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Dechra® Pharmaceuticals PLC

("Dechra")

An International Veterinary Pharmaceutical Business

Preliminary Results for the year ended 30 June 2011

	Year ended 30 June 2011	Year ended 30 June 2010	
• Revenue	**£389.2m**	£369.4m	+5.4%
• Underlying operating profit*	**£31.8m**	£28.2m	+12.9%
• Operating profit	**£21.7m**	£19.9m	+9.3%
• Underlying profit before taxation*	**£30.1m**	£26.1m	+15.4%
• Profit before tax	**£18.5m**	£17.7m	+4.4%
• Underlying earnings per share*			
Basic	**34.33p**	29.50p	+16.4%
Diluted	**34.22p**	29.39p	+16.4%
• Earnings per share			
Basic	**21.33p**	19.97p	+6.8%
Diluted	**21.26p**	19.89p	+6.9%
• Dividend			
Final	**8.40p**	7.20p	+16.7%
Total	**12.10p**	10.50p	+ 15.2%
• Net borrowings	**£34.1m**	£6.7m	

- Fifth successive year of double digit underlying earnings per share growth
- Strong growth from branded veterinary products
- Investment in product pipeline increased
- High cash inflow in second half
- Two earnings enhancing acquisitions completed and integrated
- Strong balance sheet with net borrowings 0.98 times underlying EBITDA

* Non-underlying items comprise amortisation of acquired intangibles, acquisition expenses, rationalisation costs, payments to acquire technology for the research and development programme, impairment charges, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration

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Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Company during the preparation and up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future thereby involving a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Company.

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2011

STATEMENT BY THE CHAIRMAN, MICHAEL REDMOND

Consistent Double Digit Earnings Growth

The Group has achieved its fifth successive year of double digit underlying earnings growth and made significant strategic progress during the year. Two acquisitions, which will be earnings enhancing in the first full year of ownership, have been completed and integrated into the business, our branded products have continued to outperform the market, several new products have been launched and our international scope has increased. Furthermore, we have continued to make advancements with our product development pipeline and have increased investment in people and infrastructure to ensure growth is sustained in the future.

Financial Highlights

Revenue increased by 5.4% from £369.4 million to £389.2 million; underlying operating profit increased by 12.9% from £28.2 million to £31.8 million. The increase in underlying operating margin from 7.6% to 8.2% is a reflection of the growth of our high margin pharmaceutical business, particularly in the USA.

The underlying net finance expense was £1.8 million compared to £2.1 million in 2010. Additional net foreign exchange gains of £0.8 million were partially offset by interest on additional bank borrowings to finance the *DermaPet*® and *Genitrix*® acquisitions.

Underlying profit before taxation increased by 15.4% from £26.1 million to £30.1 million whilst underlying earnings per share rose by 16.4% from 29.50 pence to 34.33 pence.

Reported operating profit was £21.7 million (2010: £19.9 million) whilst profit before taxation was £18.5 million (2010: £17.7 million). Reported earnings per share was 21.33 pence (2010: 19.97 pence).

After a cash outflow in the first half of the financial year, there was a strong cash inflow in the second half with net borrowings reducing from £49.6 million at 31 December 2010 to £34.1 million at 30 June 2011. The increase from £6.7 million at 30 June 2010 is due to the acquisitions made during the year.

Dividend

In line with our progressive dividend policy and our confidence in the business, the Directors are recommending an increase in the final dividend to 8.40 pence per share (2010: 7.20 pence per share). This, together with the interim dividend of 3.70 pence per share (2010: 3.30 pence per share), makes a total dividend for the year of 12.10 pence per share (2010: 10.50 pence per share), a 15.2% increase.

The total dividend is covered 2.6 times by profit after taxation after adding back amortisation of acquired intangibles (2010: 2.6 times).

The final dividend, which is subject to Shareholder approval at the Annual General Meeting to be held on Friday 4 November 2011, will be paid on 25 November 2011 to Shareholders on the Register at 11 November 2011. The date shares become ex-dividend is 9 November 2011.

People

There have been no senior management changes during the year; however, there have been a number of changes in respect of our Non-Executive Board members. Following ten years of service, Malcolm Diamond MBE retired as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee in November 2010. We would like to thank Malcolm for his valued support and contribution to the business over this period. Dr Chris Richards was appointed as an Independent Non-Executive Director from 1 December 2010. Chris is currently Chairman of Arysta LifeScience Corporation, the world's largest privately owned crop protection company. He brings with him over 20 years of international management experience. Neil Warner has undertaken the role of Senior Independent Non-Executive Director and Bryan Morton has assumed the role of Chairman of the Remuneration Committee.

On behalf of the Board and our Shareholders I would like to thank all our employees for their hard work and dedication throughout the year.

Corporate Governance

During the year the Board has focused on consolidating the medium to long term strategy of the business to ensure that the Group continues to deliver and maintain value for our stakeholders. As Chairman, one of my prime roles is to ensure that the Board has the right mix of skills and experience to assist the Executive Directors in the progression and implementation of this Group strategy.

During the year a detailed internal board evaluation programme was undertaken. The process was well received by the Directors and a number of constructive suggestions were highlighted which should assist in strengthening the Board over the coming year. The evaluation highlighted the enthusiasm and ambition of the Board to continue to grow the business.

Prospects

Although footfall through veterinary practices has declined and the general economic climate remains uncertain we are continuing to demonstrate solid growth in markets in which we trade. Our branded product range, the focus of our key strategic objective, continues to grow strongly.

To sustain this growth we have increased investment in product development, extended the geographies in which we operate, acquired complementary businesses and increased the number of people within sales and marketing. We believe, therefore, that we are well positioned to ensure future solid growth is maintained and Shareholder value enhanced.

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2011

REVIEW BY THE CHIEF EXECUTIVE, IAN PAGE

Introduction

The Group has continued to make good financial and strategic progress during the year. The markets in most of the countries in which we trade have demonstrated growth, although there has been a decline in footfall through veterinary practices, especially in the companion animal sector. This decline has been offset in the UK by reasonably strong growth in the livestock sector and by a significant increase in veterinary products being purchased online as price conscious consumers look to reduce the costs of animal welfare; Dechra, in our UK distribution business, is currently underweight in both these low margin sectors. Within these market dynamics and against the background of continued global economic uncertainty, Dechra has performed strongly and, for the fifth consecutive year, produced double digit underlying earnings per share growth. This success is a reflection of the strength of the Group and the ongoing delivery of the underlying strategy. Furthermore, we have continued to invest in our infrastructure and product development pipeline and have made two earnings enhancing acquisitions to ensure we are well positioned to maintain good future growth prospects.

Our Strategy for Delivering and Maintaining Value

The Group has a clear strategy for growth by providing novel and specialist products together with innovative services to the veterinary profession. Additionally, we provide contract manufacturing services to other pharmaceutical companies.

Products

The primary strategic objective of the Group is to develop a high growth, cash generative veterinary products business. This is achieved by increased market shares of existing products and increasing the depth of the product range by:

- pharmaceutical development of novel companion animal and equine products;
- approval of pharmaceutical generic products;
- the continued development and innovation of our branded pet diets; and
- acquiring or in-licensing specialist pet products which can be marketed through existing sales and customer channels.

Furthermore, we are:

- increasing geographical coverage through the creation of our own subsidiaries in countries where we are not currently represented; and
- improving and developing sales growth through our export partners in non-subsidiary territories.

Services

The key strategic objectives in this segment are to:

- continue improving logistics excellence;
- maintain or reduce operating costs as a percentage of sales;
- improve our service offerings relative to our competitors; and
- position the businesses so that our customers and ourselves are best placed to take advantage of a changing marketplace.

Manufacturing

The key strategic objective of manufacturing is to effectively and economically produce our own veterinary pharmaceutical product range. However, we have been successful in developing a contract manufacturing business by strategic implementation of:

- therapeutic sector specialisation;
- provision of a full service, from formulation and development through to manufacturing and packaging; and
- the ability to offer our customers a wide range of scale, dosage forms and packaging formats.

Acquisitions

Two acquisitions were completed in the period.

DermaPet

DermaPet, a Florida based dermatological business, was acquired in October 2010 for a potential total consideration of US$64.0 million. The acquisition strengthened our position as a leader in the worldwide veterinary dermatological market. As a result, we have been able to significantly increase our US sales and marketing capabilities. *DermaPet* has now been fully integrated into DVP US and expected sales and cost synergies are beginning to be realised. We have modernised the packaging and are presenting it in Dechra livery. The Group has also identified opportunities to increase sales and geographical coverage of this range within Europe.

Genitrix

In December 2010 we completed the acquisition of *Genitrix,* a privately owned veterinary company with a range of products complementary to Dechra's, for a potential total consideration of £6.4 million. The *Genitrix* brands are currently sold exclusively within the United Kingdom. The rationalisation of the business was completed at the end of January 2011 with the closure of their warehouse and office facility. A number of the *Genitrix* sales team have been appointed within the Dechra Group and cost synergies are now being realised.

The main future strategic objective is to extend the *Genitrix* product range into other EU territories. *Libromide*®, a recently approved canine epilepsy product for the UK, is being taken through Mutual Recognition to gain approval throughout Europe. Two other products, *Xeno*® and *RIP Fleas*®, are also being considered for launch in other selected territories.

The Business and its Markets

Dechra operates under four segments:

- **Product Development**;
- **European Pharmaceuticals** which comprises Dechra Veterinary Products Europe ("DVP EU") and *Dales*® Pharmaceuticals ("*Dales*");
- **US Pharmaceuticals** comprising Dechra Veterinary Products US ("DVP US"); and
- **Services** comprising National Veterinary Services ("*NVS*®") and our Laboratories, NationWide Laboratories ("NWL") and Cambridge Specialist Laboratory Services ("CSLS").

The Group employs 1,010 people, operates out of 14 countries and exports products globally.

Product Development

The ongoing development of our specialist branded veterinary exclusive products is a key part of the Group's future growth plans.

Development Strategy

The Group has a strategic programme to increase its product portfolio. The main criteria for assessing a product's potential for inclusion in the development pipeline are:

- risk adjusted return on investment;
- market potential and future growth opportunities;
- geographical scope;
- target species; and
- the ability to sell and market through existing distributor and veterinary customer channels.

Our product development is concentrated in three areas:

- Prescription only veterinary medicines ("POMs") for dogs, cats and horses. We target products in specialist therapeutic areas and focus on novel ideas in underserved markets. Most of our projects utilise existing pharmaceutical entities that are typically used within the human market and therefore the majority of product creation is development and not research based.
- Therapeutic pet diets for dogs and cats. Products are formulated and trialled to provide optimum nutrition for animals diagnosed with various medical conditions.
- Unlicensed medicines, shampoos and supplements for dogs, cats and horses. These products, on the whole, are intended for veterinary recommendation and in most cases will complement the therapeutic areas in which our POMs are targeted.

Development Achievements

The Group has continued to increase investment in product development with an 11.9% increase in expenditure over the corresponding period last year. The development team has been increased to 25 people who are located in the United States, United Kingdom and Denmark. Dosage form development work is conducted in the UK; regulatory work is conducted in the UK and Denmark and the majority of safety and efficacy trials are controlled by our US team. There have been several approvals within the year:

- *Equidone*® Gel, a specialist novel equine product, in the US;
- *Vetoryl*®, the Group's largest product, in Japan;
- 10mg *Vetoryl,* which increases dosing options, in Australia;
- *Felimazole*® 2.5mg, low dose preparation, approved in the Nordics;
- *Malaseb*®, our dermatological product, recently licensed in mainland Europe is now approved in Norway;
- *Clavudale*®, an antibiotic generic, throughout Europe via the Mutual Recognition procedure;
- *Urilin*®, a bitch incontinence product, throughout Europe via the Mutual Recognition procedure;
- *Rycarfa*®, a flavoured analgesic tablet, in the EU;
- *Alvegesic*®, an analgesic injection, in the UK; and
- *Fiprodog*®, a generic flea product in the UK.

Alvegesic, *Rycarfa* and *Fiprodog* are products which were gained through licensing agreements with European partners.

We have also achieved a number of other regulatory successes including:

- the transfer of the Marketing Authorisations of the *Genitrix* products and *Vetoryl* from our previous EU marketing partners to Dechra;
- the regulatory changes needed to transfer the manufacturing of *Canaural*® and *Fuciderm*® in-house;
- work has begun on the difficult regulatory task of transferring the ophthalmic products, acquired from Nycomed for the US market last year, into a new manufacturer.

Three new diet ranges have been developed:

- Canine Omega Support Diet: an effective support for a number of clinical conditions including the treatment of allergic dermatitis and for recovery from cancer and canine heart failure;
- Feline Crystal Diet: a newly formulated cat diet optimised for the long term prevention of struvite crystals and prevention of recurrence of struvite crystals and uroliths; and
- a certified organic range which are the first organic diets targeted for sale through veterinary practices. These are palatable and nutritionally balanced diets for healthy pets.

Product Pipeline

As can be demonstrated by the achievements outlined earlier in this report, our product pipeline continues to deliver novel pharmaceuticals, generic pharmaceuticals, line extensions, approvals of existing products into new territories and new innovative pet diets.

New Chemical Entities

Development of new molecules to the veterinary profession is ongoing. Significant progress has been made on an equine lameness product, with both the safety and efficacy studies being completed. Unfortunately, there has been a six month delay as we have had to change the outsourced manufacturer. All other novel products, outlined in the following table, continue to make progress. We have, over the period, conducted two 'proof of concept' studies, one of which, a canine dermatological product, has been added to the development programme. We have reached contractual agreement for exclusive use of a novel patented human pharmaceutical for this dermatological product and for a second application in another key therapeutic sector.

Species	**Therapeutic Category**	**Target Approval**
Equine	Lameness	2013
Canine	Endocrine	2014
Feline	Endocrine	2015
Feline	Gastrointestinal	2014
Canine	Dermatological	TBD

At maturity these products should cumulatively generate £25 million to £30 million revenue annually.

Generics and Unlicensed Products

A number of generic products that complement our existing range or are sold within our key therapeutic sectors are under development. Reformulation, improvement and innovation in our unlicensed products are also ongoing.

Species	**Therapeutic Category**	**Target Approval**
Canine	Epilepsy	2011
Equine/Canine	Euthanasia	2012
Canine/Feline/Equine	Pain Management	2012
Canine/Feline	Pain Management	2013
Feline	Endocrine	2013
Feline	Endocrine	TBD

At maturity these products should cumulatively generate £4 million to £5 million revenue annually.

Pet Diets
Development of novel therapeutic pet diets continues and numerous formulation changes to improve efficacy and palatability are ongoing. We have also signed a contract with Biomarine, a Norwegian government funded project, to research the use of bioactive peptides in the treatment and prevention of diseases in pets. This project puts Dechra in the frontline of research into innovative ingredients for the next generation of therapeutic pet foods.

A novel product *Specific*® CED Endocrine Support is in the final stages of development. The product is an innovative therapeutic diet to support the medical treatment of adult dogs with endocrine disorders including the treatment of diabetes and Cushing's syndrome.

In the autumn, a re-optimised wet food range will be introduced in flexible cans with a new design. The maintenance wet food range will be extended with a senior wet food version (*Specific* CGW Senior) for dogs as well as cats (*Specific* FGW Senior). The senior diets give our customers the choice to feed their pets a healthy and palatable diet which helps to prevent geriatric diseases.

Species	**Product**	**Project**	**Target Launch Date**
Canine/Feline	Senior wet diets	Completion of maintenance wet food range	2011
Canine	Endocrine	New therapeutic dry diet for endocrine support	2011
Feline	Gastrointestinal	New therapeutic dry and wet diet for gastrointestinal support	2011
Feline	Joint	New therapeutic dry and wet diet for joint support	2012
Canine/Feline	Hypo allergenic	Development of new hypo allergenic diets based on alternative protein sources	2013
Canine/Feline	Novel	Use of bioactive peptides in therapeutic diets	2014

European Pharmaceuticals
This segment comprises DVP EU and *Dales*.

DVP EU
What we do
This business unit markets and sells our own branded veterinary products within 13 European countries and manages the relationships with our worldwide marketing partners.

Operational Structure
The business has an operating board of five senior managers. Finance, IT, pre-wholesale logistics, marketing and HR are centred in Uldum, Denmark and Hadnall, England.

We have nine country managers operating out of Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden and the UK. Ireland and Portugal are managed out of the UK and Spain respectively.

We currently employ 73 representatives across these territories. DVP EU employs 214 people.

Our Market
Our customers are small animal and equine veterinary surgeons, predominantly operating out of commercial veterinary practices. European companion animal veterinary markets are currently only realising inflationary growth as footfall in most territories is declining due to the worldwide economic difficulties. Internet pharmacies, especially in the UK, are demonstrating stronger levels of growth as consumers look to reduce the cost of pet and horse ownership. Animal numbers in the major territories have remained static in the period being reported. The UK is currently our largest market with approximately eight million cats, seven million dogs and one million horses.

Key Strengths
We are unique in having a veterinary exclusive range of products with a clear focus on companion animals and horses. The majority of our products are novel and, on the whole, are used to treat medical conditions for which there is often no other effective solution. Our key marketing benefit, especially on diets, is that our products are only sold to veterinary practices.

Achievements
Third party European marketing contracts, which were negotiated prior to the development of our own sales and marketing infrastructure, have now been terminated. *Vetoryl* and *Felimazole* have been marketed in-house through our Nordic subsidiaries since January 2011 and have now been transferred into Dechra livery for sale through our other mainland European subsidiaries since July 2011. We will also commence the in-house marketing of *Canaural*, *Fuciderm* Gel and *Fucithalmic*® Vet into Germany and Belgium and also our *Specific* range of pet diets into Belgium. In Germany these products will be distributed in Dechra livery through our existing partner, Selectavet. In Belgium we have created a new business unit which will be managed out of the Netherlands by a newly appointed Benelux manager, with sales and technical support staff being appointed within the country. The benefit of marketing products through our own subsidiaries is a significant increase in the retained gross margin for the Group. The full impact of this will be realised in our financial year ending 30 June 2012.

Following the closure last year of our pre-wholesale warehouse in Shrewsbury, England, we have relocated our UK sales, marketing, technical and regulatory teams to a new single site. This environmentally sensitive office facility provides excellent working conditions for our employees and reflects the growth and development of our pharmaceutical business.

Pharmaceutical sales increased by 9% in the period.

There were a number of product launches through our own subsidiaries and through our worldwide marketing partners:

- a low dose 2.5mg *Felimazole* launched in the Nordics;
- *Alvegesic* launched in Denmark, Sweden and France following its successful introduction into the UK last year;
- *Vetoryl* launched in Japan through our partner Kyoritsu Seiyaku Corporation;
- *Fiprodog* and *Fiprocat*®, generic flea products, were launched in the UK;
- *Rycarfa* was launched just after the year end in the UK, France, Germany and Spain; and
- preparations are being made to launch *Clavudale* and *Urilin* across the EU following their recent approvals.

We have successfully integrated the new products from the *Genitrix* and *DermaPet* acquisitions and are at an advanced stage of introducing them in Dechra livery. The *DermaPet* range, which was previously only marketed in the UK and Nordic regions, is also being prepared for launch in other subsidiary territories.

Our *Specific* pet diets have outperformed the competitors in most territories in which we operate and have grown 8% over the period. This has been achieved by our unique position of veterinary exclusivity and by keeping price increases to a minimum. Raw material costs, however, have increased significantly over the period resulting in a margin performance slightly below last year. The canine and majority of feline diets have been successfully transferred into a new manufacturer, resulting in improved quality and palatability. The Feline Crystal diet, Canine Omega Support diet and Organic range, outlined under Product Development, have been successfully launched. Following an agreement to license the formulation, brands and technical support of our *Specific* therapeutic diets to a US marketing and manufacturing company, the first two products were launched in June 2011. The products are manufactured and sold by iVet under the *Specific* brand into the extensive American market. Dechra will receive a royalty on all sales. The therapeutic diets have also been launched through a marketing partner in South Korea, a fast developing market. *Specific* therapeutic diets are also currently being launched in the UK and a number of major practices have agreed to market the range. This is a pleasing opening as we begin to establish the brand in this highly competitive market.

Dales Pharmaceuticals

What we do

Dales manufactures the vast majority of our own branded, licensed pharmaceutical products which are marketed through DVP, but also derives approximately 50% of its revenues from third party toll manufacturing, predominantly for human pharmaceutical companies. This is Dechra's only significant source of revenue not derived from the veterinary market.

Operational Structure

The business has an operating board of five senior managers. The majority of manufacturing is located in Skipton, England and employs 200 people. There is also a small manufacturing facility in Uldum, Denmark which employs 26 people.

Our Market

The primary customer for *Dales* is DVP EU. Our toll manufacturing customers are, in the main, small or mid sized UK based pharmaceutical companies.

Key Strengths

Our ability to be flexible on batch size is a major advantage, especially when introducing new pharmaceuticals. Another key strength is our ability to produce several dosage formats such as tablets, capsules, liquids, creams, gels and powders and our ability to package these products in numerous formats. We are also able to provide a full service for third party customers including product formulation, trial batch manufacturing, validation, production and packaging.

Achievements

Total overall production in the year increased by 1.2% over the corresponding period last year. However, contract manufacturing decreased by 6.5% due to a planned reduction in production by our biggest customer. Five new contracted products were introduced with a further three products in formulation for future manufacturing for third party customers. We have successfully transferred the manufacturing of *Fuciderm* and are in the process of transferring *Canaural* into *Dales.* These key DVP products were previously outsourced. Throughout the year we have improved our service level, increased yields, reduced waste and have therefore exceeded productivity targets. FDA inspections have been conducted within the year and the control points raised have been remedied. We hope to receive notification of compliance and be able to manufacture *Vetoryl* for the US market imminently.

US Pharmaceuticals

DVP US

What we do

DVP US markets and sells our own veterinary products across the USA.

Operational Structure

The business has an operating board of three senior managers, all of whom have in depth experience of the American veterinary market. Finance, HR and pre-distributor logistics are all currently outsourced. Our business is located in Kansas City, USA and employs 33 people, 22 of whom are field based sales representatives.

Our Market

Our customers are small animal and equine veterinary surgeons, predominantly operating out of commercial veterinary practices. The USA is the world's largest veterinary market and represents a significant growth opportunity for Dechra. Over 62% of US households own a pet which equates to 73 million homes. Additionally, the number of pets is increasing with a current estimated population of 86 million cats, 78 million dogs and 8 million horses.

Key Strengths

Our key pharmaceuticals, which are the focus of the majority of our sales and marketing efforts, are unique and are the first licensed products to treat the conditions for which they are recommended.

Achievements

Revenue in the year was 51.5% higher than the previous year and includes the *DermaPet* acquisition completed in October 2010. Underlying growth, on a like for like basis at constant currency, was 3.6%. This strong growth has allowed us to significantly increase our infrastructure with additional marketing, operational and sales representatives being employed in the year. Further sales and technical support staff are also currently being recruited.

Sales of *Vetoryl*, our key product, increased by 30% in the year to US$8.6 million. Almost 13,000 veterinary clinics have purchased *Vetoryl*. A report from an external audit demonstrated that Cushing's syndrome is being under diagnosed and that education and training is essential for future growth. During the year, 56 meetings were conducted by our two technical veterinarians with almost 1,600 attendees. We also sponsored ten meetings with external key opinion leader speakers with over 400 attendees. We are in the process of hiring two additional field veterinarians to increase our educational programme.

We continue to experience unregulated sales of Trilostane, the active principal ingredient in *Vetoryl*, through illegal compounding. We have invested a significant amount of funds to lobby senators on Capitol Hill in an attempt to force the FDA to take action against compounders. We are now looking to work with other animal health companies to continue this lobbying.

In December 2010 we successfully launched *Equidone* Gel to US equine veterinarians following its full approval by the FDA.

Supply issues remain with our otic and ophthalmic products from our third party suppliers, having a negative US$2 million impact on like for like sales; however, progress is being made on the transfer, validation and re-registration of these products into a new facility. We hope to be able to re-launch the major products in 2012.

Services

This segment comprises *NVS* and our Laboratories, NWL and CSLS.

NVS

What we do

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* stock 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.

Operational Structure

The business is managed by an operating board of five experienced directors. *NVS* employs 455 people across the UK, 111 of whom are delivery drivers.

The centralised inventory held in Stoke-on-Trent, England is picked and packed throughout the afternoon and evening and then distributed overnight to nine trunking depots via HGVs. Van drivers are employed locally at these depots to distribute the goods directly to our customers. *NVS* has developed an advanced communication system for its customers and through this 85% of orders arrive at *NVS* automatically with no human input required.

Our Market

Our principal customers are UK veterinary practices of all types: small animal, equine, farm animal and mixed species practices. Footfall through UK veterinary practices has declined in the year, although the overall market continues to demonstrate growth, predominantly from inflation. The consolidation of veterinary practices into large corporate groups seen over recent years has continued within the period, putting pressure on margins and cash flow.

Key Strengths

NVS offers very high levels of service, a large range and depth of stock and a reliable next day national delivery service. It also supplies a range of business solutions for veterinary practices including practice management software, benchmarking systems and marketing and business support.

Achievements

NVS has retained its market share above 40%; however, with growth of 3.9% over last year, we have slightly underperformed market growth relative to our competitors as we supply a smaller percentage of our sales into the higher growth food animal production and online pharmacy sectors. These sectors offer relatively low margins. We did, however, outperform the market in the fourth quarter with growth of 6.4%.

The most significant achievement in the year was the successful implementation of a new integrated IT system across the business which went live on 1 July 2011. Very few problems were encountered and virtually no supply issues were experienced by our customers. The second phase of implementation has now commenced, which will allow us to focus on improving management data and providing new services to customers.

Further cost savings as a percentage of sales were recognised in the year due to investment in new pallet picking technology and efficiencies gained by shift changes in the warehouse. Further efficiencies will be gained as we increase the efficiency of the picking circuit and improve utilisation of our distribution system.

We have continued to develop our own label disposable product range, branded the Valu range. Further development in this range is planned in the new financial year.

Our business partnership relationship with our customers has continued; new services have been launched such as mystery shopping to ascertain practices customer relationship skills, stock-taking services via vPOD, *NVS* Online, which personalises self-service practice data provision and we have developed strategies with practice management software suppliers to improve stock control integration and efficiencies within veterinary practices.

Laboratories

What we do

NWL is a first referral veterinary laboratory. We provide histology, pathology, haematology, chemistry and microbiology services to veterinary practices. CSLS provides secondary referral services with our key area of expertise being endocrinology. CSLS also provides precise assays which support the dosage regimes and patient monitoring of DVP's key products, *Vetoryl* and *Felimazole*.

Operational Structure

The Laboratories, employing 75 people, are run by an operational board of three senior managers and are supported by the Group Financial Controller who also sits on this board. NWL is located in Poulton-le-Fylde, Leeds and Swanscombe, and CSLS is located in Sawston, England. Samples are received on a daily basis via post, couriers and our own collection service. Where the science allows, a same day or next day results service is provided.

Our Market

NWL's customers are UK commercial veterinary practices. We have historically provided support to companion animal practices; however, in the last two years we have introduced an increased range of large animal and equine services. CSLS provides some first level support similar to NWL to UK veterinary practices; however, their major area of specialisation is in very precise endocrine assays which it supplies directly to veterinary practices and other first referral laboratories.

Key Strengths

We offer a high quality service with a very experienced team of veterinary pathologists who provide a fully interpreted results service on all samples received.

Achievements

It has been a very difficult year for laboratory services. As expected, expensive diagnostic procedures have reduced significantly due to lower footfall through veterinary practices. We have, however, recently launched the FUJI Film Dry Chemistry Analyser which is a system that allows simple diagnostic testing of blood within veterinary practices. During the year, we have 24 analysers placed in practice. The main revenue driver is the repeat orders of disposable test slides which are used within the machines.

Information Technology

Major changes and improvements in the Group's technology capabilities have been implemented in the period.

Drug Monitoring

During the period, the Regulatory team have implemented an electronic pharmaceutical monitoring and reporting system which can communicate adverse reactions electronically to the FDA in the USA.

ERP Systems

NVS, our veterinary distributor, successfully implemented a new ERP system provided by IFS on 1 July 2011. The new system will provide enhanced management information, improve the interface with other Group reporting systems and create operational flexibility upon which we can develop new services.

An Oracle system was implemented at our UK manufacturing business, *Dales*, two years ago. This was also successfully implemented at our Danish manufacturing site in November 2010. A programme has commenced to roll out Oracle across the entirety of our European Pharmaceutical segment businesses and eventually into DVP US.

Our Laboratories have identified a new IT system, Autoscribe, which is targeted to be implemented within the current calendar year.

Customer Solutions and Ordering Platform

We currently market two veterinary practice management systems through our veterinary distributor, *NVS*. *Vetcom*® Open, our most advanced system which is developed through a partnership agreement, has made significant programming and functionality advancements and now has competitive benefits over other market leading systems. *Vetcom* Windows, our in-house developed introductory practice management system, has also been modernised and developed ready for re-launch. Work has now commenced on updating vPOD, our hand-held stock control and ordering terminal, to allow it to operate on android hardware.

NVS has also updated Indices, a system which allows our veterinary customers to benchmark their performance against comparable practices on both a regional and national basis. The new system is faster and easier to use and has significantly enhanced functionality allowing veterinary practices greater access to business information.

Communication Tools

Within Dechra Veterinary Products we have continued to invest in state of the art online communication tools. We are one of the leading companies within the veterinary industry to offer educational webinars. Since inception we have conducted six online webinars in the UK with over 1,000 attendees and four in the US with over 500 attendees.

In addition to webinars we offer online continued professional development courses branded the Dechra Academy. We have approximately 9,000 registrations from veterinarians and veterinary nurses for this educational programme.

Our Dechra Veterinary Product websites are constantly being updated with technical and clinical information. All of the *Genitrix* and *DermaPet* products have now been integrated onto the DVP EU and US websites. We are also currently updating this site into other languages. The German site launch is imminent; the French and Spanish translations are in progress.

An e-newsletter is now distributed monthly to over 7,000 veterinary professionals within the UK. This medium is used to provide up-to-date product and Dechra Academy information.

HR

The Group HR Director, supported by a steering group of senior managers, has defined the principles of standards and behaviour to achieve and promote a high performance culture. These criteria have become known as the Dechra Values. The steering group has also developed a performance management mechanism incorporating the Dechra Values which will be used annually to review employees and provide a basis for future reward and development.

Key Performance Indicators ("KPIs")

Financial	Method of Calculation	Target	2011 Performance	Five Year Record
Revenue from key pharmaceutical products	Global revenue from our top five products	To achieve annual revenue growth of at least 10%	The KPI was exceeded during the year with a growth rate of 12.8% being achieved. *Vetoryl* and *Felimazole* grew particularly strongly	11 £33.2m 10 £29.4m 09 £23.6m 08 £15.3m* 07 £10.6m* * *Canaural* and *Fuciderm* acquired in January 2008
Revenue from specialist pet diets	Global revenue from the *Specific* brand of pet diets	To achieve annual revenue growth of at least 6%	Despite increasingly competitive markets a growth rate of 8.1% was achieved	11 £27.6m 10 £25.6m 09 £22.7m 08 £9.9m* 07 n/a* * Diets range acquired in January 2008
Underlying operating margin before product development cost	Underlying operating profit before product development expenditure expressed as a percentage of Group revenue	To achieve an underlying operating margin before product development costs of 10% in the medium term	Further progress towards the medium term target was made with the increased operating margin from our US business making a strong contribution	11 9.5% 10 8.9% 09 8.1% 08 7.1% 07 6.1%
Cash conversion rate	Cash generated from operations before tax and interest payments as a percentage of operating profit before amortisation of acquired intangibles	To achieve an annual cash conversion rate of at least 100%	The target rate of 100% has not been achieved this year principally due to additional payment terms being offered to certain large *NVS* customers	11 82.8% 10 100.8% 09 112.5% 08 94.2% 07 103.3%
Return on capital employed ("ROCE")	Underlying operating profit as a percentage of average operating assets utilised. Operating assets exclude cash and cash equivalents, borrowings, tax and deferred tax balances	To achieve a return on capital employed which exceeds the pre-tax weighted average cost of capital of the Group ("WACC")	Although ROCE fell slightly in 2011 due to the acquisitions made in the period the figure is still well ahead of the WACC of the Group	11 21.6% 10 22.6% 09 19.4% 08 23.3% 07 37.5%

Non-Financial	Method of Calculation	Target	2011 Performance	Five Year Record
Pharmaceutical product development pipeline	Number of products from the pipeline or in-licensed into at least one major territory with long term revenue potential of at least £0.5 million	One new diet or range extension launched in the EU, two new pharmaceuticals, each launched in at least one key market	Three novel diets launched and three pharmaceutical products launched within the EU	11 6 products 10 6 products 09 5 products 08 3 products 07 3 products
Health and safety performance	Lost Time Accident Frequency Rate ("LTAFR"): all accidents resulting in absence or the inability of employees to conduct the full range of their normal working activities for a period of more than three working days after the day when the incident occurred normalised per 100,000 hours worked	Zero preventable accidents	There has been an increase in the total number of accidents during the year from 14 to 15. None of these accidents have resulted in a work related fatality or disability.	11 0.82 10 0.75 09 0.94 08 n/a* 07 n/a* * Information not collected for these years
Employees	Employee turnover calculated as number of leavers during the period as a percentage of the average total number of employees in the period	Moving Annual Turnover ("MAT") rate of less than 15%	The MAT increased from last year's 15.88% to 19.03%. A reorganisation within our *NVS* warehouse and a higher than normal number (21) of retirements has contributed to this year's MAT target not being met.	11 19.03% 10 15.88% 09 19.81% 08 29.7% 07 n/a* * Information not collected for these years

Dechra Pharmaceuticals PLC
Preliminary Results for the year ended 30 June 2011

FINANCIAL REVIEW BY THE GROUP FINANCE DIRECTOR, SIMON EVANS

Group Performance

Financial Highlights

	Underlying Results			Reported Results		
	2011 £'000	2010 £'000	Change %	**2011 £'000**	2010 £'000	Change %
Revenue	**389,237**	369,369	5.4	**389,237**	369,369	5.4
Gross profit	**88,361**	80,625	9.6	**88,361**	80,625	9.6
% of revenue	**22.7%**	21.8%		**22.7%**	21.8%	
Distribution costs	**(17,659)**	(16,242)	(8.7)	**(17,659)**	(16,542)	(6.8)
Selling, general and administrative expenses	**(33,658)**	(31,527)	(6.8)	**(43,763)**	(39,551)	(10.6)
Research and development expenses	**(5,221)**	(4,666)	(11.9)	**(5,221)**	(4,666)	(11.9)
Operating profit	**31,823**	28,190	12.9	**21,718**	19,866	9.3
% of revenue	**8.2%**	7.6%		**5.6%**	5.4%	
Profit before taxation	**30,069**	26,056	15.4	**18,514**	17,732	4.4
Taxation	**(7,321)**	(6,619)		**(4,380)**	(4,575)	
Profit after tax	**22,748**	19,437		**14,134**	13,157	
Earnings per share	**34.33p**	29.50p	16.4	**21.33p**	19.97p	6.8
Operating cash flow before interest and tax payments	**25,374**	26,662	(4.8)	**25,374**	26,662	(4.8)
Cash conversion rate	**82.8%**	100.8%		**82.8%**	100.8%	
Free cash flow	**9,294**	9,938	(6.5)	**9,294**	9,938	(6.5)
Tax rate	**24.3%**	25.4%		**23.7%**	25.8%	
Total dividend per share	**12.10p**	10.50p	15.2	**12.10p**	10.50p	15.2
Net borrowings	**34,091**	6,701		**34,091**	6,701	

Analysis of Revenue and Underlying Operating Profit Growth

	Revenue		Underlying Operating Profit	
	£'000	%	£'000	%
Year ended 30 June 2010	369,369		28,190	
Organic growth at constant currency	14,574	3.9	1,194	4.2
Impact of acquisitions	6,558	1.8	2,722	9.7
Impact of foreign currency movements	(1,264)	(0.3)	(283)	(1.0)
Year ended 30 June 2011	389,237	5.4	31,823	12.9

Revenue

	2011 £'000	2010 £'000	Change %
European Pharmaceuticals			
Own branded pharmaceuticals	**48,614**	44,695	8.8
Diets	**27,621**	25,559	8.1
Third party contract manufacturing	**10,772**	11,524	(6.5)
Instruments, consumables and equipment	**2,280**	2,859	(20.3)
Total European Pharmaceuticals	**89,287**	84,637	5.5
US Pharmaceuticals	**16,107**	10,634	51.5
Services			
Veterinary wholesaling	**291,180**	280,385	3.9
Laboratories	**5,078**	5,285	(3.9)
Total Services	**296,258**	285,670	3.7
Inter-segment	**(12,415)**	(11,572)	
Total revenue	**389,237**	369,369	5.4

Group revenue increased by 5.4% compared to last year. During the year the Group acquired *DermaPet* Inc., based in Florida, and *Genitrix* Limited, based in the UK. These two acquisitions contributed 1.8% of growth in revenue. Currency fluctuations had a negative impact on revenue of 0.3%.

Within the European Pharmaceuticals segment, own branded pharmaceuticals performed robustly with most of our key brands showing solid growth. As disclosed in the KPI table, our leading five brands achieved growth of 12.8% compared to last year.

Diets revenues grew by 8.1% overall. Some pressure on revenue was experienced in the second half of the financial year as economic conditions in a number of European countries weakened.

As expected, contract manufacturing revenues were 6.5% lower than last year due to a planned reduction in production for our biggest single third party contract. However total production levels increased due to higher volumes of our own products.

Revenue from US Pharmaceuticals grew by 51.5% in the year with the biggest single contributor being the *DermaPet* product lines which were acquired in October 2010. *Vetoryl* also achieved good growth whilst there was an initial contribution from *Equidone*, our equine product launched in December 2010. As, previously reported, issues with a third party supplier meant that sales of our ophthalmic and otic ranges were approximately US$2 million lower than the previous year.

Within our Services segment, our UK veterinary wholesaler, *NVS*, achieved revenue growth of 3.9% in the financial year with some acceleration of this growth rate achieved in the fourth quarter. Revenue from our Laboratories business was down by 3.9% reflecting the difficult market.

Gross Profit

Gross profit for the Group was up by 9.6% from £80.6 million to £88.4 million with the gross margin increasing by 90 basis points. This was predominantly driven by increased revenue from higher margin pharmaceuticals. Diets gross margin fell slightly as raw material costs and currency impacted results. The gross margin achieved by our wholesaler, *NVS*, was broadly stable compared to last year.

Underlying Distribution Costs

Distribution costs increased by 8.7% from £16.2 million to £17.7 million. As well as increased volumes, the main factor in this increase was fuel costs, which was mitigated by efficiency savings.

Underlying Selling, General and Administrative ("SG&A") Expenses
Underlying SG&A expenses increased by 6.8% compared to 2010. The majority of this increase occurred in our US business as a result of further investment in sales people to support the *DermaPet* products and in line with our growth strategy.

Research and Development Expenses
Research and development expenditure was up by 11.9% from £4.7 million to £5.2 million. This increased expenditure supports our product development programme.

Underlying Operating Profit

	2011 £'000	2010 £'000	Change %
European Pharmaceuticals	**22,506**	21,412	5.1
US Pharmaceuticals	**4,838**	1,311	269.0
Services	**13,087**	13,103	(0.1)
Research and development	**(5,221)**	(4,666)	(11.9)
Central costs	**(3,387)**	(2,970)	(14.0)
Underlying operating profit	**31,823**	28,190	12.9

Underlying operating profit of European Pharmaceuticals rose by 5.1% during the year (6.5% at constant currency). The main driver of this increase was the performance of our own branded pharmaceuticals although the improvement in profit was constrained by a lower diets gross margin and reduced contract manufacturing revenues.

Our US business's underlying operating profit grew by 269.0% with the acquisition of *DermaPet* making a major contribution to this result. The strong increase in *Vetoryl* revenues also contributed.

Within Services, *NVS* achieved an increase in operating profit with operating margin being maintained. This was offset by a significant reduction in the profitability of the Laboratories with the reduction in revenue having an amplified impact on the bottom line.

Underlying Net Finance Expense
Underlying net finance expense was £1.8 million compared to £2.1 million in 2010. The net finance expense benefited from a £1.0 million gain on foreign exchange (2010: £0.2 million gain), although this was partially offset by interest on additional borrowings to fund the acquisitions of *DermaPet* and *Genitrix*.

Underlying Profit Before Taxation
Underlying profit before taxation rose from £26.1 million to £30.1 million, an increase of 15.4%.

Non-underlying Items
Non-underlying items in the year comprised amortisation of intangibles acquired as a result of business combinations together with one off costs related to the acquisitions of *DermaPet* and *Genitrix* including the resulting refinancing. The Directors believe that highlighting these items separately gives a better understanding of the performance of the Group.

Taxation
The effective tax rate on underlying earnings was 24.3% (2010: 25.4%). This included a credit of £0.4 million (2010: £0.1 million) in respect of prior years. Going forward, the Group will benefit from the planned reductions in the UK corporation tax rate.

Earnings per Share and Dividend

Underlying earnings per share increased by 16.4% from 29.50 pence to 34.33 pence, the fifth successive year of double digit growth.

The Board is proposing a final dividend of 8.40 pence per share which, when added to the interim dividend of 3.70 pence per share already paid, gives a total dividend for the year of 12.10 pence compared to 10.50 pence in 2010.

The total dividend is covered 2.6 times (2010: 2.6 times) by profit after taxation after adding back amortisation of acquired intangibles.

Cash Flow

	2011	2010
	£'000	£'000
EBITDA	**33,615**	29,283
Share-based payments charge	**830**	817
Changes in working capital	**(9,071)**	(3,438)
Cash generated from operations	**25,374**	26,662
Net interest	**(2,629)**	(2,208)
Taxes paid	**(5,034)**	(6,124)
Capital expenditure	**(4,090)**	(2,721)
Proceeds of asset sales	**2**	-
Repayment of borrowings	**(4,329)**	(5,671)
Free cash flow	**9,294**	9,938
Acquisitions	**(33,047)**	-
Net new borrowings	**29,556**	-
Issue of share capital	**541**	589
Dividends	**(7,221)**	(6,195)
Foreign currency effects	**(129)**	353
Net cash flow	**(1,006)**	4,685

The cash conversion rate in 2011 was 82.8% (2010: 100.8%) with the reduction due principally to additional payment terms being offered to certain large *NVS* customers.

Financial Position at the Year End

	2011	2010
	£'000	£'000
Non-current assets		
Intangible assets	**125,098**	80,371
Property, plant and equipment	**7,721**	7,673
	132,819	88,044
Working capital	**32,494**	21,486
Deferred and contingent consideration	**(14,055)**	-
Current tax liability	**(5,391)**	(4,105)
Deferred tax liability	**(13,443)**	(12,496)
Net borrowings	**(34,091)**	(6,701)
Net assets	**98,333**	86,228

Intangible assets and net borrowings increased compared to last year due to the two acquisitions made during the period. The balance sheet remains strong with net borrowings having reduced by £15.6 million since 31 December 2010. The net borrowings at 30 June 2011 of £34.1 million are comfortably affordable, representing only 0.98 times underlying EBITDA.

Of the increase in working capital, £1.5 million was as a result of the acquisitions. Inventory levels were increased in the first half of the financial year to ensure continuity of supply during the transfer of our diet range to a new manufacturer. This was partially reversed in the second half. The remaining increase was due to higher revenues and additional payment terms that *NVS* offered to a major customer.

Bank Facilities

Our bank facilities were refinanced during the year in order to fund the acquisition of *DermaPet*. The new facilities run through to 2014. There was substantial headroom on all covenants during the year.

Risks and Uncertainties

As we have stated in previous reports, the Group, like every business, faces risks and uncertainties in both its day-to-day operations and through events relating to the achievement of its long term strategic objectives. The Board has ultimate responsibility for risk management within the Group and there is an ongoing and embedded process of assessing, monitoring, managing and reporting on significant risks faced by the separate business units and by the Group as a whole.

The table on the following page highlights the main potential risks to the Group strategy, as identified by the Board, and the controls put in place in order to mitigate the said risks:

The main potential risk areas identified by the Board are as follows:

Strategy	**Risk**	**How we mitigate the risk**
To sustain growth from our core businesses	The failure of a major customer or supplier	• The business units monitor the financial status of both key customers and suppliers and maintain regular contact with them (including face to face meetings) • Where it becomes evident that issues in relation to manufacturing/supply may arise alternative suppliers are identified and detailed plans drafted. Where a manufacturing transfer is required stock is built up in order to avoid/mitigate an out of stock situation • In respect of manufacturing, a "second sourcing" project for key materials has been established and maintained • All contracts with suppliers and customers are reviewed from both a commercial and legal perspective to ensure that assignment of the contract is allowed should there be a change of control of either of the contracting parties
	Failure to meet regulatory requirements under which we operate thereby disrupting our operations and our product manufacture pipeline/loss of key products due to regulatory changes	• The Group always strives to exceed regulatory requirements and ensures that its employees have detailed experience and knowledge of the regulations • All businesses have clearly established quality systems and procedures in place • Regular contact is maintained with all relevant regulatory bodies in order to build/strengthen relationships and ensure good communication lines • The regulatory and legal teams remain constantly updated in respect of proposed/actual changes in order to ensure that the business is equipped to deal with and adhere to such changes • Where any changes are identified which could affect our ability to continue to market and sell any of our products a response team is created in order to mitigate such risk and to retain effective communication with the relevant regulators • External consultants are utilised to audit our manufacturing systems prior to any major inspection
	Loss of key personnel	• Succession planning is given consideration by the Board and, where deemed necessary, Key Man Insurance is in place • In 2009 the Group HR director developed and implemented a leadership development program for the senior management team in order to further strengthen the retention of the individuals. This program is ongoing and includes the involvement of personal coaches • A Performance and Development Review process is in the early stages of implementation
	Fuel shortage/logistics failure	• Standard operating procedures have been drafted in respect of fuel emergencies/failures of the courier company (the latter in respect of the Laboratories only) to provide a daily service. Such standard operating procedures are regularly reviewed in order to ensure they remain effective • Delivery routes are constantly monitored by the operations department in order to ensure that they remain effective, economic and efficient • Routine ongoing maintenance of the automated picking circuit at *NVS* and ensuring that all critical components are held on site
To continue to develop a high growth, cash generative specialist veterinary products business	Competitor product launched against one of our leading brands	• Product improvement plans and marketing strategies are reviewed on a regular basis • Where competitor products are launched a response strategy is established and followed by our marketing team to highlight any unique selling points or competitive advantages or to position our products defensively to minimise competitor impact • Market research is conducted in order to allow the marketing team to better understand customer needs and ensure that our products fulfil the identified requirements • Any product patents are monitored and consideration given to the formulation of a defensive strategy towards the end of the life of the patent
	Revenue from recently launched new products failing to meet expectations	• In respect of all new product launches a detailed marketing plan is established. Progress against the plan is constantly monitored • The Group ensures that it has detailed market knowledge and retains close contact with customers through its sales teams which are consistently trained to a high standard • Alongside the marketing plan the sales team receives training on the product, its benefits and all available technical information
	Failure of clinical trials	• Before major costly efficacy studies are initiated, smaller proof of concept studies are conducted to study the effects of the drug on target species and for the target indication

Consolidated Income Statement
for the year ended 30 June 2011

	Note	2011 Underlying £'000	2011 Non-underlying items* (notes 4 & 5) £'000	2011 Total £'000	2010 Underlying £'000	2010 Non-underlying items* (note 5) £'000	2010 Total £'000
Revenue	2	**389,237**	**-**	**389,237**	369,369	-	369,369
Cost of sales		**(300,876)**	**-**	**(300,876)**	(288,744)	-	(288,744)
Gross profit		**88,361**	**-**	**88,361**	80,625	-	80,625
Distribution costs		**(17,659)**	**-**	**(17,659)**	(16,242)	(300)	(16,542)
Administrative expenses		**(38,879)**	**(10,105)**	**(48,984)**	(36,193)	(8,024)	(44,217)
Operating profit	2	**31,823**	**(10,105)**	**21,718**	28,190	(8,324)	19,866
Finance income	3	**2,144**	**-**	**2,144**	1,632	-	1,632
Finance expense	4	**(3,898)**	**(1,450)**	**(5,348)**	(3,766)	-	(3,766)
Profit before taxation		**30,069**	**(11,555)**	**18,514**	26,056	(8,324)	17,732
Income tax expense	6	**(7,321)**	**2,941**	**(4,380)**	(6,619)	2,044	(4,575)
Profit for the year attributable to owners of the parent		**22,748**	**(8,614)**	**14,134**	19,437	(6,280)	13,157
Earnings per share							
Basic	8			**21.33p**			19.97p
Diluted	8			**21.26p**			19.89p
Dividend per share (interim paid and final proposed for the year)	7			**12.10p**			10.50p

* Non-underlying items comprise amortisation of acquired intangibles, acquisition expenses, rationalisation costs, payments to acquire technology for the research and development programme, impairment charges, loss on extinguishment of debt and the unwinding of discounts on deferred and contingent consideration

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2011

	2011	2010
	£'000	£'000
Profit for the period	**14,134**	13,157
Other comprehensive income:		
Effective portion of changes in fair value of cash flow hedges	**(684)**	593
Cash flow hedges recycled to income statement	**670**	-
Foreign currency translation differences for foreign operations	**3,411**	(1,949)
Net loss on hedge of net investment in foreign operations	**-**	(1,300)
Recycled to income statement	**-**	(512)
Income tax relating to components of other comprehensive income	**(4)**	249
Total comprehensive income for the period attributable to owners of the parent	**17,527**	10,238

Consolidated Statement of Financial Position
at 30 June 2011

	Note	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Intangible assets	9	**125,098**	80,371
Property, plant & equipment	10	**7,721**	7,673
Total non-current assets		**132,819**	88,044
Current assets			
Inventories	12	**40,760**	34,819
Trade and other receivables	13	**66,293**	51,162
Cash and cash equivalents	14	**30,496**	31,502
Total current assets		**137,549**	117,483
Total assets		**270,368**	205,527
LIABILITIES			
Current liabilities			
Borrowings	17	**(8,502)**	(20,441)
Trade and other payables	15	**(74,559)**	(64,495)
Deferred and contingent consideration		**(500)**	-
Current tax liabilities	16	**(5,391)**	(4,105)
Total current liabilities		**(88,952)**	(89,041)
Non-current liabilities			
Borrowings	17	**(56,085)**	(17,762)
Deferred and contingent consideration		**(13,555)**	-
Deferred tax liabilities	11	**(13,443)**	(12,496)
Total non-current liabilities		**(83,083)**	(30,258)
Total liabilities		**(172,035)**	(119,299)
Net assets		**98,333**	86,228
EQUITY			
Issued share capital	18	**664**	661
Share premium account		**63,559**	63,021
Hedging reserve		**(294)**	(276)
Foreign currency translation reserve		**4,751**	1,340
Merger reserve		**1,770**	1,770
Retained earnings		**27,883**	19,712
Total equity attributable to equity holders of the parent		**98,333**	86,228

Consolidated Statement of Changes in Shareholders' Equity for the year ended 30 June 2011

	Attributable to owners of the parent						
Year ended 30 June 2010	**Issued Share capital £'000**	**Share premium account £'000**	**Hedging reserve £'000**	**Foreign currency translation reserve £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 July 2009	656	62,437	(703)	4,686	1,770	11,840	80,686
Profit for the period	-	-	-	-	-	13,157	13,157
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	427	-	-	-	427
Foreign currency translation differences for foreign operations, net of tax	-	-	-	(2,041)	-	-	(2,041)
Net loss on hedge of net investment in foreign operations, net of tax	-	-	-	(936)	-	-	(936)
Cash flow hedges recycled to income statement, net of tax	-	-	-	(369)	-	-	(369)
Total comprehensive income	-	-	427	(3,346)	-	13,157	10,238
Transactions with owners							
Dividends paid	-	-	-	-	-	(6,195)	(6,195)
Share-based payments	-	-	-	-	-	910	910
Shares issued	5	584	-	-	-	-	589
Total contributions by and distributions to owners	5	584	-	-	-	(5,285)	(4,696)
At 30 June 2010	661	63,021	(276)	1,340	1,770	19,712	86,228
Year ended 30 June 2011							
At 1 July 2010	661	63,021	(276)	1,340	1,770	19,712	86,228
Profit for the period	-	-	-	-	-	14,134	14,134
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(506)	-	-	-	(506)
Foreign currency translation differences for foreign operations, net of tax	-	-	-	3,411	-	-	3,411
Cash flow hedges recycled to income statement, net of tax	-	-	488	-	-	-	488
Total comprehensive income	-	-	(18)	3,411	-	14,134	17,527
Transactions with owners							
Dividends paid	-	-	-	-	-	(7,221)	(7,221)
Share-based payments	-	-	-	-	-	1,258	1,258
Shares issued	3	538	-	-	-	-	541
Total contributions by and distributions to owners	3	538	-	-	-	(5,963)	(5,422)
At 30 June 2011	664	63,559	(294)	4,751	1,770	27,883	98,333

Hedging Reserve

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

Foreign Currency Translation Reserve

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

Merger Reserve

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

Consolidated Statement of Cash Flows
for the year ended 30 June 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit for the period		**14,134**	13,157
Adjustments for:			
Depreciation		**1,535**	1,509
Amortisation and impairment		**10,362**	7,908
Loss on sale of property, plant and equipment		**1**	-
Finance income		**(2,144)**	(1,632)
Finance expense		**5,348**	3,766
Equity-settled share-based payment expense		**830**	817
Income tax expense		**4,380**	4,575
Operating cash flow before changes in working capital		**34,446**	30,100
Increase in inventories		**(4,814)**	(3,126)
Increase in trade and other receivables		**(12,408)**	(3,833)
Increase in trade and other payables		**8,150**	3,521
Cash generated from operating activities before interest and taxation		**25,374**	26,662
Interest paid		**(3,586)**	(3,214)
Income taxes paid		**(5,034)**	(6,124)
Net cash inflow from operating activities		**16,754**	17,324
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**2**	-
Interest received		**957**	1,006
Acquisition of subsidiaries		**(33,047)**	-
Purchase of property, plant and equipment		**(1,280)**	(1,243)
Capitalised development expenditure		**(1,025)**	(955)
Purchase of other intangible non-current assets		**(1,785)**	(523)
Net cash outflow from investing activities		**(36,178)**	(1,715)
Cash flows from financing activities			
Proceeds from the issue of share capital		**541**	589
New borrowings		**68,000**	-
Expenses of raising new borrowings		**(944)**	-
Repayment of borrowings		**(41,829)**	(5,671)
Resetting of foreign currency borrowings		**320**	456
Dividends paid		**(7,221)**	(6,195)
Net cash inflow / (outflow) from financing activities		**18,867**	(10,821)
Net (decrease) / increase in cash and cash equivalents		**(557)**	4,788
Cash and cash equivalents at start of period		**31,502**	26,817
Exchange differences on cash and cash equivalents		**(449)**	(103)
Cash and cash equivalents at end of period		**30,496**	31,502
Reconciliation of net cash flow to movement in net borrowings			
Net (decrease)/increase in cash and cash equivalents		**(557)**	4,788
Repayment of borrowings		**41,829**	5,671
New borrowings		**(68,000)**	-
Expenses of raising new borrowings		**944**	-
Exchange differences on cash and cash equivalents		**(449)**	(103)
Retranslation of foreign borrowings		**254**	(1,230)
Other non-cash changes		**(1,411)**	(300)
Movement in net borrowings in the period		**(27,390)**	8,826
Net borrowings at start of period		**(6,701)**	(15,527)
Net borrowings at end of period	20	**(34,091)**	(6,701)

Notes to the Preliminary Results for the year ended 30 June 2011

1. Status of Accounts

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

The Board of Directors approved the preliminary announcement on 6 September 2011.

2. Operating Segments

The Group has four reportable segments, as discussed below, which are based on information provided to the Board of Directors, which is deemed to be the Group's chief operating decision maker. Several operating segments which have similar economic characteristics have been aggregated into the reporting segments.

The Services segment comprises National Veterinary Services, NationWide Laboratories and Cambridge Specialist Laboratory Services. The segment services UK veterinary practices in both the companion animal and livestock sectors.

The European Pharmaceuticals segment comprises Dechra Veterinary Products EU and *Dales* Pharmaceuticals. *Dales* manufactures the vast majority of own branded licensed pharmaceutical products, which are marketed through DVP EU. The segment operates internationally and is unique in having its sole area of specialisation in companion animal products.

The US Pharmaceuticals segment consists of Dechra Veterinary Products US which sells companion animal pharmaceuticals into that territory.

The Pharmaceuticals research and development segment includes all of the Group's pharmaceutical research and development activities.

There are varying levels of intersegment trading. Intersegment pricing is determined on an arm's length basis.

Reconciliations of reportable segment revenues, profit or loss and liabilities and other material items:

		2011	2010
		£'000	£'000
Revenue by segment			
Services	- total	**296,258**	285,670
	- intersegment	**(190)**	(195)
European Pharmaceuticals	- total	**89,287**	84,637
	- intersegment	**(12,225)**	(11,377)
US Pharmaceuticals		**16,107**	10,634
		389,237	369,369
Operating profit / (loss) by segment			
Services		**13,087**	13,103
European Pharmaceuticals		**22,506**	21,412
US Pharmaceuticals		**4,838**	1,311
Pharmaceuticals research and development		**(5,221)**	(4,666)
Segment operating profit		**35,210**	31,160
Corporate and other unallocated costs		**(3,387)**	(2,970)
Underlying operating profit		**31,823**	28,190
Amortisation of acquired intangibles		**(8,938)**	(6,580)
Rationalisation costs		**(474)**	(1,096)
Acquisition costs		**(693)**	-
Impairment of intangible asset		**-**	(230)
Payment to acquire technology for research and development programme		**-**	(418)
Total operating profit		**21,718**	19,866
Finance income		**2,144**	1,632
Finance expense		**(5,348)**	(3,766)
Profit before taxation		**18,514**	17,732
Total liabilities by segment			
Services		**(58,337)**	(51,386)
European Pharmaceuticals		**(14,465)**	(11,954)
US Pharmaceuticals		**(13,837)**	(557)
Pharmaceuticals research and development		**(654)**	(567)
Segment liabilities		**(87,293)**	(64,464)
Corporate loans and revolving credit facility		**(63,814)**	(37,156)
Corporate accruals and other payables		**(2,094)**	(1,078)
Current and deferred tax liabilities		**(18,834)**	(16,601)
		(172,035)	(119,299)
Additions to intangible non-current assets by segment			
Services		**158**	136
European Pharmaceuticals		**8,244**	497
US Pharmaceuticals		**40,056**	-
Pharmaceuticals research and development		**1,212**	845
		49,670	1,478

	2011 £'000	2010 £'000
Additions to Property, Plant and Equipment by segment		
Services	**280**	142
European Pharmaceuticals	**874**	813
US Pharmaceuticals	**63**	288
Pharmaceuticals research and development	**86**	-
	1,303	1,243
Depreciation and amortisation by segment		
Services	**438**	448
European Pharmaceuticals	**9,091**	8,251
US Pharmaceuticals	**1,961**	182
Pharmaceuticals research and development	**407**	306
	11,897	9,187

Geographical Information

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

	2011 Revenue £'000	2011 Non-current assets £'000	2010 Revenue £'000	2010 Non-current assets £'000
UK	**305,737**	**29,156**	305,992	20,981
Rest of Europe	**56,452**	**66,954**	49,451	67,033
USA	**16,107**	**36,709**	10,634	30
Rest of world	**10,941**	**-**	3,292	-
	389,237	**132,819**	369,369	88,044

No customer accounted for more than 10% of total Group revenues.

3. Finance Income

	2011 £'000	2010 £'000
Recognised in profit or loss		
Finance income arising from:		
- Cash and cash equivalents	**1,113**	894
- Loans and receivables	**32**	112
- Foreign exchange gains	**999**	626
	2,144	1,632

4. Finance Expense

	2011 £'000	2010 £'000
Underlying		
Finance expense arising from:		
- Financial liabilities at amortised cost	**3,898**	3,365
- Derivatives at fair value through profit or loss	**-**	401
Underlying finance expense	**3,898**	3,766
Non-underlying		
Loss on extinguishment of debt	**1,256**	-
Unwinding of discounts on deferred and contingent consideration	**194**	-
Non-underlying finance expense	**1,450**	-
Total finance expense	**5,348**	3,766

5. Non-Underlying Items

Non-underlying items comprise:

	2011	2010
	£'000	£'000
Amortisation of intangible assets acquired as a result of business combinations	**8,938**	6,580
Rationalisation costs	**474**	1,096
Expenses of the acquisition of *DermaPet* Inc.	**585**	-
Expenses of the acquisition of *Genitrix* Limited	**108**	-
Payment to acquire technology for research and development programme	**-**	418
Impairment of intangible asset	**-**	230
	10,105	8,324

Rationalisation costs in 2011 relate to the integration of *DermaPet* Inc. and *Genitrix* Limited.

Rationalisation costs in 2010 relate to the closure of our pharmaceutical warehouse in Shrewsbury and transfer of all pre-wholesale logistics to our facility in Uldum, Denmark.

6. Income Tax Expense

		2011	2010
		£'000	£'000
Current tax	- UK corporation tax	**4,551**	3,678
	- overseas tax at prevailing local rates	**2,134**	2,626
	- adjustment in respect of prior years	**(728)**	(92)
Total current tax expense		**5,957**	6,212
Deferred tax	- origination and reversal of temporary differences	**(1,874)**	(1,637)
	- adjustment in respect of prior years	**297**	-
Total deferred tax expense		**(1,577)**	(1,637)
Total income tax expense in the income statement		**4,380**	4,575

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax of 27.5% (2010: 28%). The differences are explained below:

	2011	2010
	£'000	£'000
Profit before taxation	**18,514**	17,732
Tax at 27.5% (2010: 28%)	**5,091**	4,965
Effect of:		
- depreciation on assets not eligible for tax allowances	**8**	8
- disallowable expenses	**450**	48
- (over)/under-recovery of deferred tax on share-based payments	**(28)**	40
- research and development tax credits	**(50)**	(60)
- differences on overseas tax rates	**(165)**	(334)
- adjustments in respect of prior years	**(431)**	(92)
- non-taxable income	**(495)**	-
Total income tax expense	**4,380**	4,575

Tax Recognised Directly in Equity	**2011 £'000**	2010 £'000
Deferred tax on effective portion of changes in fair value of cash flow hedges	**(4)**	(166)
Corporation tax on net loss on hedge of net investment in foreign operations	**-**	364
Deferred tax on currency translation	**-**	(92)
Corporation tax on amount recycled to income statement	**-**	143
Tax recognised in statement of comprehensive income	**(4)**	249
Corporation tax on equity settled transactions	**193**	313
Deferred tax on equity settled transactions	**166**	(220)
Total tax recognised in equity	**355**	342

The 2011 Budget on 23 March 2011 announced that the UK corporation tax rate will reduce to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% (effective from 1 April 2011) was substantively enacted on 20 July 2010, and further reductions to 26% (effective from 1 April 2011) and 25% (effective from 1 April 2012) were substantively enacted on 29 March 2011 and 5 July 2011 respectively.

This will reduce the Company's future current tax charge accordingly and further reduce the deferred tax liability at 30 June 2011 (which has been calculated based on the rate of 26% substantively enacted at 30 June 2011) by £14,000.

It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

7. Dividends

	2011 £'000	2010 £'000
Final dividend paid in respect of prior year but not recognised as a liability in that year: 7.20p per share (2010: 6.10p)	**4,764**	4,000
Interim dividend paid: 3.70p per share (2010: 3.30p)	**2,457**	2,195
Total dividend 10.90p per share (2010: 9.40p) recognised as distributions to equity holders in the period	**7,221**	6,195
Proposed final dividend for the year ended 30 June 2011: 8.40p per share (2010: 7.20p)	**5,582**	4,758
Total dividend paid and proposed for the year ended 30 June 2011: 12.10p per share (2010: 10.50p)	**8,039**	6,953

In accordance with IAS 10 'Events After the Balance Sheet Date', the proposed final dividend for the year ended 30 June 2011 has not been accrued for in these financial statements. It will be shown as a deduction from equity in the financial statements for the year ending 30 June 2012.

The proposed final dividend for the year ended 30 June 2010 is shown as a deduction from equity in the year ended 30 June 2011.

8. Earnings per Share

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

	2011 Pence	2010 Pence
Basic earnings per share		
- Underlying*	**34.33**	29.50
- Basic	**21.33**	19.97
Diluted earnings per share		
- Underlying*	**34.22**	29.39
- Diluted	**21.26**	19.89

The calculations of basic and diluted earnings per share are based upon:	**£'000**	£'000
Earnings for underlying basic and underlying diluted earnings per share	**22,748**	19,437
Earnings for basic and diluted earnings per share	**14,134**	13,157
	No.	No.
Weighted average number of ordinary shares for basic earnings per share	**66,253,477**	65,896,462
Impact of share options	**221,013**	241,438
Weighted average number of ordinary shares for diluted earnings per share	**66,474,490**	66,137,900

* Underlying measures exclude non-underlying items as defined on the Consolidated Income Statement

9. Intangible Assets

	Goodwill £'000	Software £'000	Development Costs £'000	Patent Rights £'000	Marketing Authorisations £'000	Acquired Intangibles £'000	Total £'000
Cost							
At 1 July 2009	21,105	2,097	4,914	2,783	853	68,879	100,631
Additions	-	447	955	76	-	-	1,478
Disposals	-	(1)	-	-	-	-	(1)
Foreign exchange adjustments	(609)	(21)	(13)	-	-	(2,120)	(2,763)
At 30 June 2010 and 1 July 2010	20,496	2,522	5,856	2,859	853	66,759	99,345
Additions	-	964	1,025	821	-	-	2,810
Acquisitions through business combinations	2,171	-	184	-	-	44,505	46,860
Disposals	-	-	-	-	-	-	-
Foreign exchange adjustments	1,582	62	37	-	-	3,738	5,419
At 30 June 2011	**24,249**	**3,548**	**7,102**	**3,680**	**853**	**115,002**	**154,434**
Amortisation							
At 1 July 2009	-	497	623	111	-	9,835	11,066
Charge for the year	-	257	611	230	-	6,580	7,678
Impairment loss	-	-	-	230	-	-	230
At 30 June 2010 and 1 July 2010	-	754	1,234	571	-	16,415	18,974
Charge for the year	-	316	881	227	-	8,938	10,362
At 30 June 2011	**-**	**1,070**	**2,115**	**798**	**-**	**25,353**	**29,336**
Net book value							
At 30 June 2011	**24,249**	**2,478**	**4,987**	**2,882**	**853**	**89,649**	**125,098**
At 30 June 2010 and 1 July 2010	20,496	1,768	4,622	2,288	853	50,344	80,371
At 30 June 2009	21,105	1,600	4,291	2,672	853	59,044	89,565

10. Property, Plant and Equipment

	Freehold land and buildings £'000	Short leasehold buildings £'000	Motor vehicles £'000	Plant and fixtures £'000	Total £'000
Cost					
At 1 July 2009	2,326	2,932	201	9,524	14,983
Additions	-	395	-	848	1,243
Disposals	-	-	-	-	-
Foreign exchange adjustments	(70)	-	-	(31)	(101)
At 30 June 2010 and 1 July 2010	2,256	3,327	201	10,341	16,125
Additions	1	65	-	1,214	1,280
Acquisitions through business combinations	-	-	4	19	23
Disposals	-	(10)	-	(240)	(250)
Foreign exchange adjustments	190	-	-	93	283
At 30 June 2011	**2,447**	**3,382**	**205**	**11,427**	**17,461**
Depreciation					
At 1 July 2009	196	1,019	201	5,527	6,943
Charge for the year	138	231	-	1,140	1,509
Disposals	-	-	-	-	-
At 30 June 2010 and 1 July 2010	334	1,250	201	6,667	8,452
Charge for the year	137	216	-	1,182	1,535
Disposals	-	(10)	-	(237)	(247)
At 30 June 2011	**471**	**1,456**	**201**	**7,612**	**9,740**
Net book value					
At 30 June 2011	**1,976**	**1,926**	**4**	**3,815**	**7,721**
At 30 June 2010 and 1 July 2010	1,922	2,077	-	3,674	7,673
At 30 June 2009	2,130	1,913	-	3,997	8,040
Net book value of assets held under finance leases					
At 30 June 2011	-	40	-	568	608
At 30 June 2010 and 1 July 2010	-	47	-	751	798
At 30 June 2009	-	55	-	970	1,025

11. Deferred Taxes

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Intangible assets	**-**	-	**(14,204)**	(13,217)	**(14,204)**	(13,217)
Property, plant and equipment	**-**	-	**(550)**	(556)	**(550)**	(556)
Inventories	**478**	548	**-**	-	**478**	548
Receivables	**41**	49	**-**	-	**41**	49
Payables	**161**	173	**(230)**	(93)	**(69)**	80
Share-based payments	**861**	600	**-**	-	**861**	600
	1,541	1,370	**(14,984)**	(13,866)	**(13,443)**	(12,496)

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

12. Inventories

	2011	2010
	£'000	£'000
Raw materials and consumables	**5,170**	4,129
Work in progress	**371**	336
Finished goods and goods for resale	**35,219**	30,354
	40,760	34,819

13. Trade and Other Receivables

	2011	2010
	£'000	£'000
Trade receivables	**62,212**	48,293
Other receivables	**2,492**	1,524
Prepayments and accrued income	**1,589**	1,345
	66,293	51,162

14. Cash and Cash Equivalents

	2011	2010
	£'000	£'000
Cash at bank and in hand	**30,496**	26,502
Short term deposits	**-**	5,000
	30,496	31,502

15. Trade and Other Payables

	2011	2010
	£'000	£'000
Trade payables	**63,213**	56,465
Other payables	**4,770**	2,991
Derivative financial instruments	**397**	573
Other taxation and social security	**3,827**	2,707
Accruals and deferred income	**2,352**	1,759
	74,559	64,495

16. Current Tax Liabilities

	2011	2010
	£'000	£'000
Corporation tax payable	**5,391**	4,105

17. Borrowings

	2011	2010
	£'000	£'000
Current liabilities:		
Bank loans	**8,000**	20,000
Finance lease obligations	**502**	441
	8,502	20,441
Non-current liabilities:		
Bank loans	**55,746**	17,500
Finance lease obligations	**339**	729
Arrangement fees netted off	**-**	(467)
	56,085	17,762
Total borrowings	**64,587**	38,203

On 21 October 2010, the Group refinanced its existing bank facility, which gave rise to a loss on extinguishment of debt of £1,256,000. The Group's revised borrowing facilities comprise a term loan of £40 million payable over four years, a £28 million revolving credit facility committed until 30 September 2014, an overdraft facility of £10 million (currently unutilised) renewable on 31 August 2012 and various finance lease obligations.

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

	2011	2010
	£'000	£'000
Bank overdraft facility	**10,000**	10,000
Revolving credit facility	**254**	-

18. Share Capital

	Ordinary shares of 1p each			
	2011		2010	
	£'000	**No.**	£'000	No.
Allotted, called up and fully paid at start of year	**661**	**66,090,075**	656	65,581,924
New shares issued	**3**	**359,584**	5	508,151
Allotted, called up and fully paid at end of year	**664**	**66,449,659**	661	66,090,075

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. At the 2009 Annual General Meeting Shareholders approved a resolution whereby all provisions relating to the Company's authorised share capital were removed from the Company's constitutional documents.

During the year 359,584 new ordinary shares of 1p (2010: 508,151 new ordinary shares of 1p) were issued following the exercise of options under the Executive Incentive Plan, and the Approved, Unapproved and SAYE Share Options Schemes. The consideration received was £542,000 (2010: £589,000). The holders of ordinary shares are entitled to receive dividends as declared or approved at General Meetings from time to time and are entitled to one vote per share at such meetings of the Company.

19. Share-based Payments

	2011	2010
	£'000	£'000
Equity settled share-based transactions	**830**	817
Cash settled share-based transactions	**118**	93
	948	910

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

20. Analysis of Net Borrowings

	2011	2010
	£'000	£'000
Bank loans	**(63,746)**	(37,033)
Finance leases and hire purchase contracts	**(841)**	(1,170)
Cash and cash equivalents	**30,496**	31,502
Net borrowings	**(34,091)**	(6,701)

21. Foreign Exchange Rates

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

	Closing rate at 30 June 2010	Average rate	Closing rate at 30 June 2011
Danish Krone	9.0983	8.614	8.256
Euro	1.2214	1.1556	1.1070
US Dollar	1.4961	1.5745	1.6073

22. Acquisitions

Acquisition of DermaPet Inc.

On 22 October 2010, the Group acquired 100% of the share capital of *DermaPet* Inc., a Florida based business which develops and markets a range of dermatological preparations, including shampoos, conditioners and ear products, for the US and overseas companion animal markets. These veterinary products are marketed and distributed through the same channels as Dechra's current US product portfolio.

The acquisition of *DermaPet* Inc. increases Dechra's US presence and complements its EU range in this key strategic therapeutic category.

	Book value £'000	Provisional fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed		
Identifiable assets		
Trade and other receivables	1,084	1,084
Inventory	384	384
Identifiable intangible assets	-	38,909
Identifiable liabilities		
Overdraft	(1)	(1)
Trade and other payables	(216)	(216)
Net identifiable assets	**1,251**	**40,160**
Goodwill		**326**
Total consideration		**40,486**
Satisfied by:		
Cash		27,519
Deferred consideration		1,163
Contingent consideration arrangement		11,804
Total consideration transferred		**40,486**
Net cash outflow arising on acquisition		
Cash consideration		27,519
Add: bank overdraft		1
		27,520

The fair values shown above are provisional and may be amended if information not currently available comes to light.

The fair value of the financial assets includes trade receivables with a fair value of £1,076,000.

The fair value adjustment in relation to intangible assets recognises product rights in accordance with IFRS 3.

The goodwill of £326,000 arising from the acquisition consists of the assembled workforce and increased geographical presence in the US. The goodwill and identified intangibles are expected to be deductible for income tax purposes.

The deferred consideration arrangement requires payments of US$1,000,000 to be paid on the second and fourth anniversaries of the completion date. The contingent consideration arrangement requires if *DermaPet* Inc. achieves revenue in excess of US$15,000,000 in any rolling 12 month period commencing on the first anniversary of completion and ending on the sixth anniversary of completion, contingent consideration of US$15,000,000, which has been reassessed between the date of acquisition and the year end and remains unadjusted, will become payable. If revenue on the same criteria exceed US$20,000,000, a further US$5,000,000 will become due.

Acquisition related costs (included in non-underlying operating expenses) amounted to £585,000.

DermaPet Inc. contributed £4,993,000 revenue and £1,986,000 operating profit to the Group's profit for the period between the date of acquisition and the balance sheet date.

DermaPet Inc. has now been fully integrated into DVP US and its results are reported within the US Pharmaceuticals segment.

Acquisition of Genitrix Limited

On 1 December 2010, the Group acquired 100% of the share capital of *Genitrix* Limited. The acquisition of *Genitrix* Limited, a veterinary pharmaceuticals company based in Billingshurst, UK, is consistent with our strategy to grow our domestic and international pharmaceutical business.

	Book value £'000	Provisional fair value £'000
Recognised amounts of identifiable assets acquired and liabilities assumed		
Identifiable assets		
Intangible assets	184	184
Property, plant and equipment	27	23
Trade and other receivables	326	326
Inventory	217	217
Cash and cash equivalents	59	59
Identifiable intangible assets	-	5,596
Identifiable liabilities		
Trade and other payables	(318)	(318)
Deferred tax liabilities	(36)	(1,546)
Net identifiable assets	**459**	**4,541**
Goodwill		**1,845**
Total consideration		**6,386**
Satisfied by:		
Cash		5,586
Contingent consideration arrangement		800
Total consideration transferred		**6,386**
Net cash outflow arising on acquisition		
Cash consideration		5,586
Less: cash and cash equivalent balances acquired		(59)
		5,527

The fair values shown above are provisional and may be amended if information not currently available comes to light.

The fair value of the financial assets includes trade receivables with a fair value of £290,000.

The fair value adjustment in relation to intangible assets recognises product rights in accordance with IFRS 3.

The goodwill of £1,845,000 arising from the acquisition consists of the assembled workforce and associated technical expertise. None of the goodwill is expected to be deductible for income tax purposes.

The contingent consideration arrangement, which has been reassessed between the date of acquisition and the year end and remains unadjusted, requires payment of £800,000 to be paid on the achievement of specific milestones.

Genitrix Limited has now been fully integrated into DVP EU and its results are reported within the European pharmaceutical segment.

Acquisition related costs (included in non-underlying operating expenses) amounted to £108,000.

Genitrix Limited contributed £1,565,000 revenue and £736,000 operating profit to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisitions of *DermaPet* Inc. and *Genitrix* Limited had been completed on the first day of the financial year, Group revenues for the period would have been £393,754,000 and underlying pre-tax profit would have been £31,263,000.

23. Contingent Liability

The Danish tax authorities are continuing their investigation into the tax return of Dechra Veterinary Products Holding A/S (formerly *Vetxx*® Holding A/S) for the period ended 31 December 2005, a period prior to the acquisition of the company. They are seeking to reduce the tax losses arising in this year by DKK17.5 million. They have also indicated that they will be investigating the tax returns for 2006, 2007 and 2008. The Directors believe that there are strong arguments to resist this claim. However, should the dispute be lost, the deferred tax asset recognised on acquisition would be reduced by approximately £1.3 million.

24. Other Information

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 June 2011 or 2010 but is derived from the 2011 accounts. Statutory accounts for 2010 have been delivered to the Registrar of Companies and those for 2011 will be delivered in due course. The Auditor has reported on those accounts; the report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

25. Preliminary Statement

This Preliminary statement is not being posted to Shareholders. The Report & Accounts for the year ended 30 June 2011 will be posted to Shareholders shortly. Further copies will be available from the Company's Registered Office: Dechra House, Jamage Industrial Estate, Talke Pits, Stoke on Trent, ST7 1XW. Email: corporate.enquiries@dechra.com. Copies are also available on the Company website www.dechra.com.

26. Directors' Responsibility Statement Required under the Disclosure and Transparency Rules

The responsibility statement below has been prepared in connection with the Company's full Annual Report for the year ended 30 June 2011. Certain parts of that Report are not included with this announcement.

We confirm to the best of our knowledge:

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

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

Approved by the Board and signed on its behalf by:

Ian Page
Chief Executive

Simon Evans
Group Finance Director

Trademarks