costs, other than share and debt issue costs, are expensed as incurred and subsequent adjustments to the fair value of consideration payable are recognised in the income statement.

Research and Development Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense is incurred.

The Group is also engaged in development activity with a view to bringing new pharmaceutical products to market. Internally generated costs of development are capitalised in the consolidated statement of financial position unless those costs cannot be measured reliably or it is not probable that future economic benefits will flow to the Group, in which case the relevant costs are expensed to the income statement as incurred. Due to the strict regulatory process involved, there is inherent uncertainty as to the technical feasibility of development projects often until regulatory approval is achieved, with the possibility of failure even at a late stage. The Group considers that this uncertainty means that the criteria for capitalisation are not met unless it is highly probable that regulatory approval will be achieved and the project is commercially viable.

Where development costs are capitalised, the expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

1 Accounting policies *(continued)*

(e) Intangible Assets *(continued)*

Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and other intangibles is recognised in the income statement as an expense is incurred.

Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

Software	5 years
Capitalised development costs	5-10 years or period of patent

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(g) Cash and Cash Equivalents

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

(h) Impairment

The carrying amounts of the Group's assets are reviewed at each consolidated statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1 Accounting policies *(continued)*

(h) Impairment *(continued)*

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each consolidated statement of financial position date and when there is an indication that the asset is impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (group of units), and then to reduce the carrying amount of the other assets in the units (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee Benefits Pensions

The group’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods.

That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The liability discount rate is the yield at the Statement of Financial Position date using AA rated corporate bonds that have maturity dates approximating to the terms of the group’s obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses that arise in calculating the group’s obligation in respect of a scheme are recognised immediately in reserves and reported in the consolidated Statement of Comprehensive Income. Where the calculation results in a benefit to the group, the asset recognised is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

(j) Revenue recognition

Revenue comprises the fair value of goods sold to external customers, net of value added tax, rebates, promotions and returns. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. This is normally when the buyer takes delivery of the goods.

For services provided, revenue is recognised when the contractual service has been provided to the customer. No revenue is recognised where the recovery of the consideration is not probable or where there are significant uncertainties regarding associated costs or the possible return of goods.

(k) Leases

Operating Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement evenly over the period of the lease, as an integral part of the total lease expense.

1 Accounting policies *(continued)*

(l) Net Financing Costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, gains and losses on hedging instruments that are recognised in the income statement (see accounting policy (c)) and gains or losses on the retranslation of financial assets and liabilities denominated in foreign currencies. Interest income is recognised in the income statement as it accrues.

(m) Basis of Charge for Taxation

Income tax expense comprises current and deferred tax. Current and deferred taxes are recognised in the income statement except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the consolidated statement of financial position liability method and represents the tax payable or recoverable on most temporary differences which arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (the tax base). Temporary differences are not provided on: goodwill that is not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and do not arise from a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is based upon tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is not probable that the related tax benefit will be realised against future taxable profits. The carrying amounts of deferred tax assets are reviewed at each consolidated statement of financial position date.

2 Finance income

	2009 €000	2010 €000	**2011** **€000**
Recognised in profit or loss			
Finance income arising from:			
Cash and cash equivalents	1	8	**22**
Derivatives at fair value	43	39	**-**
Expected return on pension scheme assets	55	90	**121**
Other	-	7	**76**
Finance income	99	144	**219**

Notes *(continued)*

3 Finance expense

	2009 €000	2010 €000	**2011** **€000**
Recognised in profit or loss			
Finance expense arising from:			
Financial liabilities at amortised cost	178	118	**24**
Derivatives at fair value	-	-	**42**
Interest on pensions scheme obligations	62	96	**131**
Related party borrowings	574	554	**608**
Finance expense	814	768	**805**

4 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2009 €000	2010 €000	**2011** **€000**
Cost of inventories recognised as an expense	30,873	35,243	**37,891**
Impairment of inventories included in above figure	417	635	**929**
Depreciation of property, plant and equipment:			
Owned assets	1,095	1,256	**1,357**
Amortisation of intangible assets	1,203	1,090	**1,247**
Professional fees associated with business combinations	-	141	**-**
Impairment of intangible assets	-	164	**-**
Loss on disposal of property, plant and equipment	-	9	**13**
Impairment of receivables	-	12	**2**
Operating lease rentals payable	956	972	**1,081**
Research expenditure	1,414	1,157	**875**
Auditor's remuneration	75	89	**91**
Analysis of total fees paid to the auditor:			
Audit of financial statements	71	83	**87**
Other services pursuant to legislation	1	1	**1**
Other services relating to taxation	3	5	**3**
	75	89	**91**

The table below reconciles operating profit before parent company management charges to the equivalent earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)

	2009 €000	2010 €000	**2011** **€000**
Operating profit before parent company management recharges	9,545	9,050	**10,161**
Depreciation	1,095	1,256	**1,357**
Amortisation and impairment	1,203	1,254	**1,247**
EBITDA before parent company management charges	11,843	11,560	**12,765**

5 Employees

The average number of staff employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees		
	2009	2010	**2011**
Manufacturing	100	103	**110**
Distribution	58	65	**72**
Administration	36	40	**47**
	194	208	**229**

The aggregate payroll costs of these persons were as follows:

	2009	2010	**2011**
	€000	€000	**€000**
Wages and salaries	11,301	13,191	**14,945**
Social security costs	1,361	1,599	**1,837**
Other pension costs	353	292	**251**
	13,015	15,082	**17,033**

6 Income tax expense

	2009 €000	2010 €000	**2011 €000**
Current tax			
Dutch corporation tax	1,012	723	**740**
Overseas tax at prevailing local rates	1,151	1,383	**1,721**
Adjustment in respect of prior years	-	76	**88**
Total current tax expense	2,163	2,182	**2,549**
Deferred tax			
Origination and reversal of temporary differences	96	87	**(22)**
Adjustment in respect of prior years	-	-	**-**
Total deferred tax charge/(credit)	96	87	**(22)**
Total income tax expense in the income statement	2,259	2,269	**2,527**

The tax on the Group's profit before tax differs from the standard rate of corporation tax in the Netherlands of 25.4% *(2010: 25.4%; 2009: 25.4%)*. The differences are explained below:

	2009 €000	2010 €000	**2011 €000**
Profit before taxation	7,730	7,293	**8,159**
Tax at 25.4% *(2010: 25.4%; 2009: 25.4%)*	1,963	1,852	**2,072**
Effect of:			
Capital allowances versus depreciation	(6)	(16)	**-**
Permanent differences	23	11	**11**
Tax loses not utilised	97	151	**137**
Differences on overseas tax rates	182	195	**219**
Adjustments in respect of prior years	-	76	**88**
Total income tax expense	2,259	2,269	**2,527**

6 Income tax expense *(continued)*

Tax recognised directly in equity

	2009 €000	2010 €000	**2011 €000**
Deferred tax relating to employee benefits	(55)	(30)	**25**
	(55)	(30)	**25**

7 Dividends

The aggregate amount of dividends comprises:

	2009 €000	2010 €000	**2011 €000**
Final dividend paid in respect of prior years but not recognised as a liability in that year	2,504	-	**2,810**

Not further dividends have been proposed in respect of 2011 or earlier years.

8 Intangible fixed assets

	Goodwill	**Software**	**Development costs**	**Total**
	€000	**€000**	**€000**	**€000**
Cost				
At 1 January 2009	7,020	534	11,340	18,894
Additions	-	42	1,799	1,841
At 31 December 2009 and 1 January 2010	7,020	576	13,139	20,735
Additions	2,717	401	2,600	5,718
Impairment	-	-	(164)	(164)
At 31 December 2010 and 1 January 2011	9,737	977	15,575	26,289
Additions	-	386	1,413	1,799
Disposal	-	-	(50)	(50)
At 31 December 2011	9,737	1,363	16,938	28,038

Notes *(continued)*

8 Intangible fixed assets *(continued)*

	Goodwill	Software	Development costs	Total
	€000	€000	€000	€000
Amortisation				
At 1 January 2009	-	432	6,513	6,945
Charged in year	-	83	1,120	1,203
At 31 December 2009 and 1 January 2010	-	515	7,633	8,148
Charged in year	-	49	1,041	1,090
At 31 December 2010 and 1 January 2011	-	564	8,674	9,238
Charged in year	-	42	1,205	1,247
On disposal	-	-	(49)	(49)
At 31 December 2011	-	606	9,830	10,436
Net book value				
At 31 December 2009	7,020	61	5,506	12,587
At 31 December 2010	9,737	413	6,901	17,051
At 31 December 2011	**9,737**	**757**	**7,108**	**17,602**

	2009	2010	**2011**
	€000	€000	**€000**
Contracted capital commitments	123	503	**100**
Software assets in the course of construction included above	-	380	**658**
	123	883	**758**

Goodwill is allocated across cash-generating units that are expected to benefit from that business combination. These cash-generating units are the lowest level at which goodwill is monitored.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	Country	2009	2010	2011
		€000	€000	€000
Albrecht Gmbh	Germany	7,020	7,020	7,020
Scanimal Group	Denmark	-	2,717	2,717

9 Property, plant and equipment

	Freehold land and buildings €000	Plant and fixtures €000	Total €000
Cost			
At 1 January 2009	13,359	6,984	20,343
Additions	54	540	594
Disposals	-	(67)	(67)
At 31 December 2009 and 1 January 2010	13,413	7,457	20,870
Additions	65	932	997
Disposals	(310)	(43)	(353)
At 31 December 2010 and 1 January 2011	13,168	8,346	21,514
Additions	71	958	1,029
Disposals	-	(1,223)	(1,223)
At 31 December 2011	13,239	8,081	21,320
Depreciation			
At 1 January 2009	3,464	3,997	7,461
Charge for the period	529	566	1,095
Disposals	-	(67)	(67)
At 31 December 2009 and 1 January 2010	3,993	4,496	8,489
Charge for the period	583	673	1,256
Disposals	(301)	(43)	(344)
At 31 December 2010 and 1 January 2011	4,275	5,126	9,401
Charge for the period	558	799	1,357
Disposals	-	(1,210)	(1,210)
At 31 December 2011	4,833	4,715	9,548
Net book value			
At 31 December 2009	9,420	2,961	12,381
At 31 December 2010	8,893	3,220	12,113
At 31 December 2011	**8,406**	**3,366**	**11,772**

9 Property, plant and equipment *(continued)*

	2009 €000	2010 €000	**2011** **€000**
Contracted capital commitments	192	334	**73**
Assets in the course of construction included above	59	279	**692**
	251	613	**765**

10 Impairment reviews

Goodwill and intangible assets not yet available for use are tested for impairment annually, or more frequently if there are indications that amounts might be impaired. The impairment test involves determining the recoverable amount of the relevant asset or cash-generating unit, which corresponds to the higher of the fair value less costs to sell or its value in use.

Value in use calculations are performed by forecasting the future cash flows attributable to the asset being tested (or the relevant cash-generating unit in respect of goodwill). The forecast cash flows are discounted at an appropriate rate as described below.

Projected future cash flows have been derived from the rolling five years strategic plan extrapolated by applying a growth rate of 0% (2010: 1 %, 2009:1%) per annum into perpetuity which is considered to be consistent with the long term average growth rate for the industry.

The business plan has been formulated based on various factors, including market growth forecasts, the experience of the impact of previous recessions and existing product growth. These factors reflect past experience of the Group and where applicable are consistent with external sources of information.

The pre-tax discount rates have been estimated using the Group's weighted average cost of capital, which is adjusted for consideration of market information, and risk adjusted dependent upon the specific circumstances of each asset or cash-generating unit. The discount rate used in the impairment testing was 10.6% (2010:11.0%, 2009:12%).

During the 3 years ended December 2011 an annual impairment test was performed. No impairment charge resulted.

In all cases there was significant headroom between the carrying value and the value in use and no impairment provision is therefore required. An increase in the pre-tax discount rate of 1% would still not result in the requirement for an impairment provision.

11 Deferred taxes

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2009	2010	2011	2009	2010	2011	2009	2010	2011
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Intangible assets	-	-	-	(212)	(424)	(636)	(212)	(424)	(636)
Property, plant and equipment	-	-	-	(977)	(968)	(1,037)	(977)	(968)	(1,037)
Inventories	196	238	433	-	-	-	196	238	433
Derivatives	-	-	-	(1)	(11)	-	(1)	(11)	-
Trading losses	-	35	80	-	-	-	-	35	80
Employee benefits tax assets/(liabilities)	-	-	74	(22)	(3)	-	(22)	(3)	74
	196	273	587	(1,212)	(1,406)	(1,673)	(1,016)	(1,133)	(1,086)
Set off of tax	(196)	(238)	(433)	196	238	433	-	-	-
	-	35	154	(1,016)	(1,168)	(1,240)	(1,016)	(1,133)	(1,086)

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.

(b) Unrecognised deferred tax

Deferred tax assets are recognised to the extent that they are considered recoverable against the future profits of the group. No deferred tax asset has been recognised in relation to losses in the UK amounting to €341,000 *(2010: €167,000; 2009: €18,000)*.

11 Deferred taxes *(continued)*

(c) Movements during the year

	Balance at 1 January 2009 €000	Recognised in income €000	Recognised in equity €000	Balance at 31 December 2009 €000
Intangible assets	-	(212)	-	(212)
Property, plant and equipment	(1,054)	77	-	(977)
Inventories	178	18	-	196
Derivatives	10	(11)	-	(1)
Trading losses	-	-	-	-
Employee benefits	1	32	(55)	(22)
	(865)	(96)	(55)	(1,016)

	Balance at 1 January 2010 €000	Recognised in income €000	Recognised in equity €000	Balance at 31 December 2010 €000
Intangible assets	(212)	(212)	-	(424)
Property, plant and equipment	(977)	9	-	(968)
Inventories	196	42	-	238
Derivatives	(1)	(10)	-	(11)
Trading losses	-	35	-	35
Employee benefits	(22)	49	(30)	(3)
	(1,016)	(87)	(30)	(1,133)

	Balance at 1 January 2011 €000	Recognised in income €000	Recognised in equity €000	**Balance at 31 December 2011 €000**
Intangible assets	(424)	(212)	-	**(636)**
Property, plant and equipment	(968)	(69)	-	**(1,037)**
Inventories	238	195	-	**433**
Derivatives	(11)	11	-	**-**
Trading losses	35	45	-	**80**
Employee benefits	(3)	52	25	**74**
	(1,133)	22	25	**(1,086)**

Notes *(continued)*

12 Inventories

	2009 €000	2010 €000	**2011 €000**
Raw materials and consumables	2,081	3,894	**2,824**
Finished goods and goods for resale	8,150	10,765	**10,191**
	10,231	14,659	**13,015**

13 Trade and other receivables

	2009 €000	2010 €000	**2011 €000**
Trade receivables	5,176	6,055	**6,306**
Derivative financial instruments	3	42	**-**
Prepayments and accrued income	315	904	**297**
Amounts receivable from related parties	647	607	**829**
	6,141	7,608	**7,432**

14 Cash and cash equivalents

	2009 €000	2010 €000	**2011 €000**
Cash at bank and in hand	7,088	4,380	**5,298**

15 Trade and other payables

	2009 €000	2010 €000	**2011 €000**
Trade payables	5,431	7,852	**5,653**
Other payables	2,680	1,663	**2,076**
Other taxation and social security	1,284	1,279	**987**
Accruals and deferred income	651	1,287	**1,475**
Amounts payable to related parties	452	440	**182**
	10,498	12,521	**10,373**

16 Current tax liabilities

	2009 €000	2010 €000	**2011 €000**
Current tax payable	97	238	**463**

17 Borrowings

	2009 €000	2010 €000	**2011** **€000**
Current liabilities:			
Bank loans	1,500	-	**-**
Mezzanine loan	1,447	-	**-**
Borrowings from related parties	1,160	1,788	**2,564**
	4,107	1,788	**2,564**
Non current liabilities:			
Bank loans	-	-	**-**
Mezzanine loan	-	-	**-**
Borrowings from related parties	9,968	12,239	**9,675**
	9,968	12,239	**9,675**
Total borrowings	14,075	14,027	**12,239**

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

	2009 €000	2010 €000	**2011** **€000**
Bank overdraft facility	1,175	1,100	**1,100**
Revolving credit facility	-	1,000	**500**
	1,175	2,100	**1,600**

The maturity of borrowings is as follows:

	2009 €000	2010 €000	**2011** **€000**
Payable:			
Within one year	4,107	1,788	**2,564**
Between one and two years	1,160	2,564	**1,762**
Between two and five years	2,308	9,338	**7,576**
Due after five years	6,500	337	**337**
	14,075	14,027	**12,239**

18 Pension

The Company sponsors defined benefit arrangements, the most material arrangement being a defined benefit pension plan in the Netherlands. This is a funded career average pay arrangement, where pensionable salary is subject to a cap. The arrangement is financed through an insurance contract.

The other defined benefit arrangements operated by the company are unfunded; Jubilee awards for employees in the Netherlands and Germany and early retirement pensions in Germany.

The pension cost relating to the defined benefit pension arrangement in the Netherlands is assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The major actuarial assumptions used by the actuary were:

	2009	2010	**2011**
Discount rate	5.35%	5.15%	**4.60%**
Expected return on assets	5.35%	5.15%	**4.60%**
Inflation assumption	2.00%	2.00%	**1.90%**
Salary growth	2.50%	2.50%	**2.40%**
Rate of increase in accrued pensions of active members	2.00%	2.00%	**1.90%**
Rate of increase in pensions in payment	0.00%	0.00%	**0.00%**
Rate of increase in pensions in deferment	2.00%	2.00%	**1.90%**

In valuing the liabilities of the pension scheme at 31 December 2011, mortality assumptions have been made as indicated below.

The mortality assumption follows the AG Prognosetafel 2010-2060 mortality tables with an experience adjustment in line with the ES-P2 tables as published by the Dutch Alliance of Insurers (2010 and 2009: as for 2011).

The assumptions used by the company are the best estimates chosen by the directors from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	2009 €000	2010 €000	**2011** **€000**
Present value of funded defined benefit obligations	(1,297)	(1,988)	**(3,053)**
Fair value of scheme assets	1,384	2,001	**2,764**
Surplus/(deficit) in the scheme	87	13	**(289)**
Deferred tax	(22)	(3)	**74**
Net pension scheme surplus/(deficit)	65	10	**(215)**

18 Pensions *(continued)*

Movements in present value of defined benefit obligation

	2009 €000	2010 €000	**2011 €000**
Defined benefit obligation at beginning of period	662	1,297	**1,988**
Service cost	309	396	**438**
Interest cost	62	96	**131**
Employee contributions	84	93	**109**
Actuarial loss	180	106	**387**
Defined benefit obligation at end of the period	1,297	1,988	**3,053**

Movements in fair value of scheme assets

	2009 €000	2010 €000	**2011 €000**
Fair value of scheme assets at beginning of period	659	1,384	**2,001**
Expected return on scheme assets	55	90	**121**
Actuarial gains	397	225	**289**
Additional charges	(250)	(277)	**(324)**
Employer contributions	439	486	**568**
Employee contributions	84	93	**109**
Fair value of scheme assets at end of the period	1,384	2,001	**2,764**

Analysis of the amount charged to the income statement

	2009 €000	2010 €000	**2011 €000**
Service cost	309	396	**438**
Expected return on assets	(55)	(90)	**(121)**
Interest on liabilities	62	96	**131**
Insurer charges	250	277	**102**
Premium correction	-	-	**222**
Net pension expense	566	679	**772**

18 Pensions *(continued)*

Analysis of amounts recognised in the Statement of Comprehensive income

	2009 €000	2010 €000	**2011 €000**
Gain on scheme assets	397	225	**289**
Experience loss on liabilities	160	34	**256**
Change in assumptions	(340)	(140)	**(643)**
Actuarial gain/(loss)	217	119	**(98)**

Cumulative actuarial losses reported in the statement of recognised gains and losses for accounting periods ending on or after 1 January 2009 and subsequently amount to €238,000 in 2011 (201*0: €336,000; 2009: €217,000)*

Scheme assets

The Company's defined benefit pension scheme in the Netherlands is financed through an insurance contract. Under this contract, a market price for the assets in respect of this insurance contract is not available. In accordance with IAS 19 for such insurance policies, an asset value has been calculated by discounting expected future cash flows. The discount rate used for this calculation reflects the risk associated with the scheme assets and the maturity or expected disposal date of those assets.

The fair value of the scheme's assets are as follows:

	2009 €000	2010 €000	**2011 €000**
Discount rate used to value assets	5.35%	5.15%	**4.60%**
Total fair value of assets	1,384	2,001	**2,764**
Actual return on scheme assets	452	315	**410**

The long-term rate of return on pension plan assets is determined by aggregating the expected return for each asset class over the strategic asset allocation as at 31 December 2011. This rate of return is then adjusted for any expected profit sharing based on market related returns on notional loans.

The scheme's assets do not include any of the company's own financial instruments or any property occupied by or other assets used by the company

The employer contributions expected to be paid into the scheme for the next financial period amount to €595,000.

18 Pensions *(continued)*

History of amounts in the current period and previous periods

	2009 €000	2010 €000	**2011** **€000**
Present value of funded defined benefit obligations	(1,297)	(1,988)	**(3,053)**
Fair value of scheme assets	1,384	2,001	**2,764**
Deficit in the scheme	87	13	**(289)**
Experience (gain)/loss on assets	(397)	(225)	**(289)**
Experience (gain)/loss on liabilities	(160)	(34)	**(256)**

We note that in addition, the company recognises liabilities in respect of Jubilee awards in the Netherlands and Germany of €227,000 on the balance sheet as at 31 December 2011 (*2010: €218,000, 2009: €201,000*). In respect of the early retirement plan in Germany, a liability of €17,000 is also recognised at 31 December 2011 (*2010: €56,000, 2009: €94,000*).

19 Financial Instruments and Related Disclosures

The Group's financial instruments comprise cash deposits, related party borrowings, bank loans and overdrafts, derivatives used for hedging purposes and trade receivables and payables.

Treasury Policy

The Group reports in Euro and pays dividends out of Euro profits. The role of the Group's treasury activities is to manage and monitor the Group's external and internal funding requirements and financial risks in support of the Group's corporate activities.

The Group uses a variety of financial instruments, including derivatives, to finance its operations and to manage market risks from these operations. Derivatives, comprising forward foreign currency contracts, are used to hedge against changes in foreign currencies.

The Group does not hold or issue derivative financial instruments for speculative purposes. All transactions in financial instruments are undertaken to manage the risks arising from underlying business activities, not for speculation.

Capital Management

The capital structure of the Group consists of net borrowings and Shareholders' equity. At 31 December 2011, net borrowings were €6,941,000 *(2010: €9,647,000; 2009: €6,987,000)* whilst shareholder equity was €30,669,000 *(2010: €27,944,000; 2009: €22,831,000)*.

The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. The Group's operating subsidiaries are generally cash generative and none are subject to externally imposed capital requirements.

Operating cash flow is used to fund investment in the development of new products as well as to make the routine outflows of capital expenditure, tax, dividends and repayment of debt.

Throughout the period the Groups parent company, AUV Holdings BV, provided debt finance to the Group.

Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- liquidity risk
- market risk
- credit risk

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk.

19 Financial instruments and related disclosures *(continued)*

Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities as they fall due.

The Group manages its funding requirements through the following lines of credit:

- Related party loans
- Bank overdrafts

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Group's income or the value of its holding of financial instruments.

Interest Rate Risk Management

Throughout the three years ending 31 December 2011 interest rate risk was managed by the parent company, AUV Holdings BV.

Foreign Exchange Risk Management

Foreign currency transaction exposure arising on normal trade flows is not hedged. The Group matches receipts and payments in the relevant foreign currencies as far as possible. To this end, bank accounts are maintained for all the major currencies in which the Group trades. Translational exposure in converting the income statements of foreign subsidiaries into the Group's presentational currency of Euro is not hedged.

The Group economically hedges selectively expected currency cash flows of raw material purchases, principally using forward contracts.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group considers its maximum credit risk to be €7,135,000 *(2010: €6,662,000; 2009 €5,823,000)* which is the total carrying value of the Group's loans and receivables.

Cash is only deposited with highly rated banks.

The Group offers trade credit to customers in the normal course of business. Trade and bank references are obtained prior to extending credit. Customers outside the home markets are insured, or orders prepaid by customers.

The principal customers of the Group are European wholesalers and veterinarians. The failure of a large wholesaler could have a material adverse impact on the Group's financial results.

19 Financial instruments and related disclosures *(continued)*

Credit Risk *(continued)*

The largest customer of the Group accounted for approximately 9% of gross trade receivables at 31 December 2011 *(2010: 20%; 2009: 19%)*.

Receivables are written off against the impairment provision when management considers the debt to be no longer recoverable.

Fair Value of Financial Assets and Liabilities

The following table presents the carrying amounts and the fair values of the Group's financial assets and liabilities at 31 December 2009, 31 December 2010 and 31 December 2011.

The following assumptions were used to estimate the fair values:

- Cash and cash equivalents — approximates to the carrying amount.
- Forward exchange contracts — based on market price and exchange rates at the balance sheet date.
- Receivables and payables — approximates to the carrying amount.
- Bank loans and related party borrowings — based upon discounted cash flows using discount rates based upon facility rates renegotiated after the 2010 year end.

Notes *(continued)*

19 Financial instruments and related disclosures *(continued)*

Analysis of Financial Instruments

The financial instruments of the Group are analysed as follows:

	2009 Carrying value €000	Fair value €000	2010 Carrying value €000	Fair value €000	**2011 Carrying value €000**	**Fair value €000**
Financial assets						
Cash and cash equivalents	7,088	7,088	4,380	4,380	**5,298**	**5,298**
Held for trading financial assets:						
Derivatives	3	3	42	42	**-**	**-**
	3	3	42	42	**-**	**-**
Loans and receivables:						
Trade receivables	5,176	5,176	6,055	6,055	**6,306**	**6,306**
Amounts receivable from related parties	647	647	607	607	**829**	**829**
	5,823	5,823	6,662	6,662	**7,135**	**7,135**
Total financial assets	12,914	12,914	11,084	11,084	**12,433**	**12,433**
Financial liabilities						
Bank loans and overdrafts	(1,500)	(1,433)	-	-	**-**	**-**
Mezzanine loan	(1,447)	(1,438)	-	-	**-**	**-**
Related party borrowings	(11,128)	(10,866)	(14,027)	(13,702)	**(12,239)**	**(12,012)**
Trade payables	(5,431)	(5,431)	(7,852)	(7,852)	**(5,653)**	**(5,653)**
Amounts payable to related parties	(452)	(452)	(440)	(440)	**(182)**	**(182)**
Total financial liabilities	(19,958)	(19,620)	(22,319)	(21,994)	**(18,074)**	**(17,847)**
Net financial liabilities	(7,044)	(6,706)	(11,235)	(10,910)	**(5,641)**	**(5,414)**

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 — quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 — inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 — inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes *(continued)*

19 Financial instruments and related disclosures *(continued)*

Fair Value Hierarchy *(continued)*

31 December 2009

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	-	3	-	3

31 December 2010

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	42	-	-	42

31 December 2011

	Level 1 €000	Level 2 €000	Level 3 €000	Total €000
Derivative financial liabilities	-	-	-	-

Credit Risk — Overdue Financial Assets

The following table shows financial assets which are overdue and for which no impairment provision has been made:

	2009 €000	2010 €000	**2011 €000**
Overdue by:			
Up to one month	684	737	**1,500**
Between one and two months	38	-	**127**
Between two and three months	13	13	**-**
Over three months	-	30	**-**
	735	780	**1,627**

The movement in the impairment provision was as follows:

	2009 €000	2010 €000	**2011 €000**
At beginning of period	44	37	**49**
Impairment provision recognised	-	12	**2**
Impairment provision utilised	(7)	-	**-**
At end of period	37	49	**51**

19 Financial instruments and related disclosures *(continued)*

Liquidity Risk — Contracted Cash Flows of Financial Liabilities

The following table shows the cash flow commitments of the Group in respect of financial liabilities, excluding derivatives, at 31 December 2009, 31 December 2010 and 31 December 2011. Where interest is at floating rates, the future interest payments have been estimated using current interest rates:

At 31 December 2009

	Bank loans and overdrafts	Mezzanine Loan	Related party borrowings	Trade payables	Amounts payable to related parties	Total
	€000	€000	€000	€000	€000	€000
Carrying value	(1,500)	(1,447)	(11,128)	(5,431)	(452)	(19,958)
Future interest	(10)	(68)	(2,068)	-	-	(2,146)
Total committed cash flow	(1,510)	(1,515)	(13,196)	(5,431)	(452)	(22,104)
Payable:						
Within 6 months	(1,510)	(366)	(850)	(5,431)	(452)	(8,609)
Between 6 months and one year	-	(1,149)	(835)	-	-	(1,984)
Between one and two years	-	-	(1,627)	-	-	(1,627)
Between two and three years	-	-	(1,569)	-	-	(1,569)
Between three and four years	-	-	(1,500)	-	-	(1,500)
Between four and five years	-	-	(6,815)	-	-	(6,815)
Over five years	-	-	-	-	-	-
	(1,510)	(1,515)	(13,196)	(5,431)	(452)	(22,104)

19 Financial instruments and related disclosures *(continued)*

Liquidity Risk — Contracted Cash Flows of Financial Liabilities *(continued)*

At 31 December 2010

	Bank loans and overdrafts	Mezzanine Loan	Related party borrowings	Trade payables	Amounts payable to related parties	Total
	€000	€000	€000	€000	€000	€000
Carrying value	-	-	(14,027)	(7,852)	(440)	(22,319)
Future interest	-	-	(2,095)	-	-	(2,095)
Total committed cash flow	-	-	(16,122)	(7,852)	(440)	(24,414)
Payable:						
Within 6 months	-	-	(1,521)	(7,852)	(440)	(9,813)
Between 6 months and one year	-	-	(1,502)	-	-	(1,502)
Between one and two years	-	-	(2,476)	-	-	(2,476)
Between two and three years	-	-	(2,211)	-	-	(2,211)
Between three and four years	-	-	(7,494)	-	-	(7,494)
Between four and five years	-	-	(491)	-	-	(491)
Over five years	-	-	(427)	-	-	(427)
	-	-	(16,122)	(7,852)	(440)	(24,414)

At 31 December 2011

	Bank loans and overdrafts	Mezzanine Loan	Related party borrowings	Trade payables	Amounts payable to related parties	Total
	€000	€000	€000	€000	€000	€000
Carrying value	-	-	(12,239)	(5,653)	(182)	(18,074)
Future interest	-	-	(1,489)	-	-	(1,489)
Total committed cash flow	-	-	(13,728)	(5,653)	(182)	(19,563)
Payable:						
Within 6 months	-	-	(1,959)	(5,653)	(182)	(7,794)
Between 6 months and one year	-	-	(1,145)	-	-	(1,145)
Between one and two years	-	-	(2,211)	-	-	(2,211)
Between two and three years	-	-	(7,494)	-	-	(7,494)
Between three and four years	-	-	(491)	-	-	(491)
Between four and five years	-	-	(18)	-	-	(18)
Over five years	-	-	(410)	-	-	(410)
	-	-	(13,728)	(5,653)	(182)	(19,563)

19 Financial instruments and related disclosures *(continued)*

Foreign Currency Exposure

The Euro equivalents of financial assets and liabilities denominated in foreign currencies at 31 December 2009, 31 December 2010 and 31 December 2011 were:

31 December 2009

	Danish Krone €000	GB pounds €000	US Dollar €000
Financial assets			
Trade receivables	-	40	-
Cash balances	-	17	160
	-	57	160
Financial liabilities			
Trade payables	(1)	(101)	(925)
	(1)	(101)	(925)
Net balance sheet exposure	(1)	(44)	(765)

31 December 2010

	Danish Krone €000	GB Pounds €000	US Dollar €000
Financial assets			
Trade receivables	542	453	14
Cash balances	19	130	30
	561	583	44
Financial liabilities			
Trade payables	(426)	(72)	(1,187)
	(426)	(72)	(1,187)
Net balance sheet exposure	135	511	(1,143)

19 Financial instruments and related disclosures *(continued)*

Foreign Currency Exposure *(continued)*

31 December 2011

	Danish Krone €000	GB Pounds €000	US Dollar €000
Financial assets			
Trade receivables	1,233	788	-
Cash balances	70	148	443
	1,303	936	443
Financial liabilities			
Trade payables	(82)	(157)	(638)
	(82)	(157)	(638)
Net balance sheet exposure	1,221	779	(195)

Sensitivity Analysis

Interest Rate Risk

A 2% increase in interest rates compared to those ruling at 31 December would reduce Group profit before taxation by €75,000 *(2010:* €41,000*; 2009:* €nil).

Foreign Currency Risk

The Group has significant cash flows and net financial assets and liabilities in Danish Krone, US Dollar and Sterling.

The following table shows the impact on the Group's profit before taxation and net assets of a 10% appreciation of Euro against each of these currencies:

	Profit before taxation €000	Net assets €000
Danish Krone	71	(110)
US Dollar	453	18
GB Pounds	115	(71)

20 Share capital

	2009 €000	Number	2010 €000	Number	**2011 €000**	**Number**
Ordinary shares of €50 each						
Allotted, called up and fully paid at beginning and end of period	31	610	31	610	**31**	**610**

21 Operating leases

At the balance sheet date the Group had outstanding commitments for future minimum rentals payable under non-cancellable operating leases as follows:

	Land and buildings			Other assets			Total		
	2009 €000	2010 €000	2011 €000	2009 €000	2010 €000	2011 €000	2009 €000	2010 €000	2011 €000
Within one year	45	78	83	577	597	639	622	675	722
Between one and five years	64	23	113	857	949	937	921	972	1,050
	109	101	196	1,434	1,546	1,576	1,543	1,647	1,772

22 Foreign exchange rates

The following exchange rates have been used in the translation of the results of foreign operations

	At 31 December 2009 €000	Average rate 2009 €000	At 31 December 2010 €000	Average rate 2010 €000	At 31 December 2011 €000	Average rate 2011 €000
Danish Krone	-	-	7.45470	7.44675	7.43390	7.45018
Sterling	0.89500	0.9000	0.85680	0.85830	0.83800	0.86780

Notes *(continued)*

23 Business combinations

On 1 January 2010, the Group acquired 100% of the share capital of the Scanimal Group, comprising of ScanimalHealth ApS and Scanovel ApS. The companies are engaged in the import and sale of pharmaceuticals products.

The acquisition of the Scanimal Group provided Eurovet with a presence in Denmark.

	Book and fair value €000
Identifiable assets	
Property, plant and equipment	16
Inventories	866
Trade and other receivables	874
Cash	19
Identifiable liabilities	
Trade and other payables	(1,420)
Net identifiable assets	355
Goodwill	2,717
Total consideration	3,072
Satisfied by:	
Cash	3,072
Total consideration transferred	3,072
Net cash outflow arising on acquisition	
Cash consideration	3,072
Less acquired cash	(19)
	3,053

The goodwill of €2,717,000 arising from the acquisition represents the increased geographical presence in the EU and access to new markets.

APPENDIX IV

KEY TERMS OF THE ACQUISITION AGREEMENT

The Acquisition Agreement provides that:

a) The aggregate consideration payable in cash on Completion is €126,450,000 ("Base Purchase Price") plus an amount ("Additional Amount") equal to:

   (i) 6 per cent. per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 1 January 2012 up to an including the earlier of 7 May 2012 or the date of Completion on the basis of a 365 day year;

   (ii) 12 per cent. per annum, calculated over an amount equal to the Base Purchase Price over the period from and including 8 May 2012 up to and including the date of Completion on the basis of a 365 day year.

   The Base Purchase Price and the Additional Amount shall together be the "Purchase Price".

b) The Seller shall pay to Dechra a sum equal to any Leakage Amount notified to the Seller within 18 months of Completion (Leakage being more particularly defined in the Acquisition Agreement, and generally being certain specified payments from Eurovet or a member of the Eurovet Group to the Seller).

c) On Completion Dechra shall procure that the relevant Pharma Companies are put in funds so that all third party and intercompany debt owed by the Pharma Companies is satisfied in full on Completion. As at 31 December 2011 the aggregate amount of such third party and intercompany debt was €8.55m.

d) Completion is conditional upon:

   (i) no court of competent jurisdiction having rendered a decision which precludes the Seller from selling and/or transferring the Pharma Shares pursuant to Acquisition Agreement and no legal proceedings which seek the same result having been initiated against the Seller in respect of which no final decision has been taken;

   (ii) the passing at a general meeting of Dechra of the Transaction Resolution; and

   (iii) Admission,

   (together the "Conditions", and those at (ii) and (iii) above together the "Purchaser Conditions")

e) If the Conditions are not fulfilled or waived on or before 1 June 2012 (or such later date as the Seller and Dechra may agree in writing), the Acquisition Agreement shall terminate automatically.

f) If the Acquisition Agreement is terminated owing to the Purchaser Conditions not being fulfilled, Dechra shall pay a lump sum break fee of an amount equal to one per cent. of the Base Purchase Price, payable within 5 Business Days after the date the termination notice is given, by wire transfer to an account designated in writing by the Seller.

g) The Seller provides customary warranties in favour of Dechra.

APPENDIX V

RISK FACTORS

The Rights Issue and any investment in the New Ordinary Shares is subject to a number of risks. The Group's business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. In such case, the market price of the Ordinary Shares, Nil Paid Rights and/or the Fully Paid Rights may decline and investors may lose all or part of their investment.

The risks and uncertainties described below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Directors, or which they deem immaterial, may also have an adverse effect on the Group's operating results, financial condition and prospects.

A. General risk factors

Macro-economic risks

The global financial system has experienced severe difficulties over the past thirty six months. This has led to unprecedented levels of illiquidity in the global financial system. In response to the market instability and illiquidity, a number of governments, including those of the UK, other EU member states and the US, have intervened in order to inject capital into and generate additional liquidity in financial markets to promote stability and in some cases to prevent the failure of financial institutions. Despite such measures, the volatility and disruption of the capital and credit markets has continued and recessionary conditions are present in the UK and Europe, the predominant markets in which Dechra operates.

The precise nature of all the risks and uncertainties Dechra faces as a result of the current global financial and economic turmoil cannot be predicted, as many of these risks are outside of Dechra's control. Dechra may experience reductions in trading activity, a lower share price, asset impairments and lower profitability. A global recession or deeper recessionary conditions which affect Dechra's businesses could have a material adverse effect on the Group's business, results of operations and overall financial condition.

Economic and market cycles and volatility

The Group's business may be affected by the general risks associated with all companies operating in the same markets as the Group. The overall veterinary market in most territories has continued to show growth even during the current economic difficulties. However, continued recessionary conditions could cause a significant market slowdown. An investment could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors, in any jurisdiction in which the Group may operate now or in the future.

B. Risks relating to Dechra and the Enlarged Group

Inability to obtain capital/additional finance

The Group requires capital for, amongst other things, financing research and development costs. If the cash that the Group generates from its business, together with cash that it may borrow or has borrowed under its credit facilities, is not sufficient in the long term to fund its capital requirements, additional debt and/or equity financing will be required. If such additional financing were not available to fund the Group's capital requirements, revenue and cash flow could decrease, potentially having a material adverse effect on the Company.

The Group's ability to obtain additional financing is contingent upon, amongst other things, the covenants and financial ratios contained within its credit facilities. The Articles of the Company also contain restrictions on borrowing powers. The Company cannot be certain that any additional financing that may be required in the future (being the period commencing on the 12 month anniversary of the date of this announcement) will be available on terms which are satisfactory to it. If the Group is unable to obtain sufficient additional capital in the future (being the period commencing on the 12 month anniversary of the date of this announcement), its business could be adversely affected.

Reduction in demand by customers

A large proportion of the Group's customer base consists of customers from professionals in the veterinary industry. A downturn in consumer spending in this sector may decrease the demand for veterinarian services and thus the demand for Dechra's products.

The key factors which may cause a temporary or long term downturn in the veterinarian sector are as follows:

(a) A slow down in the economies within which the Group operates; and/or

(b) A significant increase in interest rates or other factors affecting end customer demand.

A downturn in the veterinarian industry caused by these or other factors could have a material adverse effect on the Group's business, financial condition and cash flows.

Increase in competition

The UK veterinary pharmaceutical distribution market is highly competitive. The Group is generally able to compete on the basis of quality, geographical reach, breadth of service, expertise, reliability and the price, size, mix and relative attractiveness of its product range. However, market competition could have an adverse impact on the Group's margins and its underlying profitability. The Pharmaceutical segment is reliant for most of its profitability and cash flow on a number of key products. If competitor products were to be launched against one or more of these key products this could cause an adverse impact on profitability and cash flow.

Regulatory

Like the human pharmaceutical industry, the veterinary pharmaceutical industry is highly regulated. Major operational sites are required to be licensed either by the Medicine and Healthcare products Regulatory Agency (**"MHRA"**) or the Home Office; and products by the Veterinary Medicines Directorate (**"VMD"**). Inspections by these bodies are carried out regularly. All pharmaceutical products are required to be approved for sale by the relevant regulatory authority in each territory. The main regulatory risks faced by the Group are:

(a) Failing to operate the businesses in accordance with their licences resulting in disruption to operations;

(b) Potential reclassification of major pharmaceutical products from prescription only to a lower category causing loss of revenue as competing products enter the market;

(c) Failure to satisfy the regulatory authorities on new product submissions causing product launches to be delayed or aborted; and

(d) Changes to the law or adverse reactions causing threat to existing products as a result of removal of the relevant licence or imposition of increased regulatory compliance procedures.

Environmental, health and safety laws, regulations and standards

The Group is subject to a broad range of laws, regulations and standards, including those relating to pollution, the health and safety of employees, protection of the public, protection of the environment and the storage and handling of hazardous substances and waste materials. These regulations and standards are becoming increasingly stringent. It is the Group's policy to require that all of its subsidiaries, employees, suppliers and sub-contractors comply with applicable laws, regulations and standards. However, violations of such laws, regulations and standards, in particular, environmental and health and safety laws could result in restrictions on the operations of the Group's sites, damages, fines or other sanctions, increased costs of compliance, potential reputational damage and potential loss of future contracts.

Highly skilled management and personnel

The Group is dependent on members of its senior management team and a flexible, highly skilled and well motivated work force and believes its future success will depend in part on its ability to attract, develop and retain highly skilled management and personnel. If the Group does not succeed in attracting, developing and retaining skilled personnel, it may not be able to grow its business as anticipated. Further, the departure from the Group of any of the Executive Directors or certain senior employees could, in the short term, have a material adverse effect on the Group's business.

Loss of IT systems

The Group is dependent on IT systems for the delivery of its business. The Group believes that its IT systems are reliable and well protected but recognises that such systems need constant updating and maintenance because their failure could cause financial loss to the Group as well as damage to its brand and reputation.

Insurance

The Group believes it has comprehensive insurance cover but recognises that a claim could be made against it which exceeds the limits of insurance cover or is in respect of a matter that is uninsurable. In those circumstances the Group could suffer financial loss.

Currency and interest rate fluctuations

Although the Company is an English company which reports in Pounds Sterling, the Group has significant cash flows and net financial assets and liabilities in Danish Krone, US Dollar and Euro. Currency fluctuations can have a significant impact on the Group's consolidated balance sheet, particularly total shareholders' funds, when the financial statements of the non-UK subsidiaries are translated into Pounds Sterling.

The Group will also be exposed to interest rate risk on its floating rate debt. Fluctuations in interest rates may affect the interest expense on existing debt and the cost of new financings. The Group periodically utilises interest rate hedges to manage and mitigate its exposure to changes in the interest rates. Despite this, the Company's financial condition and results of operations would be adversely affected by an increase in interest rates.

New product development

The Enlarged Group's future growth is dependent on its ability to develop novel drugs, new formulations of drugs or identifying opportunities for generic drugs. Dechra and Eurovet each have a good track record in developing new products. Development of new products is dependent on such products coming through the Enlarged Group's research and development department to drive future growth. At each stage of the development process there is a risk that the product does not pass internal requirements, particularly with respect to efficacy against the targeted disease/condition. To the extent the Enlarged Group is unable to develop new products, this could have a material adverse impact on the future value of the Enlarged Group.

Failure/loss of major customer or supplier

The Enlarged Group has a number or large customers (e.g. large veterinary corporates) and suppliers (e.g. raw material supplies, pharmaceutical companies which Dechra distributes for through its *NVS* division). Were a number of these to fail or to direct its business elsewhere, this could have an impact on the financial performance of the Enlarged Group.

Failure/loss of major distributor

The Enlarged Group is reliant for parts of its sales through third party distributors in territories where it does not have its own sales force. The failure to retain or the loss of one or more of these distributors would have an impact on the financial performance of the Enlarged Group.

Fuel shortage

Dechra's Services division is highly reliant on the availability of fuel for its fleet of delivery vehicles. To the extent the fleet could not run or run on a reduced service, this would disrupt the Enlarged Group's business.

Logistics failure

A prolonged break down in the automated picking circuit at *NVS* would have a material impact on the financial performance of the Enlarged Group.

Disruption to manufacturing

The significant proportion of the Enlarged Group's manufacturing is conducted in-house. A prolonged disruption to one or more of the Enlarged Group's manufacturing facilities would materially impact the ability of the Enlarged Group to get its products to markets with the consequential knock-on effect on sales.

C. Additional risks relating to the Rights Issue and the New Ordinary Shares

Volatility in the price of the Ordinary Shares and liquidity in the market for the Ordinary Shares

The price of the Ordinary Shares may decline below the Issue Price. Should that occur after rights are exercised, Qualifying Shareholders who exercised their rights will suffer an immediate unrealised loss as a result. Moreover Shareholders may not be able to sell their New Ordinary Shares at a price equal to or greater than the Issue Price.

The price of the Ordinary Shares will fluctuate and may not always reflect the underlying asset value or the prospects of the Group. The price of the Ordinary Shares may fall in response to market appraisal of the Group's current strategy or if the Group's operating results and/or prospects from time to time are below the prior expectations of market analysts and investors. In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities and which may be unrelated to the Group's operating performance and prospects. A number of factors outside the control of the Group may impact on its performance and the price of the Ordinary Shares. The factors which may affect the Company's share price include (but are not limited to):

(a) the Group's expected and actual operating performance and the performance of other companies in the markets in which the Group operates;

(b) speculation about the Group's business, about mergers or acquisitions involving the Group and/or major divestments by the Group in the press, media or investment community;

(c) speculation regarding the intentions of the Company's major Shareholders or significant sales of Shares by such Shareholders;

(d) other rights issues in the market; and

(e) general economic and market conditions.

Although the Company has no current plans for a subsequent offering of Ordinary Shares, it is possible that it may decide to do so in the future. An additional offering or a significant sale of Ordinary Shares by any of the Company's major Shareholders could have an adverse effect on the market price of the outstanding Ordinary Shares.

Trading market in the Nil Paid Rights may not develop

An active trading market in the Nil Paid Rights may not develop on the London Stock Exchange during the trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of Ordinary Shares, the Nil Paid Rights price may be volatile and is subject to the same risks as noted in the preceding risk factor. The volatility of the price of Ordinary Shares may also magnify the price volatility of the Nil Paid Rights.

Timetable for listing and admission to trading of the New Ordinary Shares

There is no assurance that the listing and trading on the London Stock Exchange will take place when anticipated.

Dividends

Under UK company law, a company may pay cash dividends only to the extent that it has distributable reserves and cash available for this purpose. Dechra's ability to pay dividends is affected by the Group's profitability and the extent to which Dechra has distributable reserves out of which dividends may be paid. In the light of these factors, the Company can give no assurance that it will be able to pay a dividend in the future or as to the amount of any such dividend, if paid.

Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of Dechra

The Rights Issue offer period is expected to begin on 30 April 2012 and expire at 11.00 a.m. (London time) on 15 May 2012. If Qualifying Shareholders do not take up or are not able to take up their entitlements under the Rights Issue, their proportionate ownership and voting interests in Dechra will be reduced and the percentage that their shares will represent of the total share capital of the Company will be reduced accordingly. Even if a Shareholder elects to sell his unexercised Nil Paid Rights or such Nil Paid Rights are sold on his behalf, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Company's share capital that may be caused as a result of the Rights Issue.

Any future issues of Dechra Shares will further dilute the holdings of current Dechra Shareholders and could adversely affect the market price of Dechra's Shares

Other than the proposed issue of shares under the Rights Issue, Dechra has no current plans for an offering of Dechra shares. However, it is possible that Dechra may decide to offer additional Dechra shares in the future either to raise capital or for other purposes. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in Dechra would be reduced and the percentage that their Shares would represent of the total share capital of Dechra would be reduced accordingly. An additional offering, or significant sales of Dechra shares by major Shareholders, could have a material adverse effect on the market price of Dechra shares as a whole.

Overseas Shareholders may not be able to receive New Ordinary Shares in the Rights Issue

Securities laws of certain jurisdictions may restrict Dechra's ability to allow participation by Shareholders in the Rights Issue. In particular, holders of Ordinary Shares with registered addresses, or resident or located, in the US may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the US Securities Act. Securities laws of certain other jurisdictions may restrict Dechra's ability to allow participation by Qualifying Shareholders in such jurisdictions in the Rights Issue.

Rights Issue not conditional on Completion of the Acquisition

It is possible that following Admission and the Rights Issue becoming wholly unconditional, the Acquisition could cease to be capable of completion. In this case, as the Rights Issue is not conditional upon the Acquisition being approved or Completion of the Acquisition, the Rights Issue would still be completed and funds would be raised by Dechra. In the event that the Rights Issue proceeds but Completion does not take place, the Board will determine the appropriate level of monies to return to Shareholders and the appropriate manner in which to do so. Any return of capital may have adverse tax implications for Shareholders.

D. Risks relating to the Acquisition

Integration risk

Whilst Dechra has past experience in integrating acquisitions, the Enlarged Group's success may in part be dependent upon Dechra's ability to integrate Eurovet and any other businesses that it may acquire in the future, without disruption to the existing business.

Eurovet and AUV management

The success of the Enlarged Group will, to an extent, depend upon the successful integration and motivation of certain Eurovet and AUV management personnel. It is possible that failure to retain certain individuals (in particular, the continued employment of Tony Griffin, AUV Chief Executive Officer, and Jan Jaap Korevaar, the Managing Director of Eurovet) during the integration period will affect the ability to integrate Eurovet successfully into the Enlarged Group.

Unknown risks associated with Eurovet

There may be unforeseen legal, regulatory, contractual, labour or other issues arising from the acquisition of Eurovet.

Failure to achieve expected synergy benefits.

The expected synergy benefits arising from the Acquisition may not be achieved and the cost of achieving the synergies may be higher than expected.

Operating and financial restrictions as a result of increased debt facilities

As a result of the Acquisition, the Enlarged Group will have an increased amount of debt and debt service obligations. This debt could have important adverse consequences insofar as it:

(a) requires the Group to dedicate a significant proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to fund working capital, capital expenditure and other general corporate needs;

(b) increases the Group's vulnerability to adverse general economic industry conditions;

(c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates;

(d) may limit the Group's ability to raise additional debt or equity in the future; and

(e) could restrict the Group from making strategic acquisitions or exploiting business opportunities.

Limited warranties and representations in the Acquisition Agreement

The Acquisition Agreement contains warranties and representations on the part of the Seller which, as is usual in such a transaction, are subject to specific negotiated limitations also contained in the Acquisition Agreement. Accordingly the right of Dechra to recover damages or compensation in the event of an undisclosed liability of Eurovet coming to light after Completion is restricted.